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Money smart: Before you put it on your card

This week, the big banks will have their tents on Gould Street. Their representatives will try to get you to sign up for one of their credit cards, luring you in with offers of free rewards and telling you about some of the great features you will enjoy with their card. They'll make having a credit card sound wonderful. And if used correctly, having one can be. But if abused, having a credit card can turn into a nightmare.

I will never forget the day I was working at the bank when a customer came in with a stack of over 20 credit card bills. He had a credit card with almost every bank and department store: TD, Home Depot, RBC, Sears. And each one had a balance topping $2,500. His number of bills and their balances horrified me. Even more terrifying was the interest he owed on each.

If you don't understand how to use a credit card properly, it's easy to end up with a pile of growing debt and later find it nearly impossible to be approved for a car loan or mortgage.

Here's what you need to know about signing up for a credit card and how to use one the right way.

Having a credit card does more than let you buy concert tickets and clothes online. Having a credit card and paying your minimum payment on time can help you develop a high credit rating, which you will need to be approved for a car loan or mortgage in the future.

Elena Jara, director of education at Credit Canada Debt Solutions, and Barbara Knoblach from Money Coaches Canada say it's important to ask these questions when looking for a credit card.

Questions to ask while hunting for the right credit card:

What is the annual fee?

What is the annual interest rate?

How long is the grace peirod between when the bill is issued and when the payment is due?

When is my monthly payment due?

Does it have cashback or rewards?

A credit card lets you buy something and pay for it later, but you can’t forget about the “pay for it later” part.

“Your credit card is not your money,” says Barbara Knoblach, an Edmonton money coach for Money Coaches Canada.

The moment you use your credit card to buy something, you’re spending the bank’s money. If you don’t pay the bank back its money every month, it will charge you interest on that money. And not just a little interest — a lot.

Some credit cards have annual interest rates as high as 21 per cent. To put that into perspective, if you kept a balance of $1000 for a year, you would pay over $210 in interest.

That sounds super scary, I know. This is why you must pay off your balance in full every month. If you do this you won’t have to pay a nickel of interest. Can’t pay off your balance every month? “Then you shouldn’t have a credit card,” Knoblach says.