

8

STEPS TO PAYING OFF CREDIT CARD

DEBT

Let this year's tax season be a financial wake-up call—now's the time to implement your own personal bailout plan to pay off credit cards. Clarky Davis, aka "The Debt Diva," shares her step-by-step tips for getting to a zero balance.

BY CELIA SHATZMAN

1 KNOW WHAT YOU OWE. Before you can start strategizing, tally up all of your debts and examine your financial situation. "Many money blunders occur when you are not engaged with your finances," says debt management expert Clarky Davis. Complete the big picture by getting details, such as your credit card's annual percentage rate (APR), and determining if you are behind on any bills or have outstanding late fees.

2 SLASH SPENDING. Changing habits is a must to achieve that zero balance. The first step is setting a family budget so that you can cover cost of living expenses while avoiding using a credit card. Record every single transaction in a journal for a month to see exactly where your dough is going. Decide which expenses must be paid each month—like a mortgage, car payments and utility bills—and

»» The average credit card debt for households that carry a balance is \$15,788.

find ways to reduce extras like cable TV, cell phones, eating out and travel. After cutting those, put all extra disposable income toward your credit card bill.

3 PAY IT DOWN. Contact your creditor to negotiate a lower interest rate on all of your credit cards. When you're ready to start putting extra cash toward your debts—even just \$5 more than the minimum required monthly payments helps—focus on paying off the card with the highest interest rate first. Once that card is at a zero balance, take the monthly amount you were paying and apply that to the credit card with the next highest interest rate. This tactic guarantees

you will spend less money on interest and pay off your debts faster.

4 KEEP YOUR CREDIT IN CHECK.

Remove all credit cards from your wallet and keep them at home in a safe place. "Having easy access to credit can be too tempting for those of us who tend to make unplanned purchases. Credit cards should be used only in emergencies," says Davis, "not for a trip to the mall with your kids."

5 DITCH THE DEBIT.

Debit cards are often easier to carry

than cash, but then you run the risk of overdrawing your account and getting stuck with hefty bank fees. If tracking spending is a challenge, opt for a prepaid card instead. Those are typically tied to a savings account rather than a checking, so you can spend only the amount in your account; when you are about to overdraw, the transaction is denied and you won't get hit with any penalties.

6 GO AUTOMATIC. By enrolling in automatic payment programs for all of your bills, you'll prevent missed payments and late fees, which can lead to negative marks on your credit score. Just remember to check your statements every month to make sure you can account for all of the charges.

7 TRACK YOUR SCORE. Check your credit score at least twice a year—use different bureaus to take advantage of free offerings. Scan the report carefully for mistakes every time. "Understanding your credit report will help you see where you've been tripping up," says Davis. "You'll learn to get into better payment habits, reduce your debt-to-available-credit ratio and cancel dormant cards."

8 ASK FOR HELP. If you can't afford the minimum payments and are consistently late with the bills, it may be time to consider getting professional financial assistance. Be sure to do your research and find a reputable organization; look for a provider licensed by the state it resides in and accredited by the Better Business Bureau. "By seeking support from a debt management company," says Davis, "consumers can take advantage of better repayment terms—like lower interest rates and waived late fees—offered by most creditors." ●

Make a Deal

Before you call your credit card company to request a lower rate, visit NegotiateMyRate.com. The free tool, created by DebtGoal.com, a personal debt management site, provides scripts for haggling with creditors, lists which companies are most willing to work with you and calculates how much you'd save at the lower rate. About half of [NegotiateMyRate](http://NegotiateMyRate.com) users lowered their interest rates, with an average reduction of 5.5%.