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Be smart about automatic payments on your credit card

By Carmen Chai

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You have your monthly bills for your cell phone, cable, Internet, insurance and utilities -- and don't forget your newspaper subscription, TV streaming service and gym membership. Sometimes, it's hard to keep up with everything you have to pay.

Luckily, there is the automated bill payment, which is gaining popularity and for good reason: it's convenient and it ensures the bills are paid on time. But if you get lazy about it, you could make mistakes that will cost you.

But there are ways to use auto pay safely. Here are five dos and don'ts for using auto pay on your card.

Don't blindly pay your credit card bill

Pat White, executive director of the Credit Counselling Canada, and Mike Gomes, a certified financial planner at Ironshield in Toronto, say their top concern is complacency: when automated payments are charged directly to your credit card, you may not look at the breakdown of your bills.



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"The reality is that people will just look at their credit card statements and see a cell phone bill, utilities or a magazine subscription and won't actually look at the [charges on the] bill to see what's happening," White says.

Even when everything is computer-automated, errors happen. Perhaps you cancel a subscription or service, but continue to get charged for it, which you will catch if you read each line on your statement. Also make sure that the payment matches what is due on your bill, or matches the amount you set on your bill pay service.

Make sure you pay on time

Automated payments have their perks: hassle-free, one-stop payment and, in some cases, rewards points for using your credit card.

But those bonuses can be easily undone if you don't pay the balance on your credit card and accrue interest.

"Some of these things are expensive enough without paying added interest on top," White says. For example, if you pay your \$50 phone bill with a rewards credit card that has 20 per cent interest, and forget to pay the credit card bill, you'll end up paying \$60 instead.

If you can't keep up with paying your credit card balance, White suggests that you stick to the more conventional routes of payment -- head to the store, mail a cheque, pay by phone or even manually pay online.

Don't put everything on your card

Credit utilization -- the ratio of debt to your total credit available -- makes up part of your credit score. According to White, you shouldn't use more than 30 per cent of your available credit. Otherwise, your credit score will take a hit.

Under normal circumstances, this can be easy to manage. But during the holidays or in emergency situations, your credit utilization may skyrocket if you already have a thousand dollars' worth of bills on the card.

"It's one more thing to watch for," White says. Her advice is to tie only a few automated payments on your credit card.

Keep organized records

Because Gomes has automated payments for several bills, he makes sure he stays organized. That means he hangs onto electronic bills and logs confirmation codes on a regular basis.

He also knows which bills are linked to each of his credit cards. That way, if his cards expire, or are lost or compromised, he'll



know which credit card companies to call to provide his updated information.

Keeping a paper trail is key in case of discrepancies down the road, Gomes says.

Not all bills are monthly expenses either: "Should anything go wrong, [keeping records allow you to] go back a couple of statements in case you missed quarterly bills," Gomes says.

Gomes says that because billers know that automated payments are on the rise, most companies allow consumers to sign up for notifications of when their bill is available and when it's paid off.

"Getting an alert through email or text is great because that way, you can quickly open it up and see what the amount is. Generally, you have a good sense of what the amount has typically been, so that way you can pick up on any red flags immediately," Gomes says.

Take security precautions

White has a sole automated payment on her credit card on purpose.

"I don't trust just anyone with my credit card number," she says. She advises consumers to ask questions about security before they set up an automatic payment.

According to Gomes, most companies take precautions to ensure you're protected. Read the fine print -- some organizations offer to pay up if something goes wrong; in other instances, you could be on the hook.

There are things you can do to make sure you're paying safely. For example, Gomes makes sure he changes his passwords frequently, pays his credit card off on a secure online network and he always logs out after he's done.

Auto pay is a great tool -- if you follow these five tips. "It means you don't forget to pay the bills and you don't have late fees," White says.

See related: [The ins and outs of 'travel hacking', How do they do it? Secrets of the debt-free](#)

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