Use Credit Wisely
Use Credit Wisely

Know the rules | Spend responsibly | Be protected | More on credit

Manage Your Debt | Make Your Budget Work | Money Saving Ideas

Credit is a powerful tool

Get Your Credit In Top Fiscal Shape

Useful tip #1:
Don’t take on monthly credit payments unless you are certain you can meet them.

Credit cards, loans and other types of credit make managing your money easier, and can be especially useful during emergencies.
Types of credit

Credit is a powerful and convenient tool

Credit cards, loans and other types of credit make managing your money easier, and can be especially useful during emergencies. Credit makes it easier to pay for large expenses such as appliance and furniture purchases, while a mortgage makes purchasing real estate more affordable.

But credit is also a big responsibility. When you use credit improperly, it can disrupt your future cash flow and cause you other problems. It is important to know more about credit so you can use this tool wisely.

Types of Credit

You can obtain a loan for a specific purpose, such as financing a new car, buying or renovating a home. You can also take out a loan for business purposes.

Loans are generally divided into two types: secured and unsecured. A secured loan is a loan that is guaranteed by collateral of some kind. Collateral is an item of equal or greater value than the amount of the loan, such as a car, a home or a cash deposit. An unsecured loan is not guaranteed by anything.

Credit cards are perhaps the most common type of personal and unsecured credit. Using a credit card is like getting a loan. Every time you charge something, you are actually availing of your credit line for your purchases. If you decide to pay the money through installment, the credit card company adds finance charges to your account that you must pay along with the purchase amount.
Know the rules

All about credits

Types of credit
- How much credit can you afford?

10 Tips for good credit
Applying for credit
Maintaining good credit

How credit cards work?

Card ownership
Credit limits
Fees and payments
Account Balance vs Minimum Payment
Finance charges
Cash advances

How much credit can you afford?

If you do not make your credit card or loan payments on time, there will be serious implications for you. Defaulting on a loan or credit card is serious business, and can affect your ability to take out new loans in the future. It may even lead to legal action.

Set a realistic budget... and stick to it!

To prevent such problems, it is important to use credit wisely. That’s why the first step in using credit wisely is knowing how much you can afford to borrow. You need to take a long, hard look at your current and future financial situation before you take on any new debt. Then, set a realistic budget for debt repayment by computing your debt ratio.

Debt ratio

Debt ratio shows you how much you owe compared with how much you earn. It usually gives a clear picture of your financial well-being. The lower your debt ratio, the more you have left over to save or spend on other things.

Your debt ratio is the percent of your monthly take-home pay that goes to paying debts and monthly obligations. It is calculated this way: Take the amount needed to repay debts each month, including rent or mortgage, and divide this by your take-home pay (your net pay after deduction of tax).

Example

<table>
<thead>
<tr>
<th>Monthly debt repayment</th>
<th>Monthly take-home pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM800</td>
<td>RM2,000</td>
</tr>
</tbody>
</table>

Debt ratio - 40%

Many experts recommend that no more than 15-20% of your monthly household take-home pay (excluding rent or mortgage) should be used to pay debts and make loan and credit card payments. Furthermore, no more than 40% of your monthly take-home pay should go to paying all debts, including mortgage payments.
10 Tips for good credit

Become a responsible consumer

After you’ve determined how much credit you can afford, follow these steps to manage it well:

- Know your loan’s credit terms or the terms of your credit card agreement.
- Understand the terms of the agreement before you accept a loan or credit card.
- Set aside money each payday for emergencies.
- Set a monthly limit for charges and stick to it.
- Shop as carefully with credit as you do with cash.
- Don’t take on more monthly credit payments than you can afford.
- Pay bills promptly to avoid penalties and to keep finance charges low.
- If you charge day-to-day expenses, make sure you pay down enough monthly to keep your debt or credit card from ballooning.
- Keep credit card information (including phone number of issuer) in a safe place in case your cards are lost or stolen.
- Keep copies of sales slips and compare charges when bills arrive. If there’s a mistake, call your credit card company right away.

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Applying for credit

Creditors look at several key indicators when you apply for a credit card or a loan. These indicators are affected by how you manage your credit, and so it is important to always keep them in mind.

Credit Scoring

Credit scoring is a system used by banks and other lending institutions to determine whether or not you are creditworthy. It is more heavily used when you apply for unsecured credit, including credit cards.

Creditors collect information about you and your credit standing from your credit application and know about your credit standing by referring to a database maintained by financial institutions about their borrowers and credit cardholders. This information may include your bill-paying history, the number and types of accounts you have, late payments, collection actions, if you have applied for new credit recently, outstanding debt and how long you’ve had existing accounts. Using a statistical program, creditors compare your information to the credit performance of consumers with similar profiles.

The three Cs of good credit

- **Client History:** How responsible you are in paying bills on time.
- **Capacity:** Your ability to pay back a loan or credit card dues based on your income and financial position.
- **Collateral:** Security for the lender in case you don’t pay back the loan. A house, for example, would be used to collateralize a mortgage.

Positively changing your “three Cs” will help improve your credit standing. The first two Cs are very important in developing what is called your “credit score” or “credit rating”.
Maintaining good credit

Become a responsible consumer

A few simple rules can help you build and maintain a solid credit standing.

- Pay at least the minimum payment due on time every month.
- Don’t overextend yourself. Don’t spend more than what you can repay.
- Spend as you earn. Don’t borrow in anticipation of future earnings.
- Avoid transferring balances unless you are really getting a better interest rate.
- Notify creditors when you move, so your bills will arrive on time and you can pay on time. If you don’t get your bill, you are not excused from making the payment. Be aware of the due dates of your loans or credit card and if you don’t receive a statement, call the customer service number listed on a previous statement or credit card. The company can tell you your minimum payment and where to make the payment.
- Check your credit report from Bank Negara Malaysia at least once a year to make sure it is accurate.

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Card ownership

Credit cards are the form of credit most people will apply for and use during their lifetime. It is a financial tool you can use to your advantage, if managed responsibly.

Information is the key to managing your credit cards well

Know and understand the terms of your credit agreement. Once you understand how they work, you can take control of your finances.
Credit limits

When you apply and are approved for a credit card, the credit card issuer sets a credit limit, which is the maximum balance you can avail on your account. Each credit card issuer has its own standards for setting credit limits. Some factors that may affect their decision are:

- Your monthly income
- Current debt (other credit cards, car loans, etc.)
- Length of residence at your current address
- Home ownership
- Number of times you’ve applied for credit
- How much credit you need or use.

You may ask your credit card company to increase your credit limit. The answer will depend on your total financial picture. You may qualify for a higher credit limit if you always pay on time, if your income has increased or your debts have decreased, and if you always pay more than the minimum due or your balance in full.
Fees and payments

Annual fee

Some credit cards may require an annual fee. This is the yearly cost of owning a credit card. The annual fee may be posted to your balance when you open the account and added each year on the anniversary of your account opening.

