Credit Card Teaser Rates are Back

September 17, 2012 - Prior to the financial meltdown in 2007, solicitations for credit cards routinely contained promises of "zero" interest on balance transfers or new purchases for varying periods of time. But after credit markets fell apart, those teaser rates virtually disappeared. Now they are back with a vengeance and, for some people, they could make a big difference in your ability to pay off your debts.

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Teaser rates typically offer consumers zero interest for anywhere from six to 18 months. Sometimes they apply to new purchases. Other times to balance transfers. In many cases, they will offer different time periods and different teaser rates for each of these types of transactions.

There is absolutely no doubt that teaser rates can get consumers further into debt. After all, why not take that vacation that you have been dreaming of when you don't have to pay any interest on debt? But that logic only works if you are going to be able to pay off the debt within the time frame that the teaser rate is being offered. Furthermore, if you owe money on other credit cards, taking out more debt is a bad idea even if you don't have to pay interest on it.

But teaser rates can also be used to help people get out of debt , provided that they are disciplined. Let's say that you have 10,000 in debt on a credit card that has an 18% interest rate. If you pay $254 per month over 5 years, you'll be able to pay the debt off. Now, let's say that you can get a credit card offering a teaser rate of 0% interest for 18 months on balance transfers. If you make payments of $254 per month - the same payment - you will pay off nearly half of your debt over that time and, if you can find another teaser rate on another card at the end of that period, you could wind up owing less than $1,000 by the end of 36 months. You will have cut your total time for repayment down by more than 1.5 years and you will save yourself approximately $4,500 in interest payments.

This won't work for everyone. If you think that you'll be tempted to use your new found credit card for frivolous purchases, or that you will be tempted to stray away from your pay-down plan, don't try this. You could just be setting yourself up to be further in debt. You also need to make sure that you are never late when making these payments. If you can't do that, then this plan won't work either. In most cases, late payments will void the teaser rate that is initially offered.

But if you really want to get out of debt, and you know that you can disciplined enough to use a plan like this to help, then a teaser rate credit card could be just the thing for you. After all, if you can use someone else's money to get out of debt and you don't have to pay interest on it, why not? Just make sure that before you take out a credit card offering a teaser rate that you fully understand the offer and that you understand the circumstances under which it can be voided by the lender.

byJim Malmberg
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