

Credit Card Debt Help: How to Become Credit Smart and Enjoy the American Dream

Being able to buy things on credit has allowed Americans to own and enjoy things--often for years--without having to wait and pay cash for them. In that way, the concept of credit has been a boon to experiencing the American Dream. Unfortunately, there is also a dark side to credit--one that can turn the American Dream into a life-destroying nightmare.

The figures are startling. More than 70 percent of American divorces are caused by the stress brought on by financial difficulties, and three out of every four Americans are a mere three paychecks away from having to face potential default on their debts.

But how can this happen in the richest country in the world? The answer is simple: misuse of credit. In order not to become one of those depressing statistics, it's important that you become credit smart--long BEFORE you find yourself in financial difficulty over your head.

Credit Card Debt Costs

First, let's look at the nuts-and-bolts of what credit card debt actually costs. When you buy something using a typical credit card, you will, on average, end up paying more than 130 percent above the actual cost of that item, compared to what it would have cost if you had paid cash. No matter how terrific the sales price may have been, your savings will be more than offset by the interest charges you'll end up paying if you pay by sending the monthly minimum payment to your credit card company.

If you pay the minimum amount suggested on your bill each month, you'll normally be paying 90 percent interest, with only the remaining ten percent going to the reduction of the principal on your balance. It can take years to pay off relatively high ticket items, and you'll end up paying many times more for the item than its original sales price. Yet more than 70 percent of American consumers pay only the minimum amount on their monthly statement and never give any thought to how much interest they'll pay over the life of the debt.

To avoid potentially devastating financial difficulty, and to save money (and possibly your marriage), it's important to become credit smart.

First, pay cash, if at all possible. Second, if you can't pay cash at the moment, ask yourself if you truly NEED whatever you're contemplating at the moment. Perhaps you can put it off for awhile, and then pay cash for it.

If you need the item right away, put it on your card, but when the bill comes, always pay a little more than the minimum amount each month. Even a small amount can save you hundreds, or even thousands, of dollars over the life of the loan. Finally, if you can, pay off your credit card in full each month. That way, you'll avoid paying any interest at all.

Credit card debt can ruin your life and the lives of everyone in your family. Take time to learn how to use it wisely--to improve your quality of life without creating undue amounts of stress.

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