

The Top 10 Financial Tips for Avoiding Credit Card Debt

- 1. CREATE A BUDGET** – Creating a realistic budget will help you identify exactly what you are spending your money on, whether they are “needs” or “wants.” The budget will show you if you are spending more than you earn or if you are earning more than you spend. (Any extra money you can spend on your “wants”, repay any debt, or save for future purchases or a “rainy day”.)
- 2. OPEN A SAVINGS ACCOUNT** – You will need savings, not only for unexpected expenses such as emergencies, but also for the expenses you know you are going to have (car repairs or an upcoming vacation). You’ll go broke relying on high-interest credit card loans to pay for these!
- 3. LOOK FOR WAYS TO SAVE MONEY** – Buy at discount or warehouse stores, use coupons, look for the cheapest gas, go to discount movie theaters, and take advantage of student discounts. This will mean extra money for the things you “want” or help to add to your savings account.
- 4. USE CASH OR A DEBIT CARD INSTEAD OF A CREDIT CARD** – Don’t buy in to the myth of the “plastic society”. Use cash, not credit cards, for purchases under \$20 or if you can eat it or drink it. People who use cash for their purchases spend less. They’re less likely to treat their friends or buy the extra large order of fries!
- 5. AVOID CREDIT CARD DEBT** – The best way to manage debt is to avoid it. Credit-card debt with high interest rates and exorbitant late payment and overlimit fees mean that you will pay significantly more for everything you buy. Credit cards are not new money, free money, or more money; they simply are loans you must repay. If you don’t have any extra money in your budget to repay within a reasonable time, you can’t afford the debt!
- 6. PAY YOUR BILLS ON TIME** – One of the best ways to hurt your credit rating is to pay any of your bills late. This includes not only your credit card bill, but also other bills, such as your cell phone, car payment, rent, and/or utilities.
- 7. PAY OFF ANY DEBT ASAP** – You should have only one credit card. Research the best card for rates and fees and then don’t charge anything on it that you can’t pay for in full. If you can’t pay off your bill in full, then pay at least 10% of the balance. Never make just the minimum payment. Stop charging on the card until you have paid off your existing balance.
- 8. AVOID THESE** – Impulse online shopping, gambling and drugs (expensive!), multiple retail-store charge accounts (you will spend more than if you use your debit card or even a major credit card), car loans longer than three years, pawn shops, and rent-to-own and payday loan establishments. Also, turn down solicitations to open credit-card accounts; you don’t need that “free” t-shirt! Open accounts may hurt your credit rating, even if you never activate or use them.
- 9. MINIMIZE YOUR STUDENT LOAN DEBT** – Try for a scholarship. Keep student loan debt to a minimum. Before choosing a college and course of study, ask yourself if the job you are likely to get justifies the student loan debt you will incur for your degree. After graduation when you must pay back what you owe, you may regret drawing down the full amount of a student loan for an expensive college lifestyle (like living off-campus or splurging on an annual spring break).
- 10. REMEMBER THE CONSEQUENCES OF ABUSING CREDIT CARDS AND OTHER DEBT** – Don’t lose out on a job, car loan, apartment, student loan, or admission to college or graduate school because of too much credit-card or other consumer debt. Today, others are checking your credit and using the reports to make decisions about **your** future.

Check out our Credit Abuse Resistance Education (CARE) Program Web site:

<http://www.casb.uscourts.gov/html/CARE/index.htm>