Q: My credit card debt is so large, it’s overwhelming. How can I even start to pay it off?
A: There are different ways that this can be approached, but they all start with the same step. If your goal is to tackle overwhelming credit card debt, you first have to identify how much money you have every month to put toward paying down the credit cards.

You can do this using the following money management steps:

1. **Create a comprehensive budget.** Write down all of your expenses and compare the total to your monthly take-home pay. This is the first step in identifying how much money you have available to put toward the credit cards.

2. **Track expenses.** Keep track of your expenses by writing down every single dollar that you spend. Categorize the expenses, and at the end of the month review the budget you first created using the newly tracked figures to identify how accurate it really was. It’s only when you know where the money is going that you can truly begin to make changes and free up money to pay off the debts.

3. **Decrease expenses.** Review your monthly expenses and see where things can be trimmed or cut. By tracking your expenses, you can begin to identify which areas of your budget are unnecessary or

Over the last few decades, the security, convenience, and rewards offered by credit cards have made them a popular cash alternative for many consumers. At the same time, consumers should remember that, as enticing as they may be, credit cards represent a line of credit. Every swipe and chip insertion adds to your card’s balance — and the balance you accrue on your credit card is a form of debt. Not only will you be responsible for repaying that debt, but you’ll likely be charged annual, maintenance, and/or interest fees for the convenience.

The key to enjoying your credit card’s bevy of features is to know exactly what to expect before you fill out your application. A good place to start is to research the three main features that will determine how much your card will end up costing you.

**THE GRACE PERIOD CAN HELP YOU AVOID INTEREST**

A feature of many credit cards – though not all – the grace period of your credit card is the period of time you have to pay your credit card balance before you are charged interest. For most cards, the grace period extends to the end of the billing cycle (your due date), which is typically 21 days after the bill is issued.

The credit card grace period comes with two main caveats, the first of which is that...
Credit Cards, from Front

you must pay off your entire card balance to enjoy interest immunity. If you pay anything short of your full balance, you will be charged interest for the entire statement period according to your average daily balance.

Secondly, the grace period will generally only apply to new purchases made with your card. Any transferred balances, cash advances, or other purchase types will likely start accruing interest right away. Check your cardholder agreement for details regarding the interest structure for each purchase type.

YOUR APRS DETERMINE YOUR INTEREST PAYMENTS

Short for “annual percentage rate,” the APR of your credit card is the number that determines how much interest you are charged for the purchases you make. For example, a credit card with an APR of 17% will charge 17% of a carried balance as an interest fee.

Just as when each purchase type starts accruing interest will vary, how much interest you are charged will also vary by purchase type. Specifically, most credit cards will have several different APRs, including independent rates for new purchases, balance transfers, and cash advances. Details of your card’s APRs can be found in your cardholder agreement.

The actual APR you are offered when you apply for a new card will largely depend on your personal creditworthiness, with the highest APRs going to those who represent higher credit risk. For instance, when looking for credit cards after bankruptcy or comparing poor-credit credit cards, you will likely see much higher default APRs than if you were looking for a prime card with lucrative travel rewards or other perks.

CREDITS CARDS CAN HAVE A VARIETY OF FEES

Beyond interest fees, which can often be avoided with the right combination of APR knowledge and grace-period expertise, your credit card will come with a variety of other costs and fees that can catch you unawares without the right research. To start, most special services performed by your credit card, such as a cash advance or processing a foreign transaction, may carry an associated fee.

Even if you avoid using extraneous services that come with fees, some of your card’s fees are simply unavoidable. Many consumer credit cards charge an annual fee, for example, which is typically used to cover the card’s extra benefits, such as airport perks or rental car insurance. Other cards, especially those designed for subprime consumers, may also charge monthly or annual maintenance fees. These cards may also require an initial application, processing, or program fee to open your new account.

If you are struggling with your credit card payments. Don’t hesitate to contact a National Foundation for Credit Counseling member agency like The Village today.

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excessive. There are many expenses that can be reduced in most of our budgets. You can reduce your cell phone plan, grocery shop smarter, use coupons, cut down on driving, eat out less, pack a lunch for work, find cheaper entertainment, raise your insurance deductible, shop for lower insurance rates, etc.

4. Increase income. Look for any and all ways you can increase your income. It can be as drastic as finding a new full-time job with higher pay, or as simple as picking up a small part-time job. New employment isn’t the only way to increase income, so think creatively.

After taking these steps, you should be able to identify how much money you have monthly to put toward paying off the credit card debts. Once you know that, you can begin to make a plan to pay the debts off in the most effective way possible.

Always make the minimum payments required on all the credit cards that you have. If you have the ability to make extra payments above and beyond the minimum, I would recommend using the powerpay method. Apply the extra money toward whichever account has the highest interest rate. Continue making these extra payments until that account is paid in full. Then move on to paying all the extra money to the account with the next highest interest rate. By doing this, you will begin to knock those debts out one at a time. You will find that things begin to snowball and debts are eliminated much more quickly.

One of the best options for paying off overwhelming credit card debt is with a Debt Management Plan through a Consumer Credit Counseling company like The Village. Debt Management Plans are designed to get credit card debts paid off over a 3- to 5-year period.

When you’re on a Debt Management Plan, most credit card companies will reduce interest rates, sometimes eliminating interest altogether. This means much more of what you pay on the credit cards monthly is actually going to pay down the balances rather than toward interest.

Another added benefit of a Debt Management Plan is that instead of juggling multiple payments monthly to different credit card companies, you make one payment a month to the plan, and we make all the monthly payments on your behalf. It saves a lot of time and stress while working toward becoming debt free.

To learn more about The Village’s Debt Management Program, call 1-800-450-4019.