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Credit Card Fool

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We allow the credit card industry to make fools of us and we do nothing about it. If someone told you that you were being made a fool of, wouldn't you address the issue? I know I would.

Credit card companies have revenue of \$76.03 billion dollars and the majority of this revenue comes from late penalties and over limit and cash advance fees. \$29.2 billion came from late penalties, \$15.2 billion from over credit limit fees and \$3.04 billion from cash advance fees. This amount is 62% of the credit card companies' revenue and this does not include finance charges. Nice profit!

The above is the reason why credit card companies can afford to mail over 5 billion credit card offers per year. This equals to 6 offers per household per month. Maybe the \$2 billion in postage alone is a reason why our government does not look into the credit card industry seriously.

Every bank and retailer wants you to have their credit card. Having their credit card enables them to make huge profits. In 2001 both Sears and Circuit City reported that over half of their corporate profits were from finance related revenue. Do you think this could be the reason why retailers always have an employee at the front door of their store offering you to sign up for their credit card and in return you receive a special gift or extra "so called" discount? Most special gifts and extra discounts end up costing you more than the original purchase due to finance charges.

I may not be able to confront these institutions that are trying to make a fool of me, but I can fight back by believing that "Cash is King" and using cash instead of credit will save me money in the end.

It's a New Year and personal money management should be on the top of your list for 2006.