

# MY BANK HAS OFFERED ME A CREDIT LIMIT INCREASE I DIDN'T REQUEST. IS THERE ANY REASON I SHOULDN'T TAKE IT?

## EXPERTS SAY THERE ARE PROS AND CONS TO ACCEPTING AN INCREASE TO YOUR CREDIT LIMIT

SRIVINDHYA KOLLURU

Amid red-hot inflation, Canadians are increasingly depending on credit cards to cover everyday purchases. A recent report by Equifax Canada found credit card balances are on the rise, and the average credit limit on new cards is more than \$5,800, the highest it's been in the past seven years.

With budgets tight, should you consider a limit increase to your credit card if your bank offers one, even if you haven't requested it?

Jason Heath, managing partner at Objective Financial Partners, explains banks will often offer the biggest credit limit increases to the people who least need it. "In other words, this is often someone who has a good income and good credit history," he says.

If you have big-ticket purchases coming up, bumping up your credit limit is worth considering, says personal finance expert Rubina Ahmed-Haq. "If you have a time in your life that's coming up where you are going to have to put a lot of big purchases on your credit card, it's nice to have the room so that you can just do those in one transaction."

Another advantage to accepting a credit card limit increase from your bank, even if you feel it is not needed, is that it can be

good for your credit rating. "The reason it can be good for your credit rating is your credit utilization rate goes down if you have access to more credit," says Heath. Your credit utilization rate refers to the amount of credit you're using compared to your total available credit across products like credit cards and lines of credit.

But Heath and Ahmed-Haq warn that there are also disadvantages to accepting a limit increase. "One drawback is if you have access to more credit and you end up using more credit, you could get yourself into financial difficulty by having exposure to too much credit."

"If you are looking to do a mortgage application in the near future, you may not want to take that increase on the credit card,



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Are you the kind of spender who would use the credit if you had it? If so, think twice before accepting an increase to your limit, experts say.

because it will show you have greater liability," says Ahmed-Haq.

Ahmed-Haq says you need to be aware of your spending habits before accepting a limit increase.

"If you have the kind of per-

sonality that if you have access to more room on your credit card that you're likely to spend, then you also have to do that self-assessment and ask: 'Do I have the self-control to not run up this credit card if I have an extra \$5,000 room on it?'"

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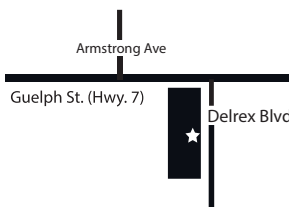


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