

# PAY DOWN CREDIT CARD DEBT CHECKLIST

Credit card debt is an example of what's considered "bad" debt because the interest rates are typically very high. That's why credit card debt is one of the first things to tackle when developing a debt reduction strategy.

## CHECK YOUR CREDIT SCORE.

As you take steps to reduce your credit card debt, your credit score will probably improve. So check your credit score now to know your starting point. Get your score at Equifax, Experian or TransUnion – or check with your credit card company; some provide credit scores for free.

## INVENTORY ALL YOUR CREDIT CARD DEBT.

Make a list of all your credit card debt. For each card, include the interest rate you're paying, the balance and the minimum monthly payment.

## MAKE AT LEAST THE MINIMUM MONTHLY PAYMENTS ON EVERYTHING.

Consider having payments automatically debited from your bank account.

## IF YOU CAN'T MAKE MONTHLY MINIMUMS, BE PROACTIVE.

If you're overextended, call the credit card companies; ask if they're willing to work out alternative payment plans so you won't fall further behind. Many will.

## PAY EXTRA ON HIGH INTEREST RATE DEBT.

If you are able, pay more than the minimum on the credit card *with the highest interest rate*. By paying it down faster, you'll save money because you'll be paying less interest over the long run.

## REPEAT.

Once your highest interest rate card gets paid off, move to the card with the next-highest interest rate and do the same thing. Pay more than the minimum until it gets paid off. Also consider consolidating higher interest balances to a new card with a lower interest rate.

## AIM TO PAY IT ALL OFF IN FIVE YEARS.

It may seem overwhelming at first, but you will pay down debt faster than you think. If you set the five-year goal (and write it down), you'll be more likely to achieve it.

## RESIST THE TEMPTATION TO CLOSE CREDIT CARD ACCOUNTS YOU'VE PAID OFF.

While it might feel satisfying to close out an account you've worked so hard to pay off, consider this carefully – especially if it's the oldest account on your credit report. This may shorten your credit history, which could actually harm your credit score.

## CHECK YOUR CREDIT SCORE AND CONGRATULATE YOURSELF!

Check your credit score every six months as you continue to pay down debt, and track your progress. It's a great feeling to take control over your financial life, isn't it?

## MAKE A PLAN FOR WHAT TO DO WITH YOUR NEWLY FOUND MONEY!

Now that you've freed up cash by paying off high interest rate credit cards, think about how you can use that money to fund your other priorities. A good rule of thumb is to put 20 percent of your money toward saving and investing each month.

Start by paying down other types of debt and building an emergency fund.

Learn more about the power of having great credit by downloading our Guide to Credit Scores:

<https://www.northwesternmutual.com/assets/pdf/guides/guide-to-credit-score.pdf>

