

# Tips When Wanting To Cancel A Credit Card

Closing a rarely used credit card may sound like a good idea, but it's not as simple as some people may think.

"Many don't realize that closing a credit card can negatively impact their credit scores in the short term," said Michael Sullivan, a personal financial consultant with Take Charge America, a national nonprofit credit counseling and debt management agency. "That said, sometimes it may be worth taking the hit to your credit score — especially if it means saving yourself from overspending and falling deeper into debt."

Sullivan offers several tips to help consumers determine whether closing a credit card is the right move:

## When to Close a Credit Card

**Tempted to spend:** If you have a hard time controlling your spending, closing the account may be your best option to avoid the temptation.

**Card fees:** If a card has high annual fees, consider paying off the balance and canceling it. You can also transfer the remaining balance to a credit card with better interest and fees. Remember, though, there may be a balance transfer fee.

**Fraud alert:** If your credit card is compromised and freezing the account won't protect you from fraud, consider canceling the card.

**Splitting up:** If a joint account needs to be separated, as in a divorce,

canceling makes sense.

**Balance transfer:** If you transferred a balance to a lower-interest card, consider closing the higher-interest account, unless it's been open for more than three years. However, if you have a longer history with the card, or if there's a cancellation penalty, just put it away or cut it up.

## When Not to Close a Credit Card

**Rarely used:** Canceling a rarely used card can hurt your debt-to-credit ratio and drop your credit score. To remove the temptation to spend, consider cutting or storing the card without closing the account.

**Making payments:** Whether an account is open or closed, finance charges accrue when there's a balance on the card. Paying down the balance improves your debt-to-credit ratio but only if the account is open.

**Shopping for a loan:** Looking to purchase a house or a car in the next year? Canceling a card can impact your credit score and prevent you from qualifying for good terms and interest rate on a loan.

Consumers who are overwhelmed by debt or struggling to pay bills may find guidance with a free online credit counseling session.

To learn more, visit [www.takechargeamerica.org](http://www.takechargeamerica.org) or call (888) 822-9193.

