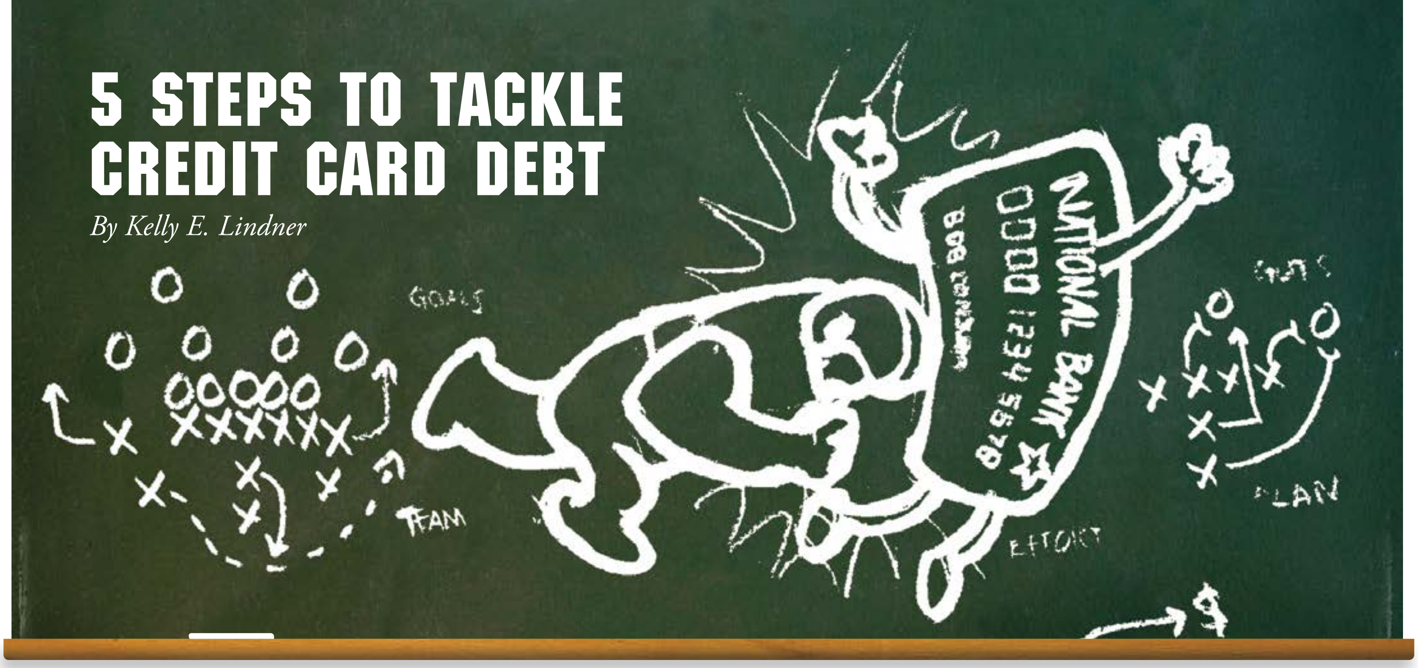
5 STEPS TO TACKLE CREDIT CARD DEBT

By Kelly E. Lindner

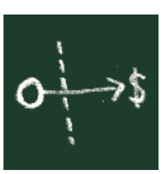


Sometimes we spend money we don't have — sometimes out of need (like car or home repair) and sometimes because we want to (like getting the latest gadget or enjoying a night out). Whether you're the victim of circumstance or just occasionally less than frugal, when you create debt, it's a good idea to pay it off.

ADD IT UP. Before you do anything, tally up your total credit card debt, including medical bills and personal loans. If you owe more than half your annual income, consider getting professional help.

"If that debt totals more than half of your income, you are probably already too deep in the hole [for] a do-it-yourself solution," says Liz Weston, a NerdWallet columnist, Certified Financial Planner and author of several books, including the national best-seller, *Your Credit Score.*

Instead Weston recommends making an appointment with a non-profit credit counselor and bankruptcy attorney so you understand all your options.

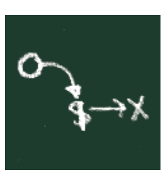


GET A BALANCE TRANSFER. Some credit card companies will let you transfer your credit card balances to a new card at 0% interest for a certain amount of time. This can save you money, but once the 0% interest time frame expires, you will rack up new interest if you still have a balance. Be sure to pay off the debt before the time frame ends.

"Those 0% offers are not for kicking the can down the road and just paying the minimums," Weston says. "This is when you are serious about paying off your debt."

KEEP TRACK. Find the most convenient way to track your spending, whether you use a finance app, like Mint or YNAB, a spreadsheet, or even a bullet journal. West recommends choosing the method that works best for you and that you will use consistently.

"You want a solution that you can turn to as easily as turning to your phone or pulling [out] a journal," Weston says.



GET A PERSONAL LOAN. Personal loans allow you to consolidate your debt with a fixed interest rate, a fixed monthly payment and a fixed repayment term (usually three to five years).

"The personal loan's a great solution if you can get a handle on your spending and not run up new credit card debt," Weston says.

DON'T CLOSE CREDIT CARDS ... YET. Though it's convenient to have fewer cards to keep up with, closing credit cards can hurt your credit score.

"What the scores are looking at is the difference between the credit you're using and the amount of credit you have available on each individual account," Weston says. "It also looks at the overall credit limit. If you shut down a bunch of cards, you're shutting off that available credit. That makes the balances that you have kind of loom larger in the credit scoring formula."

Weston adds that credit cards can be closed eventually, once your credit scores are up.

"You don't want to do it willy-nilly or do a bunch of them at once because that can really hurt your scores," Weston adds. ★