



Reducing Credit Card Debt

It's easy to whip out a credit card to pay for everything from utility bills to movie tickets. You may use credit cards for hundreds of purchases every year. Credit cards are easy to use. But credit card use can spin out of control.

High interest rates, fees, penalties and out-of-control spending may increase debt faster than your ability to pay. Whether you owe a few hundred dollars or several thousand, these steps can help you reduce your credit card debt.

Total your debt.

Gather your credit card bills and list the amount you owe, the minimum payment and the interest rate for each card. (Use the chart on the back of this sheet.)

Check your credit report.

Look for any debt you might have overlooked. If you find mistakes, have them corrected. You can order a free credit report annually from each of the major credit reporting agencies by going online at www.annualcreditreport.com or by calling 1-877-322-8228.

Lower your interest rates.

Contact your credit card companies. Explain that you're shopping for lower interest rates and plan to transfer your balance to another company unless they lower your rate.

Transfer your balance.

Some credit card companies offer a 0 percent introductory rate. It might be a good idea to transfer the balance on a high-interest credit card to a new card with a 0 percent rate. This is only a good idea if the 0 percent offer is good for a full year and if the card will have low rates (13 percent or less) after the introductory period is over.

Make a written plan.

Make a written plan for paying off your credit card debt. Decide on your best repayment strategy. Following are a few methods to consider:

- **Pay off the credit card with the highest interest rate first.** *Each month pay the minimum payment on all your credit cards except the one with the highest interest rate. Pay as much as you possibly can on this card each month until it is paid off. Then start on the card with the next highest interest rate. Always pay the minimum balance on all of the others. Keep doing this until they are all paid off.*
- **Pay off the credit card with the lowest balance first.** *Each month pay the minimum payment on all your credit cards except the one with the lowest balance. Pay as much as you possibly can on this card each month until it is paid off. Then start on the card with the next lowest balance, while continuing to pay the minimum balance on the others. Keep doing this until every credit card is paid off.*
- **Pay more often.** The sooner you make a payment, the less interest you pay. You can save on interest charges by making payments days or weeks early. If you're paid twice each month, you may be able to pay a little extra on one or more of your credit cards by making biweekly payments.

Credit Card Debt Inventory

Date _____

Credit Card	Amount Owed	Minimum Payment	Interest Rate



Tips for Managing Your Credit in the Future

- Use cash or debit instead of credit to pay for small purchases. Make sure you have the money in your account to cover the full cost of the purchase when you swipe your debit card.
- Shop for the best credit terms. Make sure you understand how you will be billed.
- Don't buy more than you can pay for in 30 days when the bill comes.
- Save your receipts and check your credit card statements every month.
- Leave your credit cards at home. If you have to drive home to get one, you may change your mind about buying something with credit.
- Add 12 to 20 percent – the amount of typical credit card interest – to the cost of the item you want. Is it still a good buy when you add in the interest?
- Avoid cash advances. Rates for cash advances can be massive – 23 percent or higher – even if the interest rate for regular purchases is lower.
- Plan ahead for large purchases by setting money aside each month. Save up and pay cash for the item instead of using credit.

References

University of Arkansas Division of Agriculture, Cooperative Extension Service Fact Sheets *FSFCS41, Managing Credit*, and *FSFCS54, Credit Repair*, www.uaex.edu
Utah State University Extension Financial Fitness Fact Sheet FL/FF-13
Pay Credit Card Bill Early and Save, Marcia Passos Duffy, Bankrate.com, <http://www.bankrate.com/finance/credit-cards/pay-credit-card-bill-early-and-save-1.aspx>

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