

# Escaping the Debt Spiral

---

**Article Rating: NA**

**Submitted by: articlediner on 2006-10-28 and viewed 30 times.**

**Total Word Count: 708**

**Author Rating:**

## **Sample of Content:**

Credit card debt is the ball and chain that hinders many consumers from reaching financial happiness. The biggest problem is that many people who have hefty credit card debts have no idea just how much money theyâ€™re paying in interest every month â€“ theyâ€™re in a â€œdebt spiralâ€• from which itâ€™s very difficult to recover.

## **Content:**

Credit card debt is the ball and chain that hinders many consumers from reaching financial happiness. The biggest problem is that many people who have hefty credit card debts have no idea just how much money theyâ€™re paying in interest every month â€“ theyâ€™re in a â€œdebt spiralâ€• from which itâ€™s very difficult to recover.

Credit card companies charge borrowers rates that far exceed what you get when you invest your money. For example, if you have a savings account, you are probably earning less than 3% interest on your money. Unfortunately, if you have a credit card, you are likely paying 12%, 15%, 21% or more on the money you've borrowed. It's perfectly legal for creditors to charge those amounts, but it can put you deep in the hole in a hurry.

How about those 0% credit card offers you read about? There are some creditors allowing consumers to make purchases with no interest rates. However, as interest rates have increased over the past two years, the 0% rate has fallen by the wayside. Most are now limited to the first six months of payments on your outstanding debt (called a balance transfer). At that point, a new rate of 17% or more kicks in. To add insult to injury, if you are late on payments, you not only lose the 0% rate, but you can be charged 24 or even 29% on your unpaid balance.

All of these practices "once again, perfectly legal" will send you into a debt spiral. The \$3,000 you borrowed can soon cost you \$10,000 or more in interest payments over the years. You may be able to make the minimum payment but you are doing little, if anything, to pay off the original \$3,000 borrowed. All you are really doing is paying money to cover your interest charges - nothing else.

There are ways to lower your rate. First of all, check your credit card statement and see what the interest rate is being charged to your account. If it is much higher than what you used to pay, you may have had the rate jacked up without your knowledge. Consider calling your credit card provider and asking for a lower rate. If they won't give you a lower rate, see if you can get another card where they offer a fixed, lower rate. They may be offering one of those 0% balance transfer rates mentioned earlier. If you pursue this option, make sure that once you get the new card and your balance has been transferred, notify the old credit card provider that you are canceling your now paid off of account.

If you cannot get a new card or transfer your money to a lower paying account, you can start reducing your debt by paying off the biggest amount owed first. For example, if you have three credit card debts of \$1,000, \$3,000, and \$7,000, make the minimum payments on the last two cards, but make much larger payments on the first card - the one with the lowest balance. Once the first card is paid off, then start making larger payments on the second card until it is paid off. Finally, when the second card is paid off, make big payments against the third card. Providing you don't continue to add to your credit card balances, you'll be out of debt sooner than you'd expect.

If some of these options are difficult to understand, a trained debt professional can help you. The most important step is to realize that you need to take action on reducing some of those outstanding balances. And the sooner you get out of the debt spiral, the sooner you can begin building wealth and a much happier life.

Frank Liz (c)2005 All Rights Reserved.

Frank Liz is the founder and president of <http://www.AmericanNoDebt.com>. His goal is to help people preserve and control what they have and what they make in the future, but of course it is his nature since he was born in poverty to teach people to make money. "Learn the secrets that most people will never know about getting out of debt fast and building your life savings." Click [here](#) to learn how easy it is.

Article Source: <http://www.ArticleDiner.com/>

## About the Author:

Frank Liz