

How to get your credit card debt under control

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If you're struggling under a pile of credit card bills, you're not alone: according to the Reserve Bank, the average Australian credit card balance currently sits at around \$3,250 per person.

Credit card debts can be a serious financial burden, particularly if you're trying to save for a home deposit. Many people don't realise how much of an impact personal debts can have on their borrowing power when it comes time to apply for a mortgage, but it can be the deciding factor between you being approved or rejected for a loan.

"A \$30,000 credit card limit can actually reduce your borrowing power by \$109,500," warns Helen Collier-Kogtevs, director of Real Wealth Australia.

"That could make all the difference between you buying a property or not being able to afford it."

The good news is there are things you can do to get your credit card debt under control – as long as you're willing to put in the effort and make some changes to your spending habits.

Advocacy group Choice, which provides unbiased information and advice for Australian consumers, offers the following advice to help keep your credit card debts under control:

- 1.** Always pay more than the minimum amount due each month. Even if you owe as little as \$500 on a credit card, you may never get out of debt if you only repay the monthly minimum.
- 2.** Avoid cash advances, as interest usually accrues on cash advances immediately, and extra charges often apply in the form of a flat fee or a percentage. If your card provider charges a cash advance fee of 2.5%, for instance, that means a \$500 cash advance will cost you \$12.50, on top of the interest payable.
- 3.** Develop a personal budget. This is important in order to understand your current financial situation and provide you with a framework for repaying your credit card debts. If you can find an \$20 extra per week to put towards your credit card, that will amount to \$1,000 in extra payments over 12 months – and that's not taking into account the interest savings.
- 4.** Set up a direct debit from your bank account to pay at least the minimum due on your credit card bill each month. If you miss making the minimum payment on your card by the due date, you could be charged a late payment fee of up to \$35.
- 5.** Take your credit card out of your wallet. If you don't have your card on you, you won't be tempted to reach for fantastic plastic when it comes time to pay the bill.