

**Title:**

Get out of credit card debt by changing your mindset

**Word Count:**

783

**Summary:**

To get a grip on your credit card debt, prioritize, rethink rewards and roll over debt with caution.

**Keywords:**

credit cards, credit repair, credit crunch

**Article Body:****1: Get a grip**

It is estimated that Americans will charge \$148 billion to their credit cards during Christmas period. A new poll also found one in four Britons felt they were struggling with debt as the UK annual interest bill for credit hit £93bn

Don't just sit back and wait for the postman to deliver those credit card statements before you start to think about how you are going to pay them. If you have to borrow money to pay off your credit card debts, you're in big trouble!

You also need to look at your debts objectively, if you are paying out between 15-20% of your monthly income on your debts than you need to reevaluate your finances. If that figure is higher than 20%, you may need to enlist the help of a professional.

Financial experts say that paying off this year's credit card debts are going to be particularly hard with rising fuel and food costs, allied to a double hit of rising mortgage payments and falling house prices.

**2: Prioritize**

There are many different types of debts you can have such as personal loans and mortgages. Credit cards may be one of the most convenient sources of money but is definitely one of the most costly. Credit card rates can vary from 14% to an unbelievable 35%.

If you realize that credit card debts are so expensive you need to prioritize

this debt first. If you persist on just paying the minimum payment it could take you 30 years to pay off the debt. Considering most mortgages are base on a 25 year term, 30 years to pay off a credit card debt is not sensible financial management.

Ask yourself wouldn't the money you save from your credit cards be better on funding a holiday or new car?

If you want to calculate how much interest you are going to pay with minimum payments use this rudimentary but effective method: Take your balance and multiply it by your APR. Take that number and divide it by 12. That's the amount you will have to pay in interest

If you could consolidate your credit cards debts into a low interest rate personal loan than this would save you a load of money. But make sure you rip up your credit cards or hide them away as you do not want to be in the same situation again.

### 3: Watch the rewards

Everybody likes presents or "rewards" but remember why they are giving you these rewards. Credit card companies team up with other providers to offer everything from air miles to points to spend at a retail shops but remember the reason for them giving you these rewards, it's so that you spend more money!

If you have a balance on your credit card your monthly interest charge will far out weigh any benefit from these rewards.

Look at the rewards objectively, if you have to spend £40,000 or \$75,000 to earn enough reward for a airline ticket that you would have cost you cost £800 its really not worth it.

The moral of the story is that reward cards can be good for people who pay off balances in full and for those who use the card for business purposes but if you have balances that you are struggling to pay off, stay away from them.

### 4: Roll over debt with caution

Taking out a loan using your house as security to pay off your credit card debts can be a smart move for some people. The loan may have a lower interest rate compared to the several credit cards you have so you could save a lot of money. But it is important that you consider all the possible downsides that come with this option.

First of all, when you stop making credit card payments, the credit card

companies are not going to come and take your home away from you. If you stop paying instalments of a loan that is secured against your house than repossession is a risk.

The solution is not paying off your credit card debts with a personal loan and then continue using your credit cards. The solution is addressing the underlying problem which is your spending habits and having far more control over your budget. The credit card should be your last resort not your first option.

#### 5: Change your thinking

At their essence, credit cards are 30-day loans that should be paid back in full. It's a convenience. Not a way of life. Credit cards are not a license to shop.

And although more and more people are doing this, you shouldn't put your mortgage payments on your credit card. This will just compound the trouble that you'll have down the road.