

Had Enough Yet?

Tired of being jerked around by the credit card companies? Fed up with late fees and over limit charges? Ticked off about increases in your interest rates? Frustrated by increases in your minimum monthly payment amounts?

If you're finally ready to ditch that credit card debt once and for all, just follow these simple steps. Works every time!

Step 1: The Cold Shoulder

Nothing else will work if you don't stop adding to your credit card balances. So give your cards the cold shoulder by sticking them in a baggie, filling it with water and putting it in your freezer. Start using your debit card or cash. (Exception: If you absolutely need something like a new washing machine, for example, using a credit card lets you dispute the payment if the item doesn't get delivered, or breaks down shortly after it arrives and the dealer isn't dealing fairly with you.)

Step 2: The Line in the Sand

Once you stop adding new charges, your outstanding balance will start going down and so will your minimum payment. And that's where you draw the line - by refusing to lower your monthly payment until you're out of debt.

For example, suppose you currently have \$10,000 in credit card debt at 12% interest and your monthly minimum payment is 4% of your balance. Your minimum this month is \$400, but since you're no longer charging, it goes down to \$388 next month. Instead of paying the lower amount, though, you opt to pay \$400 again:

Monthly Payment	Time to Pay Off	Interest Paid
Decreasing minimum	10 yrs, 8 mos	\$3,200
\$400	2 yrs, 5 mos	\$1,600

That's right - just keeping your monthly payment fixed makes a huge difference!

Step 3: The Avalanche

If you have debt on more than one credit card, add up your monthly minimums from all of them. That's your line in the sand. Then pick the card you want to get rid of first. As your minimum monthly payments decline, pay the monthly minimum on everything except for the card you're paying off first. That card gets the difference between your line in the sand and the minimums on the other cards.

So as your minimums go down, you'll be paying more and more on the first card and less and less on all the others. That ever increasing payment avalanche on the first card will get it paid off fast! And when it's paid off, do the same thing with the next card you want to get rid of. Just keep your line in the sand at the same level and that second card will disappear even faster!

You can get an example of how this works at the church website (www.shpc.org). Click on "Adult Ministry" and look for the "Credit Card Avalanche" under "Special Items and Helps."

Step 4: The Rate Diet

If you're getting credit card offers in the mail with lower rates, call your current credit card companies and tell them you'd like to stay with them but.... Maybe they'll lower your interest rate. If not, you can always transfer your balances to a new card. But be very careful - there are many, many pitfalls and "gotchas." For more info on this and other rate diet options, look for "Swapping Interest Rates - A New Reality Show?" in the "Budget Guy Article Archive" on the church website (see above).

Part of my job at SHPC is helping people get out of debt. It's free and it's confidential. Just call the Budget Guy, Allen Gunter, at 292-4035 or send an email to BudgetGuy@SHPC.org. And check out the Crown Financial Ministries Small Study Groups - call Margaret Fetty at 288-9034 for more information.

For a humorous (but very true!) look at getting out of debt, check out the Steve Martin skit at soundmoneytips.com/article/6917