



Want to Save Money With a Low Interest Credit Card? Here's How!

An Introduction to Low Interest Credit Cards and Maximising Savings

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Introduction

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Do you love the way your credit cards increase your spending power? Do you like having the ability to pay for purchases over time? Those are two fantastic benefits of credit cards, but they can sometimes make you feel overwhelmed by what they'll cost you in interest payments.

If you feel like you're paying too much interest on your credit card balances, maybe it's time for a switch. Why not look into low interest credit card offers?

Low interest credit cards can help you:

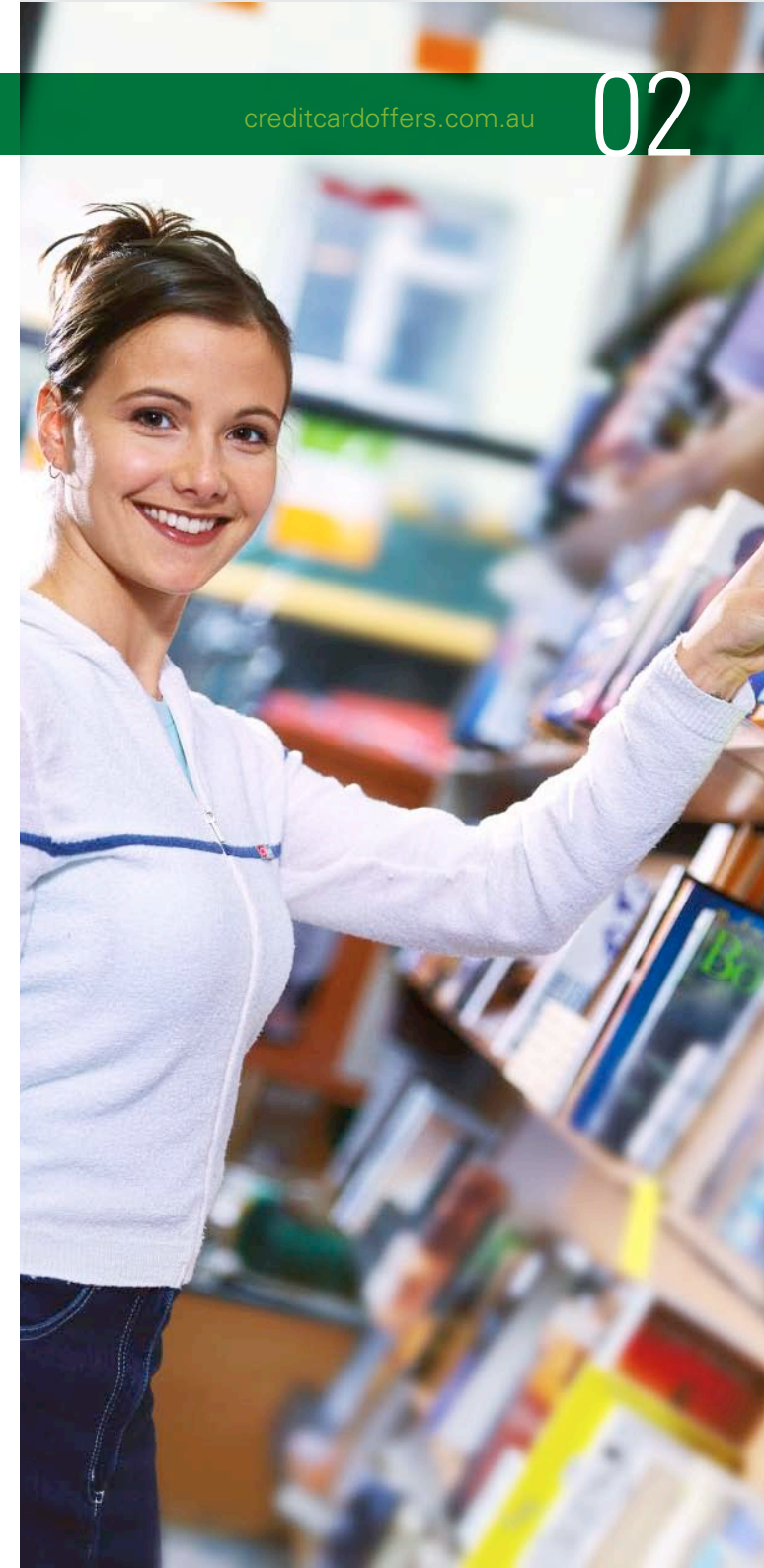
- Save money on existing balances.
- Get out of debt faster.
- Make future financing more affordable.

