

Budgeting to Pay Debts on Credit Cards

2008 was a rocky financial year for most everyone in this country. Many were at a loss for what to make of their economic futures. As consumers look to 2009, many are trying to regroup and figure out a plan for their financial futures. Some are shaken, but will weather the economic storm okay. Others are planning to pay off debt and simplify their spending habits. On average, a person in the U.S. has about four credit cards and about 40 percent of card holders regularly pay their monthly balances in full. Credit cards are a common way of making purchases. They are a convenient and useful tool, if used responsibly. But credit cards can also offer an opportunity to overspend. It takes commitment to pay debt off, once it is accrued. The first step to reducing and eliminating debt on your credit cards is to stop making purchases on the cards. It seems obvious, but it is extremely difficult to pay down debt when you are accumulating more. Also, resist the urge to apply for new credit cards. Alter your spending behavior. Write checks, use cash or a bank card that automatically takes the amount from your account. Next, examine your budget to determine where you might be able to cut expenses. The most logical area of your budget in which to do this is discretionary items. Stop eating out, going to the salon, paying to have your car washed and purchasing entertainment items you do not need. Use those funds instead to make payments on your credit cards to reduce the balances. You may need to temporarily take on additional income opportunities, if you find that you have no discretionary expenses to reduce. After you have a handle on your budget, develop a routine of slowly paying down the debt on your credit cards. Make more than the minimum payments on the monthly statements. When you make only the minimum payment, you are paying a significant amount of interest. You will actually start chipping away at the balance, when you make more than the minimum payments. If you have debt on many credit cards, focus on paying off the one with the lowest balance first. The emotional benefit of seeing some debt paid off will offer a reward and let you see the light at the end of the tunnel. Send in additional payments on your credit cards, if you ever have free funds. Once you start paying off your credit cards, close the newest ones and keep the oldest. A card that has a long and solid history with you will help your credit score. Maintain your commitment to paying off your debt until the balances on all your credit cards have been paid. If you start using your cards again, remember how hard it was to pay off debt. Pay off your balances in full and view your card like you would a check or cash. Remember that you will have to pay for everything you put on your credit cards.

About the Author

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