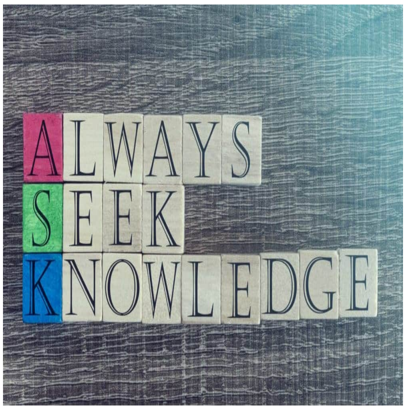

Got Credit Card Debt? Do These 3 Things

Description

TransUnion Canada reported last August that credit card balances in the second quarter of 2020 fell 12.3% compared with the same period in 2020. While Canadians are experiencing financial hardship during the pandemic, many are taking steps to eliminate credit card debt.

If you're ready to pay down or liquidate your credit card debt, there are three practical ways to get the job done.

1. Quarantine your credit card

A credit card is the root cause of impulse buying. To end the temptation of spending on wants rather than needs, quarantine your plastic. Put them away or freeze their use and start paying off your balances. Make a list of all your debts, including outstanding balances and interest rates.

2. Prepare a repayment plan

Once you complete the list, prepare a debt repayment plan. Prioritize payments in order of importance. Mortgages and auto loans are usually at the topmost. For credit cards and others, pay them methodically.

Start paying off loans with the highest interest rate to bring down interest costs. Another way is to wash down smaller card balances first. This snowball method quickly removes lesser nuisances before tackling the bigger ones. You can opt for debt consolidation next to put all debts in one basket. You can better manage a single account.

3. Use cash for purchases

Credit cards make it easy to spend money. However, if you use cash for purchases, you become conscious and careful about what you buy. You can create a money spending plan to keep track of every outflow. As you go along, you'll begin to see which expenses you cut back to free up more cash.

You can set aside the money for savings or use it to pay credit card bills to accelerate payment. Using cash will also ensure you spend within your means. The goal is to end useless spending and be debt-free as soon as possible. You will have a bevy of earning opportunities if you have cash on hand.

Create income not debt

The journey to wealth begins with a good habit. Set aside money regularly every month. Even with little capital, you can invest in dividend stocks to create passive income. However, you should only invest free cash, not your emergency fund.

NorthWest Healthcare (TSX:NWH.UN) isn't a bad investment if you're worried about a long-drawn health crisis. This $2.02 billion real estate investment trust (REIT) operates a high-quality international healthcare real estate infrastructure. The portfolio consists of hospitals, clinics, and medical office buildings.

The number of income-producing assets is 189, and the locations are in major markets such as Canada, Australia, Brazil, New Zealand, and Europe. In the first half of 2020 (six months ended June 30, 2020), the average net income was $75.33 million, while the occupancy rate was a high 97.3%.

NorthWest's cash flows should be stable, given the 14.5 years weighted average lease expiry of the rental properties. The stock trades at $11.50 per share and pays a lucrative 6.91% dividend. A $5,000 position will produce $345.50 in passive income.

Suggested plan

The COVID-19 pandemic is putting a lot of economic pressure on Canadians. However, accumulating credit card debt shouldn't be part of your plan. Fortify your financial position by getting rid of them the soonest.

CATEGORY

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2. Investing

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