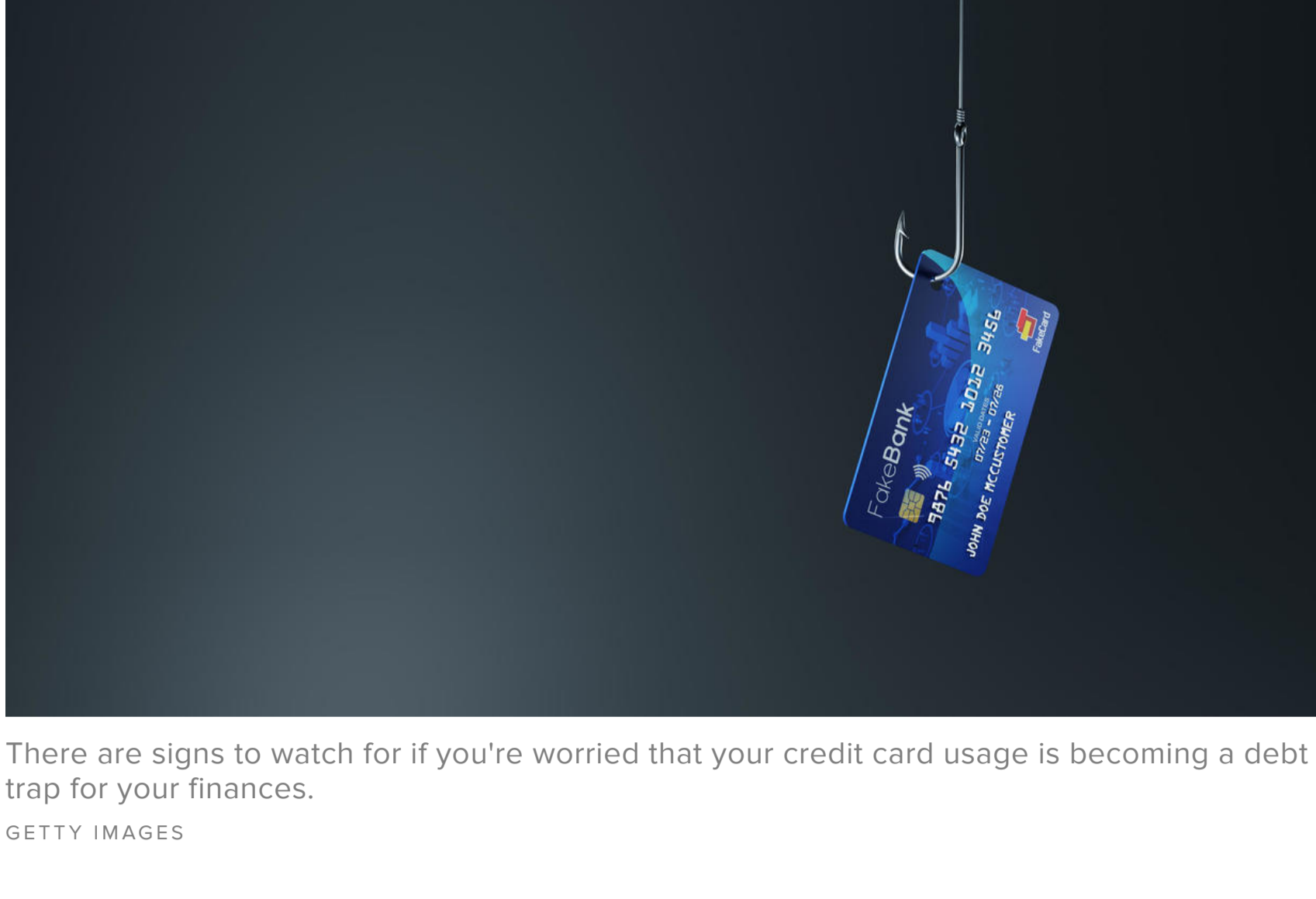


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MONEYWATCH: MANAGING YOUR MONEY

3 signs credit cards are ruining your finances (and how to fix it)

By Tim Maxwell
 Edited By Angelica Leicht
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There are signs to watch for if you're worried that your credit card usage is becoming a debt trap for your finances. GETTY IMAGES

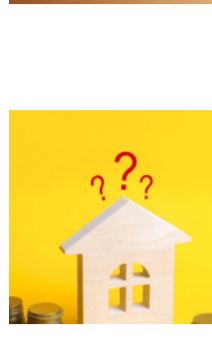
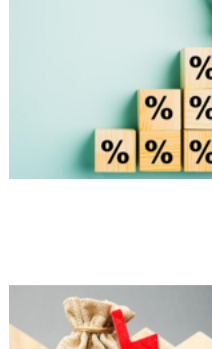


Amid **persistent inflation**, Americans are struggling under the weight of the current economic climate. Prices are rising across the board, from the **grocery store** to **car insurance**. Compounding the problem are **high interest rates** that are causing the cost of borrowing to skyrocket. For example, since 2021, the average credit card interest rate has **soared from 16.45% to 22.63%**, according to the most recent Federal Reserve data.

