

Credit Cards and COVID-19 - Transcript

Tim Mullooly: In Episode 192, we're going to talk about credit cards and how to manage them during the coronavirus pandemic. Stick around. Welcome to the Mullooly Asset Show. I'm your host for today, Tim Mullooly and this is episode number 192. Thanks for tuning in.

Today, I wanted to talk about credit cards and how they fit into your financial situation during the pandemic. The basics of managing credit cards properly, they haven't changed during the pandemic, but like a lot of things that we're seeing now, the lessons are just amplified to a much more important level. That basic rule of don't put something on your credit card if you don't actually have the money to pay it off, it still applies. And on paper, that sounds like a no brainer, but when reality hits for a lot of people, it can get tough to follow. So for a lot of people with jobs being cut or hours being scaled back credit cards might be the only temporary solution that you have to continue funding your livelihood. And I get that 100%.

When it comes to paying off bills, I also get that credit card debt likely falls further down the priority list than mortgage and rent, car bills, food, cell phone, health insurance, you name it, credit card debt kind of gets kicked down the list there. Again, I get that, but here are just some things that consumers should be aware of with credit card debt moving forward. Certain companies have begun reducing lines of credit or not initiating new lines of credit for customers. A report in Bloomberg a few weeks ago talked about how Discover and Synchrony have actually started to reduce those lines of credit for people and they've also scaled back on initiating new lines of credit for people as well.

Credit card companies are starting to get worried that customers won't be able to pay back those outstanding balances so they're not as willing to give as much credit as they used to. That same Bloomberg article pointed out how the lines of credit being cut are actually being cut across all income levels too, so it's not just the individual's ability to pay it back. It's being cut for people with all different types of income. So with that information, kind of relying on credit cards as sort of an emergency fund for people, is never really a good idea, but especially now when that line of credit that you had was \$10,000, it has now become or could become \$2000 almost overnight. You don't want to build that hypothetical \$10,000 line of credit into your emergency fund when it can be taken back at the snap of a finger.

When we were talking about it on the Mullooly Asset Podcast a few weeks ago, Brendan used a pretty well known quote. He said, "It's important to remember that a bank is a place that lends you an umbrella during fair weather and then asks for it back when it begins to rain," and for a lot of people right now it's beginning to rain and those companies could ask for their umbrella back. So just keep that in mind when times get tough credit card companies and banks can retract your line of credit even if it's when you need it the most. So, as I said before, some people might have no other choice right now other than to rely on credit cards. If that's the case, just know that a lot of credit card companies are actually willing to work with you to figure out how and when to pay off your balance. You just have to ask for it.

These companies aren't going to offer relief to you out of the goodness of their hearts, but there are companies that are offering relief to their customers if they need it. An article in business

insider actually outlined what certain companies are starting to do to help their customers. Companies like American Express, Bank of America, Capital One, Chase, Discover, Wells Fargo, they all have some sort of financial assistance to help those who need it. I'll link in the show notes so that you can find out exactly what those specific companies are doing. So with all of that, just know that managing your credit right now is more important than it ever has been. If you have the means to support yourself without using credit cards or getting tangled up in high interest credit card debt, please do that.

But if you're in a tough spot and you need assistance and credit cards are the only way that you can continue funding your livelihood, just know that there's assistance out there for you if you need it. Also, talking to a financial planner could help you think of different ways to tackle your debt and make it through these tough times. We'd be happy to help you out if that's the case.

That's all I have for Episode 192. Thanks for tuning in. We'll see you next time.