

10 STEPS TO ELIMINATE AND CONTROL YOUR CREDIT CARD DEBT

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The interest you pay to credit card companies drains precious financial resources that could be invested for your family's and your own future needs and enjoyment. With determination and resolve, you and/or your spouse can get out from under credit card debt and enjoy a **\$ 0 balance** at the end of each month, by following the 10-step plan presented below.

Learning to live within your monthly earning limit(s) is crucial to your long-term financial success and the maintenance of a good credit rating.

THE PLAN

1. **Establish a time period (three years at the longest) when you will be credit card debt free.** Plan something enjoyable for yourself and/or your spouse on that day. Cash only - no charging please! Display this date in a prominent place in your home, such as on the refrigerator and/or near where you pay your bills.
2. Reduce the number of credit card accounts by **paying off the lowest charge card balances first.** This action will help provide commitment feedback and show immediate progress on your debt reduction plan.
3. The next priority is to **target the credit card account that has the highest credit balance.** Plan to send as much as you can afford each month to pay down this card and don't stop until the balance is \$0. Make sure the amount you pay is higher than the monthly minimum. See step 4 below.
4. Make sure you **pay some amount higher than the minimum balance for each credit card account every month.** This amount should be at least 20% above the minimum payment amount. If the minimum monthly payment is \$50.00 per month, then pay \$50.00 x 120% (1.20) or \$60.00 or more for each month.
5. Once each credit card is paid off, decide if it is worth keeping. **I strongly suggest that you get rid of all but two major credit cards.** Cut the cards up and notify the credit card company in writing to close your account.

THE PLAN (Cont.)

6. May sure every credit card is paid off before the due date. Pay them as early as you can to avoid any questions about your payment(s) arriving after the due date and therefore, causing you to incur an expensive late penalty charge.

7. Use low cost financing to pay off credit cards. Borrow from your TSP Accounts at the current “G” Fund rate and then pay back that account over a 4-year period. You also can use a Home Equity Line of Credit that is based on the built up equity and market value in your home to pay off your credit card debt. The interest that is incurred from the borrowed money from the Home Equity Line Loan is tax deductible. Credit card interest is not tax deductible.

8. When you have paid off all your credit cards, pay a11 future charges in full every month. Use credit cards for convenience only and as a flexible way to make purchases. Don't charge more than you can pay off in full when the bill arrives.

9. If your debt is too high for you handle on your own, contact the Consumer Credit Counseling Service (800-388-2227), a nonprofit organization that educates and counsels people on the use of credit.

10. If you become tempted to charge more on your credit cards than you can pay off in a month, **remember how hard it was to become debt free.** Do you really want to go through that agony again???

Good luck implementing your plan!