That's bad news for many Americans who must rely on credit cards to help make ends meet. According to a recent Clever Real Estate survey, **61% of Americans** are in credit card debt, and roughly half depend on their credit cards to pay living expenses. When bills and debt consume so much of your home budget, there's little room left to save for a financial emergency or **retirement**.


If your **credit card debt** rises beyond your means to repay it, the impact it could have on your finances could be catastrophic. If your credit card debt is at a level you're uncomfortable with, it's time to resolve the issue before it ruins your finances.

Explore your top debt relief options now and start tackling your high-rate debt.

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3 signs credit cards are ruining your finances (and how to fix it)

Here are three signs you might have too much credit card debt and tips to fix it.

Sign #1: You only make the minimum payments

Your credit card company gives you a grace period, usually **between 21 to 25 days**, to pay your balance in full. You won't incur any interest charges if you pay off your entire balance within this period. However, if you only make your card's minimum payment, usually around **1% to 3% of your balance**, you must pay interest on the remaining balance.

"You're in trouble if you can only make the minimum payments and can't chip away at the balances," Joseph Camberato, CEO at NationalBusinessCapital.com, says.

Camberato recommends controlling credit card debt before it gets out of hand.

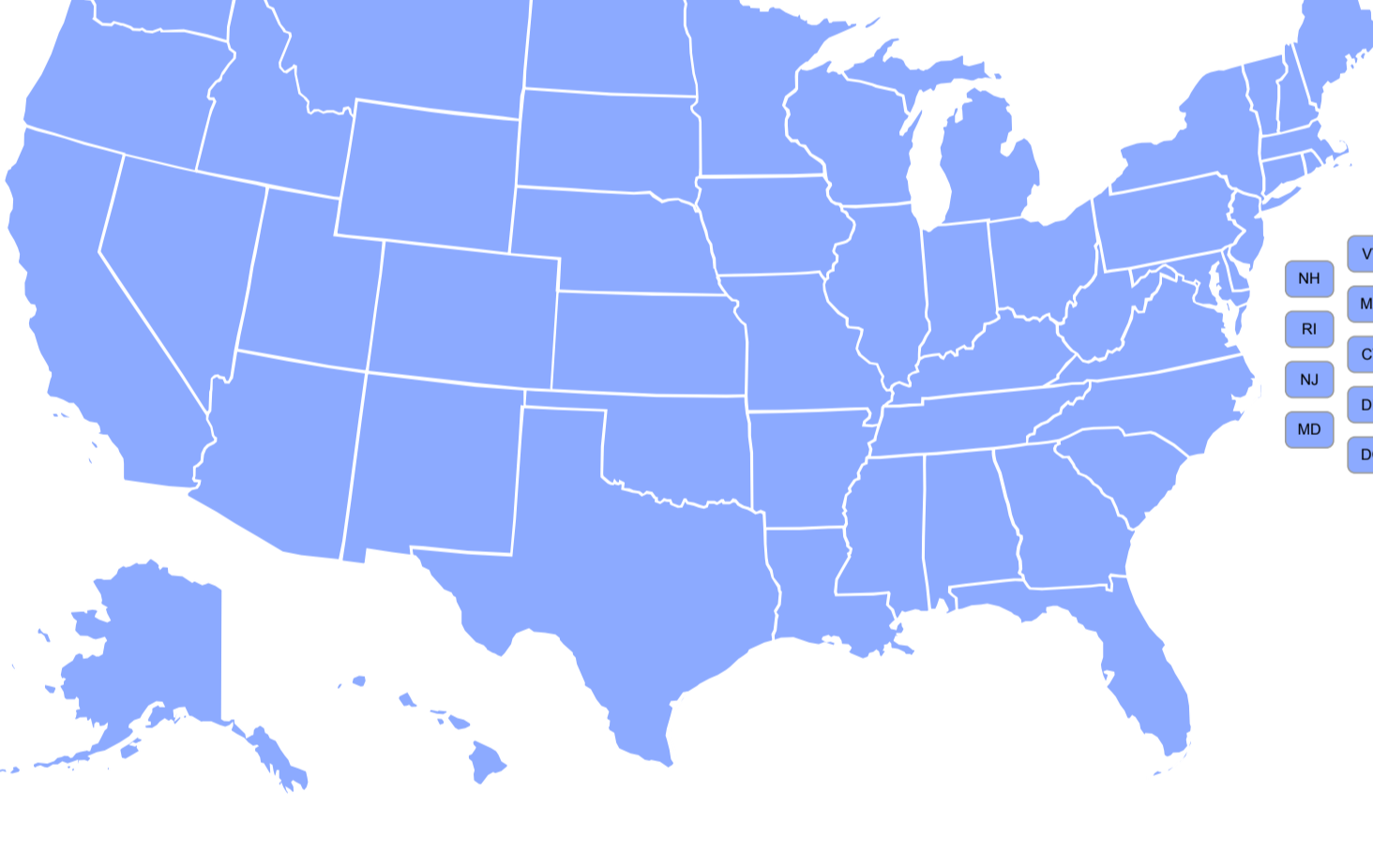
"If you ignore credit card debt, that can really mess up your (credit) score. A good rule of thumb is to keep your credit card balance below 33% of your total limit.," Camberato says.

