

Rodger on Retirement

Numb with credit card debt

Today's discussion is a bit of a detour from past Rodger on Retirement articles. I will be highlighting the subject of credit card debt. As a Chartered Retirement Planning Counselor (SM) I have witnessed how debt, specifically credit card debt, can derail even the most ambitious plans people may have for a financially successful retirement.

How many people do you know that are comfortably numb with their credit card debt? Might you be one of *them*? Not sure what I mean by that? Does any of the following seem familiar?

- I've had so much credit card debt for so long; I just accept it as a fact of life and try not to think about it anymore.
- I have tried to reduce my debt year after year and nothing works.
- Everyone I know has a boatload of debt, I'm no different.
- My brother told me to cut up my credit cards, but I could never do that! I use them too much.
- I don't know; 4 cards just don't seem like enough. My friends each have 7 or 8.

If these statements are familiar to you, you are not alone; in fact, you have a lot of company. Tens of millions of your peers from Alaska to Minnesota to New Jersey share the same predicaments. Banks and other financial institutions are very happy to have you continue paying interest on credit card balances year after year. As I am not a big bank groupie, let me share with you 4 ideas to help you whittle down your debt and keep more of your money.

1. Identify the credit card with the highest interest rate and STOP using it! Call the bank and ask if they can lower the rate of interest. In fact, call every bank you deal with and ask *all* of them to lower their rates. It never hurts to ask and you may be surprised when they say yes. If the clerk who answers the phone does not have the authority to lower your rate, ask to speak with a supervisor. Remind them you are a long-time client and you're thinking about transferring your balances to another bank if they do not lower your rate. Now is not the time to be timid—ask. Whatever their offer is, respond with the following: "is that the best you can do?" Then be silent and wait. You may be offered an even lower rate.
2. The card that you want to pay off first is the one costing you the most money—that would be the one with the highest interest rate. After all, why would you pay down a loan at 7% while ignoring the loan at 15%? Answer: you wouldn't! That interest is costing you valuable dollars each month; pay off the highest one first, then cut that card to pieces and bury it in your back yard. OK, that's not environmentally friendly. Maybe just have a nice, short ceremony and toss the pieces in the garbage. Then celebrate the fact that you have just removed the heaviest monkey from your back.

3. Work on your psychology. How have you locked yourself into this pattern of spending? Do you spend money to celebrate? Do you spend money when you are down or bored? Take out a pencil and write down 3 ways you can lower your spending. Now try implementing them. Perhaps you can cook more meals at home instead of eating out several times per week. Maybe one trip to the mall each month instead of every Saturday. Be creative and figure out how *you* can cut expenses. I know—everyone hates budgeting and you are probably no different. That doesn't mean that you can't be imaginative and figure out a ways to decrease your spending.

4. Empty out your wallet—you heard me, empty it. You do not need to carry around 7 or 8 credit cards every time you leave the house. Lock away all but one or two. One to use, one as a back up. If you ever want to pay down your debt and, yes, even be debt free, you will have to change the way you think about money. It is hard to get ahead financially while being shackled with debt that never seems to go away.

If you are in the same situation next year as you are today, you have no one to blame but yourself. There are many resources available to you. Here are two of my favorites, courtesy of the United States Government:

- www.consumer.ftc.gov/articles/0150-coping-debt

- www.usa.gov/debt

Rodger Alan Friedman has over 3 decades of experience designing and managing retirement portfolios and advising clients on retirement matters. For additional information and a free special report on preparing for retirement, please call 1-844-3-MY-PLAN or visit my website:

www.RodgeronRetirement.com

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