

Title:

Getting Out Of Debt,

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Summary:

Getting Out of Debt, The Smart Credit-Card Plan, the perfect paydown strategy

Behavioral economist Meir Statman, recently said "getting out of debt is the financial equivalent of trying to quit smoking." Just like any bad habit, good intentions alone will not be enough. To ensure success, we need to break our underlying patterns of behavior. How is it we live in the richest most powerful country in the world, but the average American is more than \$11,000 in debt. Our Europ...

Keywords:

Article Body:

Getting Out of Debt, The Smart Credit-Card Plan, the perfect paydown strategy

Behavioral economist Meir Statman, recently said "getting out of debt is the financial equivalent of trying to quit smoking." Just like any bad habit, good intentions alone will not be enough. To ensure success, we need to break our underlying patterns of behavior. How is it we live in the richest most powerful country in the world, but the average American is more than \$11,000 in debt. Our European friends who live by a mainly debit card system have an average savings of \$13,000. On a recent visit to Germany, I was shocked to find that less than 35% of all the shops and restaurants accepted credit cards. What would we need to do to reverse this trend and get into a (plus) situation.

Plastic Surgery

If we are serious about paying off our balances. We don't have to literally cut up our credit cards, just stop using them routinely. We should go green for our everyday spending. Try carrying around a set amount of cash to use each week. We make better purchasing decisions when we actually have to hand over the green stuff plus there's a preset spending limit. When we run out of money, we stop spending it's that simple. When the only way to purchase is plastic, buying online for instance, then use your debit card. Your debit card can also be used as an emergency substitute for cash should you run out.

Leave Those Cards At Home

The best way to ensure that you enforce the cooling off period on new credit purchases is by taking the cards out of your wallet. You should store them in a place that's not easily accessible and safe. Do not let others know where you have hidden them.

Close The Accounts No Longer Needed

Having unused credit available from lenders with whom you've had a long relationship will help boost your credit score. Having too many will harm your credit score. As a rule, 3 credit cards is what works best and try to never spend more than 50% of the available credit on any of the cards. This will keep your score at it's highest. You should also consider closing all your store cards, if you need to make a purchase then use your credit card and pay it off at the end of the month.

Lowering Your Interest Rates

Start by reducing what you pay in interest. We can start by calling our current credit card companies and explaining that we intend to transfer our balance to another issuer unless our interest rate is lowered. Almost all credit card companies run promotional programs with low or 0% interest. They will be willing to put you on one of those rather than risk losing your business. All you need to do is ASK.

Tackling Those Credit Card Balances

Finally we need to develop a strategy for paying off our existing credit card balances.

Gather all your credit card statements together and make a simple table listing the entire amount you owe, and the minimum payment and interest rate for each card. This will help us determine the order in which we should pay off our cards. We need to focus on the highest interest rate cards first and pay off as much as you can each month while making only the minimum payments on our other cards. When the first card is paid off, use the same strategy on the next-highest interest rate card and so on until you're debt-free.

Late Payments

Are the number one cardinal sin of debt management. You get hit with hefty late fees and very high penalty rates that can go to 30%, plus of course your credit score will take a big hit.

We all have a responsibility to improve our financial literacy and develop the required skills and practices for effective financial management. There is a

real need to get away from the "Someday things will get better in my life" or the "Someday I will be able to earn enough money to stop worrying about the bills. There is a lot more to life than that, but it has to be said and understood that the only person that can change your life is YOU. There is NO substitute for Action! With Action, you will overcome your fears and hesitations and accomplish everything you set out to do and more.

Have an opinion or a question you would like me to answer, then write me!
<http://www.CarlHampton.com>