



CREDIT - OVER THE LIMIT

Imagine you had a credit card with a \$500 limit, and in the run-up to Christmas, you nearly maxed out your card. Before taking that last shopping trip of the season, you went online to check your balance and saw that you had \$19 of available credit. "No matter," you say to yourself, "I'll pay the balance in full when I get my Christmas bonus from the office." The only other charge you made was for a couple of mochachinos at the local coffee house, but two days later you were shocked to learn that you somehow went over your credit limit! Worse yet, your card company hit you with a \$29 fee! The Mochachino That Broke the Camel's Back

This can happen a lot easier than you might expect. In the above example, you may have recently "paid at the pump." Oftentimes a gas station charges your card only \$1 at the point-of-purchase and applies the remainder of the charge to your card later that day (or the next day). Let's say you had \$17 in gas that you forgot about. That would reduce your available credit to \$3 (\$19 - \$17 + \$1 for the refunding of the temporary charge). Then when you bought two \$2.50 drinks, you pushed your balance to \$502, exceeding your credit limit by \$2, and receiving a whopping \$29 fine. It happens all the time.

The real question should be, "Why do credit card companies let this happen?" After all, couldn't they just reject your card at the coffeehouse? The gas station reserves the funds on your card even before it charges them, so shouldn't you not be able to buy the coffee and go over your credit limit? It depends. Some people would find this embarrassing fate more horrible than the \$29 over-limit fee, particularly if the second coffee was for a romantic interest or client. But the reality is that credit card companies exist in the world to make money. There's nothing wrong with that, but you need to be aware of the fees and expenses associated with your card and do your best to avoid them. [Tips for Avoiding Over-Limit Fees](#)

1. Use a separate card for your gas purchases. Since "pay at the pump" can distort your true balance, it is wise to use one card exclusively for gas. This can be an actual gas card or just a regular card that you designate as your own gas card. It might be okay to have some recurring charges (cable bill, subscription charges, etc.) also on the card, but don't use it to make "discretionary" purchases. If you have \$200 of recurring charges on your card and you typically spend \$80 a month on gas, this means you'll only need a card with a \$300 limit. Then again, \$500 would be better for a little cushion in case you spend more on gas - either because you take a trip or because gas prices go through the roof!

2. Check your balance on a daily basis. If you maximize the benefits of your credit cards by nearly maxing them out each month and then paying off the balance in full, then you need to spend a little more time making sure managing your cards. Check your balance online every day and look at the itemized charges. Sometimes charges don't show up right away, so be on the lookout for anything that's missing. And if you do use your card for gas, make sure you keep your gas receipts so you know how much you really spent when your statement still says "\$1."

The Real Cost of Exceeding Your Limit

No one likes paying \$29 extra for a couple of coffees, but the even greater cost of going over your credit limit is the damage it does to your credit. Many card companies begin charging you the maximum interest after just one overage - and not the card you went over on. An entirely unrelated company might also jack up your interest rate, even though you've always paid your bills on time with them, so do everything you can to avoid going over.

Credit cards are wonderful tools, but they come with serious responsibilities. You should be using a credit card to your advantage - whether that means getting an interest-free loan every month by paying your balance off in full, or just the simple security and satisfaction that having extra buying power at your fingertips can bring. But when you start paying \$29 fees and higher interest, you are letting the powerful tool wield itself against you. Be a smart consumer, but also check the over-limit fees and practices of cards before you sign up for them. No one intends on exceeding their credit limit, but it does happen to most people, so be aware!

Sincerely,

James

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