Comparing the cost of different borrowing options

	Annual interest savings per $10,000 in credit after shift to lower-cost option					
	4%	**5.19%**	**6.75%**	**9.5%**	**12%**	**20%**
Retail credit card (28%)	$2,400	$2,281	$2,125	$1,850	$1,600	$800
Bank credit card (20%)	$1,600	$1,481	$1,325	$1,050	$800	-
Low-rate bank credit card (12%)	$800	$681	$525	$250	-	-
Personal loan (9.5%)	$550	$431	$275	-	-	-
Unsecured line of credit (6.75%)	$275	$156	-	-	-	-
Five-year closed mortgage (5.19%)	$119	-	-	-		-
Secured line of credit (4%)	-	-	-	-	-	-

This example is for illustrative purposes only. Rates are approximate and may vary.
Rates may not represent current rates for CIBC products.
Source: CIBC, February 2012

*Through effective credit planning, you may be able to reduce credit costs and free up cash flow for other priorities. For example, by shifting $10,000 in credit from a retail credit card with a 28% interest rate to an unsecured line of credit at 6.75%, you could save **$2,125 each year** and enjoy greater flexibility and convenience in meeting credit needs.*

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Interest rates are near historic lows and there are more credit options available now than ever before. Borrowers may be paying more than they have to, or may not be in the most appropriate product for their needs.

Among the main options:

Department store pay-later deals. Some furniture and department stores offer interest-free loans for a set period (e.g., two years) to entice buyers. But borrowers need to be aware of all the “small print” costs, including application fees and the fact that interest is charged from the date of purchase and compounded at high rates if not paid in full by the due date.

Credit cards. Interest-free credit is sometimes offered for a few weeks if certain conditions are met. But individuals who carry balances on some credit cards – especially on cards offered by department stores and gas companies – pay a high rate of interest. Rates are generally less pricey for bank credit cards, and some financial institutions have low interest cards. While credit cards are convenient, and sometimes offer rewards, they may not be the best choice for long-term borrowing needs, especially for people who carry credit card balances. Creditor statements now show just how small the impact of a minimum payment is on reducing your overall credit card balance.

Personal loans and mortgages. For a specific need, such as the purchase of a car, furniture, vacation or debt consolidation (especially credit card debt), a less costly option is often a personal loan. Personal loans provide a structured repayment schedule allowing for more effective long-term planning.

A mortgage is similar, but is generally available at lower rates because of the real estate used as collateral.

Lines of credit. Increasingly popular for their flexibility and convenience are lines of credit, which are often accessible by cheque, phone, ABM, debit card or online. Borrowing costs are generally lower than other sources of credit, and interest is only charged on the daily outstanding balance, making lines of credit a good solution for short- to medium-term borrowing needs. For many people who have built up equity in their homes or have other investments, a secured line of credit provides the ultimate combination of flexibility, convenience and low rates to meet a wide range of credit needs. Since there is no structured repayment schedule and the rate is variable, individuals using any kind of line of credit must have the discipline to pay down balances and be comfortable with rate fluctuations.

How CIBC can help

Your CIBC Advisor can help you quantify the cost of short- and long-term goals and create a strategy for funding them, using the optimal combination of savings and credit for your individual needs and risk tolerance. With a well-thought-out credit plan, you may be able to reduce your credit costs and direct more cash toward your goals.