

AVOIDING CREDIT CARD DISASTER

**HOW TO BETTER
MANAGE YOUR CREDIT**



Terms and Conditions

LEGAL NOTICE

The Publisher has strived to be as accurate and complete as possible in the creation of this report, notwithstanding the fact that he does not warrant or represent at any time that the contents within are accurate due to the rapidly changing nature of the Internet.

While all attempts have been made to verify information provided in this publication, the Publisher assumes no responsibility for errors, omissions, or contrary interpretation of the subject matter herein. Any perceived slights of specific persons, peoples, or organizations are unintentional.

In practical advice books, like anything else in life, there are no guarantees of income made. Readers are cautioned to rely on their own judgment about their individual circumstances to act accordingly.

This book is not intended for use as a source of legal, business, accounting or financial advice. All readers are advised to seek services of competent professionals in legal, business, accounting and finance fields.

You are encouraged to print this book for easy reading.

Table of Contents

Forward

Chapter 1:
Stop Blaming

Chapter 2:
Know Where Your Money Needs To Go

Chapter 3:
Forget The Home Equity Line

Chapter 4:
Sell Unrestricted Investments

Chapter 5:
Snowball Technique

Chapter 6:
Snowflake Technique

Chapter 7:
Cut Them Up

Chapter 8:
Other Income

Chapter 9:
Bankruptcy

Foreword

One of the biggest challenges for people to overcome when they first determine to start building wealth and putting income away for their future is a hulking mountain of charge card debt developed over several years. With balances of \$10,000 or \$20,000 or more, at 20% and 30% interest, they find themselves paying upwards of \$500 monthly in interest expense alone, never making the balance of the charge card debt decrease, adding even more defeat and pain to the cycle. This "negative amortization" as it's addressed - that's when you start paying interest on the interest you already owed as you didn't make a big enough payment to cut the balance - will mostly be against the law due to recent regulations set in place over the last few years. This is precisely why you should pay off high interest charge card debt.

Credit Card Catastrophe Avoidance

Everything You Need To Know About Managing Credit Better

Chapter 1:

Stop Blaming

Synopsis

Quit the blame game.

Cut It Out

Do you prefer to know the fastest way that somebody still isn't ready to accept responsibility for their own financial life and take charge over their charge card debt? It's that they still blame other people, the economy, the economic system, form of government, their boss, or anybody or anything other than themselves.

The only justifiable and logical excuse is those unfortunate persons who find themselves in the middle of a horrifying health scare and rack up monumental debts to make it. Unless that's you, there is something you need to find out: Cut It Out.

You're not a foul person. You are not a stupid individual. You just made a few dopey choices. It had nothing to do with your revenue. It had nothing to do with your loved ones. Every time you used your charge card, you made a conscious decision to borrow what you did not have. The very beginning month the statement showed up and you could not pay off the total balance in full, you had surpassed your resources. That's the minute you got in trouble.

This subject matter should not be discouraging! Rather, it should empower you. If you got yourself into immense charge card debt then you have the might to get yourself out of it. It's that easy. The moment you are able to look

into the mirror and state, "it's my fault" and sincerely own the situation, you are able to start to turn it around just like 1000000s of individuals before you have done.

Take back your power. Discover a symbol of what you feel on the inside or the self-confidence that you want to show to other people on the outside. Having a symbol of what you're thinking or striving for is key to gain assurance. To get to the finish line or get any goal, you need to know where you're going. Your symbol may be anything from a color that makes you feel mighty or an event in your life that really made you feel powerful.

Make a treaty with yourself to always put yourself first. The fight to gain self-assurance is often derailed because individuals tend to put the needs of others before their own. You need to put yourself first in your life if you really want to gain any ground in your life.

Place your best foot forward day-after-day if you want to know the true secret of how to gain authority. It's a shown fact that individuals who put out what they believe to be their best outfits and do their hair and makeup in a way like they were going out on a special night on the town, feel more potent in themselves. Bet you didn't know that the easy task of putting on a shirt that you save for "special occasions" on a regular day will help you to gain assurance more than any self help guru could ever.

Take back your self power and take responsibility.

Chapter 2:

Know Where Your Money Needs To Go

Synopsis

The debt has to be first.

Priorities

Several individuals that I know are in significant charge card debt and sometimes ask my thoughts on how to get out of the state of affairs. While I'm happy to spend time assisting them, it almost always turns out to be a senseless exercise as in 90% of the cases, the individual isn't truly serious about getting out of charge card debt. Sure, they're miserable about the payments and the thing they wish for more than anything else is that their charge card statements showed a \$0 balance. Wishing for something and doing something to proactively have it are two totally different matters.

