


4 strategies to pay off credit card debt faster

 Read, 2 minutes

Key takeaways

- To tackle credit card debt head on, it helps to first develop a plan and stick to it
- Focus on paying off high-interest-rate cards first or cards with the smallest balances
- When you pay more than the monthly minimum, you'll pay less in interest overall

If you carry credit card balances month to month, paying off that debt fast might be easier than you think. The key is developing a good plan and sticking to it. These four strategies can help you decide which course to take to quickly pay off any credit card debt.

1 Target one debt at a time

Do you carry a balance on more than one credit card? If so, make sure you always pay at least the minimum on each card. Then focus on paying down the total balance on one card at a time. You can choose which card you target in one of two ways:

✓ Focus on high-interest debt

Check the interest rate section of your statements to see which credit card charges the highest interest rate, and concentrate on paying off that debt first.

OR

✓ Try the snowball method

With the snowball method, you pay off the card with the smallest balance first. Once you've repaid the balance in full, you take the money you were paying for that debt and use it to help pay down the next smallest balance.

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Debt articles



Strategies for paying down debts

2 Pay more than the minimum

Look at your credit card statement. If you pay the minimum balance on your credit card, it takes you much longer to pay off your bill. If you pay more than the minimum, you'll pay less in interest overall. Your card company is required to chart this out on your statement, so you can see how it applies to your bill.



Quick tip

Pay a bit extra each month if you can. Every dollar over the minimum payment goes toward your balance—and the smaller your balance, the less you have to pay in interest.

3 Consolidate debt

Consolidating your debt lets you combine several higher-interest balances into one with a lower rate, so you can pay down your debt faster without increasing payment amounts. Here are two common ways to consolidate debt:

✓ Transfer balances

Take advantage of a low balance transfer rate to move debt off high-interest cards. Be aware that balance transfer fees are often 3 to 5 percent, but the savings from the lower interest rate may often be greater than the transfer fee. Always factor that in when considering this option.

✓ Tap into your home equity

If you have equity in your home, you may be able to use it to pay down card debt. A home equity line of credit may offer a lower rate than what your cards charge. Be aware that closing costs often apply.

If you do consolidate, keep in mind that it's important to control your spending to avoid racking up new debt on top of the debt you've just consolidated.



Ready to start paying down debt? Bank of America has credit cards that offer low introductory APRs on qualifying balance transfers.



4 Review your spending

Start by categorizing your monthly spending, for example: groceries, transportation, housing and entertainment. Your credit card statement can be a helpful tool; many issuers categorize your spending. Look for areas where you can cut back. Then take the money you've freed up and apply it to paying down your debt.

✓ Pay with cash

One way to manage your overall debt is to consider purchasing things with cash. Using cash or a debit card can help you avoid overspending or making impulse purchases—plus you eliminate any extra fees that may apply when paying with plastic. You'll also have a clear understanding of how much is going out vs. coming in every week or month.

✓ Use financial windfalls

Commit raises, bonuses or other financial windfalls to debt reduction rather than adding these funds to your monthly spending pool. Using this “extra” money to chip away at your debt can help you reach repayment goals faster.

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