

How Many Credit Cards Should I Have?

You've probably heard that credit cards are important for building your credit history. Without a credit history, you may have difficulties if you want to take out a home loan or finance another major purchase. Even if you're wary of debt, having a credit card or two that you pay off monthly is a key way to boost your credit score.

But can you have too many credit cards? If so, how many credit cards is too many?

There's no magic number—the answer depends on you and your financial goals. One credit card may be enough if you're not confident you can pay off your balance monthly. Multiple cards can help you spread charges across several cards and offer added benefits like cash back. Keep reading, and we'll cover what you need to know to decide how many credit cards you should have.

How Many Credit Cards Do Most People Have?

According to a report from Experian, most Americans currently have between two and four credit cards—3.84, to be exact.¹ But the number of cards you have is not nearly as important as how you use them. Be sure you:

- Make timely payments
- Keep your balances low
- Focus on using a **few** key credit cards responsibly

Building a good credit history doesn't mean filling your wallet with new credit cards. Be intentional about how much debt you're taking on. But if you use credit wisely, having multiple cards can help you take your credit score to the next level.

Why Should I Have a Credit Card?

You may wonder if you should have a credit card at all. Almost 30% of Americans have no credit cards, opting to pay with cash or debit card for everything.² Avoiding credit cards can sound sensible on the surface. But credit cards offer many advantages over paying by cash:³

- **Credit history** – If you want to take out a mortgage or any other financing in the future, your credit card history is one of the biggest factors lenders will look at to determine your eligibility. It's much more challenging to build a healthy credit rating without credit cards.

¹ Experian. *What is the average number of credit cards per US consumer?*
<https://www.experian.com/blogs/ask-experian/average-number-of-credit-cards-a-person-has/>

- **Fraud protection** – Credit cards have built-in fraud protection so you aren't liable for fraudulent purchases. Credit card companies are legally required to cap your liability at \$50.
- **Cash back and other rewards** – Credit cards offer competitive features like welcome bonuses, cash back, and other rewards. It's important not to be drawn in by these offers without carefully considering the risks and benefits of opening another card, but if you plan your spending wisely, you can earn considerable benefits.

How Do Credit Cards Affect My Credit Score?

You know by now that your credit score is an important factor that lenders look at when considering a loan. A high credit score means you're a low-risk borrower, which could lead to a lower interest rate on important loans like a mortgage.

How do credit cards fit into all of this? Well, one factor that goes into your credit score is your **credit utilization ratio**. This refers to the amount of debt you have compared to the amount of credit available to you.⁴ Here are the key points to understand about your credit utilization ratio:

- Your credit utilization ratio accounts for 30% of how your credit score is calculated
- Multiple credit cards with high limits and low balances helps your score
- Closing a credit card can damage your credit utilization ratio

To boost your credit score, experts recommend keeping your credit utilization ratio under 30%.⁵ For example, if your credit cards allow you to charge up to \$12,000, aim to keep your balance across all of your cards under \$4,000. By keeping your credit utilization ratio low, you show lenders that you have plenty of credit available, but use it responsibly.

How To Manage Multiple Credit Cards

If you have multiple credit cards, you need to manage them responsibly in order to maintain a good credit score. Here are a few tips on how to do so:

- **Pay them off monthly** – Keeping a balance month-to-month on your cards will cost you in interest. Don't take on more debt than you can pay on time and in full every month. This also keeps your credit utilization ratio low.

² Nilson Report. *The Nilson Report Issue 1213*.

https://nilsonreport.com/publication_newsletter_archive_issue.php?issue=1213

³ Motley Fool. *Nearly 30% of Americans don't have a credit card. Here's why that's a problem.*

<https://www.fool.com/credit-cards/2020/11/19/nearly-30-of-americans-dont-have-a-credit-card-her/>

⁴ Investopedia. *Credit utilization ratio*. <https://www.investopedia.com/terms/c/credit-utilization-rate.asp>