Someone I know (I'll call Tom) makes approximately \$85,000 annually and has \$20,000 in charge card debt. This debt is sweeping over like the plague and he spends at any rate a couple of hours daily nervous over the \$500+ per month in interest payments it takes just to sustain his current balance. Yet, at any rate once a month, he discovers \$100 to go on a weekend trip. When I ask him about it, he states that there are particular things that he won't abandon regardless how bad the debt is.

Tom may never get out of charge card debt with a mental attitude like that. The extra \$1,200 annually that he's spending on the weekend getaways would pay down \$6,000 of principal over 5 years, or nearly 40% of the balance. If he could make an extra \$50 per week either by working a lot of

hours or cutting costs (yes, this virtually means you get on a bicycle rather than driving), he may pay off an extra \$11,000 in principal over those same 5 years. That's all it would take to wipe out the balance.

Rather, he thinks in terms of "my vacation money" or "my food market money". No, you have one, jumbo pile of money that's available to you. If you're in charge card debt, paying monumental interest on your balances, take every extra penny you are able to and pay down the debt.

Set a sum monthly for food, water and shelter as these are your primary needs. You need to think about buying assorted healthy foods and attempt to avoid unnecessary snacks. You likewise need to do your best at work as it's your source of income to pay for your bills. This is where you start setting your priorities true and right.

Some individuals have their priorities so messed up they even ignore their health just to buy expensive gadgets or travel. Observe that taking care of your own every day needs is your responsibility and priority so avert putting off the important things particularly if you have a family.

Pay your charge card debt. Paying-off the charge card with the highest rate of interest then followed by the ones with lower rates of interest is the most beneficial thing that you can do in order to wipe out your entire charge card debt.

Buy things with cash as much as conceivable and control your spending.

Center on saving enough cash for your emergency fund too. This is really significant in case of a job loss or other major unforeseen matters that might happen to you. Ward off the enticement of purchasing things that you are able to just live without and center on building your emergency savings.

Adjusting your financial priorities should be your chief concern. Have a clear list of the crucial things that will cover your monthly disbursements and finances and number each item from the highest to the lowest with relation to their importance and need.

Chapter 3:

Forget The Home Equity Line

Synopsis

A lot of financial planners will tell you to use a HELOC, or home equity line of credit, to pay down high interest charge card debt. Don't do it.

Stay Away

I'm not a huge fan of this attack for one easy reason – if you do decide to utilize the nuclear option and declare bankruptcy, your charge card balances are un-guaranteed, while a home equity line of credit is guaranteed by your house.

Practically, this means that you've taken a debt supported only by your credit, where the worst a charge card company can do is go to court and get a judgment against you, into a debt supported by your house, where the worst is far more awful – the bank may foreclose on your house and kick you out.

No matter, this is entirely your call as it's going to come down to what will let you rest at night. If your charge card debt is manageable, and you just prefer to save a couple of thousand dollars in interest expense, a home equity line of credit may add up. If you think there's even the remote possibility that you might be forced to declare bankruptcy, it may be a tragic mistake that costs you your home.

There are a lot of credit lenders out there today wanting you to put up the equity in your home to get their money for almost any reason you might determine. Among the ways you are able to claim the equity in your house from lenders are by refinancing, securing a second mortgage, a home equity loan, and a home equity line of credit. Are utilizing

these ways to borrow money to ease debt a good idea? Here are some good reasons why you shouldn't use equity in your home to pay off debts:

If you get in a financial tie up, and you feel like you have to default on your new secured debts, the fresh debtors may start foreclosure proceedings to get paid as the house is a secured interest. Creditors who make un-guaranteed loans like charge cards can't foreclose on your home as their loans are not guaranteed by home equity.

Even in a few areas of a down market, your home might be appreciating in value. That means your equity is increasing with time. When you borrow against your equity to pay for debts, you'll lose the appreciation the house has amassed if your home is foreclosed on. You will not only owe the guaranteed loan amount, but many times the sale of foreclosed property sells for cents on the dollar. Consequently, the equity you were forecasting to pay off the fresh secured loans won't be there to pay them off.

Getting into debt appears to be a symptom of a much deeper issue. Using your equity to pay off debts is no guarantee that new debts won't happen. If new debts occur and you've liquidated the only asset you have to the point it already belongs to somebody else, you've increased your debt load to the place you might not be able to afford.

So, what should you do to avoid the temptation of borrowing against the equity in your house? You are able to learn to live within your means, stay out of debt as much as conceivable, pay as you go, look for employment that's resistant to economic shifts, stand back from high interest loans like charge cards if you have to borrow money, and ultimately, keep yourself educated as to the legalities and financial responsibilities that go along with home ownership.