Late fees

Late fees are avoidable and late payments may harm your credit history, which could make it harder for you to get credit in the future. You may also be charged a late fee if you don’t pay the card company by the due date. One convenient way of card payment is to arrange for an automatic debit arrangement with the issuer, if you are maintaining a savings or checking account with the same bank. A good number of credit card companies also offer online payment options. Payments made this way are usually posted to your account within 24 hours, if not on real time.
Account Balance vs Minimum Payment

Your minimum payment is not the same as your account balance. If you assume the minimum is all you need to pay each month, you could owe far more in finance charges than you budgeted.

Account balance

This is your total accumulated balance as of the statement date. It includes any unpaid balance from the previous month, new purchases since the closing date of your last statement, and any cash advances you may have taken. The credit card company will also add in any other charges such as an annual fee, finance charges and other fees.

Minimum payment

This is the smallest amount of your balance you can pay by the due date and still meet the terms of your card agreement. The minimum is often a specific fraction of the balance, such as 5% of the outstanding balance. By always putting at least the minimum payment due on your credit card, you avoid paying late fees.

Keep in mind that the minimum payment is not the only amount you owe. You will be charged interest on the portion of the balance that you don’t pay by the due date.
Finance charges

Finance charges can be calculated in different ways. Your account statement describes the method that applies to you. In general, finance charges are based on one of the methods below.

Average daily balance

Many credit card companies use this method. The credit card company totals your balance each day during the billing period, adds these daily balances together and divides by the number of days in the period.

Ending balance

The credit card company may use your ending balance for the billing period. If so, any purchases and payments during the billing period are included.
Cash advances

Cash advances are convenient, but they can also be costly. Make sure you know the terms before you take a cash advance.

A cash advance is not a regular credit charge - it is a short-term loan that you must pay back as soon as possible. You may be required to pay a one-time transaction fee (may vary 3% to 5% of the amount) in addition to finance charges that start to accrue immediately. The interest for cash advances is often higher than for purchases. That's why it is not advisable to use a cash advance to pay for ordinary living expenses and other non-essential expenses or to cover other credit card bills.

Part of the overall credit limit for your credit card account includes a separate cash advance limit. These amounts are shown on your monthly statement. At any given time, the total of your cash advances and any interest on them cannot exceed your cash advance limit or cause you to exceed your overall credit limit.

Many credit card companies begin adding finance charges as soon as you take out a cash advance. You may not have to repay the cash advance in full the first month, but if you carry a balance, remember that you will pay for more finance charges.

How To Get Cash Advance

- **At a bank:** With your card, you can charge a cash advance at virtually any bank, including those in other countries.

- **Through an ATM:** With your card and your Personal Identification Number (PIN), you can request a cash advance at an Automated Teller Machine (ATM) anywhere around the world.
Budgeting

Develop good habits before problems start

Even the most careful spenders can find themselves with too much debt on occasion. Often, financial crises result from circumstances beyond your control. Maybe you or someone in your family lost a job or became seriously ill. Of course, this could also be because of unrealistic spending habits.

Budgeting

The best way to deal with credit problems is to develop good habits before problems start. As a first step, you need to organize your finances and keep a budget. Even if you are experiencing cash flow problems, a budget is a powerful tool for helping you get out of debt and maintaining good credit afterwards.

A budget helps you organize your spending. It tells you how much money comes in, how much money goes out, and where the money goes. A budget can also tell you where some changes might be needed. It will help identify expenses that aren’t as important to you so you can free up money for the important ones.

A Budget can help you:

- Get control of your finances
- Keep out of financial trouble
- Become a smarter consumer
- Set and achieve financial goals
- Pave the way to a secure future
Keeping a budget

Creating a budget isn’t difficult. All you need to do is spend some time organizing and planning. Once it’s set up, a budget can be easy to maintain. Just follow the steps below to help with your budget planning.

Step 1: Set your goals

The first thing you need to do is identify your goals - a new home, early retirement, even an education. You can group your goals into three areas: short-term, mid-term and long-term financial goals. Ask yourself: What’s important to me? What do I need? What do I want? Your answers to these questions will help define your goals. If you’re married, you and your spouse should discuss your answers and decide what your shared goals will be. Then write down those goals. Once you know what you want, you can begin to budget accordingly.

- **Short-term goals**: These are goals that you’ll achieve within the next year, give or take a few months. They may include paying off credit card dues, purchasing a new television or refrigerator, or saving for a vacation.

- **Mid-term goals**: These are goals that you want to achieve in the next two or five years. For example, you may want to save for a downpayment on a house or new furniture for your home.

- **Long-term goals**: These are goals that take more than five years to reach. Retirement savings and college expenses are common examples.

Step 2: Gather information

Pull together the records of all of your household income and expenses. Be thorough and honest when estimating any expenses. Your budget should be an accurate picture, not a “best case scenario.” Gather the following information:

- Pay slips
- Your income tax return
- Cheque book records
- Credit card statements
- Payment information for major purchases such as car loans
- Financial statements from banks and financial institutions

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Step 3: Find out where you stand

After you’ve collected all of the information, you can see the relationship between your income and expenses. It is alright to use estimates for your first budget calculation. It may take a few months to find out exactly where you stand, but this exercise should give you a good idea of your spending habits.

You should organize your information into the three sections below. These three sections will be used to make up your budget.

- **What you earn**: Add your income from various sources, including “take-home pay” after taxes, commissions or bonuses, Socso and EPF deductions, pension scheme, disability benefits, dividends, etc.

- **What you spend**: Add your fixed and variable expenses. Fixed expenses are those payments whose amounts don’t change every month (rent, mortgage, insurance, loan payments, retirement savings, etc.) and usually cannot be eliminated. Variable expenses are those that change (cable television, groceries, gas for your car, telephone, etc.) and could be reduced or eliminated.

- **The bottom line**: Subtract total expenses from total income. The amount left over is called “discretionary income”. This is the money that you can use for emergencies and meeting budget goals.

Step 4: Check your bottom line

Your bottom line is the difference between what you earn and what you spend. It tells you if you’re spending too much. If the figure is positive, you can increase the amount you pay for debt or credit card dues, or add more to your savings. If the figure is negative, you are spending more than you earn and probably paying for the difference using credit.

If you’re spending more than 15-20% of take-home pay on repaying debts and credit cards, you could be in a danger zone. If your bottom line is negative, you need to examine your expenses, especially the variable ones, to help bring your spending under control.
Keeping a budget

Step 5: Keep track of expenses

After you do your first budget calculation, start keeping a monthly expense record. Even if your bottom line is positive, it’s still important to learn everything you can about how you spend your money.

Carry a small notebook everywhere and record all purchases and withdrawals. You’ll be amazed at what you learn about your spending habits. For example, many people find that they spend thousands of Ringgit each year on snacks, clothes or mobile phone bills. People usually get into trouble with non-essentials - the things they could easily do without. The goal of tracking expenses is to understand where you’re spending your money.

