Credit Karma

Shave some dollars and cents off your credit card bills

December 1, 2008 By Kellee Terrell

With the holidays coming, you'll soon be uttering the phrase "Charge it" as often as "Pass the gravy." But with the expert help of Michael Smirlock, a financial pro who works with HIV-positive clients at New York City's Iris House, you can employ strategies to put money in your pocket *and* improve your credit rating—all year long.

Pay your balance in full every month if you can: Credit card companies make money off the interest that they charge for a remaining balance. To save money, pay it in full or pay as much as you can, but always pay more than the minimum payment. While paying the min means you pay less now, you will end up paying more later. And never miss a payment—late fees can be a killer!

Negotiate a lower interest rate: If your annual percentage rate (APR) is higher than 19 percent, ask the company for a lower rate. "If they don't give it to you, tell them you're taking your business elsewhere," Smirlock says.

Transfer an existing balance to a card with zero percent APR: "No interest means saving money, but make sure you know how long that zero interest is going to last, and read the final print," Smirlock warns. "Sometimes that rate only lasts for three months or is only applicable to your transfer and not any new purchases."

Try "snowballing" to pay off debt: If you want to pay off multiple cards, pay the min payments on the lower interest rate cards and pay more on the card with the highest interest rate. "After a few months, you have really knocked that debt down and saved money," Smirlock says. "When that card is paid off, you tackle the next one in the same manner."

Pay attention to your statements: No duh, right? But plenty of people don't review their monthly bills. "Companies make mistakes, you may have written in the wrong tip when out eating, or your company may be raising your interest rate—make sure to read everything," Smirlock advises.

Get Help: If your debt is so overwhelming that you cannot make monthly payments, you pay bills late and creditors hound you, it may be time to consider credit counseling and consolidation. But beware. "Some companies that claim to help you are owned by credit card companies," Smirlock

says. “Do the research and make sure that they have your best interest in mind.”

DID YOU KNOW?
According to the Consumer Federation of America, 57% of Americans don’t know their credit rating (FICO score), which is between 300–850 and can impact your ability to secure loans, credit or mortgages.

Get a copy of your FICO score from equifax.com, experiangroup.com or transunion.com . Knowledge is power!

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