



Have Crushing Credit Card Debt? Here Are 3 Strategies to Tackle It

Description

High interest rates and easy accessibility make credit cards the easiest debt pitfall for Canadian consumers to fall into. One too many swipes and you could be footing a scarily high bill at the end of the month, with no idea of how to pay it down. It's easy to feel overwhelmed and lost as to what you can do.

Fortunately, while paying off credit card debt can be challenging, it's not impossible. Having a dedicated plan and persistence can help you get rid of it fast and back on the path to meeting your financial goals. Let's take a look at my top 3 tips to get started.

Pay more than the minimum requirement

It's tempting to pay just the minimum amount on your statement balance, but that doesn't achieve anything. It doesn't bring down the principal amount on the debt and only prolongs your situation. A better idea is to maximize your monthly payments by reallocating cash from non-essential purchases. For instance, cutting out a \$5 cup of coffee every weekday can free up another \$80 by the end of the month towards your credit card bill.

Consolidate using a loan

Consolidating your debt means aggregating and transferring it to a source with a lower interest rate. For example, if you have outstanding balances on multiple credit cards, you could pay off each balance using a personal line of credit or a home equity line of credit (HELOC) if available. By doing so, you can avoid the high interest rates of credit cards and instead pay the lower ones from the line of credit.

Use credit card features

Ironically, you can use credit cards have to tackle your credit card debt. For example, some credit cards let you convert the balance on large sums outstanding into a monthly installment payment with a

lower interest rate. By doing so, you pay less in interest over time. Other credit cards let you transfer outstanding balances to them, and may offer a lower or even 0% promotional interest rate for doing so.

The Foolish takeaway

High amounts of credit card debt isn't a forlorn situation where bankruptcy is your only option. Paying more than the minimum, consolidating loans, and taking advantage of offers can make a huge difference when it comes down to how much you pay and how long you have to pay for. All of these solutions require dedication and self-discipline, however, so make sure you have a plan and stick to it closely.

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