Credit card costs vary dramatically

Credit cards may all be created equal to the extent that they're all the same size and shape and all made of plastic. But that's about as far as equality goes because cards are all over the map in interest rates charged, annual fees, "grace" periods and any number of other differences.

Some 16,000,000 Canadians carry at least one card and their total outstanding balances are well over $5 billion.

Cards fall into four main categories. There are the "bank cards" issued by chartered banks and other financial institutions; retail stores' cards; those issued by gasoline retailers; and the "travel cards" which the issuers promote primarily to business travellers.

No common ground

The costs, terms and conditions vary greatly among the huge range of cards available. Even cards with common names in one of the two most familiar groups — Visa and Mastercard — differ widely from one institution to another.

For instance, annual fees for Visa and Mastercard can range from zero to $12 a year. Not much difference? True, but you need to consider that starting point in conjunction with the interest rate on unpaid balances — from a "low" of about 14 per cent to nearly 19 per cent, all calculated daily. One bank has three different rates for different types of Visa transactions. Many — but not all — bank cards also charge a per-transaction fee up to a monthly maximum.

State of grace

Also bear in mind the "grace" period. That's to say consider when the meter starts running and interest starts to accumulate. Some cards allow a grace period of 21 days from the date of the transaction. Others allow 15 or 21 days, starting from the date of your monthly statement.

If you pay the total billed within the grace period, you can avoid interest altogether. But if you make only a partial payment — no matter if it's almost everything owed — you're charged interest on the whole amount from Day One.

Store cards up to 28.8%

In contrast, most department store cards have no annual fee. But they levy a whopping 28.8 per cent rate of interest, although not until 30 days after the date the monthly statement is issued.

Most gasoline company cards run up interest (or "delinquency charges") at 24 per cent, starting 25 days after the date of the monthly statement. Most calculate interest on a daily basis too, rather than on the month-end balance.

The travel cards — American Express, En Route and so on — charge hefty annual fees of anywhere up to $45 a year, or more for "prestige" cards offering VIP facilities and extended lines of credit. Interest can be anything up to 30 per cent.

Choose card with care

So you can see the cost of using cards of all types is literally all over the map. Yet few people realize how great — and costly — the differences between the various cards can be.

It makes good sense to check carefully just what you're getting when you sign up for a card — and how much it's going to cost. Then consider factors like convenience and extra services and decide how much these features are worth to you. Never assume that the difference between the costs of different cards is too small to worry about because if you do you'll be wrong and can end up paying very much through the nose.

The best advice of all, of course, is enjoy the convenience of your card but avoid all interest if you possibly can. That means paying the amount due before the end of the grace period.

You'll be glad you got out of the insidious "minimum monthly payment" habit. Richer too!

Here's why everyone should have a valid will

It's one of those things too many of us are likely to put off. But neglecting to make your will is potentially serious for your family and others you want to remember.

In fact, it's easy to prepare your will and once it's signed and put away in a safety deposit box, you'll have the satisfaction of knowing you've done the right thing. And you'll be sure your family will be spared the kind of hassles that can develop when someone dies intestate.

If there is no will at death, the Surrogate Court in your province will appoint an executor and there is no guarantee it will be someone of whom you would have approved. In any event, the distribution of your estate is then entirely at the discretion of the executor — according to the law, but not necessarily according to your wishes, because there was no legal record of what you wanted.

If you've been dragging your heels in the will department, it makes good sense to remedy the problem as soon as possible. Almost always, you should ask your lawyer to help, for although do-it-yourself wills are legal in most parts of Canada, they can lead to problems your beneficiaries really don't need.

Do your homework

Before you go to the lawyer's office, it's a good idea to do some homework. That means assembling details of all your assets, plus locations and numbers of all insurance information and any support arrangements outstanding for exspouses and children from previous marriages. Most trust companies provide helpful booklets to show you what's needed.

You should also give some thought to whom you wish to name as your executor — the person who makes sure your intentions are carried out after death.

Then, equipped with all the information needed, your lawyer will be able to draw up the actual will, listing your bequests and specifying the disposition of your estate.

One last word: Most lawyers recommend reviewing your will every three years or whenever your circumstances change. For example, your net worth may increase or you may change your mind about a bequest. Futhermore, if you marry or remarry, your will is automatically invalidated so that a new one should be drawn up without delay.

Pension income still eligible for RRSPs

If you're in the fortunate position of having more pension income than you need, you'll definitely want to consider sheltering all or part of it in your RRSP, especially since 1989 is the last year you'll be able to "top up" in this way.

For tax years 1988 and 1989, but not after that, you can transfer all or part of your pension income to your RRSP in addition to your regular contribution limit. And for this purpose, "pension income" includes Canada Pension Plan and Old Age Security payments, as well as income from registered pension plans and annuities.

Better yet — your spouse can also transfer all or part of his or her pension income into an RRSP and if this is the only income your spouse has, you can take full advantage of the married exemption.

But notwithstanding all of that, there may be a fly in the ointment in the form of the new "Alternative Minimum Tax" (AMT). Pension income transfers could affect you adversely under the AMT provisions.

You may very well be entirely in the clear and benefit from the full amount. Or these transfers might trigger only minor AMT liability, so that you still come out ahead on balance.

In order to find out exactly what your position will be, it's a good idea to get expert advice from your tax adviser.