Whether you're looking to switch credit cards for long-term savings or you just want a temporary rate reduction while you pay down your debt, a low interest credit card could be the right option for you. To help you understand these kinds of credit cards better before applying, we've put together this guide to teach you about:

- Two different kinds of low interest rates;
- How much money you could really save with a low interest credit card;
- The role of balance transfer rates in low interest savings;

- A situation when low interest cards may not actually save you money;
- Where to find these offers and how to compare them before applying.

If you want to learn more about low interest credit cards after reading this guide, you can explore our credit card comparison site and blog at CreditCardOffers.com.au. You'll find more information and low interest offers currently on the market!





A Quick Look at Low Interest Credit Cards

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If the idea of saving money while you pay off future or existing credit card balances appeals to you, you should get a better understanding of low interest credit cards. There are different kinds of low interest offers, and they're each helpful in different circumstances.

To begin let's take a look at what we actually mean when we talk about "low interest credit cards" and then we'll explore two different types of low rates you should be aware of.

What Are Low Interest Credit Cards?

Low interest credit cards sound pretty self explanatory, right? They're credit cards with low interest rates. But what does that really mean? There are different kinds of interest rates tied to most credit cards. Which are these offers referring to? And how can you tell what annual percentage rates (APRs) are really considered low?

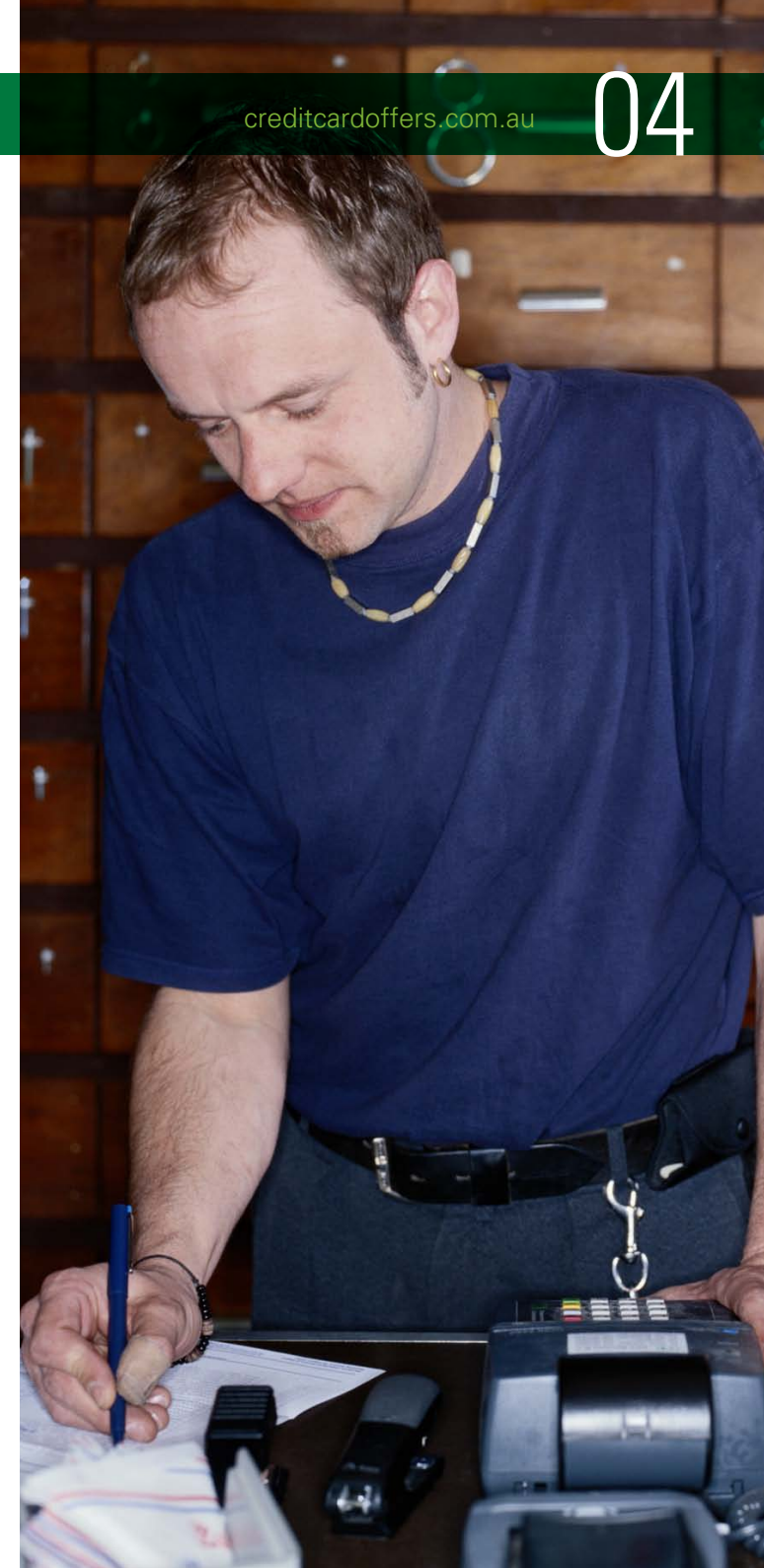
For the most part, "low interest credit cards" refer to cards with low purchase rates. This is the interest rate you're charged on new purchases (after any interest free days that might be available to you). In other words, a low interest credit card will let you save money on any new purchases you make.

NOTE: Balance transfer credit cards are a special kind of low interest credit card. They feature a low balance transfer rate. These are ideal if you already have a balance on a high interest card and you want to switch cards to save money on your existing debt. We'll take a closer look at balance transfer credit cards later in this guide.

As for how low an interest rate has to be to be called a "low interest credit card," there are no hard rules. Generally any purchase rate under 10% would be considered very low. And rates nearing 20% would be considered very high. You might draw the low interest line at 13% while someone else considers 16% to be a relatively low rate. A third person might consider 13% to be too high.

For the purpose of this guide let's say any purchase rate of 16% or less is a low rate while anything 17% or more is a high interest rate.

NOTE: What might be considered low with purchase rates would actually be considered quite high with balance transfer rates. Low balance transfer rates are frequently less than 5%.



