

# Financial Fitness

## Dealing with Debt

Credit card debt can creep up on you. Paying for purchases with a credit card is easy and convenient—until the bill comes. If you don't pay the entire bill right away, interest is generally added and soon you could be carrying a heavy balance. If you follow that same pattern with more than one credit card, your debt can quickly get out of control.

Too much credit card debt can lower your credit score. A low credit score can have an impact on your ability to get hired, purchase affordable insurance, or qualify for a mortgage or car loan at a reasonable rate. Here are some strategies that may help you deal with your credit card debt.

**Pay off your balance.** If you pay off your balance right away, you'll owe no interest. When you don't pay off your balance, interest is added to your outstanding balance each month (unless you have a 0% introductory rate), so you end up paying interest on the interest. Over time, you may pay more in interest than what the item you charged actually cost.

**Don't just make the minimum payment.** If you find you can't pay off your credit card balance right away, pay as much as possible. Making only the minimum payment due on your balance each month will extend your payments and significantly increase the amount you ultimately pay out.

**Pay your bills on time.** If a payment is late, your credit card company will tack on a late fee—and you could end up paying interest on that, as well. Late payments also can lower your credit score.

**Don't carry credit cards.** If you leave your credit cards at home, you won't be tempted to use them. Pay with cash (or your debit card) as much as possible so you're more aware of what you're actually spending.

**Develop a spending plan.** Keep track of where you're spending your money, and look for places to cut back. Even small changes can help you save significantly over time.

*Source: Alight Solutions*

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