

Wellness Pointers

Emotional | Environmental | Financial | Mental | Occupational | Physical | Social | Spiritual

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Credit Card Debt

The only man
who sticks
closer to you in
adversity than
a friend is a
creditor.



~ Unknown

Preventing and handling credit card debt

In times of economic uncertainty, it's even more important to put yourself in a solid financial position. One good way to do that is to dig out of credit card debt. Follow these tips to get your balance out of the red as quickly as possible.

1. Take stock. Before you start reducing your credit card debt, know where you stand, says Cate Williams, vice president of financial literacy for Money Management International, a large, national credit counseling firm. "A lot of people will say they've got a certain amount of debt -- \$9,000, let's say -- when in reality, it's \$11,000 or \$14,000." You'll never hit your target if you don't know where it is, so be brutally honest with yourself.

Action plan: Write down the debt -- and the interest rate -- on every card you have.

2. Improve your rates. The quickest way to save big on your credit card bills is to negotiate a lower interest rate. If you can shave off even a percentage point or two, you can save hundreds as you pay off your debt. A simple phone call and a polite request may be all it takes. While your credit score will play a large role in whether or not you get a rate cut, it's not the only factor. Every lender has their own approach to this issue. It never hurts to give it a shot.

Action plan: Call up each credit card company and request lower interest rates. If you're successful, write down your new interest rates.

3. Track your costs. Write down all your regular, committed expenses (mortgage, utilities, insurance, car payments, minimum credit card payments, phone, gym, cable, etc.), and track other variable expenses such as restaurant meals, entertainment and travel. This will serve as the foundation to your budget. **Action plan:** Study up to a year's worth of credit card bills and bank statements to get an accurate sense of your monthly spending, and keep tracking your expenses with a notebook or financial software.

4. Choose your payoff strategy. There are two common credit card payoff strategies. The first is to plow all your extra cash into the highest-interest card while paying the minimums on the others -- which is the fastest way, overall, to lower your debt. Once the first card is paid off, you have even more extra cash, and should apply it to the card with the next-highest rate, and so on, creating a debt payoff snowball effect. A second strategy is to pay off your card with the lowest balance first while continuing to pay the minimums on the others. Though this is not

the most cost-effective way to banish your debt, it's the fastest way to eliminate debt on a single card, and it can be a psychological boost to eliminate a bill for good. **Action Plan:** Choose your strategy, then rank cards in the order you'll pay them off.

5. Stash your plastic. In 2000, MIT researchers took two groups of students and dangled scarce Boston Celtic tickets in front of them. One group was required to pay cash; the other was asked to pay by credit card. The credit card crowd was willing to pay more than twice as much, their research found. **Action plan:** Store your credit cards where you won't have easy access to them -- but don't cancel them. Plan to pay in cash whenever possible.

6. Find your motivation and support. Create concrete goals to stay focused. Maybe getting rid of debt will allow you to save for a down payment on a house, go on a dream vacation or stop worrying about every bill that hits your mailbox. Weston recommends finding a community to swap stories, successes, and challenges. There are hundreds of personal finance bloggers and forums where you pull up a virtual chair. **Action plan:** Write down your goals and keep them in your wallet or purse. If you get tempted to overspend, take a look at them to remind yourself of the bigger picture.

7. Track your progress. While you don't want to spend every day fretting over your bills, keep an eye on your spending. "Revisit your progress every few months," recommends Williams. "You don't want this to consume your life. It took you awhile to get into debt, and it's going to take you awhile to get out of it." **Action plan:** Put reminders in your calendar to check up on your finances. Keep the page with your starting balances, and compare them to check your progress.



Quick Tips

- **Rethink your emergency fund:** It is more important now than every to have an emergency fund. How much is always the question. I think 6 months is reasonable, but it depends on many factors. If you are married, do you both work? If so, you might get by with 3 to 4 months. Do you have assets you can sell if you had to? We have two cars paid off and could sell one if necessary. Whatever your situation, building up your emergency fund is critical, and I would keep it in a high yield FDIC insured online savings account.
- **Don't rely on a home equity line of credit:** This point is critical. You may have available credit on your home equity, but did you know the bank can eliminate that credit? Go find your home equity line agreement, and you will see that if the value of your home falls or your financial situation changes, the bank can reduce the amount of your available credit.

Southern Adventist University
Employee Wellness

Committee:

Phil Garver, Director

Jeff Erhard

Clarice Esquilla

Leslie Evenson

Betty Garver

Harold Mayer

Carlos Parra

Dennis Schreiner

Merlin Wittenberg, Retired Rep.

Wellness Intern/Wellness

Pointers Editor:

Julie Weitzel

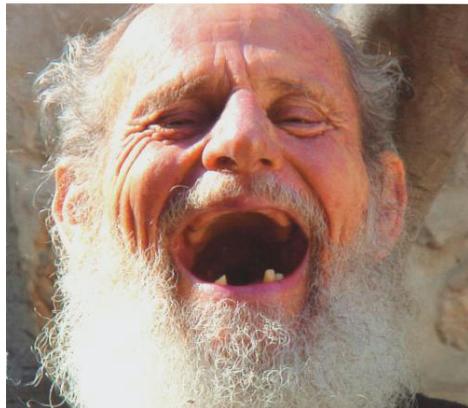
Employee Physician:

Dennis Thompson, DO

welldr32@live.com

Send your comments and
suggestions to [Wellness@
southern.edu](mailto:Wellness@southern.edu)

“Laughter is the shortest distance between two people.”



Advice From An Old Tennessee Mountain Man

Broccoli Salad

Ingredients:

1 head broccoli

1/2 cup chopped red onion

1/2 cup raisins, optional

8 ounces sharp Cheddar, cut into very small chunks

1 cup mayonnaise

2 tablespoons white vinegar

1/4 cup sugar

1/2 cup halved cherry tomatoes

Salt

Directions:

Trim off the large leaves from the broccoli stem. Remove the tough stalk at the end and wash broccoli head thoroughly. Cut the head into flowerets and the stem into bite-size pieces. Place in a large bowl. Add the onion, raisins if using, and cheese. In a small bowl, combine the remaining ingredients, stirring well. Add to broccoli mixture and toss gently.