**Formula for Paying Off Credit Cards**

Bankruptcy laws changed in 2005 making it much harder to file bankruptcy and wipe out credit card debt. You now have to qualify for bankruptcy as well as attend credit counseling. You have to have at least $50,000 worth of debt to qualify for a Chapter 7. The average American has $10,000 in credit card debt on any given day. If you pay the minimum payment on $10,000, it will take you 30 years to pay off your debt. We want to share a simple, easy-to-follow formula for getting out of debt.

The biggest reason most folks find themselves in credit card debt is lack of self-control. We tend to buy on impulse. That is what the credit card companies count on … your taste for credit. This formula will teach you self-control as well as help restore your credit.

Your first step is to call your credit card company. Explain to them that you are in financial trouble and want to cancel your accounts. They typically expect full payment in order to close the account, instead negotiate the interest rate down and have the account frozen. This way, your balance does not continue to grow.

Maybe the credit card company agrees to settle on 10% interest, opposed to the 29% you are probably paying, and the account is closed to new charges. Assuming you owe $10,000, you will save thousands by paying it off at 10% interest opposed to 29% interest.

**It looks like this:**

Credit Card #1 Credit Card #2 Credit Card #3 Credit Card #4

You owe $1,000 Owe $2,000 Owe $3,000 Owe $4,000

To make this example easy-to-understand and follow, let’s assume the minimum payment on each card is $100 after you negotiate the interest rates down. Start with the card with the smallest balance and double the minimum payment meaning you will pay $200 each month instead of $100. Continue to pay the minimum $100 on the three other cards. As soon as Card #1 is paid off, move that minimum payment of $200 and add it to the $100 payment due on Card #2. Now you are paying Card #2 $300 per month. As soon as Card #2 is paid off, move the $300 per month and add it to the $100 minimum balance due on card #3. Now you are paying Card #3 $400 each month. As soon as Card #3 is paid off, move that $400 minimum payment to Card #4. In no time, all your cards will have a zero balance.

It looks like this:

Credit Card #1 Credit Card #2 Credit Card #3 Credit Card #4

You owe $1,000 Owe $2,000 Owe $3,000 Owe $4,000

Month 1 Pay $200 Pay $100 Pay $100 Pay $100

Month 2 Pay $200 Pay $100 Pay $100 Pay $100

Month 3 Pay $200 Pay $100 Pay $100 Pay $100

Month 4 Pay $200 Pay $100 Pay $100 Pay $100

Month 5 Pay $200 Pay $100 Pay $100 Pay $100

Month 6 1st Victory! **Pay $300** Pay $100 Pay $100

Month 7 Pay $300 Pay $100 Pay $100

Month 8 Pay $300 Pay $100 Pay $100

Month 9 Pay $300 Pay $100 Pay $100

Month 10 Pay $300 Pay $100 Pay $100

Month 11 2nd Victory **Pay $400** Pay $100

Month 12 Pay $400 Pay $100

Month 13 Pay $400 Pay $100

Month 14 Pay $400 Pay $100

Month 15 Pay $400 Pay $100

Month 16 3rd Victory **Pay $500**

Month 17 Pay $500

Month 18 Pay $500

Month 20 Pay $500

Month 21 Pay $500

Month 22 TOTAL VICTORY IN LESS THAN 2 YEARS!

In just 22 months, you are out of debt! If you had paid the bare minimums without negotiating the interest rates, you would still have eight years of payments to go. If you filed bankruptcy, assuming you qualified, your credit would be ruined for seven years. Following this easy formula, you are debt free in 22 months. During this 22 month period your goal is develop self-discipline and not to get into trouble again.

Having too much debt is simply a bad habit that you have to break. It takes 21 days to develop a habit and twice that to break it. Start new habits while getting out of debt. Take a new lease on life…start working out, eat better, spend more time with family, go to church, read the Bible, find other things to do than shop and spend money. We’ll bet in 22 months, you’ll be a new person! We were...