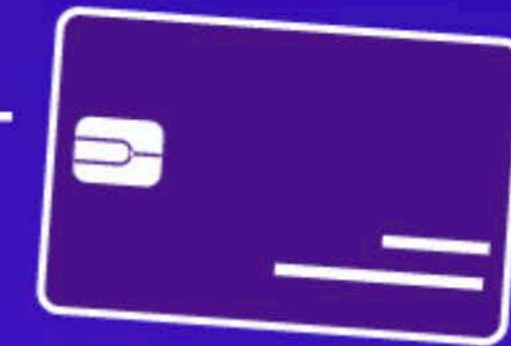




A Better Future for all Malaysians



# CREDIT CARD INTEREST RATES



## OWN A CREDIT CARD?

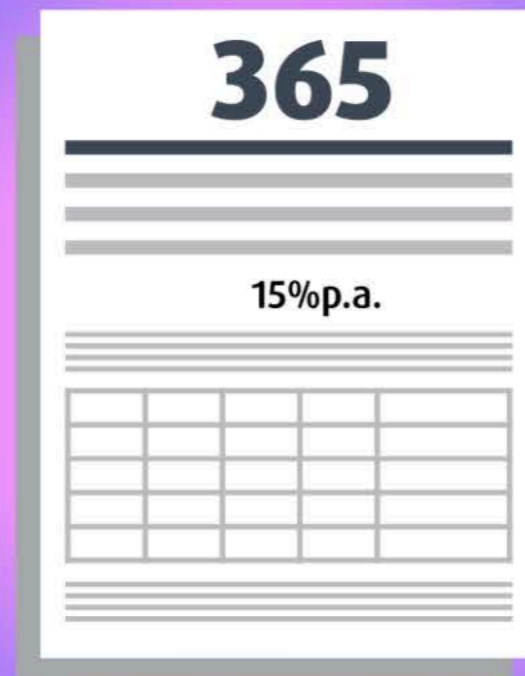
Then you need to know how credit card interest works. When you make a purchase and don't repay in full within a certain period (usually 20 days), your bank will charge you interest.



But here's the tricky bit -  
**THERE ARE SEVERAL  
TYPES OF INTEREST  
RATES.**

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Curious about how they affect you?  
Read on to find out.



## **ANNUAL INTEREST RATE**

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The interest rate on your credit card (e.g. 15% p.a.) is the interest rate you have to pay when you carry over any balance on your credit card over the period of 1 year. This is the number that's shown on your credit card agreement, or on a credit card comparison page.



## DAILY INTEREST

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Some credit card issuers calculate your interest charges on a daily basis. This is calculated by taking your credit card's annual interest rate divided by the number of days in a year (365), and applying that to your credit card balance.



## EFFECTIVE INTEREST RATE

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Okay, so you know that the advertised interest rate shows how much interest you will be charged if you carry over a balance on your credit card, but you could end up paying more interest than that.

Effective 6th August 2019, any unpaid balances in your credit card account including prior interest charges will incur interest as well. Therefore, a more accurate way to calculate your actual interest/finance charge is by getting an effective interest rate (EIR). Here's an example of EIR calculation:



## MONTH 1

(A) SPEND	1,000.00
(B) INTEREST (E.G. 1.25% PER MONTH)	12.50
<b>TOTAL</b>	<b>1,012.50</b>

## MONTH 2

BALANCE CARRIED OVER	1,012.50
(C) SPEND	500.00
(D) INTEREST (E.G. 1.25% PER MONTH)	18.91
<b>TOTAL</b>	<b>1,532.41</b>
(E) TOTAL SPEND (A) + (C)	1,500.00
(F) TOTAL INTEREST OWNED (B) + (D)	31.41
EFFECTIVE INTEREST RATE (F) / (E)	2.09%

The example above shows that despite having an monthly interest of 1.25%, the EIR is actually 2.09% in the 2nd month because of unpaid balances from the previous month. So it is important that you pay your credit card bills in full and on time.

## **What other financial terms do you find baffling?**

**There are many confusing financial terms out there, and credit card interest rates barely scratch the surface. But don't worry, we've explained more common financial jargon in easy-to-read language for you.**

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