Should You Close Your Credit Card?

Non-profit credit counseling agency Take Charge America offers consumers guidelines on when to close a credit card, and when not to.

PHOENIX – (Dec. 13, 2012) – To close a credit card, or not to a close a credit card? It’s a question most consumers ask from time to time, but often don’t know the answer.

“Many people don’t realize closing a credit card can damage their credit scores, especially if it’s been open for more than three years,” said Mike Sullivan, chief education officer for Take Charge America, a national non-profit credit counseling agency in Phoenix. “Canceling a credit card simply because you aren’t using it can be a bad move. However, life circumstances or a deep-rooted desire to ‘charge it’ may outweigh the blip on your credit score.”

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

When to Close a Credit Card

- **Spending problem**: If you have a hard time controlling your spending – and you know “cutting your card” won’t curb the problem – close the account to avoid falling deeper into debt.
- **High fees**: If you are required to pay steep fees, consider paying the balance down and canceling the card. You can also transfer the remaining balance to a credit card with a lower interest rate and fewer fees (and commit to no further spending on the account as it’s paid off). Also keep in mind there may be a fee to transfer the balance, too.
- **Potential fraud**: If your credit card is compromised and you don’t think freezing the account will protect you from fraud, consider closing the account.
- **Joint account**: If a joint account needs to be separated, as in a divorce, consider canceling your card.
- **Balance transfer on newer cards**: If you transferred a balance to a lower-interest card, consider closing the high-interest credit card, especially if you’ve had the account for less than three years. Conversely, if you have a long history with the card, or if there are hefty cancelation penalties in the fine print, it may be smarter to simply put it away or cut it up.

When *Not* to Close a Credit Card

- **Lack of use**: Rethink canceling your credit card just because you aren’t using it. If you want to remove the temptation to spend, consider cutting or storing the card while keeping the account open. Canceling the account can drop your credit score, more so if the account has been open for more than three years.
- **Making payments**: Finance charges accrue when there’s a balance on the card, whether or not you close the account. Your debt-to-credit ratio will improve as your balance is paid down, but only if the account is open.
• **Loan approval:** Do not cancel a card if you’re planning to purchase a house or a car in the next year, as this can impact your credit score and prevent you from qualifying for a loan, or qualifying for a loan at your desired interest rate.

For more financial tips, visit [www.takechargeamerica.org](http://www.takechargeamerica.org).

**About Take Charge America, Inc.**

Take Charge America, Inc., a non-profit financial education, credit counseling, housing counseling and debt management agency, is dedicated to helping consumers nationwide improve their financial futures. Founded in 1987, the organization has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit [www.takechargeamerica.org](http://www.takechargeamerica.org) or call (888) 822-9193.

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