

Digging Yourself Out of Credit Card Debt

The holidays are over and the credit card statements are starting to arrive. After reviewing your statement(s) you're wondering "What in the world was I thinking?" And, how in the heck am I going to pay for all this? Let's talk about some steps to dig yourself out of credit card debt.

Begin by making a list of your credit card debt including the account, current balance, interest rate and minimum payment. I know this scares the heck out of a lot of people because they know they owe a lot – just not how much. But as Eleanor Roosevelt said "You gain strength, courage and confidence by every experience you stop to look fear in the face. You must do the thing you think you cannot do."

Next, stop using your credit cards. Take your credit cards and lock them up in your safe deposit box. Or, put your credit cards in a tin can fill it with water and freeze it. Why? Because we're resourceful and we would find a quick way to defrost those cards, but you can't microwave a tin can. If you really must keep one credit card in your wallet, wrap a piece of red paper around it and write in big, bold letters EMERGENCY. This will make you stop and think before using the card to buy a new pair of shoes.

Now, it's time to pick up the phone and call your creditors to request a lower interest rate. Call in the middle of the week because there are fewer people calling, put a smile on your face and explain to the customer service rep why you're calling. If you're a long-time customer and have always paid your bills on time, you'll probably get a "yes" answer right away. But be prepared for the customer service rep to tell you "no". Next, ask to speak to a supervisor and repeat your request with a smile on your face. If your request isn't honored, you might think about transferring your balance to another account with a lower interest rate. Be cautious about this option because every time you do this it's a hard inquiry on your credit report and it can adversely affect your credit score. If you want to explore this option, I recommend you check out CardRatings.com, which is a great source of credit card information. And, be sure to read the fine print before transferring your debt to another card. You don't want to be unpleasantly surprised down the road when the interest rate on your new card jumps to a higher rate than your old card.

I recommend you begin by paying extra money on the credit card with the lowest balance. Some experts recommend you start by paying off the credit card with the highest interest rate, and if you're disciplined and know you will stick to your plan, go ahead and do that. But I think you'll have a better chance of success if you pay the credit card with the lowest balance first. You'll feel a wonderful sense of accomplishment when it's paid off. Congratulate yourself for such an awesome accomplishment. Now, it's time to move on to the card with the highest interest rate. And, if possible always pay more than the minimum on your credit cards.

Way to go! You've got your debt reduction plan in place. Remember that small steps can lead to big results. Don't get discouraged that it's going to take months even years to pay off your credit card debt. I promise you --- when you're debt free – you feel a sense of freedom that will knock your socks off!