

HOW TO MANAGE YOUR CREDIT EFFECTIVELY

1. Only get credit you need and believe you can repay.

Most credit providers will make sure you can pay back the money before they lend it to you, but you should also take responsibility for managing your credit. Be clear about what credit you need and why you need it. Work out a budget so that you know what you can afford to repay.

2. Speak up if you are having money troubles.

If you are having trouble repaying your debt, or think you may get into financial difficulties, contact your credit provider as soon as possible as they can often help you – for example, by changing your repayment structure. You can also speak to a financial counsellor. Financial counsellors work in community organisations and provide advice about credit and debt issues. Financial counselling is free, independent and confidential.

3. Review your credit report at least once a year or before you apply for credit.

This ensures you can quickly spot and fix any errors (either personal or credit-specific), so they don't adversely affect your credit application.

4. Complete credit application forms fully and accurately.

If you don't disclose all information about your living and financial situation, credit providers can't make an informed decision about your ability to meet repayments. You might get the credit now, but you could run into financial stress and difficulties when payments fall due.

5. Pay your bills off in small amounts before the due date.

Many credit providers offer payment plans where a portion of the bill is debited from your bank account on a certain date. You can also organise to have payments automatically debited from your bank account. If you do this, when you receive your bill you may find you only have a small proportion left to pay or even that you are in credit. Contact your bank or financial institution to find out how to do this.

6. Close down unused credit card accounts.

For example, if you transfer your debt to a new credit card provider, ask your old provider to close your account. You will avoid fees and charges, and the temptation to use the additional credit.

7. Review your household bills, bank account and credit card activity statements every month.

This will help you spot and investigate incorrect or suspicious transactions, or find bills you may have forgotten about. It also puts you in control of your financial situation.

8. If you have more than one credit card, only ever carry one of them with you.

This not only helps control overspending, but reduces the risk of credit card fraud if your wallet is lost or stolen. If you see something you want, but can't pay for it right now, you could save up for the item, use in-store lay-by or ask friends or family to buy it for you as a birthday gift.

9. Use a deposit account to start saving.

Set up a deposit account with low or no fees, and transfer money into the account each time you are paid. You could use the money you save to pay for holidays, cover unexpected expenses and make significant purchases.

10. Always remember to update your address details.

Each time you change address, you should contact your financial institutions, telephone and utility providers, or any other credit provider you deal with, and provide them your updated details. This will mean that you continue to receive up-to-date account statements and do not risk missing a payment request because it has been sent to your old address.

Visit www.CreditSmart.org.au

CreditSmart is an information website developed by credit experts in conjunction with consumer advocates and government bodies to help you understand the credit reporting system.

Our goal is to help you understand how the credit reporting system affects you, by providing unbiased and fair information.