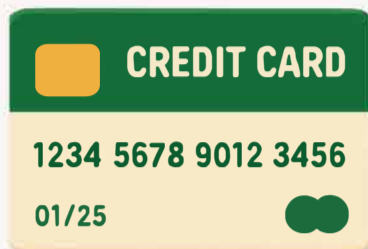


# YOUR CREDIT CARD COSTS MORE THAN YOU THINK



## A CREDIT CARD IS A SHORT-TERM LOAN

When you use a credit card, you're borrowing money from the bank to pay for something now, and you repay it later. You may borrow money up to your credit card limit and every purchase adds to the balance you owe.



## THE INTEREST-FREE PERIOD

Most NZ credit cards offer up to 44–55 days interest-free. If you pay the full amount on time, you won't be charged interest. If you don't, interest starts building.

- Avoid cash advances as cash advances start charging interest immediately.

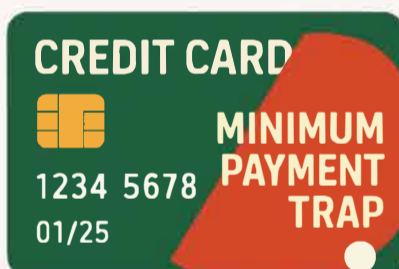


## CREDIT CARD INTEREST

If you don't pay the full balance on due date, interest is charged on the remaining amount.

- Interest is charged daily, not monthly
- It compounds, meaning interest is added on top of interest
- Rates are usually 15%–25% per year

Even a small unpaid balance can grow quickly e.g. If your card charges 20% interest per year, and you buy some shoes for \$100 – after 30 days your \$100 purchase becomes \$101.50 and the interest will keep compounding if the full balance isn't paid when its due.



## MINIMUM PAYMENT TRAP

Your statement might show a minimum payment such as \$20, but paying only the minimum keeps the account 'active' without clearing the debt. It extends repayment time, increases total interest paid and raises risk of missed payments and could impacts your credit score



## AVOID PAYING INTEREST

- Pay the full balance every month
- Set up an automatic payment for the due date
- Track spending so the bill isn't a surprise
- Avoid cash advances

Credit cards are useful when managed well but if you don't pay the full balance, interest builds every single day, and a small purchase can quietly become much more.

A good alternative for people who find credit cards hard to manage is a debit card. It uses your own money, not borrowed money. There is no interest, helps you stay within your limit and budget and works online and in-store just like a credit card.



**Good Shepherd**  
New Zealand