

Credit card debt consolidation

What is 'Credit card debt consolidation'?

'Credit card debt consolidation' is a phrase that you must have come across many times. There are hundreds of sites with advice on credit card debt consolidation. Every now and then your favourite newspaper will also contain an article or advise on credit card debt consolidation. TV channels host discussions on credit card debt consolidation. Moreover, there are numerous consultants and companies that provide professional advice on credit card debt consolidation. So what is this "Credit card debt consolidation" that everyone is talking about? Why is it such an important topic?

"Credit card debt consolidation" refers to consolidation of the debt on various credit cards into a single credit card (or a couple of credit cards). Generally, you move from a higher APR credit card to a lower APR one. You might ask 'why?' If you look into how the vicious circle of credit card debt works, you will immediately understand the logic behind that. Credit card debt grows in 2 ways. One is due to addition of new debt on account of fresh spends on your credit card and the second is due to addition of interest charges to the existing credit card debt. The first one is due to your use of credit card but the second one is due to interest charges which are calculated on the basis of the interest rate or the APR applicable to your credit card. So a lower APR rate means that your credit card debt will grow at a slower pace and hence switching over to a card with lower APR makes perfect sense.

The process of credit card debt consolidation is also referred to as balance transfer process (you transfer the balance or debt from one credit card to another). The credit card debt consolidation (or balance transfer) offers are made even more attractive by the credit card suppliers by associating various benefits with them. The simple logic behind offering these benefits is the fact that such a customer would be defecting from one of their competitors. The biggest benefit offered by these credit card suppliers is 0% interest on balance transfers (or credit card debt consolidation). This 0% APR is generally applicable for a short period of time i.e. 3-6 months, after which the standard APR is applicable. Other credit card debt consolidation offers include things like interest free purchase for a short period, reward points, etc. These credit card debt consolidation offers make the exercise of credit card debt consolidation even more logical and meaningful.

Credit card debt consolidation seems to be a good way of tackling the problem of credit card debt and that is the reason why there is so much of discussion on the topic of Credit card debt consolidation.