

TRI-STATE DEFENDER



A
REAL TIMES
NEWSPAPER

The Mid-South's Best Alternative Newspaper

October 30-November 3, 2004

Pg. 5B

BUSINESS & ECONOMICS

It's Your Money

You can gamble away your future on credit cards.

By Walter Dawson

Credit cards make it easy for you – just pay the minimum amount due each month and there's no hassle.

Wrong.

There's a huge hassle, and it's one largely hidden from you:

You wind up paying so much more in interest that way that it's almost like throwing money away.

People sometimes look at the minimum payment and say, "I can afford that" without realizing the hidden costs they'll end up paying. So what seems like a great way to get the things your family needs ends up costing your family dearly in the long run.

Let's say you need some new furniture, and you buy \$3,500 worth on your credit card. Each month, you send the credit card company a \$70 payment. What you have to realize is that most of your \$70 is going to pay the interest on your loan; it isn't going to pay for that furniture you needed.

It would take you almost **eight** years to pay off that \$3,500 loan. That means, the furniture would end up costing you more than \$12,000 – or even more.

That's an incredible loss to you and your family's well-being.

Yes, credit cards are useful, especially in today's world where paying off a credit card bill can help you establish good credit.

They also reduce the amount of cash you have to carry around and are more convenient than writing checks. However, they're only useful if the total cost is reasonable.

Without understanding the true costs, you could be risking your future in a bad gamble.

The information in this article should not be a substitute for the advice of a professional.

Walter Dawson, Manager, Publications for First Tennessee, is a member of the MemphisDEBT Collaborative, a group of 150 local nonprofits, governmental agencies, businesses and concerned citizens who are helping Memphians keep the money they earn. For free advice about your finances, you can call the collaborative at 507-6638. Or check out their Web site at www.memphisdebt.org.