



# Credit card health check

Australia's banks are luring consumers with high credit card debt into special low rate credit card balance transfer offers but analysis by financial comparison website mozo.com.au reveals the most important factor for consumers looking to tackle credit card debt is not the interest rate, but the speed in which they intend to pay off the balance.

Using an average credit card balance of \$3,000 (based on Reserve Bank data), and comparing this with a standard 'Big Four' Bank credit card, mozo.com.au used its award-winning health check tool to run three common repayment scenarios to see which current balance transfer deals offered consumers the best savings.

The results were surprisingly varied.

## Scenario 1 – Making the monthly minimum repayment

If you only make the minimum monthly repayment, to repay the debt on a standard big bank card it will take you eight years and cost over \$4,000 in interest and fees. Consumers are best to go with a balance transfer card with a low rate for the life of the balance transfer such as the CUA Rewards, IMB Rewards and Community CPS Rewards Cards. Though these cards feature higher interest rates than other balance transfer offers they don't have the nasty sting of reverting to a regular credit card rate after the introducto-

ry term is up. With an interest rate of 4.9 percent these cards would save consumers well over \$3,000 in interest and repay their debt four years faster compared to the standard bank credit card.

## Scenario 2 – Paying off the balance over a year or two

If you are planning on making payments of around \$200 per month it will take 18 months on the standard card at a cost of \$650 to repay the debt. If you fall into this category a low rate card such as the BankWest Zero card is the best bet with a low 1.99 percent rate for 12 months and no annual fee. The next best offers are from ANZ and Suncorp which both have offers of 2.9 percent for 12 months. If you switched from a standard bank credit card to one of these offers you could save almost \$600 in fees and interest.

## Scenario 3 – Paying it off fast

This is really the only time that a 0 percent for six months offer may be the best option. If you want to get rid of your debt within 6 months there are a number of cards with a low six month balance transfer offer and no annual fee in the first year. The Coles Group Source Card offers 0 percent for 6 months, but the next best are the BankWest Zero card and ANZ First card. If you pay off your debt in the introductory period you'll pay next to nothing in interest or fees.