Credit Cards—
Friend or Foe?

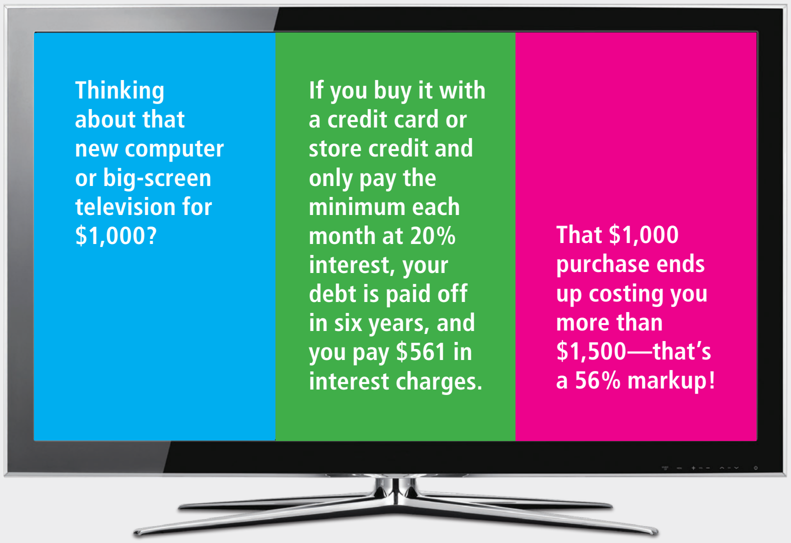
In today's world, it is easy to swipe a credit card or punch a few numbers onto our computer and phone and we're on our way. Whether grabbing a cup of coffee, a new outfit, a flat screen tv, or maybe booking that well-deserved vacation it's basically the same action.

So, are we really thinking about how these purchases are adding up? Credit cards, while convenient, usually have high interest rates. These rates can increase over time and there are also fees and penalties that can occur for late or missed payments.

Are minimum payments enough?

One reason people may think they are managing their debt is by simply making the minimum payments required each month … and that could be dangerous.

You really need to be aware of the impact to your money of just making the minimum payments. Not only does it take a long time, it also is going to cost you. The minimum is usually only a very small percentage of the outstanding balance, and paying only the minimum extends the amount of time you are paying it back. The longer you take to repay the charges, the more interest banks and credit card companies make.



Tips to manage credit card debt

The good news is that there is hope and you can pay down your credit card and other debt if you have a solid plan.

Know what you owe

- Make sure you write down how much you owe on each of your credit cards, and note the interest rate of each and the minimum monthly payment.

Track your spending

- By looking at where we are spending each day, we can start to see where we may need to make some changes. With all of those credit card payments and loans, are you putting the right amount of money towards them or maybe you are just paying the minimum amount.

Don't accrue more debt

- One way to help manage debt is to stop the problem at it's source. Stop using credit cards. Store your credit cards in a locked place, out of sight, so they're safe but not such an easy temptation to use. Keeping them out of sight and switching to cash allows you to make more thoughtful purchases.

Once you have taken these three steps, you can now come up with the best course of action that meets your specific needs. Here are some options for you to consider:

Consider consolidating your credit card debt

- Review all your credit cards and find the one with the lowest interest rate.
- Consider transferring high-interest balances to lower-interest cards.
- Or, watch for special low-rate credit card offers in the mail that allow you to open a new credit card by transferring balances.
- Many credit card companies permit this and doing so will enable you to pay less interest.
- But be sure to read the fine print though. For example, find out how long the new low rate will last and how it may change at the end of that period.

Prioritize and pay off the high interest rate cards first

- If your balance is too large to fit on one low-interest card or you are unable to consolidate your cards into one, most experts recommend paying as much as possible to the debt with the highest interest rate while still making minimum payments on the others.
- Once the balance on that card reaches zero, move on to the card with the next highest interest while also making minimum payments on the remaining balances.

By paying off the highest interest rate debt first, you will save money on interest charges and pay off your total debt more quickly.

There is no right or wrong approach here, the key is that you take some action. Whatever course you take, be sure to make smart choices and avoid adding more debt if possible.

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