

Is your credit card your crutch?

MESILA 
Providing the Path to Financial Stability

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Focus on Credit Cards

A credit card balance that you are unable to pay in full at the end of the month equals debt. It means you are spending money you do not have and in the long term your purchase is costing you much more due to interest, charges and fees.

Why do you find yourself turning to your credit card?

Credit cards allow for large borrowing, often perceived as 'free money' – a tempting solution. A recent survey reported by *The Guardian* found that the average personal debt in the U.K. from sources such as credit cards and loans (excluding mortgages) amounted to a staggering £8000; clearly an unrealistic solution which is bound to catch up with the borrower eventually.

Aside from the danger of debt itself, these financial woes create huge pressures, affecting emotional wellbeing, feelings of security and *shalom bayis* within families.

However, there may also be valid reasons for using a credit card. Here are a few examples:

Airline Miles/Points Many people collect various types of credit card points such as Avios, or AmEx points. These can add up and can come in useful. However, be sure to pay your bill in full, otherwise any

value will be offset by the charges paid.

Building a Credit Score Strong credit rating is important if you wish to get a mortgage, because banks are usually unwilling to lend to those with poor credit. Again, though this goal is valid, it's only worth pursuing if you're absolutely certain you can afford to pay the bill at the end of the month.

Large purchase Irregular expenses can arise, such as a new car, washing machine or similar. Having the funds available may not be possible so a credit card can be a useful tool. However, it's worth noting that this should only be done if it's a budgeted purchase, in other words, you know you'll have the money available to make regular monthly repayments.

Insurance Under Section 75 of the Consumer Credit Act, credit cards must provide protection for purchases above £100 and below £30,000. This comes in useful when purchasing a product and something goes wrong.

Whilst these are valid reasons to use a credit card, if you're using a credit card for any other reason, there's a danger of falling into the trap of spending without a clear idea how to pay the bill at the end of the month. For example, you may use a credit card to purchase something you really want and cannot actually afford.

Alternatively, you may just find it too hard to get to the end of the month without turning to your trusty credit card. This may temporarily alleviate the stress, but you soon find yourself in a vicious cycle that you can't break out of.

Just to be clear, we're not talking about low-income families; this is common among people even with a household income as high as £80,000 and beyond!

It's crucial to point out that debt is not the problem; it is merely the symptom. The underlying cause of debt build-up is often down to financial mismanagement. Indeed, dealing with the superficial issue of the debt rarely leads to long-term financial stability. In fact, sometimes, once a debt is cleared, a person becomes complacent and new debt builds up.

Mesila was founded in Eretz Yisrael nearly two decades ago to provide solutions to these problems. Its many branches across the world support people towards achieving and maintaining financial stability.

If you find yourself buckling under your credit card bills, it's time to find a long-term solution – book a session with one of our experienced Mesila financial coaches and walk the path towards financial stability.

For more information please contact Mesila on 0333 344 1711, or email admin@mesilauk.org.