

Holiday Credit Incurred

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Despite reports indicating people spent less this year on the holidays, many people still incurred credit card debt. Surveys indicate that people say they spend more than they should during the holidays. It is very easy to overspend using a credit card. Just hand over the plastic or swipe it through the machine and sign. For some people who used credit cards to pay for the holidays this means hefty credit card bills come January.

The most important thing to keep in mind if you overspent using credit cards is to pay off the balance as soon as you can. After the holidays, some credit card companies offer to let you skip a payment or two. Some companies even offer to reduce your minimum monthly payment. As tempting as this may sound you may want to think twice about doing it since you will incur more expense through interest cost. It also delays the inevitable – you still need to pay the bill.

Another temptation is to pay the minimum monthly payment. Low monthly payments can help credit card users through hard times such as unemployment or a family illness. In the long run, the cost of minimum monthly payment can be quite high. For example, the median balance on credit cards in the United States is \$2,200. If you have a credit card balance of \$2,200 at 18% interest and pay only the minimum monthly payment it will take 20 years to pay off the balance and cost you an additional \$2,957 in interest. The total payment will be \$5,157. The example assumes that you don't charge anything else to the credit card during the next 20 years. Most credit card users and gift recipients will not remember what they bought or received in 20 years. Paying a level payment of \$55 a month on the credit card will reduce the time to pay off the debt to 5 years and save \$1,772 in interest.

In the future consider using credit cards for convenience and emergencies only and pay off the charges in full. Doing this means you have to have the money to pay the bill in full when it comes in.

Despite good intentions, some participants in UNH Cooperative Extension money management programs have revealed that in the fall they were still paying off credit card bills for the previous year's holiday season. This is one indication that a spending/savings plan (a.k.a. budget) could be an effective tool for planning throughout the year for the 2009 holidays. Using a spending/savings plan, people are able to save year round for the holidays. This means spending less money on credit cards because you will have the cash on hand to pay for purchases immediately. Many local banks also offer Christmas/Holiday clubs where you can save money on a weekly or bi-weekly basis.

UNH Cooperative Extension has two publications that can help you plan your spending. Contact UNH Cooperative Extension at 447-3834 or 1-800-322-4166 to request copies of the publications *Developing a Spending/Savings Plan* or *When Your Bills Pile Up*. These publications can also be found by following the links on the money management section of the UNH Cooperative Extension website <http://extension.unh.edu/Money/Money.htm>

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