Spend responsibly
Are you headed for trouble?

Generally, if your bills are increasing and your income isn’t, you’re in trouble or heading for it. Check the following list. If two or more of these apply to you, it’s time to take a serious look at your finances.

- My required monthly minimum payments are 20% or more of my take-home pay, not including rent or mortgage payments.
- I use cash advances from one credit card to pay off another.
- I don’t know how much my total debt and credit card usage is.
- I’m getting calls or letters from creditors about overdue payments.
- I often pay bills late.
- I’ve recently been denied credit.
- My income isn’t enough to pay all my current bills.
- A purchase was turned down because my credit card was over the limit.
- I have more than three credit cards and I’m using all of them.
- I have at least three credit cards and I am still applying for more.

If you feel that your finances are getting out of control, follow the budgeting and planning steps in this section to help you regain financial control. You may need a few months to improve your spending habits. Keep adjusting until you have the plan that works best for you.

Getting spending under control is not easy, so include your family in all plans. They can help you sort out your finances. Besides, the changes you make will affect them too, so get them involved in the budgeting process.
Getting spending under control

If your income is not enough to cover all your expenses, you must either cut your expenses or increase your income. You'll find that it's usually easier to cut spending than to increase income. You don't need to make drastic changes, but you must make some effective cuts that will allow you to pay your bills. First, cover the bills you must pay (mortgage, utilities, loan payments, credit card) and money for necessities (food, clothing, insurance). Then, focus on non-essentials - areas where you can afford to cut back.

Easy ways to cut expenses

The following are some simple ways to cut expenses. They also work if your bottom line is positive.

- If you visit restaurants and order takeout often, consider bringing lunch from home and saving restaurants for special occasions.

- You can even reduce a “fixed” expense such as your electric bill by conserving energy. Turn off the air-conditioning one hour earlier than usual. Iron your clothes at the same time. Make sure all lights are turned off when you leave a room. Switch to small screw-in fluorescent bulbs which last at least five times longer than incandescent bulbs and use only about 40% as much electricity. If you add up how many bulbs you have in your home, that savings becomes significant.

- A regular meal of roti canai and teh tarik at a restaurant or stall every morning can cost around RM 3.50 per workday. That's nearly RM 1,000 per year. If you're married and your spouse has the same habit, that's almost RM 2,000 per year.

- If you smoke, think about giving it up. Besides the health benefits, you could save at least RM 2,000 per year by quitting a pack-a-day habit.

Getting out of debt is tough. It also takes time. Most people need a year or two to escape from debt. But you can do it if you stick with it. Remember, the discipline and techniques you learn by solving your problems will benefit you for the rest of your life.

Getting out of debt feels good. Staying out feels even better.
Make those first steps last

Once your monthly spending is under control, you can think about some ways to make debt a thing of the past. Here’s a list of ideas.

- Each month, try to reduce a different spending category by 5 to 10%.
- Start a savings account for large, infrequent expenses so they won’t upset your budget.
- Give thought to the credit terms of your large purchases.
- Treat a credit card balance like you’d treat a bank loan for the same amount.
- Always track your spending and income to make sure you don’t get into debt again.
- Try to increase your income. Can you improve your salary? Is a second job possible? Can you sell something you no longer need?
- Reward yourself. Working your way out of debt is a long, hard task. It’s also a big accomplishment. Find inexpensive ways to celebrate your progress.

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Calling your creditors can be your lifeline... don’t be afraid to take this important step.

If you’ve followed the tips in this section and you still can’t figure out how to make ends meet, there are other things you can do to get out of debt. Reputable creditors don’t want to send accounts to a debt collector. They would rather work directly with you. If you can’t make your payments, call your creditors before they call you. Your credit card company will be happy to hear from you. You may be able to arrange a payment plan that will work to your advantage.

Working with your creditors

Don’t be afraid to work with your creditors to devise a way to pay off your debt. Come up with a plan you can present to them. You may want to pay an equal amount monthly to each creditor, or pay more to the creditor charging the highest interest rate.

The first step is to call each creditor. Tell them you want to pay in full but you need more time to pay. Explain your problem. Let them know you’ve taken steps to reduce your spending. Present your plan and ask for their cooperation.

You’ll find that most creditors will help. They want to get paid, so they will work with people who are truly interested in getting out of debt. For the record, send each creditor a letter with the details you’ve discussed. If you can, include a payment with your letter. Even a small payment shows you’re serious about paying back the debt in full.

Not all creditors will react well to your call, but persist. Don’t get emotional. Use logic and be reasonable. Be prepared to compromise.

Debt reduction options

Legitimate credit repair usually involves rescheduling of payments. Creditors may offer you one of several options:

**Loan or credit card extension:** This is an extra 30 or 60 days to make a required payment. Some creditors require no payment in that period, others may want partial payment or ask you to pay interest or service charges. Check to see if the extension will be reported as a delinquency to the credit bureau.
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**Loan or credit card revision:** The creditor may be willing to lower your monthly payments by extending the term of the loan. You may pay more interest, but lower payments may enable you to make payments on time.

**Loan refinancing:** A refinanced loan is a new loan, not just a revision. The new loan will have a new payment schedule and a new interest rate reflecting current interest rates.

**Consolidation loan:** This is a new loan designed to pay off a number of existing debts. The new monthly payment will be less than the total amount you’re paying now, because you’ll be extending your payments over a longer period of time. A consolidation loan can help take care of payment problems before you become delinquent. But it can be a problem if it makes you believe you have extra money to take on new debts.

**Home equity loan or credit line:** If you’re a homeowner, your creditor may extend you a line of credit or a loan secured by the equity in your home. These usually have lower interest rates and the interest may be tax-deductible. But be careful - if you land deeper in debt, you could lose your home.
The loss of a loved one

Hard times are caused by many different events. Because we do not want to think of them at all, we usually do not plan for them until they come and then we realize, it's too late. Although it is not in our culture to think of these bad times, it is but practical, even helpful, to plan for them when we are still in control of circumstances.

There is good reason to prepare for hard times. When hard times do come, it's natural to feel angry, frustrated and even a little hopeless. Remember, however, that the key to maintaining financial control is to act quickly. Don't take a wait-and-see attitude. Be proactive, seek solutions, ask for help and remember that you are not alone in your problem.

The loss of a loved one

The loss of a loved one can be a painful experience. Dealing with your emotions as you settle that person's estate can make the job even more difficult.

Closing an estate of any size requires time and effort. Here are some ways to make the job easier.

Step 1: Get professional help if you need it

If things look pretty complex, or if you've been named the administrator or executor of the will, seek advice from a lawyer, an accountant, tax specialist or financial planner, depending on the issues at hand.