Chapter 4:

Sell Unrestricted Investments

Synopsis

It's almost always a better choice to lower your debt levels if the rate of interest you're paying exceeds 10% to 12% and is not tax-deductible.

Sell It Or Use It

If you have any sort of investments, you might want to sell them and repay your charge card balances. You really want to be careful which ones you sell, however, as there can be some pretty awful tax consequences if you make a risky choice.

Think about a 401(k) loan to repay charge card debt:

You will be able to likewise consider a 401(k) loan as the interest you pay on it will go into your account (you are effectively paying interest to yourself). The bottom line is that you are able to avoid the income taxes and 10% early withdrawal penalization that are piled on top as long as you repay the loan inside the time frame allowed for by the Internal Revenue Service. In most cases, you would not want to merely sell 401(k) assets, cash out, and pay down your charge card debt.

You are able to withdraw Roth individual retirement account contributions:

Internal Revenue Service rules allow you to withdrawal Roth individual retirement account contributions you've made into your account, but not the gain brought in on the money. In other words, if you've deposited \$20,000 into a Roth individual retirement account over the past ten years and

have made \$10,000 in earnings, you are able to withdrawal equal to \$20,000 with no adverse tax penalties or consequences (naturally, you lose decades of developing your money outside of the reach of Uncle Sam, but that's far better than drowning in elevated interest charge card debt).

Brokerage firm and additional investment accounts:

Investments you hold in regular brokerage firm accounts such as stocks and bonds will be subject to steady capital gains tax but the emotional release that will come as you observe a big chunk of your charge card debt fall off should be far more pain-free than the cut taken by the Internal Revenue Service.

Chapter 5:

Snowball Technique

Synopsis

The snowball strategy can help you attack your charge card debt and repay your high interest balances far faster than you could by just utilizing a random payment arrangement.

Get A Roll Going

The goal of taking charge of your financial life is to step-up your cash flow every month. The more excess hard cash you have, the more you have to cut debts or spend on bettering your lifestyle.

Each debt has a lower limit monthly payment. By paying off the bottom balance charge card account first, you bump off an entire fixed payment, immediately making your existing money reach further.

You then take the income you were paying on the lowest charge card debt balance and send it in to the following most modest. You duplicate this process until you are left with your single, heaviest debt.

This practice is called "snowballing" in the financial planning industry as the sum of money you send in to each payment bit by bit snowballs as each debt is cut back till you are sending in big amounts of cash to approach your biggest, and last, debt.

Somebody who had a \$10,000 balance on a Bank of America charge card, a \$3,000 department store charge card, and a \$1,000 gas station charge card would send in all their additional money to the \$1,000 filling station card.

Once this debt was bumped off, they would take all of the income that had been going to it and blast the \$3,000 department store card. This cycle duplicates till all of the debts are repaid. It truly is an effective way to cut down and pay off charge card debt and it's easy to comprehend.

Charge cards: we love 'em and we hate 'em, don't we? Charge cards may make your life easier—or truly complicate it! You can find out how to make the best utilization of your charge cards and how to avoid charge card traps.

Use these calculators to figure out how interest rates affect your account and what types of card work best for you.

<http://beginnersinvest.about.com/gi/o.htm?zi=1/XJ/Ya&zTi=1&sdn=beginnersinvest&cdn=money&tm=8&f=00&tt=14&bt=0&bts=1&zu=http%3A//www.principal.com/calculators/ccards.htm>.

Chapter 6:

Snowflake Technique

Synopsis

The snowflake strategy is designed to help you pay off charge card debt by sending off in so-called micro-payments. These payments may literally be a couple of dollars and, over time, add up to big balance decreases, saving you thousands in interest expense.

Little Bits

You just discovered about the snowball strategy for reducing your charge card debt so now it's time to talk about the so-called snowflake strategy. The premise is easy: Every time you get more than a couple of dollars in your hand, send it in to your charge card company to reduce your owed balance.

To make it clear-cut: We're virtually talking about \$7.15 payments. Or \$14.50 payments. Or \$3.20 payments. If you just park it in the bank, you're going to spend it. That's human nature. If all you are able to get hold of an extra \$2.74 per day, that's \$1,000 each year taken off your charge card debt balances!

Individuals often ignore the power of little amounts. As with everything in life, there's a compounding effect that goes to work. It's the same principal behind the Indian story of the ant that was able to move a total mountain, one grain of sand and bit of dirt at a time.