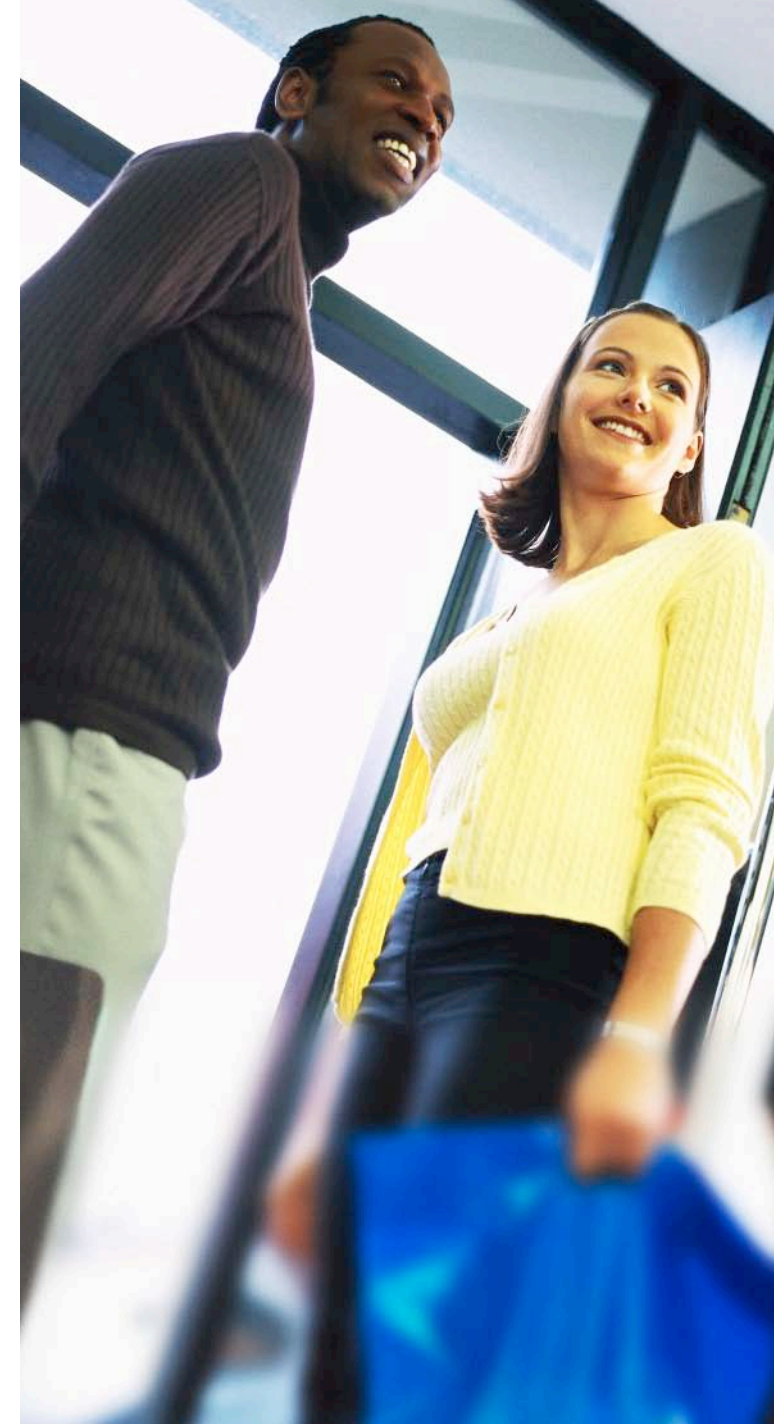
Introductory vs Permanent Low Interest Rates

When comparing low interest offers, it isn't enough to have a number in mind. You also need to consider how long that rate will be available. For example, 9.99% might be a great interest rate. But if that rate is temporary, it might not be a good deal if it reverts to a much higher rate.

Some low interest credit card offers feature permanent low purchase rates. Others fall into the low interest group, but only due to introductory offers. For example, a card might offer 0% interest on purchases for your first six months.

Is that introductory offer a great deal? For those first six months it definitely is! After that, the picture gets a bit fuzzy. You would need to determine what the regular rate is. If it reverts to a reasonable 13% rate, you would still have a low interest card. But if it reverts to a higher 19% interest rate, you might want to keep shopping around.

Now you should have a better idea of what low interest credit card offers look like, and you won't be fooled by short-term introductory rates when you want a more permanent money-saving deal. It's time to take a closer look at that savings potential.





How Low Interest Credit Cards Can Save You Money

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You know that low interest credit cards will help you save money when you finance purchases over time. But how much can you save? And is it possible to take advantage of low interest offers if you're already stuck with a high interest credit card? Are low interest credit cards ever a bad idea?