Fees for these advisors are generally high. To reduce costs, shop around for prices and do as much background work as you can on your own (For example, a lawyer may charge you RM 5 to hand-deliver papers you could pick up yourself.). Agree on a charge, know what it covers and get it in writing.

Step 2: Collect all documents

- Death, birth and marriage certificates
- Identity card (NRIC/MyKad)
- Socso and EPF numbers
- Income tax returns
- Insurance policies
- Bankbooks
- Bank statements
- Credit cards and statements
The loss of a loved one

- Stock certificates
- Real estate titles

Unless you are the executor of the will, you’ll need a lawyer to help you retrieve these important documents if they are kept in a safe deposit box. Once you’ve gathered everything together, start a written record and keep track of your progress.

Note: Complete this step as quickly as possible. Some items, like Socso have filing deadlines. Also, don’t throw anything away. Insurance policies, for example, may still be active, even if premiums haven’t been paid recently.

Step 3: Make copies of legal certificates

Death certificates are required for life insurance, Socso and EPF claims. Ask the funeral director for at least 12 certified copies. Birth and marriage certificates are required for Socso and EPF claims as well.

You may also obtain a copy of your loved one’s death certificate from the Registration Department of Malaysia (Jabatan Pendaftaran Negara). Complete a request form and submit it with a copy of your Identity Card (IC) and an administration fee of RM5. Call the head office in Petaling Jaya at 03-7968 3200 for more information or visit your nearest JPN office.

Step 4: Contact the following organizations

- **Local courts**: Some property dispositions must go through a court, even if the deceased had a will. If you’re the executor of the estate, make arrangements within 30 days of death. You must bring certain information to court, so ask a lawyer what you will need.

- **Socso**: You may qualify for death benefits and funeral expenses. Socso also provides education benefit for the children of members who are receiving dependents' benefit or survivor’s pension after their parent’s death. Contact your nearest Socso (PERKESO) or log on to www.perkeso.gov.my to find more about the benefits and conditions that apply.

- **The deceased’s health insurer**: There may be outstanding medical claims to file.

- **The deceased’s life insurer**: If the deceased had life insurance, you must file a claim to collect benefits. Call the company’s claim office for details. Benefits are usually paid in
The loss of a loved one

one lump sum payment. Check for his pension plans as well. You may collect his pension in one lump sum or over a given period of time, depending on the terms of the deceased’s pension plan.

- **The deceased’s employer**: Enquire about group insurance, pension funds, back vacation pay, etc. Most employers will help you with the paperwork. Pay close attention to health coverage. Spouses and dependents may still qualify after the death of the insured.

- **Credit card companies**: Call the customer service number to find out if the deceased purchased credit life insurance, which may pay off the account balance if the customer is deceased. Citibank, for instance, offers Credit Shield on its credit cards for such purposes.

- **Banks**: If you had joint bank accounts with the deceased, you will need to submit required documents, which will allow you to withdraw funds. Banks usually stop payment on checks as soon as a death notice is made public. Call the bank to verify that this has been done.

- **Public services**: Contact utility companies, the post office, newspaper delivery services etc., and notify them of the death.

**Step 5: Transfer titles**

- **Real estate**: If the deceased was a joint owner of property, consult a lawyer on how to remove his or her name from the title. Check the will first for special instructions about the property. You will have to deal with inheritance taxes in this case. Talk to your lawyer about this.

**Step 6: Taxes**

- **Income taxes**: Following the death of a loved one, there could be changes in your income tax payments. Find out how the demise of your loved one affects your status as an income tax payer. It may mean changes in the exemptions that you claim each year. To illustrate, only one spouse can claim tax exemptions for their children. If your spouse passes away, this means your tax status will change and you will have to claim a different exemption. Talk to an accountant about this. You may also ask for help from a lawyer or from the Inland Revenue Board of Malaysia (IRB).

- **Property taxes**: Property taxes need to be paid. After the property title has been transferred, the new owner must pay the appropriate taxes.
Legal separation & Credit

When a marriage falls apart, former partners must divide their financial lives - often at a time when communication is most difficult. You and your partner must reach an agreement about the investments, debts and credit cards you took on as a couple.

A legal separation does not change your agreements with creditors. You could be liable for marital debts even if a court-approved decree orders your former spouse to pay them.

As you work on sifting through your debts and credit cards as a former couple, you must also prepare to stand on your own as a credit customer.

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If you are considering separation or annulment, you should take steps to protect your credit and prepare for your future independence as a credit customer. It makes sense to seek the advice of a professional during this time. During a separation or annulment, you should follow these steps.

Step 1: List all credit accounts
Note all loans and credit card accounts. Make sure you know the balances.

Step 2: Make your required payments
Keep up your payments during a separation or annulment, even if your spouse should be responsible. Late payments and other problems may become part of your credit history. Your future ability to obtain credit could be affected and cause problems later on.

Step 3: Contact your creditors
Responsible lenders understand that personal lives can change. They will want to work with you and keep you as a valued customer.

Step 4: Untangle your marital credit
A creditor cannot close an account simply because a separation or annulment is planned or granted. You may ask your creditor to close a joint account or remove an authorized user from your credit card account. The creditor may be willing to work with you and your spouse.

Step 5: Establish independent credit
Talk with your creditor about opening your own individual credit account. Your creditor will review your application based on your individual assets, income and credit history.

In the beginning, it may be more difficult to obtain credit. You may have a lower credit limit than you shared with your former spouse. Still, you will be on your way to establishing yourself as an independent and reliable credit customer.
Living with a disability

Disability doesn’t just refer to permanent conditions - it covers those that leave you confined to a wheelchair or unable to perform your normal activities for some period of time. Over their lifetimes, about 70% of adults of working age will suffer a disability that will last three months or longer - some not too serious, but some might be life-changing. More males than females are struck with a disability and generally, the older one gets, the more prone he is to suffer from a disability.

Regardless of your level of disability, it’s critical that you draw up a new household budget. Basic budgeting skills can help you track your income and expenses. Use the tips below to get a complete picture of your current financial situation. Then, make any appropriate changes. Be honest. Include all of your current expenses, and then find effective ways to cut back on non-essential items until your finances improve.

Maintaining control

The following are things to keep in mind as you deal with your financial situation.

- **Family resources**: Savings, investment interest, dividends or a spouse’s paycheck can cover some of your monthly bills.

- **Sick pay**: Most employees and their dependents enjoy clinical, medical and/or surgical benefits from their employers through appointed insurance providers and its panel of doctors. Benefits vary from employers as they are tailored by the insurance providers to meet the specific needs of an organization. So contact your Human Resources to find out your entitlement and if it extends to Group Term Insurance and Personal Accident Insurance.

Most of the time, however, these benefits may not be enough to cover your total costs. A health and a surgical insurance, which you have to purchase before you get sick, could cover your balance. However, a lot of health plans have exclusions on certain diseases and procedures. Some are specific to certain hospitals. Make sure you fully understand the terms of your health plan before you purchase it.

