Credit Card Relief

Recent economic reports have observed that Americans are reverting to the credit-dependent trends of the eighties. Apparently, the nation's populace hasn't heeded the warnings regarding carrying too much debt. Unfortunately, this statement could be applied to the federal government as well.

For families grappling with swollen credit card balances, professional financial advisors offer a three-step strategy for coping with year-end bills and avoiding future troubles. The International Association for Financial Planning (IAFP), recommends:

==> understanding the credit terms of card issuers,
==> learning how, and whether, cards should be used, and
==> developing an aggressive plan for paying off debts.

Consumers should find out the conditions and policies of their lenders, such as length of grace period, whether the interest rate is fixed or variable, and how much is charged for cash advances.

A recent study by Princeton Survey Research Associates found that 76 percent of card holders do not know their credit cards' payment terms. Most people have too many credit cards and are surprised at just how high a price they pay for the convenience of the card.

Most consumers only need one major credit card that is universally accepted. For people who have the cash flow to pay off balances each month, a charge card - rather than a credit card - is a better choice. If credit is needed, choose a card with the lowest available interest rate. Often, people with one or more credit cards should look for a card that charges less interest and transfer all of their debt to that one card.

Ultimately, the way to bring credit card debt under control is with an aggressive plan to pay off existing balances. After consolidating as many credit card bills as possible, tackle the card with the highest interest rate first. Pay as much as possible toward the principal each month, while paying the minimum required on any other cards. As you eliminate the balance, begin paying more toward the principal on the others.

Credit cards sometimes make sense for smaller or short-term needs, but for major purchases, a home equity line of credit might be a better choice since the interest is lower and is usually tax deductible. Understanding the proper use of credit cards is an important part of the overall financial planning process. Be sure to check with your financial advisor to see what alternatives are available to you.

Arthur Rottenstein is Branch Manager for Raymond James Financial Services in Coral Springs. He may be reached at (954) 753-3630 or at Arthur.Rottenstein@RaymondJames.com. Please feel free to call or write with questions/comments)