Let's start by looking at how interest is calculated and then we'll compare similar debts on high and low interest credit cards to give you a better idea of how much interest you can pay (and save) depending on your choice of credit cards.

How Interest is Calculated

Credit card companies often use what's known as an "average daily balance" method for calculating your interest charges. First, the credit card company would figure out the average balance in your account on any given day of the month (add the balances from each day together and then divide by the number of days in the month).

Then they convert your annual percentage rate (the interest rate you see advertised) into a daily periodic rate (the amount of interest you're actually charged per day). To do that they simply divide your interest rate by 365 days in the year. Then they can figure out your interest charges for your statement period by using the following equation.

$$\text{Avg. Daily Balance} \times \text{Periodic Interest Rate} \times \text{\# of Days in Period} = \text{Interest Due}$$

Assume you have an average daily balance of \$250, a 16% interest rate and a 30 day statement period. First, figure out your daily periodic rate by dividing 16% (.16) by 365 days in the year. You get 0.000438 (or 0.0438%). Plug those numbers into your equation to calculate your total interest charges for the month.

$$\$250 \times 0.000438 \times 30 \text{ days} = \$3.29$$

(interest charged that statement period)



Low vs High Interest Rates – What They Can Cost You

How much could a low interest credit card really save you? Let's say you have a \$1000 debt on two different credit cards. One is a high interest card with a purchase rate of 18%. The other is a low interest credit card with a rate of just 12%.

If you were to make a 2% minimum payment each month, here is how long it would take you to pay off each debt and how much interest you would pay over time.

High Interest Credit Card: If you made your minimum required payments each month, it would take you 19 years and 2 months to pay off this high interest debt. Over that time you would pay \$1915 in interest (in addition to the \$1000 in principal debt).

Low Interest Credit Card: If you made the same minimum required payments on your low interest card, it would take you 11 years and 8 months to pay off the debt. And it would cost you \$700 in interest over that amount of time.

Of course you know it's never a good idea to pay only the minimum amount due every month. Right? But those examples show an extreme contrast. Let's look at something a bit more realistic. Maybe you plan to pay \$150 per

month instead of the minimum amount due. With all other things being equal, let's see how our example plays out this time.

High Interest Credit Card: If you paid \$150 per month on your high interest card, you would pay off your \$1000 debt in 8 months. It would cost you \$62 in interest.

Low Interest Credit Card: If you made the same \$150 payment monthly on the low interest card, you would still pay off the debt in 8 months, but you would only pay \$40 in interest.

In this example you can see that the savings are more minor. The more you pay toward your principal debt every month, the smaller the difference in interest payments will be. But if you drag out payments or keep a regular balance month-to-month from new purchases, a high interest rate can cost you much more money over time.

Do you remember how we previously talked about introductory low interest rates and how they're temporary? To help you decide if a low introductory rate is a good idea, let's look at one more scenario. You still have \$1000 in debt and

you still plan to pay off \$150 per month. But your debt could either be on a card with a steady 13% interest rate or a card with an 18% rate but a 0% introductory offer for three months.

Card with a Stable Interest Rate: If you pay \$150 per month on the card with a flat low rate of 13%, you would pay off your \$1000 debt in 8 months, and you would pay \$44 in interest during that time.

Card with 0% Introductory Offer: Because you have a 0% interest rate for your first three months, you would basically pay \$450 toward your debt before being charged interest on the remaining balance. That means only \$550 would be subject to the higher 18% interest rate. With this deal and the same \$150 monthly payment, you would pay off your debt in 8 months (just like you would with the other card). But you would only pay \$20 in interest. Even though the interest rate is higher with this card, the introductory offer is enough to help you save.

** The example calculations come from the online credit card calculator provided by the Australian Securities and Investments Commission (ASIC).*

Low Interest Savings With Balance Transfers

Previously we mentioned balance transfer credit cards as a special kind of low interest card. Let's take a quick look at how they work.