Your little efforts might not look like they're even denting your charge card debt. In the total, over several years, the results will be nothing short of outstanding. It's the nature of the universe.

Multiple payments can:

- More closely align payroll checks and payments. Do you get paid every week? Make a small payment weekly rather than one big one every month. You'll even out your monthly cash flow.
- Pay down charge card debt more quickly, in the same way a biweekly mortgage works. With biweekly mortgages, homeowners pay one-half their monthly mortgage amount, but they pay it every 2 weeks. With fifty-two weeks in a year, that means twenty-six half payments -- or thirteen monthly payments rather than 12. On a mortgage, biweekly payments may shave about 7 years off a 30-year mortgage. The same precept would work if you divided your monthly payment in 2 and then paid that amount every two weeks.
- Capitalize on windfalls. Once you get in the habit of paying multiple times, charge card payments will come to mind if any windfalls come to your wallet.
- Build up good payment habits and step-up satisfaction. Seeing your balance fall day by day keeps you centered on the task of climbing out of debt and builds a sense of achievement.

Chapter 7:

Cut Them Up

Synopsis

One strategy for reducing charge card debt suggested by financial planners is to freeze your cards in blocks of ice, helping you avoid the enticement of inessential purchases.

Out Of Reach

A long time ago, a financial planner told customers to freeze their charge cards in blocks of ice. When they were enticed to spend, they would be forced to dissolve the ice, giving them time to take a second thought about an impulse purchase.

An even more beneficial answer is to cut up your cards totally so that you can not charge anything else to them. What good does it do to stop up holes in your boat in you are perpetually drilling fresh ones in the side?

Some people may be thinking...But I can not pay my bills without a charge card! That means that I do not get to eat.

This might sound cruel, but I have news for you: you are not paying your bills really. The charge card is simply allowing you to put off the crack of doom and helping to guarantee that when it does come, it will be much worse than you ever thought.

If you are correct, you will almost sure as shooting qualify for free food assistance in your state (if you do not, move to a state where you do – I'm being serious). In a few states, you are able to get up to three hundred or four hundred

dollars per month in tax-exempt food money on a debit card. If you do not qualify, then you have a spending issue and you are still making justifications (go back to chapter 1).

If you still state you can not make due: you really are full of it. Once again, my apologies, but it's straight up.

When I was in my younger years, I moved to another state so I could pay one hundred eighty dollars for my half of the monthly rent for an apartment I split with my best friend. At the time, I was bringing in a six-figure investment portfolio income and nearly no debt. My goal was to build up my wealth at that point in my life. Was it pleasurable? Not totally. However I wanted something very few individuals accomplish – complete and total financial independence.

I had a family member who slept on an air mattress for a year and a half so that he could save more than \$40,000 by the time he left the Marine Corps at 25 years old. If I can do it, and he can do it, then there is utterly no reason you should not be able to do it. Get determined and reach for what you want and keep the credit cards out of reach.

Chapter 8:

Other Income

Synopsis

Find a way to bring in some extra money.

Get Some Extra

I knew someone else who decided she would like to get herself out of debt. She decided that inside one year, she was going to have paid back totally everything in her life, down to the spick-and-span new car she had bought recently.

She went and got a job as a bartender on top of her day job, pitting away every cent after taxes and utilizing it to pay down the outstanding balances on her accounts. She temporarily put all investing on hold, including retirement shares, to accomplish the goal she had determined she would accomplish.

What she has accomplished in short order has been absolutely astonishing. With six months to go, it appears that she is going to easily get to her goal. By bringing in more money into the equation, she was able to blend cost savings from her regular job (she as well did away with her cellular phone, cable, and a lot of other unneeded items) to have double the effect.

Once this self-imposed financial diet is all over, her monthly revenue will go up by as much as several thousand dollars without a single supplementary hour of work. In effect, she gave herself a pay raise. In spite of raising her youngsters

and working two jobs, she likewise recently enrolled in college to go back and acquire her degree.

The point of this story is a mighty one. There is absolutely nothing you cannot achieve if you center yourself and are willing to take on the sacrifice necessary to accomplish it. In her case, that's going to mean a year of around-the-clock work to give herself a fresh balance sheet and more beneficial job opportunities. A long time from now, I am willing to bet that she will look back and recognize that this twelve month period was what allowed her to go after her bigger goals and dreams, which include establishing her very own business.

As the old saying goes, till the pain of staying the same surpasses the pain of change, you're unlikely to move. I hope it doesn't take that for you to get empowered and free yourself from financial slavery.

