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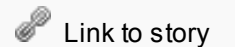
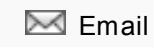
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## How to get a raise (on your credit limit)

By Vanessa Santilli

Published: May 30, 2013



When it comes to credit cards, you might feel powerless over how much your issuer allows you to charge. But a few simple steps can prove to banks you can handle debt responsibly and encourage them to raise your credit limit.

"What [banks are] looking for is evidence that you can pay off your credit card on a regular basis and that you're able to properly handle your debt," says Scott Plaskett, Senior Financial Planner and CEO at [Ironshield Financial Planning](#).

When Plaskett wanted to increase his credit limit years ago, he followed a simple strategy. "I would go out, buy some things and I would pay the credit card off in full," he says. "I would do that for a quarter and then I'd call the company back and request an increase in the credit limit."

Following these steps quarter by quarter, his limit steadily increased. "What they saw was a pattern of paying it on time, paying it in full and they recognized



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I had the ability to properly manage that debt."

According to the [Financial Consumer Agency of Canada](#), federally regulated institutions have to get your consent before they can increase your credit card limit. If you give verbal consent, then the institution must provide confirmation in writing no later than your next statement.

### Benefits to increasing your credit limit

Having a higher limit on your credit cards will actually give your credit score a helping hand; the better you can illustrate your ability to manage your revolving credit, the higher your score will be, says Plaskett

Also, if you ever needed financing, you'll have it available, he adds. "If you're a business owner especially, if you ever needed some short term financing for something, you could always turn to your credit card."

Short-term financing is one of the benefits, along with backup in an emergency -- as long as you pay it back on time or at least pay the minimum, says Alim Dhanji, a financial planner with [Assante Financial Management Ltd.](#)

Patricia White, executive director of [Credit Counselling Canada](#), adds it's important to take a "responsible approach" to increasing your limit. It's not a bad thing to increase your limit so long as it's done for the right reasons, she adds.

For example, if you're travelling -- extra credit can act as a cushion in case of an emergency while on the road, she says. Of course, you should have the money to pay off the trip.

### When it's a bad idea to up your limit

If the main reason you're seeking a credit limit increase is because you're bumping up against your current limit or not able to pay off other credit cards, then raising your limit is probably not a good idea, says Plaskett. "That's a negative spiral that's not going to go anywhere positive.


And if you are afraid of using the credit and not being able to pay it off, Plaskett doesn't recommend going down this avenue.

White adds it's important to keep in mind if a higher balance isn't paid off, you're going to be paying more in interest over time.

And be warned if you go over your credit limit, you may have to pay a penalty, which varies from one credit card issuer to another. [Royal Bank of Canada](#) and [TD Canada Trust](#), for example, charge \$25 over-limit fees.

For Dhanji, when it comes to asking for a credit limit increase, the bad outweighs the good.





"The temptation to make unnecessary purchases can lead to maxing out your credit and can lead to a poor credit rating and even bankruptcy."

Before you call your bank and ask for an increase, make sure you can handle a higher limit. The benefits can easily be washed away by the disadvantages if you aren't careful.

**See related:** [8 ways to pay off your card balances faster](#)



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