If you have an existing balance on a high interest credit card, it might cost you a lot of money and slow down the repayment of your debt. You aren't stuck with that high interest forever though. You can move your existing balance to a new credit card with a special balance transfer rate.

Essentially you apply for a new card and use it to pay off the balance on the original credit card. The high interest card is paid off and your balance is then subject to the lower balance transfer rate of the new card.

Balance transfer rates are often very low (and sometimes even 0%). But it's important to note that these rates don't usually last forever. They aren't designed to be permanent solutions. Instead they're introductory rates that might expire after several months or a year. The idea is to lower your interest charges temporarily, giving you time to pay off your debt.

If that's your goal, you'll probably save more with a balance transfer credit card than with a typical low interest credit card where the emphasis is on a low purchase rate for future charges. Balance transfer rates are often lower due to their temporary nature.

Even better, look for a card with a very low balance transfer rate that reverts to a reasonably low purchase rate later. Then you get to save on both existing balances and future purchases once your current debt is paid off.



Who Won't Save Money With a Low Interest Credit Card?

Low interest credit cards are wonderful tools for anyone who wants to save money while financing purchases. But there's one group of consumers that won't likely benefit from a low interest deal.

This group includes people who pay off their balance in full every month. They usually get interest free days in this situation, meaning they're never charged interest regardless of their card's purchase rate. A low interest credit card won't save them any money.

If you fall into this group, that's not to say a low interest card would hurt you in any way. It just means you don't need to apply for a new credit card to save on interest. Your existing interest rate isn't costing you money. You might find better savings by switching to a card with a lower annual fee (or no annual fee) instead.

Assuming you don't fall into that last group of consumers, chances are good that you could save money with a low interest credit card. And there's no time like the present to check out some offers.





Comparing Low Interest Credit Card Offers

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Now that you're ready to take advantage of lower interest rates, you need to find some available offers. Let's look at some places where you might be able to find deals currently on the market and some factors you should consider when comparing different low interest credit cards.

Where to Find Low Interest Credit Cards

Here are some common places where you can find credit card offers, including those featuring low interest rates.