Chapter 9:

Bankruptcy

Synopsis

***In the domain of personal finance, the "big red button",
the atomic option, is taking bankruptcy.***

Some Info

Charge card companies, many of which are possessed by banks, have a lot of priorities. The first, naturally, is to yield profit for the parent company and its shareowners (you might actually be a shareholder through the mutual funds you hold in a 401(k) account without even recognizing it).

When it becomes evident that somebody might be unable to pay his or her balance, there's a priority shift that happens that may work to your advantage. The bank or charge card company becomes concerned with one matter and one matter only: Getting as much of the balance back from you as conceivable and closing or restricting your account. How come? This lets them avoid charging off the amount on their earnings report, which would cause their stock to fall, management to get lower bonuses, and maybe even dividend payments to stockholders to be reduced.

If you declare bankruptcy, it's possible that the entire credit balance will be annihilated because charge card debt is called unsecured in most all cases. That means that it isn't backed up by any specific collateral, just your promise to repay. This would be the worst-case scenario for the charge card company.

If you've missed a lot of payments already and your credit score has been hit, all it takes is a series of calls to the company explaining that you are earnestly considering bankruptcy but you want to avoid that. You would like to make good on as much debt as you are able to but, frankly, you don't know if it's conceivable. Then, offer to pay off 25% of your charge card debt balance over the next few months in exchange for the company freezing interest costs and closing the account.

You might have to spend several hours, or even days, on the phone working your way up the system. The point is, you need to drive home one concept: you're on the brink of declaring bankruptcy but you prefer to avoid it at all costs. Tell them you're taking a loan from your in-laws, or cashing in your 401(k), or whatever other tale you need to think up to get them to believe that you're coming up with everything you potentially can and this is the best they can hope for as the alternative is likely nothing following a discharge of the debt in bankruptcy court. If you are able to convince them of that, you've a very good chance at reaching a charge card debt settlement agreement.

There are hearty costs to a charge card debt settlement agreement and it comes in the form of exceedingly bad marks on your credit score. If you're already missing payments, however, this is unlikely to do any extra damage in a practical sense as you aren't going to find individuals

that are willing to loan you money with past due accounts – at least not at a fair interest rate, anyhow.

The bottom line is that a charge card debt settlement agreement may be an effective way for you to avoid bankruptcy court, the charge card company to regain some of their money, and both parties to start rebuilding the damage done to their balance sheet and earnings report from the fiasco. Likely, the biggest thing stopping you from considering it, if you're truly desperate to get in control of your finances, is pride. It's not worth it. Suck it up, take the temporary pain, and start getting your fiscal life back on track. There's a large minority of Americans that lives free from charge card debt – there's no reason you can't be among them.

As a last resort... there is bankruptcy:

In a lot of cases, it is possible to totally blot out charge card debt with a bankruptcy filing, or at the very least have a court-ordered restructuring of debt that gives you breathing space to repay your balances and get your life back in order. The opportunity price of such a move is that your credit will be totally destroyed for up to 10 years with most of the legal injury taken away after 7 years.

For a few, bankruptcy truly is the best and most efficient alternative for getting rid of charge card debt. It allows you to begin over, almost like hitting "reset" on a computer

game. One of the drawbacks to think about is that the bankruptcy rules that were put in place by the charge card lobby during the Bush administration may force a lot of middle or working class workers to file Chapter 13 (reorganization where you pay off the debt from future net income) rather than Chapter 7 (liquidation where the debts are wiped out totally). United States Congress is currently working on laws to alter this and there have been some changes already.

Intelligent charge card companies understand this. That's why it is sometimes possible to get them to drastically lower your rate of interest merely by explaining to them that you would like to repay your debt but unless the current terms are altered, you see no choice but to declare bankruptcy. You might have to stay on the telephone for 3 or 4 hours, and keep escalating from supervisor to supervisor, but at the close of the day, you have a really, very good chance of breaking down from thirty percent interest to thirteen percent interest.

If you are emotionally depleted, want to begin over, and are willing to go through the process of bankruptcy, look for a highly regarded, specified bankruptcy attorney in your area. They are able to explain all the drawbacks, expenditures, advantages, and procedures to you. In a lot of cases, it's better to just begin over and start reconstructing your life.

Wrapping Up

The number of people carrying charge card debt has been steadily increasing in recent years and the choices for dealing with this liability might vary from person to person. In addition to not being able to pay down rotating bills, consumers are progressively racking up more debt on multiple accounts and holding higher amounts on each card, every year with the average amount achieving higher than 10k per card. For many consumers, this rotating obligation has become a serious problem that's endangered their financial future. Now is the time to get a handle on your charge card debt.