- **Disability insurance**: Many employers offer some coverage. Socso provides disability benefits, the amount of which differs on the extent of your disability - if it is temporary or permanent. These amounts may be given in lump sum or in the form of monthly pensions, depending on the number of contributions you have made in the semester before.
Living with a disability

If your employer doesn't provide disability benefits - or to supplement what your company and Socso provide - look into a private policy. You can replace up to 80% of your lost wages with disability insurance. Remember, insurance must be purchased prior to your disability.

- **Workers’ Compensation:** You may be eligible if your illness or injury is job-related.
- **Socso:** Contact your nearest Socso (PERKESO) office or log on to www.perkeso.gov.my

Spend responsibly
Living on a fixed income

Living on a fixed income can be difficult. While it’s not easy, retirees, disabled people and employees can benefit from good budgeting practices. By tracking your money and cutting unnecessary expenses, you can improve how you use your income.

- **List all your expenses for one month.** At the end of the month, carefully review your list and ask yourself questions like, “What did I buy that I don’t need? What could I have spent less on? Does my income more than cover all these expenses?”

- **Answer these questions truthfully.** Once you know how you spend, make certain your income covers expenses. Then, cut those expenses until you’re actually saving money. You never know when an emergency expense might arise.

- **Think of your future.** You know you’ll have emergency expenses in the future, so start saving. Start small, if you must. Begin saving RM 1 a day. Or, save your pocket change every day. Then gradually increase the amount you put away.

- **What about inflation?** When you’re on a fixed income, you should think about how inflation affects your finances. Inflation reduces the value of each Ringgit. The only way you can beat inflation is by having your savings grow faster than inflation. To do so, you may have to put your money in stable or growth-oriented investments such as pension funds, especially for your retirement years. Always seek the advice of a good financial planner before investing your hard-earned money. Citibank offers a free financial check-up that should prove useful in finding ways to beat inflation.

- **Is your income really fixed?** Sometimes there are ways to increase income. Can you work part-time? Can you bake cookies or prepare nasi lemak and sell them at the office? Could you hold a garage sale? Do you have collectibles you could sell (antiques, stamps, artwork, etc.)? Are there government benefits you qualify for but have not taken advantage of? Think of ways to earn extra money.
Spend responsibly

Gaining Financial Control

Budgeting
Keeping a budget
Are you headed for trouble?
Getting Spending Under Control
Make those first steps last
What if you owe too much?

Handling Hard Times

The loss of a loved one
Legal separation & credit
Separating credit
Living with a disability
Living on a fixed income
Money-saving ideas

Money-saving ideas

You think you’re saving money by using discount coupons or buying in bulk.
But are you really saving money?

- Treat everything you own as valuable. Make things last.
- Compare prices at three stores before making a major purchase.
- Make shopping lists and stick to them.
- Do things for yourself that you used to pay for (ironing your own shirts or washing your car, for example).
- Always check bills for errors.

You think you’re saving money by using discount coupons or buying in bulk. But are you really saving money?
Keep your credit safe

It’s tough to keep track of all the rules and regulations surrounding credit and credit cards, especially if you’re the victim of fraud or theft. Know how to protect yourself and learn your rights as a credit consumer.

Credit card, ATM and Internet fraud can often be prevented. Most thieves use stolen credit cards within 48 hours. Call your credit card company immediately to report a lost card. For Citibank Cardholders, in case of loss, call 03-2383 0000 in Kuala Lumpur and press 0 to report the incident.

Limit your credit card losses

Different credit card companies have different rules regarding your responsibility for unauthorized charges. Know what these are when you get your credit card. If a thief uses your card before you report it as lost or stolen, you may be responsible for his purchases. Follow up your call with a letter giving your account number, the date the card was missing and when you called in the report.

Keep your credit safe

Be careful about how and when you use your credit cards. Never lend them to anyone, don’t give your numbers to anybody and never leave your cards or receipts lying around, no matter where you live. Heeding a few simple rules can save you from being a victim of credit card fraud or theft.

• Always know where your cards are and keep them in a safe place.
• Don’t give your account number over the phone unless you know the company and you made the call.
• Get a card that has added security features, like embedded with an EMV compliant smart chip.
• Draw a line through the blank space above the total on charge slips to prevent changes and tear up carbons from slips.
• Don’t sign blank charge slips.
• Always check receipts against your monthly statements. Errors must be reported immediately upon receipt of the statement.
Keep your credit safe

- Record card numbers, expiration dates and phone numbers. Keep this record in a safe place separate from your cards. Use it if you need to report lost or stolen cards.

- Never put your account number or personal identification number (PIN) on the outside of an envelope or postcard. Never put your PIN on the card or in your wallet.

- Carry only the cards you need, especially when traveling.
The internet

Shopping on the Internet has become a multi-million dollar business. Most Internet sales are safe, but as Internet purchases have increased, so have incidents of online credit card fraud. There are, however, several steps you can take to reduce the likelihood of becoming a victim of online credit card fraud.

- Try to deal with companies that have a physical address and a phone number you can call for additional information.

- Shop at sites that offer secure ordering. Most major Internet shopping sites take security precautions. While on the checkout page of a shopping site, see if the site uses a secure server before you give out your credit card information. If the URL (web address) starts with “https://” then the site is using a secure server.

- Be sure to deal with companies that post their privacy policy on their web sites and read the privacy policy. Most companies that offer online ordering will include a privacy policy on their web site. While some web sites may ask for personal information, the only information a merchant needs to process an order is the name on the card, the credit card number and the expiration date.
ATM Cards

Safety tips for ATM cards

Choose a personal identification number (PIN) that's not your phone number, home address, or the numbers in your birthday.

- Memorize your PIN and don’t write it on anything in your wallet. In a third of all ATM card frauds, the PIN was on the card or in the wallet.

- Never put your PIN on a deposit slip, envelope or postcard. Check all ATM receipts against bank statements.

- Never lend your cards to anyone or leave cards or receipts lying around the house.

Timing is everything

If someone steals your ATM card and uses it, you could be responsible for the entire loss, depending on when you reported the theft. If you report the card missing before it’s used, some banks will not hold you responsible for unauthorized withdrawals.

Keep checking your statements

Even after you have reported your ATM or credit cards missing, check your statements. If you find any suspicious charges, send a letter to your bank listing each one. Include your account number, date stolen and date reported.

Moving to a new address? Don’t forget to call the bank to advise them of your new contact information to avoid delay of account statement delivery. With Citibank, you can conveniently update your information by filling out the “Address Change” box at the back portion of your account statement, and then faxing the same to the bank.
Protect yourself

Identity theft happens when someone accesses essential elements of a person’s identifying information in order to commit fraud or theft. This information includes name, address, Identity Card number (NRIC), date of birth and mother’s maiden name. Many identity thieves use this personal information in order to open credit card accounts, obtain loans and even mortgages in the victim’s name. While it is not possible to protect yourself from all types of identity theft, there are steps that you can take to help protect yourself.

