



# Eliminating Credit Card Debt Quickly & Effectively

*How to reduce your unsecured debt levels  
fast to avoid problems with debt*

## Why You Need Effective Debt Management Techniques

Credit card debt can really be a budget-killer if you don't manage your balances closely. But even if you don't have problems keeping up with the bills and making your minimum payments as required, your debts still cost more money with interest added. Unless you pay off your balances in-full every month, you're paying a high price for the convenience of credit cards.

It's essential to keep in mind that credit card companies are not financial planners - they're not out to save you money and don't arrange their minimum payment schedules so you can get out of debt quickly. Instead, it's in the company's best interest to keep you in debt as long as possible, since this allows the creditor to maximize their profits through added interest.

On the other hand, there's nothing that prevents you from paying off your credit cards as quickly as you want. It's in your best interest to develop your own repayment strategy to save money and avoid problems with debt.

### When Life Happens...

This guide will help you eliminate your current credit card debt load as quickly as possible. We'll also show you how to design a customized repayment schedule for your regular budget that helps keep debt to a minimum. If you're currently struggling and need immediate assistance, call 1-800-810-0989.

### What's the Right Amount of Credit Card Debt?

*Although every budget is different so not everyone can maintain stability with the same level of debt, there are guidelines to how much unsecured debt you should have any given time.*

In fact, your unsecured debt load is directly related to your credit score. Your debt utilization (the amount of debt you have relative to

your maximum credit limit) accounts for 30% of the "weight" in your credit scores. When you max out your credit cards, you not only risk financial distress, you also hurt your credit.

In general, creditors want to see a consumer using about 10-20% of their available credit line at any given time. So if you have a \$10,000 credit limit, you really shouldn't carry balances of more than \$2,000 if you want to maximize your credit score.

At the same time, you have to make sure your credit card debt payments aren't taking up too much of your income every month. Financial experts usually recommend that your total credit card debt payments should only use up about 10% of your monthly income. If you're spending half of your income to pay off credit card debt, then you have too much debt for your means and you need to implement a debt reduction strategy.

### Debt Elimination Strategy #1: The Meltdown Technique

When you have a high credit card debt load, you need to decide which debts you want to pay off first. Trying to pay off all of your debts at the same time isn't efficient, since all credit cards have a minimum required payment of \$15. If you try paying off everything at once, you wind up with a bunch of \$15 payments before you eliminate all of your debts in-full.



It's much more efficient to pay off once credit card debt at a time while keeping up the minimum payment schedules on all of your other cards. This helps you save money and eliminate debt in the most efficient way possible.

Ideally, you want to start eliminating with the highest interest rate debts first. These cost more money each month because of the additional interest added. So your debt elimination strategy starts with the highest interest rate debt and works down to the debt with the lowest interest rate.

### **Here's how it works:**

1. Review your household budget to temporarily cut any unnecessary expenses. This will maximize the cash flow you have available to reduce debt.
2. Pay all of the minimum payment requirements on your bills as requested so you don't fall behind on any of your payments and hurt your credit score.
3. Direct all of the extra cash flow available in your budget to making an extra/increased payment every month on the credit card debt that has the highest interest rate.
4. Continue making the extra/increased payment until that debt is paid in-full.
5. Move on to the debt with the next highest interest rate.
6. Pay off each debt in-full before you move onto the next. You can roll the money you save by paying off each debt into the cash flow you're using to reduce your debt load or you can use it to reinstate any expenses cut out of your budget.

It's important to note that with every debt you eliminate, you reduce the amount of income you need to spend on monthly credit card debt payments. By spending more money upfront now, you save money in

the long run by paying off your debts faster. Once you've gotten your debt down to an acceptable level, you can reinstate the expenses cut from your budget. You'll also have more cash available in your budget every month because you won't be spending all that money on credit card debt.

### **Debt Elimination Strategy #2: The Rollup Method**

Not everyone can use the meltdown technique effectively. If your highest interest rate debts are also your biggest debts and you have limited cash flow, then it's going to take a long time to see a positive impact on your budget with the meltdown technique. What you need is a strategy that helps you generate extra cash flow and momentum so you can pay off these big debts as quickly as possible. This is where the rollup method comes into play.

#### **How it works:**

1. Follow Steps 1-2 of the Meltdown Technique.
2. At Step 3, direct all of your extra cash flow to making an extra/increased payment on the debt that has the lowest balance first, instead of the highest interest rate.
3. Pay off your lowest balance debt completely to eliminate it in-full.
4. Once that debt is eliminated, roll the money you save in not having that monthly payment to worry about into the money you're using to reduce your debt load and move on to the debt with the next lowest balance.
5. Each debt you eliminate will help you build additional cash flow, so by the time you get to your biggest debts you will have enough cash to eliminate them quickly.
6. Once all of your debts are eliminated, reinstate the expenses cut from your budget.

## How to Maintain a Healthy Debt Level Long-Term

Once you have your credit card debt down to a manageable level that you're comfortable with, your next step should be to decide on the best way to keep your debt minimized as much as possible. This involves developing a payment schedule where you always pay more than the minimum amount required by the creditor.

You basically have three options when it comes to managing your credit card debt more effectively:

1. Pay off your balances in-full every month.
2. Set up a fixed payment schedule in your budget.
3. Commit to paying a certain amount extra on all of your bills.



Keep in mind that the faster you pay off debt, the more money you save on interest charges. Paying off all debts in-full every month minimizes added interest as much as possible, but even just paying off debt faster will help keep the cost of using credit down. It's all about developing a strategy that works for your budget.

## Developing Alternative Debt Repayment Schedules

If you can't pay off everything you charge at the end of every month, you at least need a strategy to pay off your debts as quickly as possible. The easiest way is usually to establish a fixed debt repayment schedule, because fixed payments are easier to plan around in your budget.

Effectively, you set a certain amount that you want to pay on your credit cards every month and you pay that amount every time regardless of how low minimum payment requirements get. You just have to make sure you're always paying more than the minimum amount required so you can avoid late fees and penalties. If you don't need the full amount you set because you didn't charge that much throughout the month, then any cash left over can always be rolled back into your budget.

If a fixed payment schedule can't be arranged, then you should at least commit to paying a certain amount extra on every bill you pay. For instance, you set up your budget so you're always putting an extra \$20 towards each credit card debt payment. This can help you pay off debt faster and minimize your interest charges.

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## **About Debt.com**

At Debt.com we're dedicated to helping consumers like you handle whatever life brings your way when it comes to your finances. We understand that being 100% debt-free isn't really a realistic goal for most consumers, so we help you develop strategies that manage debt in a healthy way. With the right plan, debt can be an effective part of your financial outlook and help you reach your goals - whatever those goals might be.

If you're struggling with debt and you don't know where to turn to find a way out of your current problems, we can help. We have solutions to help you address any kind of debt or credit issue from A to Z. That's why we say, "When Life Happens...Debt.com."

Visit our website online at [www.Debt.com](http://www.Debt.com) to find the solutions you need today or call 800-810-0989 to find the help you need without waiting around.

