Paying More Than The Minimum

Keeping your credit card purchases within your monthly budget is not an easy task. In fact, it can be one of the biggest obstacles to saving money.

The interest on credit cards is high for a reason. Creditors estimate a “minimum monthly payment” that only pays down the interest, not the original balance due. This is how creditors make their money. The payments are so low that you literally can’t afford to pay it because the interest keeps adding up. The balance never seems to go away.

If you’re not careful, you can find yourself paying off credit card debts for years instead of months.

Instead, by paying more than the minimum amount due every month, you can reduce dramatically the amount of time it takes to pay off your debt.

Example

Jeff has charged $2,000 on his credit card. The interest rate is 17%.

• Paying the minimum amount due of $28.37 every month, it will take Jeff 40 years to pay off the balance!
• Paying 2.5 times the minimum amount ($71.31) will get the debt paid off in 3 years.
• If Jeff increases his monthly payment to $182.41, he can pay off the whole debt – including interest – within a year.