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4 steps to bring your card debt to zero

By [Miranda Marquit](#)

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Are you overwhelmed by credit card debt? The good news is that you don't have to flounder, confused and unsure. But, getting rid of your credit card debt isn't magic; it requires planning and effort.

Here are four steps to finally bring your balance to \$0.

1. The first step isn't paying off the debt

"I've worked with a few clients who have successfully paid off credit card debt, only to find themselves in it again," says Katie Brewer, a certified financial planner with the XY Planning Network. "The problem is that they fixed the symptom and not the actual disease, and continued the same week-to-week habits."

Rather than tackling credit card debt first, take an honest look at your finances and figure out why you're in this position. Research from [Fileme Research Institute](#) points out that many consumers view borrowing as a way to live a specific lifestyle. If you really want to pay off debt, you need to acknowledge the true difference between needs and wants. So often, we dig ourselves into a hole because we spend on things we don't need for the sake of being "normal." Draw the line at spending on needs, and prioritize so you don't over-run your monthly income. Only after you've stopped digging that debt hole and reformed your habits can you effectively pay off your credit card debt — and stay out of debt in the future.

2. Cards aren't for emergencies

R. Joseph Ritter, Jr., a certified financial planner with Zacchaeus Financial Counseling, advocates a healthy [emergency fund](#) to avoid new credit card debt. "Very often, clients use a credit card to fill in the gaps in their budgets. Some of these gaps come from emergency needs."

Ritter says that you don't have to have a fund with three to six months' worth of expenses. "You should have enough to absorb the impact of life's curveballs, whether it's an emergency home or car repair, or an unexpected medical bill," he suggests.

3. What do you owe?

Before you jump into making big payoffs, there is a bit more groundwork: Write out all of your debts, including the minimum payments and the APRs, so you can visualize your what you owe and how much your debt is costing you. Next, honestly evaluate [your budget and your spending](#). How are you wasting money? How can you make more money?

Then, decide how much you can put toward your debt repayment each month. You'll pay the minimum on all your credit cards, except the loan that you start paying off first. Whatever loan you start with is your focus debt, and that's the debt that you pay more toward each month. As you pay off each debt, the next loan on your list becomes the focus.

4. Time to pay off the debt

After you know what debt you have, and how much extra you can use each month to pay it off, decide where your focus should be first. Lori Atwood, a registered financial consultant, and founder of Fearless Finance, suggests that you start by attacking debt that is different to other loans. "See if there's an outlier, like 30 percent APR on a credit card when the rest are 10 percent to 20 percent, or if there is one card with only \$1,500 on it, while the rest have several thousand," she says. "Generally, it's best to pay off the outlier first, whether it's APR or total size."

But once you get past that outlier, decide what's going to keep you motivated. Some consumers are motivated by a quick victory, and the psychological boost that comes each time a debt is paid off. For those consumers, debt should be paid off in the order of the smallest loan to the largest.

Others point out that you can save more money — and maybe get out of debt faster — if you start by paying off the debt with the highest interest rate first. In order to stay motivated using this method, you need to remind yourself of how much money you are saving in interest charges, since your first payoff victory may be slow in coming.

"Decide if you are someone who is more motivated by small wins, or by saving the most money in interest," says Brewer. "The right answer is the one that will keep you motivated to make those extra debt payments."

Atwood suggests that you decide which tactic to use by using an [online calculator](#). Look at whether there is a large discrepancy between focusing on the smallest debt first or the highest APR first, she says.

Atwood says that if the interest savings by starting with the highest APR are \$200 or less, you might be better off starting with the smallest debt.

Ritter suggests you ask for a rate reduction on cards with high APRs. "It won't affect your monthly payment, but it will slow down

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the accumulation of interest." There's no guarantee that your request will be honored, but it's worth a try.

By tackling your debts one at a time, in an order that keeps you motivated, you can baby-step your way out of credit card debt. And once you paid it off, keep it off by only charging what you can afford to pay off at the end of the month.

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