

# Did you say 94 years and 8 months to pay off \$12,500?



## Credit card minimum repayment warning!

If you are feeling weighed down by your credit card debt, you are not alone!

Australian's owe a total of \$45 billion in credit card debt and almost half of us only make regular low repayments', staying in debt for years.

**Warning! Minimum repayments will cost you thousands AND time...**

If you are one of the many making only minimum credit card repayments, **WARNING!** You will pay more interest and it will take you significantly longer to pay off your balance....possibly 94 YEARS!

One of our clients brought in their credit card statement while we were looking into consolidating their debt. This is their real credit card statement with a balance owing of approximately \$12,500.

**Minimum Repayment Warning:** If you make only the minimum payment each month, you will pay more interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the Closing Balance shown on this statement in about...	And you will end up paying an estimated total of interest charges of...
Only the minimum payment \$637.11	94 years 8 months 2 years	\$65,110.19 \$2,801.35 a saving of \$62,308.84

If paying only the minimum repayments, it would take 94 years and 8 months to pay off!

**Don't despair; here are 4 tips to pay down your credit card faster.**

### 1. Pay more than the minimum

This is the obvious one given the above example. Making only the minimum repayment won't pay down the debt for a VERY LONG TIME, and mostly only pays down the interest. Pay off as much as you can afford in addition each month and your balance will reduce.

### 2. If you have more than one card, pay the smallest one first

If you have more than one credit card, pay the minimum on each card, but ALSO chip away at paying extra off the smallest debt first.

Pay off the smallest credit card balance then move on to the next.

Some of our other clients prefer to pay off the card with the largest interest first. Whatever motivates you the most will be the best way. Just start paying them off and one at a time seems easiest for most.

There is no better feeling than getting rid of debt.

### 3. Find the 'loose change'

Finding ways to cut back on every day spending could free up money to make extra payments on your credit card.

Use cash for purchases under \$20 - \$50. Make a limit for yourself and once the cash has run out - no more spending..

Take in that box of loose coins you've been building up into the bank and put it straight onto the card. You haven't missed it until now, so put it to good use!

***It could take just one less coffee a day!***

# Did you say 94 years and 8 months to pay off \$12,500?



Have you reviewed your spending?

Cutting out just one coffee a day could free up around \$120 a month to pay off your credit card.

Isn't it amazing what you realise when you start doing the numbers - a minimum credit card payment could take 94 years to pay off \$12,500, and drinking one less coffee a day could save you around \$120 a month to help pay down your debt!

#### 4. To transfer or to consolidate?

Many lenders offer balance transfer credit cards whereby you shift your balance owing to a low, or sometimes 0% interest rate credit card, usually for up to 12 months. This allows you to pay down your debt with minimal interest. BEWARE, these deals revert to a higher interest after the low or zero interest period finishes.

If you have a history of low and slow credit card payments, this is probably not the best option for you!

Consolidating your debt into your home loan or a personal loan may be an option depending on your financial situation. Generally, personal loans are cheaper than credit cards but your home can provide the opportunity to secure the most cost effective debt available in the form of a home loan.

As your home is used as recourse against the loan, it provides the lender with additional security allowing them to lend money to you with greater certainty and at a lower interest rate.

In the majority of instances you will be financially better off utilising your home loan given the potential interest savings. However, it is not for everyone.

We recommend you talk to us before you consider balance transfer deals or debt consolidation.

**Everyone's situation is different. We can explore all options that best suit you. We have many cost saving and budgeting strategies to help pay your debts and put your best foot forward to the lenders.**

1. ASIC, Credit Card Lending in Australia 2017



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