American Credit Card Debt Now Tops One Trillion Dollars

April 17, 2017 - According to a recently release report from the Federal Reserve, Americans now owe more than $1 Trillion in credit card debt. It is the first time since 2008 that credit card debt has been that high. And with interest rates expected to rise at least two more times this year, the number is only going to increase.

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Credit card debt joins the ranks of student and auto loans; the other two categories of loans with more than $1 Trillion owed. Unfortunately for consumers, unlike the other two categories of loans, nearly all credit cards now have variable interest rates. That means that as the FED raises rates, those rate increases are passed on directly to card holders. This in turn increases the amount that borrower owe and increases the amount of time it takes to pay off these debts.

While the news isn't good for consumers, there are some things you can do to reduce your debt more quickly. Some of these things may seem obvious. Pay in cash wherever possible. Use debit cards and prepaid cards for purchases. Prepare a budget and stick to it. Unfortunately, American incomes have not kept up with the cost of living for the last decade so many people are using credit cards to make up the difference.

One thing that you may be able to do is to find new credit cards that allow you to do a balance transfer without fees or interest for a period of time. There are a few credit cards that now offer up to 18 months of no interest on balances that are transferred from other cards. This may allow you to pay down your debt much faster. Of course, this will only work if you stick to a fixed monthly payment and stop using the credit card that you ran the balance up on in the first place. Don't cancel the card. That can hurt your credit. Just put it in a drawer somewhere and don't use it.

To give you an idea of how this works, if you owe $5,000 on a credit card 18.9% interest and have a minimum payment on the debt, it will take you 137 months - 11 Â½ years - to pay off the card. This assumes that your initial minimum monthly payment is $200 and that you continue to reduce your payment to the minimum as your balance goes down. It also assumes that you don't charge anything else during that time frame.

At 0% interest, if you start out with the same $200 per month payment and keep paying that amount, by the end of the no-interest period you will have already reduced your debt to $1,400 owed. If you keep making the same $200 payment each month after the interest kicks in again, it will only take you 8 more months to get out of debt. In total, you'd be in debt for a period of 26 months. More importantly, you would save about $2,300 in interest. That's a nice bonus.
byJim Malmberg

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