

Ridding Yourself of Credit Card Debt

Gaining and losing weight are a lot like amassing credit card debt and paying it off. It's really easy to gain weight and very hard to lose it. It's really, really easy to get into credit card debt, but it's so hard to get out it. There's no overnight solution or miracle cure for either – weight or debt. But it can be done with patience, determination and taking one small step at a time.

Most people can only guess how much they owe in credit card debt. It's time to pull out ALL your credit card statements, sit down and make a list of your credit card debt. Include the account name and number, current balance, interest rate and minimum payment. Be sure to review your most recent statements because in the past few months many credit card companies have raised their interest rates to “*reflect the current risk environment*” and Chase recently announced they will charge a \$10.00 per month fee for customers with large balances.

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.

Now, it's time to pick up the phone and call your creditors to request a lower interest rate. I only recommend this step IF you don't have any negative information on your credit report. I recently talked with a woman who called her credit card company to get her interest rate reduced. Instead they froze her account. If you have clean credit, pick up the phone and make the call. I recommend calling 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, check out CardRatings.com -- 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.

Some financial experts recommend you pay off the credit card with the highest interest rate first. If you're disciplined and know you will stick to your plan, go ahead and start with the account with the highest interest rate. But I think you'll have a better chance of success if you pay the credit card with the lowest balance first. Imagine the sense of accomplishment you'll feel when it's paid off. Congratulate yourself for such an awesome accomplishment and then move on to the card with the highest interest rate. If possible always pay more than the minimum on your credit cards.

If you're having trouble making your credit card payments, contact the credit card company and ask about their forbearance program. The program is designed to help customers maintain their finances during difficult life events (job loss, unpaid family leave or medical emergencies). Forbearance programs vary depending on the company. Sometimes you're allowed to delay your payments for six months or longer or you might receive a reduction in your minimum monthly payment or interest rate.

Congratulations, you've got your debt reduction plan in place. Know that small steps lead to big results. Don't get discouraged if it takes months or years to pay off your credit card debt. Once you're debt free you'll feel an amazing sense of financial independence and freedom.