You can reduce your risk and safeguard your identifying information by following some simple guidelines.

- **Protect your mailbox:** Your mailbox is a favorite target of identity thieves, so it is important to always remove your mail as soon after delivery as possible.

- **Protect your wallet:** Identity thieves also try to get access to people’s wallets. Minimize your risk by keeping items with personal information in a safe place at home. Identity thieves look for information on old receipts. Don’t leave receipts at ATMs, bank counters or gasoline pumps. In fact, it is a good idea to destroy all of your receipts when you no longer need them.

- **Protect your credit and debit cards:** There are some very important precautions to take with your credit card. Whenever you receive a new credit card, sign it immediately. Never loan your credit card to anyone, under any circumstances. Notify your bank and other issuers when you change your address or phone number and be sure to report all lost or stolen cards immediately. Never put your account number on the outside of any envelope.
Dealing with identity theft

An identity thief can strike even if you’ve been very careful with your personal information. If you suspect that your personal information has been stolen to commit fraud or theft, take action immediately, and keep a record of your correspondence.

Step 1: Contact creditors

Creditors can include credit card companies, phone companies and other utilities, banks and other lenders. Ask to speak with someone in the customer service, security or fraud department of each creditor and follow up with a letter. Immediately close accounts that have been tampered with and open new ones with new Personal Identification Numbers (PINs) and passwords. Avoid using easily available information like your mother’s maiden name, your birth date, the digits of your Identity Card (NRIC) number, your phone number, or a series of consecutive numbers.

Step 2: File a police report

Be sure to file a report with either your local police or the police department in the community where the theft took place. Even if the police can’t catch the identity thief, having a copy of the police report can help you when dealing with creditors. Get a copy of the police report in case the bank, credit card company or others need proof of the crime.

Step 3: Contact the Postal Office

If an identity thief has stolen your mail to get new credit cards, bank and credit card statements, prescreened credit offers or tax information, or if an identity thief has falsified change-of-address forms, that’s a crime. Contact the nearest Pos Malaysia branch.
Reclaiming your identity

The following steps can help you straighten out the damage done by identity theft and help you regain control.

**Credit or debit card accounts:** If you discover that an identity thief has changed the billing address of an existing account, close the account. When you open a new account, ask that a password be used before any inquiries or changes can be made on the account.

**Bank accounts:** If you have reason to believe that an identity thief has tampered with your bank accounts, cheques or ATM card, close the accounts immediately. When you open new accounts, insist on password only access to minimize the chance that an identity thief can violate the accounts.

In addition, if your cheques have been stolen or misused, contact your bank to obtain stop payment instructions.

If your ATM card has been lost, stolen or otherwise compromised, cancel the card as soon as you can and get another with a new PIN.

**Investments:** If you believe that an identity thief has tampered with your securities investments or brokerage account, immediately report it to your broker or account officer.

**Phone service:** If an identity thief has established new phone service in your name; is making unauthorized calls that seem to come from - and are billed to - your cellular phone; or is using your calling card and PIN, contact your service provider immediately to cancel the account and/or calling card. Open new accounts and choose new PINs.
New to credit?

If you’re using a credit card for the first time, we’ve put together the following checklist of links to information on this site that will help you take charge of your finances…and spend responsibly!

Establish a good credit history now for financial security later

A credit card in your own name can help you build a good credit history, a valuable asset when applying for car loans, jobs or mortgages. Plus, there is no safer and more convenient way to make purchases if you shop online or over the phone.

But along with the benefits of owning a credit card comes responsibility, which, if mishandled, can cause serious financial problems. Learning how to choose and use a card is an important first step for anyone. Make these links your first stop on the road to financial well-being:

- All About Credit
- How Credit Cards Work
- Gaining Financial Control

Use credit cards wisely

KNOW THE RULES

Pay at least the minimum due every month

The minimum amount due is the least you can pay every month to keep your account in good standing. Pay more than the minimum and you’ll reduce the interest you pay.

Avoid late payments

If you miss a due date, you may be charged a late fee. And, a late payment may be recorded on your credit history. Be sure your payment arrives on time by sending it 5-7 days before the due date, even if you use online banking.
New to credit?

SPEND RESPONSIBLY

Don’t get in over your head

Credit cards don’t give you more money - just spending power. It’s okay to finance purchases when you need to, but remember that you will have to repay the money with interest if not paid in full. So use your credit card wisely and sparingly.

Don’t exceed your credit limit

If you exceed your credit limit, a fee may be assessed. Over-the-limit fees are charged every month the amount of money you owe that exceeds your credit limit.

Use cash advances only for emergencies

Taking frequent cash advances becomes expensive. Remember, you are charged a fee every time you avail of one.

BE PROTECTED

Prevent fraud

Be careful about how and when you use your credit cards. Never loan your card to anyone. Always check receipts against your monthly statements and report errors right away.

Safeguard your identifying information

Minimize your risk for theft by keeping items with personal information in a safe place at home. Notify your bank and other issuers when you change your address or phone number and be sure to report all lost or stolen cards immediately.
Important contacts

Citibank Berhad - credit cards

For assistance, call 24-Hour CitiPhone Banking at:

- Kuala Lumpur: 03 – 2383 0000
- Penang: 04 – 296 0000
- Johor Bahru: 07- 268 0000
- From Abroad: +60 (3) 2383 0000

Other numbers to remember:

- Socso (PERKESO): 03: 4250 5458/463
- Employee Provident Fund (EPF): 03-8732 6000
- Bank Negara Malaysia: 03-2698 8044 (General Line)
- Bank Mediation Bureau: 03-2026 2335/2337
- National Registration Department (JPN): 03- 7968 3200
Glossary

A

Affinity Credit Card:
A credit card which is sponsored by two or more organizations.

Age Requirement:
To qualify for a credit card, you must be at least 21 years old if you are the principal cardholder, or 18 if you are applying for a supplementary card.

Annual Fee:
Credit card companies charge an annual fee; it is the yearly cost you pay to use the card.

Annual Percentage Rate:
The annual percentage rate is a measure of the cost of credit expressed as a yearly rate. When you open a credit card account, you agree to pay a percentage of the outstanding balance each month as a finance charge.

Application:
A form used to apply for credit.

Asset:
Cash or anything you own that can be turned into cash. This includes property, goods, savings or investments.

ATM:
Automated Teller Machine.

Available Credit:
Available credit is your credit limit minus your current balance. It is the unused portion of your credit line.
Glossary

**B**

**Bad Credit:**
A term used to describe a poor credit rating. Common practices which can damage your credit rating include late or missed payments, exceeding the limit on cards, defaulting on loans or declaring bankruptcy. “Bad Credit” can result in the denial of future credit.

