

## Rising Interest Rates Will Impact Credit Card Payments

February 16, 2018 - In the event you haven't been paying attention, interest rates have been rising for several weeks now. Although they are still near historic lows, rates have increased enough that they are impacting home mortgages. There are also mixed signals coming out of the FED that interest rate hikes may be coming this year. These rate increases will impact all forms of credit, but it won't impact them equally. Consumers carrying large credit card debts are likely to be hit the hardest. Here's what you can expect to happen.

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There are very few credit cards anymore that offer fixed rate interest. In the even you have one of these cards, if your credit card company attempts to raise your interest rate, you can refuse. But if you do refuse to accept the new rate, your card will effectively be cancelled. You'll still be able to pay off the existing balance at the old interest rate, but you won't be able to make any new charges.

The vast majority of credit cards have variable interest rates. That means when interest rates rise, those increases are passed on to you. This will increase the monthly minimum payment for credit card holds, and increase the amount of time it will take to pay off the balance on a credit card.

To combat this, consumers should do a couple of things. First, it may pay you to shop credit cards. If you can find a card offering 0% on balance transfers during a promotional period, it may pay you to take advantage of such an offer. Be careful though. Many cards offering this will charge a fee of 3% or more of the amount of money transferred to them. But some don't charge so it pays to do your homework.

If this isn't an option, try to make more than the minimum payment. Even an additional \$10 a month can make a big difference over time.

Of course, avoid using credit cards whenever possible. If you can't pay off the bill at the end of the month, and you don't absolutely need what you are buying, don't buy it. Even if you can't start out by making more than the minimum payment, if you stop using your card and continue to pay - month over month - the same amount, you'll soon be making more than the minimum payment and your balance will begin to drop faster.

The goal should be to reduce your overall credit card debt amount as quickly as possible.

byJim Malmberg

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