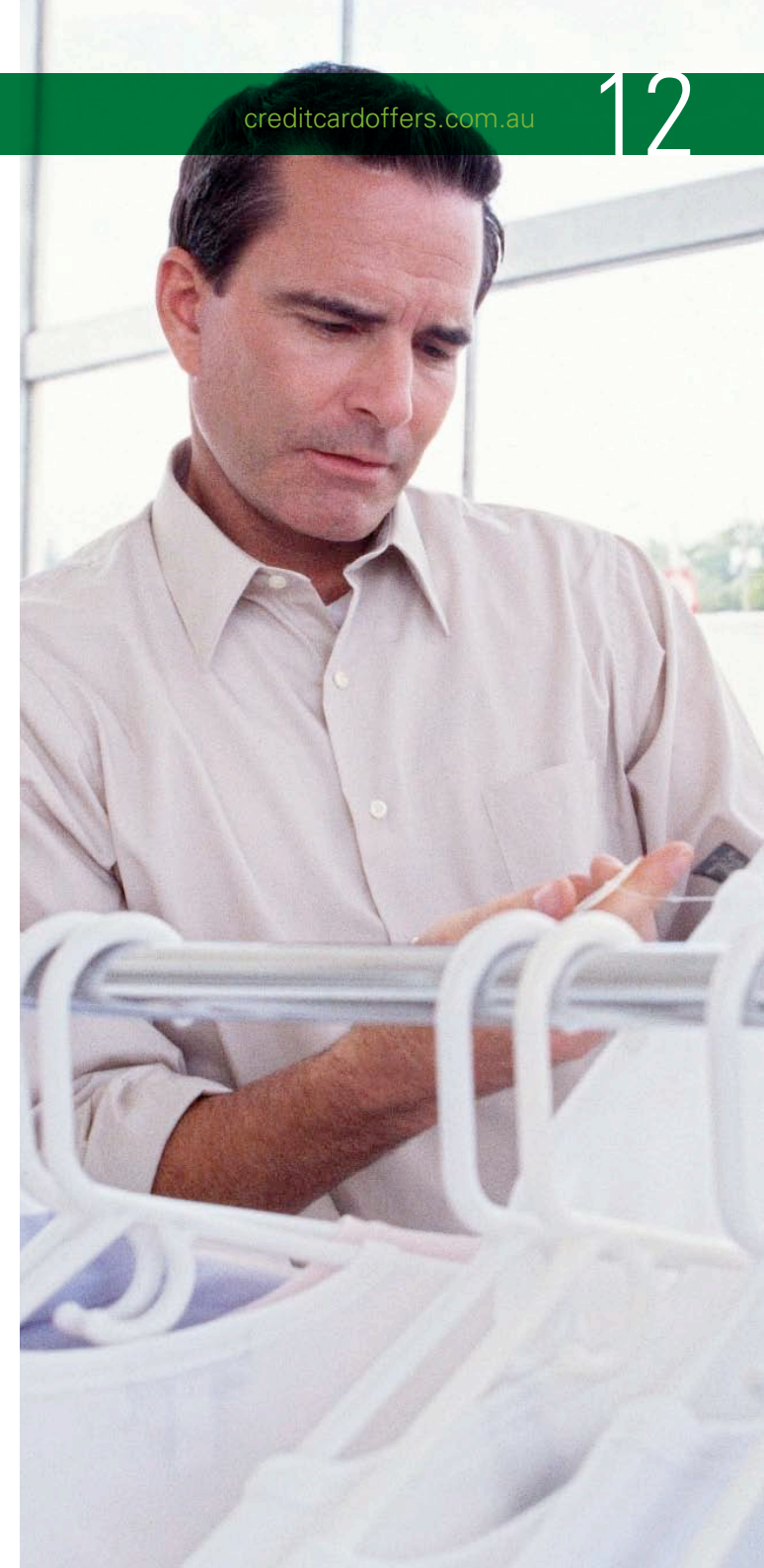
1. Your local bank.
2. Advertisements (either in print or online).
3. Websites of individual banks or credit card companies.
4. Credit card comparison sites (like CreditCardOffers.com.au).

Factors to Consider When Comparing Low Interest Credit Cards

When you find several low interest credit card offers that look appealing, you'll want to compare them side by side before applying for any of them. To help you make that process as smooth as possible, here is a quick list of things to compare and consider while narrowing down your choices.

1. Advertised purchase interest rates.
2. Advertised balance transfer rates (if you want to move an existing balance).
3. Whether the interest rates are permanent or limited introductory offers.
4. What introductory rates will revert to when those offers expire.
5. Annual fees (because high annual fees can offset potential savings from low interest rates).

Now that you know what to look for, you should have no problem comparing low interest credit card offers so you can start saving. You can even use this list to set up a simple credit card comparison chart. Better yet, why not let us help you?





Find Your New Low Interest Credit Card Today!

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Don't waste time visiting local banks or viewing dozens of bank websites in your search for low interest credit card offers. CreditCardOffers.com.au specialises in simplifying your search!

Visit our website today to put our credit card comparison engine to work for you. We can help you sort through a wide variety of available cards. Or you can jump right to our featured selection of low interest credit cards.

We Can Help You

- Find the latest low interest credit card offers.
- Find credit cards with low balance transfer rates to save on existing balances.
- Learn more about credit cards and interest rates on our blog.
- Access online credit card applications.

We go out of our way to find the best low interest credit card offers available so you don't have to. We put all of the information you need right at your fingertips. So what are you waiting for? The sooner you find a great low interest offer, the sooner you can start to save! Visit us to find your new credit card today at www.creditcardoffers.com.au/low-interest-rate.html

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