



BEACON FINANCIAL



## FINANCIAL EDUCATION

### How CAN I PAY OFF THE CREDIT CARD DEBT I RACKED UP OVER THE HOLIDAYS?

It's a common occurrence once the holiday season winds down — you reluctantly look at your credit card statement and wince at all the purchases you made over the holidays. Fortunately, there's no need to panic. Consider using one of the following strategies to help pay it off.

**Make a lump-sum payment.** The best way to pay off credit card debt is with a single lump-sum payment, which would allow you to pay off your balance without owing additional interest. Look for sources of funds you can use for a lump-sum payoff, such as an employment bonus or other windfall. However, most individuals find themselves getting into credit card debt due to a lack of cash on hand in the first place, so this may not be an option for everyone.

**Pay more than the minimum due.** If it's not possible for you to pay off your balance entirely, always be sure to pay more than the required minimum payment due. Otherwise, you'll continue to carry the bulk of your balance forward without actually reducing your overall balance. You can refer to your monthly statement for more information on the impact that minimum payments will have on your credit card balance.

**Prioritize your payments.** If you have multiple credit cards that carry outstanding balances, another payoff strategy is to prioritize your payments and systematically pay off your credit card debt. Start by making a list of your credit cards and prioritize them according to their interest rates. Send the largest payment to the card with the highest interest rate. Continue making payments on your other cards until the card with the highest interest rate is paid off. You can then focus your repayment efforts on the card with the next highest interest rate, and so on, until they're all paid off.

**Transfer your balances.** Another option is to transfer your balances to a card that carries a lower interest rate. Many credit card companies offer highly competitive balance transfer offers (e.g., 0% interest for 12 to 24 months). Balance transfers may enable you to reduce interest fees and pay more against your existing balance. Keep in mind that credit cards often charge a fee for balance transfers (usually a percentage of the balance transferred).

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