

Media release
11 December 2006

Retirement Commissioner urges Christmas shoppers to check up on true cost of credit card debt

Christmas could cost many New Zealanders more than they bargained for if they don't check the detail of how their credit cards work.

To avoid this, the Retirement Commissioner is encouraging Christmas shoppers to remind themselves of how their credit card works before charging their Christmas expenses.

"Credit cards are very convenient, but unless you start the month with a zero balance, for example, your purchases may end up costing you more than you expected through added interest," said Diana Crossan.

Reserve bank statistics show that last December New Zealanders charged \$2.132 billion to their credit cards - a \$238 million dollar increase on the previous month. That brought December 2005's total credit card balance to \$4.5 billion, 68% of which was interest-bearing.

"In general, New Zealanders use their credit cards well. More than half of card-holders pay them off every month," Ms Crossan said.

"However, the ANZ-Retirement Commission Financial Knowledge Survey indicated that 20% of people don't know that paying off the card in full gives interest-free days. People may not realise that if even a dollar is left on the card, next month's purchases attract interest immediately."

"Celebrating Christmas does mean spending money. The key is to keep costs under control," she said.

Some simple rules for minimising and repaying Christmas debt:

1. **Know your credit card** - credit cards differ in the number of interest-free days available and the fees and interest rates charged, so find these out before going shopping.
2. **Shop around before you buy** - there are many other credit options available at this time of year as shops compete for Christmas trade, offering interest-free hire-purchase periods and store credit. Always find out the total cost of each option - including interest, fees and penalties.

3. **Borrow only what you can afford** - make a budget setting out your income and expenses so you can see how much you can afford to pay back - this will help you know how much debt you can afford to take on.
4. **Pay off debt as fast as you can** - make a plan to pay off as much debt as fast as possible. This can save a lot of money. If you've opted to increase your mortgage, up your payments to match, or your summer holiday could add years - and thousands of dollars - to your mortgage.
5. **Make a savings plan for next Christmas** - start putting away a few dollars a week to ease you through next Christmas' expenses.

For more information and calculators to help New Zealanders manage their money well, visit the Retirement Commission's free and independent financial website www.sorted.org.nz.

For more information contact:

Robyn Cormack
Marketing & Communications Manager
Retirement Commission
Mobile: 04 494 6243 or 021 242 7936
Email: robyn.cormack@sorted.org.nz