



**CREDIT CARDS** - Pay More than the Minimum-ALWAYS.

Whether you know it or not, your credit card debt is amortized just like a mortgage or personal loan. This means that **approximately 90% of your minimum payment goes to pay the interest** at the beginning of the cycle.

Usually the minimum payment is about 2% of your balance. That's why you can pay only \$10 a month on a \$500 card balance. Let's restate that: **that's why the card company ALLOWS you to pay only \$10 monthly on a \$500 balance.** That is exactly what they want you to do.

The minimum payment is set up for the **credit card company's benefit**, not yours. They want you to pay on that card for a long time and fill their pockets with your interest payments. It is a fact that it can take you up to 30 years to pay that \$500 balance using minimum payments.

**Always pay more than the minimum.** As much more as you can comfortably do. Adding just \$10 to the minimum every month can cut your term in half, possibly more!

How to Start Your Debt Relief Plan

1. List **ALL** your debts excluding your house payment.
2. Now that you know in what order you will pay them down, you need to **calculate how much you can comfortably spend in a month**. A good rule of thumb would be to add all the payments together and add 15% to that number. The 15% is what is sometimes called the "accelerator margin", and really serves to kick-start your snowball.
3. Take a look at your list. You will only be **paying the minimum payments** on all but the one on top of the list.

Here's an example of the "[Snowball method](#)" with the format being debt name, balance, rate and minimum payment amount. This is sorted by interest rate.

Loan Name	Balance	Interest Rate	Minimum Payment
Personal loan	\$500	19.9%	\$150
Card #1	\$750	17.9%	\$15
Card #2	\$1200	9.9%	\$20
Car loan	\$3500	6.9%	\$450

Total of payments being made is **\$635** as it stands. Add the 15% and you will be paying **\$730.25** per month toward your debt.

The idea is to **pay off the first one on top of the list** while keeping the others current. So you will pay \$245.25 (\$730.25 - \$15 - \$20 - \$450) on the personal loan. In two months, that first debt has been paid off. **Your "debt free plan" is working!**

Start the Ball Rolling

**Now roll that payment in with the next debt on the list**, which is Card #1.

You will pay the \$245.25 PLUS the \$15 (\$260.25) on that debt. Inside of two months, debt #2 is dissolved and gone, baby, gone.

At this point, you have dissolved two debts in less than 5 months and eliminated the two highest interest debts you own in the process!

Continue down the list in this way and you will **eliminate the entire debt in about 18 months**. If you had gone along paying only the minimum payments on all these debts, you would have been paying for approximately 30 years!

**Remember that the minimum payments are for the benefit of the creditor, not you.** The longer you keep that balance alive, the more they make off of you.

Snowballing Your Debt Pays Off

This is just one way to implement a [debt reduction plan](#). There are others as mentioned earlier, however you'll probably want to start paying on the debt with the highest interest first, because it's costing you the most.

How you do it is entirely up to you. Whatever you do, your plan to get out of debt must fit your situation.

**The important thing is to**

1. make the plan,
2. execute the plan and
3. stay with the plan all the way to the end.

This might require some discipline on your part.

So you can see your progress, keep a chart on the fridge or somewhere you can see it readily. Look at it occasionally and remind yourself that you will be [debt free](#) when the list is empty.

What if I Can't Pay the Minimum Payment?

If you simply do not have enough income to [cover minimum payments](#), then you need to consider credit counseling or a debt consolidation loan with a [reputable debt management company](#).