

Minimize Your Holiday Debt:

The shopping is done, the gifts have been opened and now the credit card bills are arriving. Over-spending during the holiday season doesn't have to mean an unpleasant New Year so here are some tips to reduce the shock when you head to the mailbox this January.

1. Don't avoid the problem. When the credit card bill arrives, open it and pay it immediately. Do not wait until the due date. Most creditors use the Average Daily Balance method of calculating interest. Reducing the average daily balance by making your payment sooner will ultimately reduce the amount of interest you pay.
2. Establish your own payment schedule. Determine how much out of your budget you can apply towards paying off your credit cards and commit to paying that amount each month until the debt is paid off.
3. Make your payments on time. This is the most important factor in building and maintaining good credit
4. Pay more than the minimum each month. Most of the minimum payment goes towards paying off the interest so if you're able to pay more each month, the remaining amount will begin to pay off the principle.
5. Designate one card to work towards paying off. Choose the one with the highest interest rate. Stop using it so the card balance and finance charges do not continue to grow.
6. Set aside a period of a week or a month when you refrain from buying non-essential items. Save those funds to pay the credit cards.
7. Plan ahead. Determine a total of what you spent so you can budget for next year. Don't forget to include all travel, meal and gift wrapping expenses. Open up a holiday savings account right now. Determine how much of each paycheck can be devoted to paying off the debt. Then transfer money from your checking account monthly and when next December rolls around, you'll already have your holiday stash of cash ready.
8. Consider transferring balances to lower rate cards. The lower interest rate on a new card is called a teaser rate because it usually applies for only 3 to 9 months and does not apply to any new purchases. You must examine the contract carefully before choosing this option.
9. Shop throughout the year. You'll find better deals and avoid the stress of last-minute impulse buying.
10. Consider your tax return to pay off the debt.