**Balance/Amount Owed:**
The total amount you owe the issuer including any unpaid balance from last month, new purchases, cash advances, and any other charges such as an annual fee, late fees or finance charges. The “Total Amount Due” should not be confused with the minimum amount due (the minimum payment allowed each month).

**Balance Calculation Method:**
Balance Calculation Method is the method used by a credit card issuer to calculate the balance owed and the interest due each month.

**Balance Transfer:**
Transferring balances from one credit card to another, usually to take advantage of a lower interest rate. Transfers are limited to the available credit on the receiving card.

**Billing Cycle:**
The number of days between your last statement date and your current statement date.

**Billing Statement:**
A monthly bill from your credit card issuer which describes and summarizes the activity on your account including the outstanding balance, purchases, payments, credits, finance charges and other transactions for the month.

**Borrower:**
The borrower is the person who signs and agrees to the terms of a promissory note and is responsible for repaying the loan.
Glossary

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

B

Bottom Line:
The bottom line is your monthly income less expenses.

Budget:
The financial record you use to keep track of the money you earn, how much you spend and what you spend it on. Your budget also includes savings and how much you pay to your creditors.

C

Cardmember Agreement:
The issuer’s written statement of terms and conditions relating to your credit card account. The Agreement states the annual percentage rate, the monthly minimum payment formula, annual fee, if applicable, and your rights in billing disputes.

Cash Advance:
A cash withdrawal at an automated teller machine, or with a bank teller or by use of a convenience cheque. This cash is an instant availment of your credit card account. The credit card company will apply finance charges from the day you take the advance until the day you pay it off. A one-time service/transaction fee is also charged based on the amount of your withdrawal.

Cash Advance Fee:
A one-time fee for cash advances in addition to normal finance charges. This fee is usually a percentage of the advance amount.

Charge Card:
A card that requires full payment of the balance before the end of the billing period. It is not a line of credit and no interest is charged.
Collateral:
An asset pledged to a lender to guarantee repayment. Collateral could include savings, bonds, insurance policies, jewelry, property or other items that are pledged to pay off a loan if payments are not made according to the contract. Collateral is not required for unsecured credit card accounts.

Collection:
The referral of a past due account to a specialist in collecting loans or accounts receivable. Consolidation Loan:
If you owe money to several creditors, you can combine your payments and balances into a single account with one creditor. This can be done in several ways. For example, if you own a home, you can consolidate your debt with a low-interest home equity loan. Or, you can get a loan specifically designed for this purpose.

Co-sign:
To sign a credit agreement with someone and agree to share the debt with that person or assume the debt if the other person defaults and doesn’t pay.

Co-signer:
A co-signer is a person who signs a loan or credit card with the primary applicant, pledging to be responsible for repaying the loan, debt or credit card in the event the applicant is unable.

Credit:
An amount of money that a bank lends or credit card issuer extends to you. You can charge/spend any amount from your credit line to make purchases or take cash advances. As long as you pay the minimum amount due each month by the due date, you can continue to use your remaining available credit.

Credit Card Dues:
The total unpaid balances on all of your credit cards (not to be confused with the minimum amount you owe each month).
Glossary

Credit Criteria:
Factors used by lenders to rate credit worthiness or ability to repay debt. They may include the following: income, amount of personal debt carried, number of accounts from other credit sources and credit history. A lender is free to use any credit-related information in approving or denying a credit application.

Credit History:
Your credit history is a record of the way you manage your debt. When you apply for new credit or a loan, the bank will check your credit history before granting any credit.

Credit Limit:
The maximum balance you can carry on your account.

Credit Management:
The way you handle the money you borrow from banks or avail from credit issuers. For example, you should try to pay more than the minimum due each month and make sure payments are received by the due date.

Credit-worthy:
You are judged to be qualified to have credit.

Daily Periodic Rate:
The interest rate factor used to calculate the interest charges on a daily basis. The factor is computed by dividing the yearly rate by 365 days.

Debit Card:
When you make a purchase with a debit card, money is deducted directly from your bank account. You can spend only the amount of money you have in your bank deposit account when you use your debit card.
Glossary

D

Debt:
Money you owe to banks or credit issuers. More specifically, it is the amount of money that you have borrowed and not paid back or money that you availed versus your credit line and not paid back.

Daily Periodic Rate:
The interest rate factor used to calculate the interest charges on a daily basis. The factor is computed by dividing the yearly rate by 365 days.

Debit Card:
When you make a purchase with a debit card, money is deducted directly from your bank account. You can spend only the amount of money you have in your bank deposit account when you use your debit card.

Debt Ratio/Debt Burden:
Debt ratio is a way of figuring out how much you owe compared to how much you make. It is the percentage of your income that goes to paying your debts every month. Debt ratio usually gives a clear picture of your overall financial well-being. To calculate your debt ratio, first add up all your monthly income including take-home pay (after taxes and deductions). Then add up all your monthly payments for interest-bearing loans and accounts, such as mortgages, credit cards, and car loans. If you rent your home, include that amount, but do not include utilities and telephone charges, because they can vary on a monthly basis. Finally, divide your monthly payments by your income. Multiply the result by 100 and that number is your debt ratio percentage.

• A low ratio is under 20%, which means that you are in good financial health and are doing a good job of managing your money.
Glossary

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D

- A moderate ratio is between 21% and 40%. This means that you should look carefully at your monthly payments and start decreasing your overall level of debt, including credit cards.

- A high debt burden is over 40%. You should immediately stop accumulating debt and start looking for ways to decrease your debt or increase your income.

Default:
Failure to repay a loan or credit card according to the agreed upon terms.

Deferred Payment:
Payments put off to a future date or extended over a period of time. Interest will usually still accumulate during deferment.

Delinquency Assessment/Late Fee:
A fee that is charged for a late payment.

Delinquency:
When loan payments or credit card dues are not paid according to the terms of the promissory note/agreement. Late fees are often assessed on delinquent accounts, and delinquency results in default.

Disclosure Statement:
A disclosure statement details the actual cost of a loan, including all estimated interest costs and loan fees. For credit card accounts, this information may be found in the Cardmember Agreement or credit card application form.

Dispute:
If you think your credit card bill is wrong, you should notify your credit card issuer immediately of any error in the monthly statement or possible unauthorized transactions. Follow up in writing as soon as possible. The credit card issuer must acknowledge your letter within 14 days, and correct the error or explain why they think the statement was correct within two billing cycles, but no later than
D

120 days after its receipt of your letter. You do not have to pay the amount in question while it is investigated, but you must pay the rest of your bill. If you are not satisfied with the response, you can also write to the Banking Mediation Bureau.

Due Date:
The day a payment is due to a creditor. After that date, a late fee can be charged, the payment can be recorded as late, and the account can be considered delinquent.

