

**Allison Tait**

# **CREDIT CARD STRESSBUSTERS**



# **SLASH**

**your credit card debt  
in 90 days!**

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## *About the author*

Allison Tait is a journalist and writer with more than 20 years' experience. During that time, her byline has been seen regularly in magazines, newspapers and websites in Australia and internationally. She has written across a wide variety of subjects, from health, social trends and relationships to interiors, finance and careers. For the past three years Allison has contributed popular fortnightly articles to ninemsn's Money website, where she has gained a reputation for writing down-to-earth finance stories that are remarkable for their non-stuffy nature. She revels in finding the most knowledgeable person she can, asking as many boring questions as they'll answer and then presenting the resulting information in the clearest and most accessible way possible. And if it raises a smile now and then, all the better.

## *Introduction*

How do you feel about your credit card? Whether your debt is minimal or mind-blowing, chances are you can answer that question. The thing with credit cards is that they assume an importance in our lives that takes them far beyond an innocuous piece of plastic in our wallet, directly to the heart of the way we live.

For some of us, they're all about convenience; just another way to conduct financial transactions. These convenience-seekers use credit cards at will, pay them off each month and reap the rewards points. For these people, plastic is fantastic.

For a large proportion of us, however, credit cards are the way we fill the gap between the lifestyle we can afford and the lifestyle we actually live. To these people, a credit card is a 'frenemy', loved and hated in equal measure. The trouble is that once you get used to the idea of supplementing your income with someone else's cash, it becomes a difficult habit to break. So we love the card for its access to what we think of as 'life', but hate it because those bills roll around with monotonous regularity, reminding us of our excesses.

## **Introduction**

Depending on the size of your debt, 90 days can be enough time to lose it forever; or enough time to make a serious start. Every person's situation is different, so it's important to take the information and advice in this book as a general guide and get some professional help to fill in the blanks as you need them.

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## **Part I**

# **Addicted to credit**

Hands up if you put groceries on your credit card this week... or a few beers with your mates. In the old days (that is, 50 or so years ago), people didn't buy a sofa if they didn't have the cash to pay for it. These days, we think nothing of taking out a loan—that is, using our credit card—to make up a shortfall in our weekly finances.

Okay, so we're comfortable with debt. But did you ever consider the notion that flashing your plastic has become an addiction? Here's how to tell if you're a little too dependent on your credit card (and what to do about it).



1

**Question:** *Isn't credit card debt just something we learn to live with?*

**Answer:** Don't get comfortable living beyond your means.

So you owe heaps of cash. Not just credit cards (they're a given if you're reading this book), but maybe a mortgage, student loans, car loans, that buy-now-pay-later computer and a store card or two. When you make room for so much debt in your life, it all gets a bit ho-hum. You owe heaps. Your friends owe heaps. Why get crazy about it?

And maybe that's just the problem.

There's been a lot written in the last few years about how status anxiety is changing our lives. We're all spending more and more to keep up with Mr and Mrs McMansion next door—or Mr and Ms Cooler-Than-Thou down the hall—and sinking deeper and deeper into debt. But what if it's not just about who has the nicer car/phone/handbag? What if we're getting up-close-and-personal with ever-growing mountains of debt simply because we can't imagine living without it?

Think about it. When our grandparents were young, debt was a Bad Thing. People spent their whole lives saving up for stuff, so that they wouldn't have to embarrass themselves by borrowing money. They wouldn't buy a new sofa or a dining table unless they had the readies.

Fast-forward a generation or two and you don't think twice about putting groceries on a credit card if you're a bit short this week. In essence, you take out a loan to pay for your groceries. And then probably laugh about it with your mates at the pub, no blush in sight,

## Credit Card Stressbusters

as you drink beers you've paid for with a cash advance. That's right, a loan to buy your lager.

The facts speak for themselves:

- 💰 Australians are now spending 11.9 per cent of their income servicing debt.
- 💰 According to the Reserve Bank of Australia, credit card debt hit a record high of \$44 billion in August 2008.
- 💰 The average monthly balance outstanding on an Australian credit card is more than \$3200.