High credit score achievers typically utilize **less than 10%** of their available credit.

Find out more about your credit card debt relief options here.

If your debt exceeds \$10,000, a Debt Relief company may help you reduce the amount you owe

Select your state to begin applying for a debt relief program.



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Sign #2: Your credit card debt is increasing

"It's a bad sign if your credit card balances continue to increase despite making payments, which means your debt is growing uncontrollably," says Leslie Tayne, a financial attorney at Tayne Law Group and author of Life & Debt.

If you find yourself in this situation, it may mean you are relying too heavily on credit cards to cover expenses, which can lead to a cycle of debt that's hard to break. To regain control, **create a strict budget** that minimizes unnecessary spending. Also, consider increasing your income by volunteering for extra hours at work, requesting a wage increase if warranted or taking on a side hustle.

Sign #3: You're falling behind on payments

"Another red flag is if you start missing payments," says Camberato. "These are clear signs that your spending is outpacing your income."

You may be able to **get away with minimum payments** while your credit balance continues to grow, but it could eventually lead to late or missing payments.

"Late payments and high balances can cause significant damage to your credit score, which makes it more difficult to get approved for credit in the future," says Tayne. "And if you are approved, you'll be more likely to pay high interest rates. Bad credit also makes it more difficult to rent an apartment, open utility accounts and even get certain types of jobs."

4 strategies to tackle credit card debt

The first step to reduce your credit card debt is to cut discretionary spending to free up more money you can apply to your debt balances.

Start with recurring bills like seldom-used gym memberships or streaming services. And, consider **shopping different car insurance companies** to see if you can find similar coverage with lower premiums.

Next, consider your options, which may include the following:

Debt repayment strategies

The two most popular strategies are the **debt avalanche and the debt snowball methods**. The avalanche method focuses on paying off the debt with the highest interest rate, while the debt snowball method prioritizes paying off your lowest credit card balance first. You'll likely save more money with the debt avalanche method, but you may prefer the snowball method if you think the momentum from quick wins will motivate you to keep going.

Debt consolidation loan

A **debt consolidation loan** allows you to combine all your credit cards into one personal loan repay in fixed monthly payments for a specific term. The benefit of a debt consolidation loan is that you can get a lower interest rate and simplify your finances by replacing multiple payments with a single one.

Balance transfer credit card

With good credit, you may qualify for a **balance transfer credit card** with an introductory 0% APR for a specific period, usually up to 21 months. That could give you plenty of time to pay down debt interest-free, but be aware these cards usually come with an upfront balance transfer fee of 3% to 5% of the amount you transfer on average.

Credit card debt settlement

One way to lower your credit card balances is to call your creditor and negotiate for a lower balance. Alternatively, **debt settlement companies** can negotiate with your creditors on your behalf. Consider the pros and cons of pursuing this path and make sure you go with a reputable company, says Camberato.

"Do some research, read reviews, and make sure the company is legitimate. While some companies can help, others might do more harm than good. Some companies might tell you to stop paying your credit cards and pay their company instead and that leads to late payments and a wrecked credit score," Camberato says.

Are you drowning in debt of \$25,000 or more?

Take control of your finances today with Freedom Debt Relief. Don't let debt hold you back - start your journey to financial freedom by clicking below.

GET STARTED

The bottom line

There are some big signs to look for if you're worried that your credit card debt is impacting your finances – but there are also some decent solutions to fix the issue. In addition to options like credit card settlement and debt consolidation, you might consider working with a credit counselor if you're having trouble managing your finances and credit. These advisors can help you create a budget or **debt management plan** to help zero out your credit card debt.