How to Pay Off Credit Card Bills Faster

By Jennifer Alyson

Slash credit card debt with a budget, a strategy and negotiation.

Think of credit card debt as a fiscal vampire that sucks the life out of your financial future. If you're making minimum payments or adding to your balance each month, you probably feel like you'll never conquer that debt. But discipline, planning, patience and a little negotiating could help you pay off your credit card bills more quickly.

Instructions

1

Put away your credit cards. It's tough to pay down debt if you add to the balance. Give yourself a monthly cash allowance for nonessentials such as movies and meals out. Once the money runs out, stop spending for the month. Don't whip out the plastic.

2

Create a budget. To maximize income left over for card payments after you cover your bills, count every penny and where it goes. Look for luxuries you can cut while you work down balances. Make lunch at home and bring it to work instead of eating out every day, or skip the gourmet coffee shop and drink the free joe at the office.

3

Create a plan. It's easier to stick with payoff goals if you have a strategy. Some experts recommend you first tackle balances with the highest interest rates, because clearing high-cost cards frees up money to apply toward principal on remaining accounts. Other advisers suggest you focus on smaller balances, because seeing zero balance on a card gives a psychological bounce that motivates additional payoffs. Understand your priorities and choose the approach you can follow more easily.

4

Make the highest possible monthly payment. Don't just send the minimum payment each month, or you're looking at years before you eliminate balances. Pay the minimum on a $10,000 card balance at 13.99 percent interest, and you're looking at 29 years and $13,088 in interest costs before you pay it off. Try to at least double the minimum due.

5

Negotiate with the bank. Card lenders want to avoid losses from unpaid debts, so your bank may be open to new balance terms. Explain that the bank may lose your business to a competitor that offers lower interest rates if it doesn't cut your borrowing costs.

6

Apply savings toward card balances. Sure, you need emergency savings, but it doesn't make sense to sit on a pile of cash earning 1 percent interest when your debt costs you 18 percent. In that scenario, you can make a quick return of 17 percent if you use rainy-day cash to pay down card balances.

7

Tap into retirement accounts. Federal law allows you to borrow up to half of your 401K's value, or up to $50,000 — whichever is smaller. Interest rates on 401K loans are typically near prime rates, and lower than credit card interest. What's more, the interest you pay on the loan goes right back into your 401K. Be careful: You have to pay back a 401K loan within five years. If you leave your employer, you owe the balance immediately.

8

Borrow from family or friends and apply the loan to your card balance. You can negotiate a lower interest rate on a loan from close relatives or associates, and they may be more forgiving of the occasional late payment. As with any loan, put the terms in writing, and keep relationships solid by sticking with the payback agreement.

9

Pay your bill biweekly. Rather than paying once a month when your bill is due, send in half of a payment every two weeks. It’s easier to budget two smaller payments. Plus, you’ll send in three payments instead of two during two months of the year. That cuts your balance more quickly and slashes the interest you owe. On a balance of $20,000 at a rate of 24.99 percent, the strategy saves $1,000 in interest. Also, banks calculate interest daily. Making a payment sooner cuts the average daily balance banks use to charge interest at the billing cycle’s end.