



Resist the Swipe: Credit Card Tough Love

- By: Rachel Huber



When Isla Fisher's Rebecca Bloomwood character hit the movie screens this February in Touchstone's *Confessions of a Shopaholic*, many of us undoubtedly identified with the ditzy spendaholic's love affair with credit cards. And, most likely, her spiraling debt too.

As the nation recovers from the largest credit binge in history, there could hardly be a more apt time for Isla's chick lit heroine to leap from the paperback pages of Sophie Kinsella's famous series of novels and onto the silver screen. After all, in 2009 frugal is fashionable, saving is sexy and staying out of the red is the new black.

Whether you're stressed about mounting bills, or drowning in a sea of debt, you're not alone. According to the Federal Reserve, consumer debt totaled \$2.57 trillion in November 2008. (Source www.federalreserve.gov)

Find out how you can kick-start a credit management plan as Braun Mincher, financial expert and author of **The Secrets of Money: Practical Financial Literacy**, and Maria Thompson, debt counselor with the California-based non-profit organization, Springboard, offer advice for debt dieters and credit addicts alike.

1. Get Savvy

Braun Mincher: Don't let credit card marketers control what you know. Take charge, understand which credit cards you have and educate yourself. Websites like

www.cardratings.com make it easy to compare credit card interest rates, terms, conditions and benefits like cash back or rewards.

Maria Thompson: Always read your credit card's terms and conditions. Even if you're "pre-approved" for a low interest rate that doesn't mean you'll receive it after you have applied.

2. Know the Score

Braun Mincher: Your three-digit credit score is one of the most important numbers you'll ever be allotted. It doesn't just determine whether you'll be approved for a credit card, it will also determine the interest rate and terms of your card. A bad score could cost you thousands of dollars in interest payments. Many states determine car insurance premiums from your credit score, and, recent research has even shown that companies are even using credit scores to make hiring decisions—and not just in careers that involve the handling of money. Although the exact formula for how credit scores are calculated is a guarded secret, about a third of your score comes down to paying bills on time.

Maria Thompson:

Keep your fico (credit) score healthy. No matter how many cards you have, keep the balance at about 50 percent of the credit limit and of course, if you can, pay off your card every month.

3. Ditch Store Cards

Braun Mincher: Store cards offer limited use and higher interest rates which can quickly eclipse whatever introductory savings deal you may have been offered. You'll get better terms and conditions by using a regular credit card.

Maria Thompson: Retail cards are often easy to acquire, but if you're young or trying to rebuild your credit, a much safer way to get a card is to have a family member co-sign for a credit card with you. Otherwise, if you're credit-challenged, ask your bank about a secured credit card. You'll have to pay a deposit on the card before you start spending, but after six months of keeping up with payments and not incurring any late charges, you may be able to negotiate different terms and conditions.

4. Shift your Financial Focus

Braun Mincher: Make credit cards work for you. That means considering credit cards as an emergency resource to purchase unforeseen essentials, not as a way to go out and get a Chanel purse. In this economy it's time to forget buy now, pay later. Start saving. Put a minimum of 10 percent of your gross pay directly into a 401K or an IRA. In addition, aim to set aside a six-month fund in savings.

Maria Thompson: Always remember that if you're overspending now, you're hurting your chances of getting good credit later.

5. Stop the Snowball Effect

Braun Mincher: The first step to paying off multiple credit cards is to assess your situation and commit to living within your means. This may sound harsh, but getting on top of debt really just comes down to cutting your expenses or increasing your income.

Maria Thompson: Look at where you're overspending so you can budget more for paying

off cards. It makes sense that the more you apply to your card's balance the sooner you can get your debts paid off. By paying the minimum on your card, you could be paying off little more than the interest on your debt for decades and decades.

6. Take Action

Braun Mincher: There are many different strategies for paying off multiple maxed-out credit cards. The most popular tactic is to pay off the card with the highest interest rate first. However, everybody's situation is different, what is essential is that you come up with a plan you can stick to and change your lifestyle. If you are tempted to pull money from a 401K to pay off credit cards, know that you'll pay a fee for early withdrawal and taxes. Plus, 401K's are exempt from bankruptcy.

Maria Thompson: Never try to consolidate a large amount of debt on your own with introductory rate cards. Introductory rates can expire quickly, potentially leaving you with difficult-to-make payments. If you do consolidate debt, create a plan and make sure your debt is small enough for you to manage. Look for the APR (Annual Percentage Rate) to find what you'll really be paying.

7. Negotiate

Braun Mincher: You have the power to bring down your payments, so start by contacting your credit card company. Call the toll-free number on the card and ask to speak to a supervisor. A great way to start the conversation is to tell them you can get a better rate elsewhere. Remember, your chances of success are greatly increased when you prove you can make your payments on time. Keep up a dialogue and let them know what's going on.

Maria Thompson: Remember, you can negotiate with collection agencies too. After 120 days of non-payment many card companies sell your debt to a collection agency. It's very important not to ignore the situation. Instead, set up a payment schedule. You'll want to do anything you can to keep collection agencies' actions at phone calls and letters.

8. Know who can help

Braun Mincher: Seek debt counsel. You can pay for a debt acceleration program which creates a payment plan for you by factoring in your individual card rates, income etc . . . but that can be costly. And remember, if it comes to it the only person properly qualified to help you with bankruptcy is a specialized attorney.

Maria Thompson:

Find a debt counselor and be sure they're associated with a non-profit organization. There are many resources available, The National Foundation for Credit Counseling is the best place to look. To get advice, visit www.NFCC.org, or call 1-800-388-2227.