F

Finance Charges:
Finance charges are the cost of consumer credit expressed as a Ringgit Malaysia amount. They include any charges, such as interest and fees, paid by the consumer to the creditor for obtaining a loan or using a credit card.

Financial Health (also referred to as financial well being):
This is a description of your overall financial situation. To take a closer look at your financial health, you consider the amount of money you make each month, if you own a home or other valuables, any investments you may have, and the amount of debt you carry. For example, if you own a home, have a small mortgage, and have very little credit card debt, you are in good financial health.

Fixed Expenses:
Fixed expenses are those that you have to pay every month. These are expenses that you really can’t change like your mortgage, rentals or car payment.
Glossary

G

Grace Period:
If you do not have an outstanding revolving balance on your credit card, a grace period is the period of time you have to pay new balances before interest charges apply.

H

Household Income:
Income from all sources including wages, commissions, bonuses, alimony, child support, Socso and EFP benefits, disability, dividends and interest.

I

Installment Loan:
A loan that you promise to pay back by paying the same amount of money on a regular basis, usually monthly, for a specific amount of time. Home equity loans and auto loans are usually installment loans

Interest Rate:
The rate that a bank or credit issuer charges for the money it lends to you.

L

Late Payment:
Most charge and credit card bills list the date by which payments are due. If you miss the due date, the account is considered past due and you may be charged a late fee. Late payments may be reflected on your credit report. If you have paid late numerous times, it may be difficult to get additional credit.
Glossary

Late Payment Fee:
A fee charged for failing to submit at least the minimum monthly payment by its due date.

Liability:
Liability is the responsibility for a loan or credit account. When applying for credit, a Cardmember agrees to be liable for any charges to his or her account, including purchases, fees and finance charges. Your liability is described in the Cardmember Agreement you receive from the issuer.

Minimum Amount Due/Minimum Payment:
The smallest amount you can pay by the due date and still meet the terms of your Cardmember Agreement. With Citibank credit cards, this represents 5% of your total amount due or RM50, whichever is higher.

Non-taxable Income:
Money you earn that is not taxed by the government. This money can come from several sources including disability pay or legal settlements due to personal injury.
Glossary

Outstanding Balance:
The total amount that you owe on a credit card or other loan.

Over the Credit Limit:
When the amount you owe is more than the limit on your credit line. Any combination of purchases, cash advances, fees or finance charges may cause you to exceed your credit limit. For example, you will be over the credit limit if you spend RM5,000 when you have RM3,000 of your credit line left. If you go over your credit limit, your credit card purchase might be denied.

Past Due:
The status of an account when the minimum payment has not been received by the due date.

Periodic Rate:
The interest rate described in relation to a specific amount of time. For example, the monthly periodic rate is the cost of credit per month; the daily periodic rate is the cost of credit per day.

PIN:
Abbreviation for Personal Identification Number, the number used as an access code to ATMs or debit machines.

Posting Date:
The date that a purchase, cash advance, fee, service charge or payment is recorded on your charge or credit account.

Pre-Approved Credit:
Credit card or a line of credit that is approved based upon available data without further information supplied by the potential Cardmember.
Glossary

**Prepayment:**
When a portion or the entire amount of the principal of a loan is paid before it is due. This will usually reduce the total amount of interest that must be paid.

**Previous Balance:**
The total balance due at the end of the last billing cycle.

**Prime Rate:**
The Prime Rate is the interest rate that major banks charge to many of their best corporate borrowers. Each bank sets its own Prime Rate, though because the rate is so competitive, most of the time the rate is the same at all banks.

For consumer loans and credit cards, banks and other lenders often use the Prime Rate as a base for calculating variable interest rates.

**Principal:**
Principal is the portion of a loan that represents the actual amount of money borrowed. Principal is separate from interest. In terms of credit cards, principal represents the price of straight purchased items or the amount of a cash advance.

**Promissory Note:**
A promissory note is a binding legal document that a borrower signs to obtain a loan. It lists your rights and responsibilities under the loan agreement, including how and when the loan must be repaid. Rights and responsibilities for credit card accounts are listed in the Cardmember Agreement.

**Quarterly:**
Quarterly divides the year into four parts. In a calendar year, the first quarter is January through March, second quarter is April through June, third quarter is July through September, and fourth quarter is October through December.
Glossary

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

R

Rebate Card:
A credit card that supplies benefits based upon the card’s usage. Benefits are usually in the form of services, such as airline tickets, discounts on future purchases or cash refunds. The credits accumulated toward these benefits are often a percentage of each purchase.

Reference:
A person who can vouch for your reliability, employment history or other factor needed to determine your creditworthiness.

Revolving Credit:
A credit agreement that allows consumers to pay all or part of the outstanding balance on a loan or credit card. As credit is paid off, it becomes available again to use for another purchase or cash advance.

S

Secured Card:
A credit card that is guaranteed by a cash deposit held in a special savings account or certificate of deposit. The deposit must remain in the account until the credit line is closed or the issuer decides security is no longer necessary. The credit line on the card is usually equal to the amount of the deposit. If the Cardmember defaults on the card, the issuer will apply the deposit toward the outstanding balance.

Secured Debt:
Debt for which repayment is guaranteed through collateral-property of equal or greater value than the amount of the loan. If you do not repay the loan, the issuer may take possession of the collateral. Collateral may be an asset such as a car or a home or, in the case of a secured credit card, a cash deposit held by the issuer. For example, a mortgage is a secured debt in which the home is collateral. If the person fails to repay the loan, the bank may take the home as payment.
Glossary

ABCDEF GH IJKLM NOPQRSTUVWXYZ

S

Signs of Trouble:
Situations or events that suggest you may be having financial difficulty. For example, using one credit card to pay the monthly minimum on another card, or routinely having ‘maxed out’ credit cards.

T

Taxable Income:
Any money you earn or receive - such as salary, bonuses or interest from investments - that can be taxed by the government.

Transaction Date:
The date a purchase is made or cash is withdrawn. Some companies assess interest from the transaction date, others from the posting date.

Transaction Fee:
An extra charge for various credit activities such as using an ATM or receiving a cash advance.

U

Unsecured Debt:
This is debt that is not guaranteed by collateral, therefore, no assets are committed in the event of default. If the issuer is unable to collect on the loan, its value is lost. Most credit cards are unsecured. As the Cardmember’s promise is the only guarantee, credit card issuers require more information regarding income and credit history than with a secured loan.
Glossary

Variable Expenses:
Variable expenses are those that can change from month to month. Variable expenses include necessities that can be reduced (such as food and utilities) and non-essentials that could be eliminated (e.g., long distance charges, cable, magazine subscriptions, etc). Reducing these expenses is the simplest step in getting control of your finances.

Variable Interest Rate:
An interest rate that changes based on an economic index such as the Prime Rate.

Zero Balance:
Zero balance is when the total outstanding balance is paid and there are no new charges or cash advances during a billing cycle.
Use credit wisely home

KNOW THE RULES

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