



## Reasons why you should have a credit card

Some people have never had a credit card, and don't want one. Others – if they've declared bankruptcy or have a very poor credit rating – can't get a credit card.

Today, not having a credit card can be very limiting. The key is to choose the right card for you, and make sure your credit card debt doesn't get out of control.

Here are some key reasons why you should have a credit card:

- **You establish a credit rating.**  
If you've never had a credit card, you probably don't have a credit rating. That can make it difficult to buy a car, qualify for a mortgage, rent an apartment or condo or get a loan. With all these things, a credit check is involved. If you're off the credit grid, you'll automatically be considered high risk ... and you could be turned down.
- **There are a lot of things you can't do without one.**  
Travelling could be a challenge. If you're booking a hotel, flight or car reservation, you can't do it without a credit card. Essentially, your credit card is a security deposit. As well, making any online shopping purchases may be difficult. Amazon now accepts both debit and credit cards. But some online retailers accept only credit card payment. And if there's duty to pay when you receive your package, you can only pay it by credit card or with cash.
- **A credit card is a form of ID**  
When you're opening a bank account, you need two pieces of identification. One must be a photo ID such as your passport or driver's licence. The other piece required is usually a credit card.
- **We're moving closer to being a cashless society.**  
Most businesses still accept cash. But there can be those times when you get to the cash register and a sign says "debit or credit only." And Canadians are definitely using cash less and less. A 2013 Bank of Canada survey found 44 per cent of all transactions were done in cash. That was down 10 per cent from 2009. Card processor Moneris predicts Canadians' cash spending will be only 10 per cent by 2030.

- **A credit card's safer than cash.**

If you're travelling abroad and your wallet (full of cash) is lost or stolen, you're never going to get that money back. With a credit card, there's security in knowing you'll get your funds back if it's reported lost or stolen. The risk of fraud is reduced by paying with a credit card. If you pay cash and it turns out you've been a victim of fraud, your money's gone. Period. As well, if you use your debit card and are defrauded, the money's gone instantly from your account.

- **There's built-in insurance.**

When you rent a car with your credit card, you don't have to buy the insurance car rental agencies always offer. You're covered. Some providers also offer you extra insurance (which you have to pay an additional fee for) that covers your monthly credit card payments in case of disability.

- **You can get frequent-flyer points**

Many credit card providers have cards that earn you frequent-flyer points every time you make a purchase, or every time you spend a certain amount on a purchase. It's a good way to build points for that dream vacation.

- **Get cash back**

With many credit cards, you can get one per cent to six per cent cash back on purchases such as gasoline, groceries, and drug store items.

These are all good reasons to have a credit card. But remember not to use it to pay for everything. Relying on a credit card can quickly rack up your credit debt. Make sure you make your credit card payments every month. If you miss consecutive payments, the issuer can increase your interest rate to a very high one. For many smaller transactions, debit or cash is much more practical. Good spending management involves using a mix of cash, debit and credit wisely.

To learn more about proper spending management, please consult with a financial advisor. To find an advisor near you, simply go to [ouradvisor.ca](http://ouradvisor.ca).