



How to pay off your credit card

Anyone can do this, although you will need to actually go to your bank once a month to make it work. I might add that my bank wasn't really that keen to co-operate with me on this, but they really had no choice.

This is what I did.

I had reached the limit on my credit card and every month I had to pay at least the minimum repayment. I did this each month, but somehow, by the next month I had re-spent the money and had reached the limit once again. I would again make the minimum repayment and the cycle repeated itself.

This went on and on, month after month. I began to think I would never be able to get the rotten thing paid off until I came up with this strategy.

Every month I would go to the bank to make the minimum repayment. While I was there I would fill out a form to apply for a reduction in my credit limit. Month by month I paid off \$100 and as soon as I had made the repayment I reduced my credit limit by \$100. There was no way I could re-spend the \$100 the next month because it was no longer available to me.

It took a while to pay it down, but eventually I got to a point (\$400) where I knew I would never get into trouble again, and I left the limit at that point. I continued to pay it off until it was gone. I recall having a small celebration at that time!

One word of warning here, you need to be aware that no matter what the limit is set to or what your Credit Card balance is, any 3rd party payments you have authorised will be honoured even if it takes your balance over the limit. This could end up costing you an 'over limit' fee if you are not aware.

Now I actually use my credit card to make all of my planned purchases. I have built into Simply Budgets the ability to select the transactions I want to pay by Credit Card and the software tells me what the credit card bill should be for each of the next 12 months in advance. It also schedules making the full payment into the budget so I don't forget to make it and I know I can afford it. I don't want to pay interest on my credit card ever again!

Of course I can also deliberately make additional personal purchases on my Credit Card within my monthly budget so long as they do not total more than my budget surplus.

If you have been having trouble with your Credit Card debt I hope you can use this strategy to take control of it.

There is one other strategy that is very effective in helping people take control of Credit Card debt. All you need to do is submerge your Credit Card(s) in a suitable quantity of water in a sealed container. Place this in your freezer and leave for as long as it takes to pay off the debt. You cannot thaw the card(s) quickly without causing damage, effectively creating a cooling-off period for your desire to make Credit Card purchases (or should I say warming-up period?). You then treat your Credit Card debt(s) as personal loan(s) and make monthly repayments until they are paid off.

By the way, I have recently been told a few things that disturb me about Banks and Credit Card Accounts that I think you should hear about. It would be wise for you to confirm if these things are true for your bank or not.

1. If you get yourself into trouble with Credit Card debts with more than one bank, and you then approach one of the banks for a personal loan to consolidate the debts, it is most likely you will be told you do not qualify for a loan. However, you may very well still receive offers in the mail from that bank offering you an increase in your Credit Card Limit from time to time. (Seems a bit odd don't you think?)

2. If you accept an offer for a new Credit Card where you can bring your old Credit Card debt over to the new card at a lower interest rate, almost always you will be given a higher credit limit. If you make some purchases with that card and then make a payment, the payment will be deducted from the old debt you brought over from the old card and not paid off the purchases you've just made.

In effect this means you will start accumulating "high-rate" interest on these new purchases while the money you paid will be coming off the old "low-rate" interest debt. This would not be a very good situation to be in as matters would just be getting worse. (You could be excused for thinking the bank offering a deal like this really did not have your best interests at heart in the first place).