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**Paying Off Your Credit Cards and Other Bills**

**By Terry J. Rigg**

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If you maintain a balance on your credit cards you are probably paying hundreds of dollars a year in interest. This is money that could be put to better use.

There is a simple method of paying off credit cards that doesn't require too much extra money each month. This method is called payment snowballing. While your biggest gain will be from paying off credit cards, you can also use this method to pay off installment loans, your mortgage, medical and other bills.

By snowballing your payment you start paying off credit cards and adding the money you were paying on the paid off credit card to the next one. This is one of the quickest ways to eliminate your credit card debt.

I have developed a simple form to help with this process. At this point you may want to look at a sample payoff schedule at <http://www.homemoneyhelp.com/sampleccpayoff.html>. You enter the name of the credit card, amount you owe and your actual payment on the form. You can see a printable copy of "Snowballing Your Credit Card Payment Schedule" at <http://www.homemoneyhelp.com/ccpayoff.html>. You may enter your figures on this form before you print it. It is best to list the credit cards in the order you wish to pay them off.

There are two schools of thought about which way is best. Many experts believe that paying the credit cards with the highest interest first is best. You then go to the credit card with the next highest interest and so on. Personally, I believe people need to see results quickly. I recommend paying off the credit card with the lowest balance first and then go to the next lowest balance, etc. Whether you start with the highest interest rate credit card or the one with the lowest balance it will ultimately achieve the same results.

Your next step is to determine how much you can afford to pay toward eliminating the debt. Since you are already making at least the minimum payment, you can start by adding the minimum payments for all of your credit cards. Then check your budget (See The Complete and Bill Organizer to setup a

## Paying Off Your Credit Cards and Other Bills

simple budget. It's FREE. <http://www.homemoneyhelp.com/BBOonline.html>) to see if you can afford to add any money to your minimum payments. At the bottom of the payoff schedule you will find a table to help determine how much you can pay. Once you have determined how much money you have to put toward paying off this debt, list it at the top of the form.

Your next step is to establish your scheduled payments for each credit card. It is best to set a constant payment at or a little more than the minimum payment to all of the credit cards except the one you are currently trying to pay off. Keep paying this constant payment month after month even though your minimum payment will go down. This alone will make your balance go down faster than paying the minimum payment.

Refer to the sample payoff schedule. You will see that the Visa Card will be paid in the 4th month,

requiring only a \$15 payment of pay off. These figures are only estimates because they do not include interest.

Notice that also in the 4th month an additional amount is added to the Mastercard. To arrive at this figure, you simply add the \$15 you paid toward your visa to the \$35 you pay on discover and deduct it from your allowed amount. Example:  $\$15 + \$35 = \$50$ ;  $\$130 - \$50 = \$80$

One of the key points to make this system work is that you have to make a commitment not to use the credit cards. Each purchase will throw you further behind.

Terry Rigg is the author of *Living Within Your Means – The Easy Way* <http://www.homemoneyhelp.com/ebookadpage.html> and editor of *The FREE Budget Stretcher Newsletter* and *Budget Stretcher* web site at <http://www.homemoneyhelp.com>. He has 25 years of experience counseling individuals and families concerning their personal finances.

### **Top 10 Reasons Why You Should Review your Credit Report Regularly**

**By Cindy S. Morus**

#### **Top 10 Reasons Why You Should Review your Credit Report Regularly by Cindy S. Morus**

Besides paying your bills regularly and on time, the single most important thing you can do so show that you are a good credit risk is to know what's in your credit report.

Studies have shown that many credit files contain errors that can harm your credit rating, leading to rejections when you apply for loans, insurance or even a job. The errors range from simple human error to being mixed up with a similarly named person.

It's essential that you check your credit files and monitor your credit regularly in order to protect your good credit standing, even if you always pay your bills on time.

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And if your credit needs improvement, checking your report will help you find any problems that can be cleared up. A correct credit report, paying your bills on time and the passage of time will ensure the highest scores.

1. Cleaner credit reports improve your FICOTM score.
2. Find errors in your credit report before they damage your credit rating.
3. Become aware of unauthorized activities which can be an early warning sign of identity theft.
4. Clear up errors in your credit file before applying for new credit cards or loans
5. Find out which credit companies have made inquiries on your credit file (too many inquiries can lower your score).
6. Close accounts you are no longer using and lower credit limits on existing cards.
7. Improve your credit report so you can get lower interest rates on mortgages, car loans and credit cards.
8. Reduce your car insurance rates (some insurance companies base your rates on FICOTM scores).
9. Know what a potential employer will see in your credit file if you are applying for a new job or promotion.
10. Your credit report is constantly changing and you are the person most interested in keeping it accurate and up-to-date.

Cindy Morus is a Certified Credit Report Reviewer and Certified Financial Recovery Counselor. She shows families how to achieve financial well-being and peace of mind. For help in reviewing and improving your credit reports ,please contact Cindy at 541-387-2995 or by e-mail at [cmorus@phelps-creek.com](mailto:cmorus@phelps-creek.com) or [www.phelps-creek.com](http://www.phelps-creek.com).



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