Title:
4 Smart Ways To Deal With Credit Card Debt

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Summary:
You already know a lot about credit cards. You've heard that consumer debt in this country-particularly credit-card debt-is at an all-time high, while our savings rate is lower than ever before.

Keywords:
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Article Body:
You already know a lot about credit cards. You've heard that consumer debt in this country-particularly credit-card debt-is at an all-time high, while our savings rate is lower than ever before. You realize that the boom in online shopping, with its absolute dependence on credit cards, is further fueling their use. You are well aware that running a balance on your plastic-and paying the unconscionable interest rates that come with it-is one of our most basic and widespread financial blunders. And you suspect that the sheer volume of direct-mail credit-card solicitations with low teaser rates must be devastating the forests of northern Idaho.

Still, credit cards are a fact of 21st century life, and it only makes sense to understand how to use them wisely. While it's probably impractical to keep all plastic out of your wallet, it is prudent to limit the number of cards you have, and, of course, to pay all balances in full every month. Indeed, having only a traditional American Express card, which doesn't allow you to carry a balance, can be an excellent way to impose fiscal discipline on you and your family-although, as the Visa ads point out, not everyone accepts American Express. For the rest of us, who do occasionally dabble in credit-card debt, here are a few ways to keep your habit under control.

1. Take advantage of frequent-flier programs tied to credit cards, but keep in mind that interest payments on a high balance can quickly turn "free" flights into outrageously expensive ones. At a dollar per mile, running up a debt of 25,000 may get you a plane ticket, but it will also saddle you with $4,500 in yearly interest payments, assuming an 18% annual rate.

2. Look very closely at credit-card offers before you bite. Obviously, most of

those 2.99% and 3.99% rates will be in effect for only a few months. But there may be other catches as well. Making a late payment, even if it arrives only a day after it was due, may immediately trigger a permanent rate hike. Also, low initial rates sometimes apply only to transferred balances, and you could get charged a fee for making the transfer. Check, too, to see whether there is an annual fee, or charges for exceeding your credit limit or even for closing an account.

3. Avoid amazing grace-period tricks. What you're looking for is a provision that says you'll never be charged interest as long as you pay your bill in full by the due date. But some cards have no grace period, calculating interest from the moment you make a purchase, while others give you only a limited time after making a charge before interest is imposed. That period of 20 days or so may end before your payment is due.

4. Don't forget to cancel cards you no longer use. If you don't, they'll show up on credit reports, and that could be a problem, particularly if you're applying for a home mortgage. Your would-be lender may be reluctant to make a loan to someone who has a cumulative credit-card limit of $50,000, $100,000, or even more.