

Is it sensible to have more than one credit card in your wallet?

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Credit cards offer various benefits in terms of rewards, sign-up bonuses, and increased purchasing power, but owning more than one has its own demerits. For one, the interest charged on rolled-over credit card payments is the highest compared to any other banking product.

Here are some advantages of owning multiple credit cards. You can split your expenses across cards and this will keep your overall credit utilization low. Adhil Shetty, chief executive officer (CEO) of BankBazaar.com, explains this with an example, "If your

average monthly spending on your credit card comes to ₹1 lakh and your credit limit on that card is ₹2 lakh, your utilization is 50%. If you split it across two cards for ₹50,000 each, and if each card has a credit limit of ₹1.5 lakh, the utilization is only 33%. A lower credit utilization props up your credit score." You can also use the card that provides maximum rewards for a particular spend. For instance, your lifestyle card may give you huge discounts on dining but not as much on grocery shopping.

Note the disadvantages too. Multiple cards can mean multiple payment dates to track. If you miss a due date, you will need to pay a late fee and other



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penalties, and your credit score will take a hit. You can even fall into a debt trap if you overshoot your expenses. Amol Joshi, founder of Plan Rupee Investment Services,

says that complications arise if you miss the due date for payment or if you do not make the full payment. "For instance, the lender will charge you high penal and interest charges,

which will adversely affect your credit score," he says.

How many do you need?

Experts say it is up to an individual to decide on how many credit cards are needed. What is essential, though, is to have the right card and utilize it effectively. For instance, a travel card is useless if you are not a regular traveller. Also, it is better to keep an eye on your expenses.

"One size doesn't fit all. The number of credit cards you should have depends on your financial situation and spending habits. It's important only to have as many cards as you can manage responsibly and pay them off fully by the due date. A good rule of thumb is to have no more than two or

three credit cards," says Raj Khosla, founder & managing director (MD) of MyMoney-Mantra.com.

Vishal Dhawan, founder of Plan Ahead Wealth Advisors, says, "We suggest a maximum of two to three credit cards. One should with a lower limit that enables online transactions, from a risk management perspective. The others should align with an individual's long-term needs, be it airport lounge access or lifestyle benefits or specific and relevant rewards."

Joshi says, "Keep only two cards that can give different benefits. Also, it would be even better if you space out the difference between the due dates of the two cards in a month."