

# How can I pay off my credit card debt?

## Answer:

Certainly the best way to pay off your credit card debt is with a single payment. If you can find the money to pay off all your credit card debt, you'll get back on solid financial ground quickly and without paying additional interest.

The next-best method is to pay off the card with the highest interest rate first. You'll want to pay as much as you can to that account and then send the minimum payment due to each of the other accounts. When you've paid off one card, start paying on the card with the next highest interest rate. Focusing on one card at a time gives you clear financial goals, minimizes your interest expense, and creates a sense of satisfaction.

If available, you can use a home equity loan to pay off credit card debt. The interest on home equity loans is typically lower than credit card rates and is usually tax deductible. This can be an effective repayment method if you can handle it with discipline. However, these loans can be as easy to abuse as credit cards, particularly if you have a line of credit. Also, you run the risk of paying down the home equity loan at the same time you're running up more debt on your newly cleared credit cards. Remember, your home equity loan, unlike credit cards, will be secured by a lien on your home. If you can't make your payments, you'll be in default, and the lender can foreclose on your home.

A less aggressive way to pay off your debt is to transfer your balances to lower-rate accounts. Known as credit card surfing, this method works until you run out of lower-interest opportunities. However, it does allow you to reduce interest fees and pay more against your existing balance.

It's always best to control new spending and pay more than the required minimum payment whenever possible. Invariably, these cover little more than the finance charges. You continue to carry the bulk of your balance forward for many years without actually reducing that balance. Ideally, charging only what you can afford to pay off each month gives you the best benefits of a credit card and few of the drawbacks.

This article is not intended to be exhaustive nor should any discussion be construed as legal or financial advice.

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