

APR and interest in plain English

Easy · 10 min to read · Free

YOU'LL NEED

- ☐ A recent credit card statement, paper or in the app

WHAT TO KNOW

- 1 **Find the APR on your statement or card agreement.** It's the price of borrowing, shown as a yearly rate. Your statement must list each type of balance that has a different APR, like purchases and cash advances, and how much you owe in each.
- 2 **Know how interest is figured.** Many card companies charge interest every day, based on your average daily balance, using a daily periodic rate. Because it builds daily, paying sooner means paying less interest if you don't have a grace period.
- 3 **Do the rough math.** Divide the APR by 12 for a monthly rate, then multiply by your balance. At 24% APR, that's about 2% a month: about \$20 on \$1,000, or \$60 on \$3,000. Real charges vary a little because interest is calculated daily.
- 4 **Find the due date.** Card companies must get your bill to you at least 21 days before payment is due.
- 5 **Pay the full balance by the due date.** Most cards give a grace period on purchases: if you weren't carrying a balance and you pay in full on time, you pay no interest on new purchases. Card companies don't have to offer one, so check yours.
- 6 **If you can't pay in full, pay as much over the minimum payment as you can.** The card company must generally put the amount over the minimum toward your highest-rate balance first. See how long payoff takes in the credit card payoff calculator.
- 7 **Skip cash advances and card "convenience checks." Interest on those generally starts the day you take the cash.**

Watch out If you don't pay in full one month, you can lose the grace period for that month and the next. You'll pay interest on the unpaid balance, and new purchases start costing interest the day you make them. A 0% balance transfer doesn't protect new purchases either: if you carry a balance, purchases usually earn interest from the day you buy.

DAD NOTE *Interest is rent on money. Don't rent what you can buy outright.*

Full lesson: aptkeys.com/money/debt/apr-and-interest-in-plain-english/

Checked October 2, 2026. Sources: Consumer Financial Protection Bureau; Federal Trade Commission.