All of this means that most of us have some form of debt hanging over us, most of the time. No wonder we've got used to the idea.

### What does debt mean to you?

Everybody's idea of debt is different. Some people hate the idea of owing even \$50. Those people are probably not reading this book, so we'll ignore them for now. Others think that if the bank is willing to give them a \$2000 limit on their credit card, then the bank must be happy they can pay it back. It's not really debt if it's institutionally approved. More like an extension of your bank account.

Still others are happy to shuffle money around over two or three cards, a mortgage, and a car loan, making sure the numbers add up just enough each month to get by. They're not stressed as long as nobody cuts off their access and all the bills don't come in at once.

The point is that there's no 'magic number' that equals debt. Nobody is going to ring you up and say, 'you owe \$X, you are officially in debt'. In these days of easy credit, it's not that hard to slip into the habit of living beyond your means. You make the minimum repayments and life goes on—after all, everyone you know is in debt too. It's just

part of how you live. Except it doesn't have to be. It does, however, require a change in thinking.

Instead of thinking of your credit card statement as just another bill that arrives every month, look at it as the millstone it truly is. While you owe money, your income is shackled to that debt. Without it, your money is your own.

Imagine not having to sit down each month and work out how much of your precious pay packet is going to go on interest repayments. Instead, it might go towards saving for a house deposit, a fantastic holiday or, at the very least, a new pair of fully paid-off shoes or an iPhone.

### Robbing Peter to ignore Paul

In some cases the money to make inroads into that debt is there—you just don't want to spend it. After all, you've lived with the debt so long and there's nothing quite like the heady feeling of having money in the bank. That little 'rainy day' nest egg that provides a cushion in case life goes pear-shaped. All financial experts say you should have one, right?

Well, yes. But not if your nest egg amounts to \$1000 and your credit card debt is sitting at \$2000. It might give you a warm glow to check your bank statements each month, but the truth is that you have no savings while you are paying interest of 15 per cent or more. Face it, the most you're earning on your thousand bucks is 7.5 per cent in a high-interest online account (and this is on a good day). Even if you're no mathematical genius, those numbers don't add up.

On the bright side, if you plough your current 'savings' and future amounts you were planning to 'set aside' into your credit card debt, it's win-win. Not only will you pay down the debt, but the extra cash

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you'll have from not making interest repayments in the future will build your savings back up in next to no time.

More about an action plan in part 4 of this book.

### **Stressbusting secret**

Repeat your new mantra after me: living with credit card debt is living with the knowledge that, at some point, it needs to be paid off. Living without debt is living.



## 2

**Question:** *Why put extra cash towards my debt when it doesn't make much difference?*

**Answer:** To see change, you must stop spending on your credit card.

You might be worried that you don't have a nest egg and that small repayments off your credit card won't get you anywhere. There's nothing less motivating than feeling that you're going nowhere. The trouble with credit card debt is that you can pay a bit off and then next month's bill arrives and the interest charges seem to take you back to where you started.

And that's assuming you're not spending on the card.

If you're serious about slashing your debt, the first thing to do is to stop adding to it. It's easy to think that because you've paid off \$100, you're entitled to spend it all over again. Of course, it's easier said than done to ignore the temptation provided by a small window on an un-maxed credit card. After all, you think, the money is there. It's not like you're breaking any laws or even going over your limit. And you could have it—whatever it might be—right now. Why shouldn't you? Before you know it, the card is out of your wallet, your debt is increased, and you're walking off with the 'it' you can't live without.

The fact is that it's just too easy to spend when there's a card handy. And the key to clearing your debt is to stop spending. The first step, then, to managing your credit card is to put some distance between the two of you. You won't necessarily have to 'break up' if you just go 'on a break' for a little while.

There are a few ways to do this. Some financial experts swear by the freezer method—you put the card in water, put it in the freezer,