

Rodger on Retirement

You MUST Work to Reduce Your Debt!

It is critically important that you strive to reduce your debt level, as doing so increases your net worth available for your retirement years. Let me share with you four ideas to help you whittle down your credit card 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 with which you do business 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. Regardless of their offer, 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 backyard. 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. Now go and repeat the process with the credit card with the second highest interest rate, then the third. Keep that scissor handy as you want to cut up all those extra cards you will no longer need.
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 three 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 ways to decrease your spending.

4. Empty out your wallet—you heard me, empty it. You do not need to carry around seven or eight credit cards every time you leave the house. Lock away all but one or two—one to use and one as a backup. 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.

Remember, reducing your debt is an absolute *must* in preparing for a financially secure retirement!

*Opinions expressed are those of Rodger Alan Friedman. All opinions are as of this date and are subject to change without notice.