

MONEY COACH

By Simonne Gnessen, January 2006

Christmas has left me with a scary credit card debt. Help!

First, stop using your credit card – cut it up if you have to. Then look for a new card with 0% interest on balance transfers, to which you can move your debt. Paying back money on this means you'll reduce the actual debt, rather than wasting money on interest. But try to pay off the balance before the 0% interest offer expires, otherwise you could be hit with a high interest rate again. Alternatively, transfer your debt to a card that charges a low interest rate for the lifetime of the transfer – until you repay the balance transferred in full. Visit www.moneysupermarket.com to compare different deals.

You also need a plan to pay off the debt, and one you can stick to. Work out how much you can afford to pay each month, on top of your other monthly outgoings. And commit to living within your means until you've repaid the debt.

It may sound attractive to simply make the minimum monthly payment, but you should always try to pay off at least a little more than this. If you don't, at average interest rates, it can take over seven years to pay off the balance, which could potentially double the cost of the original amount you borrowed. So if the debt is the result of shopping in the sales, think again about whether you got such a bargain!

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