

By [iCompareLoan Editorial Team](#)

How To Choose A Credit Card



A credit card is a loan that grants the cardholder a line of credit to make purchases, without requiring any collateral. There are a lot of factors that have to be considered in selecting a credit card, and choosing the right card means finding one that is the most suitable for you.

The draw of most cards is the advantages and privileges they make available to the cardholder. But before you take a look at all those, remember that the credit card you choose must first be appropriate to your financial situation.

Your Two Primary Considerations in Getting a Credit Card

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1. Purpose:

The first thing you have to think about is what you will be using the credit card for. Will you be utilizing it to pay your bills? Will it be for shopping online, or perhaps traveling abroad? Will it be for making large purchases? In relation to this - how much will you be spending using this card?

2. Payment:

It's important to think about how you will be paying for your credit card bill, and whether you can afford to make regular payments. You'll also have to decide whether you will be making monthly repayments or if you will be making several repayments spread through a certain period of time. If you prefer the former, you can benefit from the interest free period, and as so, the interest rates may not matter so much to you. If you choose the latter, you will definitely have to think about the interest, thus you need to find a card with lower interest rates.

Other Important Factors in Choosing a Credit Card

After you've got the first two considerations down pat, you may go ahead and take a look at the other aspects of the credit card.

1. Credit Limit.

The credit limit refers to the maximum amount you can spend using your credit card. This is determined by your bank, and it depends on your annual income.



2. Effective Interest Rate.

The EIR is the best peg for the cost of borrowing. Credit cards offered by the various banks in Singapore have different EIRs, with an average EIR of about 25%. It will generally be to your advantage to select one with a lower rate.

3. Annual Fee.

Certain cards will be charging you a fee every year. This will be added to your bill, on top of the amount you have to pay. Take note that an interest will be charged for this fee if you don't pay it in full.

4. Interest Free Period or Grace Period.

This varies between banks, but this is typically the period of time between your purchase and the date your payment is due, in which no interest is charged. However, cardholders who are unable to complete previous payments will not qualify for the interest free period.

5. Minimum Repayment.

This refers to the minimum amount you will be required to pay if you aren't able to complete the monthly payment.

6. Introductory Interest Rates.

Your initial card payments may have a low interest and subsequent repayments cost more as the rate



of interest increases. Certain cards may begin with no interest at all. As you do your research, be sure to take a look at how long the introductory period would last, and by how much the rate will rise after this period.

7. Other Fees and Charges.

Be sure to check what other fees and charges you will have to pay for. Look into penalties for things such as late payments, exceeding your credit limit, or using your card overseas.

8. Cashback.

The cashback is a nice perk that enables you to receive a refund or rebate when you pay using your card. This would depend on your spending as well as certain qualifications set in the credit agreement. The rebates you accumulate may even be credited to your account after a predetermined amount of time.

9. Rewards or loyalty points.

Banks offer rewards or loyalty programs to ensure that their cardholders remain with them. In these, you acquire points each time you use your card; the more you utilize your credit card, the more points you rack up. Depending on the credit agreement, the points you accumulate may be exchanged for gift items, vouchers, or air miles. Your points may also afford you a discount or enable you to pay for certain goods, based on promotions made available by partner establishments. These rewards points may or may not have an expiry date, so don't forget to check. You should also determine beforehand how and where you can use your points, and if you are likely to use them.

10. Other incentives and promotions

Summary

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In selecting a credit card, it's necessary to factor in your spending, your ability to pay, as well as the benefits you're most interested in. Making the right choice can reap significant rewards through the years, so choosing a credit card may not be the kind of decision you should make flippantly. Of course, there are various kinds of cards offered by Singapore's different banks, so it would be best for you to get some expert advice on comparing them. A trusted financial adviser will be considerably helpful in such an important process.

For advice on a new loan, go [here](#).

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iCompareLoan Mortgage Consultants is a research focused independent mortgage broker. We emphasize a consultative approach where we match our client's financial situation with the best fit mortgage loan, not simply a cheap loan.

Paul Ho is the editor of www.PropertyBuyer.com.sg, www.iCompareloan.com and www.SingaporeHomeLoan.net and he holds a Masters of Business Administration from a reputable university. He is passionate about helping people enhance their wealth through financial literacy and in making money work harder for them.

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