CREDIT CARDS

How to Pay off Credit Card Debt

Keep up with credit card bills using these tried-and-true strategies.

(Image credit: Getty Images)

If you are struggling to pay off your credit card bill, you are not alone. Credit card debt hit a record $1.13 trillion in late 2023. And inflation paired with higher interest rates may further complicate your efforts to avoid credit card debt.

After years of pandemic-related restrictions, it's easy to understand the urge to spend more on experiences and make up for lost time. Some of us pay our credit cards in full every month and never carry a balance. However, that's not the case for everyone, especially millennials and older adults. If you're carrying credit card debt, consider these strategies to eliminate or reduce what you owe — before it's too late.

Know your credit score

To pay off credit card debt, start with your credit score to assess your options. Checking your credit score will not damage your credit.

There are more ways to check your credit score for free than ever before. In addition, your bank or credit card company may give you a monthly credit score (called FICO or Vantage) free from one of the three major credit reporting companies: Experian, Transunion and Equifax.

If lenders consider you a good credit risk, you will have more options than if you have bad credit. Be sure to understand what makes up a good credit score; lenders generally consider FICO scores under 580 as “poor” and scores ranging from 670 to 739 as “good.”

A credit score is different from a credit report, which gives a general overview of your accounts, whether they are in good standing and your personal information.

Take stock of your debt

If you have balances on multiple credit cards, make a list that shows how much you owe on each, its interest rate and the minimum monthly payment for each. A spreadsheet provides a handy way to update your progress, but pen and paper work just as well.

Balance transfer cards for good credit scores

If you have a good credit score, a balance transfer could help you get out from under your debt. Many banks offer balance-transfer cards for new customers. These cards often come with an introductory 0% annual percentage rate (APR) for a limited time — anywhere from 12 to 21 months, depending on the card.

There are three pitfalls to avoid when using balance-transfer cards.

First, be sure to pay off the balance before the introductory rate expires to avoid sliding again into debt. And resist the temptation to use the balance-transfer card to make new purchases, says Beverly Harzog, credit expert and author of *Confessions of a Credit Junkie*. You want to use the card to get out of debt, not add to it, she says.

Second, pay attention to the balance transfer fee, usually between 3% to 5% of the amount transferred. So if you are transferring $10,000, you might pay up to $500 in fees.

Finally, if you cancel your old card and your new balance-transfer card has a lower credit limit, it could affect your credit utilization ratio. This ratio measures how much of your allowed credit you are using on a given card. Racking up too much credit relative to your credit limit could lower your credit score, says Gerri Detweiler, author of *The Ultimate Credit Handbook*.

Options for poor or bad credit

Suppose your credit score isn’t high enough to meet the criteria for a 0% introductory rate on a balance transfer card. In that case, you may still qualify for a card with an introductory APR that's lower than your current card’s rate, Harzog says. Another option is a debt-consolidation loan from a bank or credit union with a rate lower than the rate you’re paying on your high-interest credit cards.

Strategies to pay off credit card debt

When you have balances on multiple credit cards, there are three approaches you can use to tackle the debt. The first is the avalanche approach. Begin with your cards with the highest interest rates. Make the minimum payments on the lower-interest cards while devoting most of your available funds to paying down high-interest balances.

While the avalanche approach makes the most sense from a mathematical point of view, some people choose the snowball approach, paying off the low-balance debts first. Paying off your low-balance cards may motivate you to pay off all your debts, even if it costs you more in interest.

Finally, there’s the blizzard approach, in which you start with the snowball and move to the avalanche. Start by paying off one low-balance card so you have one success under your belt, then move on to those with higher rates.

Paying off your balances will make it difficult to save. But try to put aside enough in an emergency fund to cover three months’ worth of expenses. When you’ve paid off your debts, you can ramp up your savings so you’ll be prepared for unexpected expenses, which will reduce the risk of falling back into debt.

NYSUT NOTE: Need more advice on managing your debt? Contact the NYSUT Member Benefits Corporation-endorsed Cambridge Credit Counseling program today for a free, no-obligation debt consultation with one of Cambridge's certified counselors. Available to all NYSUT members, the Cambridge Credit Counseling program can help determine the most appropriate course of action for your specific debt situation to help you get out of debt in a fraction of the time. Visit the member website for more information or to connect with a counselor today.