

How to Reduce Credit Card Debt

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With the holidays behind us, those fond memories could soon be overshadowed by credit card bills. With interest rates at near record lows, has this helped or hurt consumers?

Personal bankruptcy filings set a record pace in 2003 with the third quarter of 2003 as the highest filing quarter in history. For the period ending June 30th, 2003 The American Bankruptcy Institute noted that personal bankruptcy filings totaled 1,613,097, an all-time high for any 12-month period. Up some 10% from the 1,466,105 cases filed by June 2002.

Growing consumer debt was cited as the main reason for the surge. The lowest interest rates in 45 years actually may have contributed to the problem, as consumers added to already high debt burdens. Alarmingly, bankruptcy among retirees is becoming more common as use of credit cards to purchase everything from prescription medications, to travel to see the kids and grandkids becomes an increasing and ultimately unmanageable mountain of revolving debt. Those filing for bankruptcy had an average of \$28,000.00 in credit card debt.

Tips for getting out and staying out of credit card debt may include simple tasks such as keeping those cards somewhere other than your wallet or purse, to allow yourself time to consider the purchase. One financial advisor suggested his client freeze their credit cards in a plastic bag of water, requiring them to go home and thaw out the cards before making their purchase. Don't forget un-thaw your credit card if you're planning on travel.

If you find yourself under a mountain of credit card and other consumer debt, consider applying these practical strategies to dig your way out:

[1] Start with coming to grips with the type of spending that has led to the problem. Is it a matter of unpredictable events, such as car repairs or other unanticipated expenses, or is it a pattern of unnecessary purchasing. If it's the latter you must break the cycle. You may want to investigate Debtors Anonymous for serious spending behavioral issues. Consolidating your debts may sound logical, yet without dealing with the core issue you may actually increase the financial difficulty over time.

[2] Make a list of the debts starting with the account that's charging the highest interest rate. Determine the amount you can budget each month to pay on all consumer debt. Pay the minimum on the accounts with lower interest, while paying all you can afford on the account with the highest rate. Once it's paid off, continue the process. Remember to always pay on time, as late fees or other charges can add significantly to the total operating expense of these accounts.

[3] Close accounts that you might be tempted to overuse in the future. You don't want to fall into the same trap again.

Credit is a privilege not a right. Good credit can help you achieve many of your financial goals. Make this year the year to get your financial house in order. You can do it!

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