Money Tip Tuesday Script

Balance Transfers

Do you feel your accumulated credit card debt is getting out of control? Or maybe you are tired of having payments with high interest charges month over month and you want a chance to get ahead of it and pay off that debt? One thing you can do to lower your interest charges and work towards eliminating your credit card debt is by doing a balance transfer.

Welcome to Money Tip Tuesday, from the Making Money Personal podcast.

If you're tired of paying all kinds of money in credit card interest rates, and you want to do something about it, now may the right time to consider finding a way to lower that interest rate and start gaining momentum in paying off that balance.

One way you can start the process of lowering those interest payments is through a balance transfer. I'll explain what that is in a moment.

If you've been carrying a credit card balance month to month, you're most likely paying interest on that balance, and for many credit cards out there that interest rate can be a high one.

The interest rate is displayed as the APR of the card, or Annual Percentage Rate, and can range all over 0% for very low and can climb into 25% or higher territory.

Carrying balances on a high APR credit card can negatively impact your cash flow for a couple reasons. First, it means you'll be paying a higher monthly payment on the money you borrow, adding to that monthly credit card bill. Higher bills mean restricted cash flow. Second, none of the money you are paying in interest actually goes to paying off your balance, adding to the overall length of time it will take you pay it all off. The longer you continue to pay high interest on your balances, the more money you'll have spent overall just in interest. That's money that you could have used elsewhere.

This is where a balance transfer comes in.

The strategy of using a balance transfer is to decrease the amount of money you pay in interest by moving the balance from your high APR credit card and putting it on a different credit card with a lower APR. I'll explain.

EXAMPLE

Say your current credit card balance is $5,000 and you're paying 15% in interest monthly on that balance. If you want to pay it off in a year, your monthly payment would be around $479 and you'll wind up paying about $393 in total interest over that period.

If you move the $5,000 balance from credit card A with the 15% APR and you transfer it to a new credit card B with a low rate of say 0% APR. Your monthly payment to pay off that $5,000 balance would be roughly $416 and you'll have paid nothing extra in interest on that balance. This simple maneuver could save you hundreds of dollars. In this case it's $393.

When you transfer your balances to a lower APR card you can lower your monthly payment, pay less in interest over time and pay that balance off much faster. It's a good debt reducing strategy.

If you're ready to transfer your balance and lower that monthly payment there are a few things you need to be aware of.

- Be aware if the low APR is a promotional rate, how long that rate will last and what happens when the promotional period ends. Very low interest rates are usually temporary and after the promo period expires, typically adjust to a different rate. It's important to take note of the promotional period and how much you'll be able to pay off before it ends. If your balance hangs around past the expiration date, your interest rate may adjust and most often, to a higher interest rate. B aware of the potential costs associated with this rate adjustment.
- Check if there are any balance transfer fees. Some cards will charge you a percentage or a fee to transfer your balance. Make sure you keep this in mind because it will be an added cost to you. If you want to save some money on a balance transfer, there are some credit cards out there that do not charge a fee. Take a look at cards like Triangle's Premier Advantage and Membership Rewards credit cards which do not charge a balance transfer fee at all.
- Pay attention to any other fees or charges the card may have. A low intro APR may be great, but make sure you do your research and check into any other interest rates the card may charge on cash advances, interest rates, or fees. If you're likely to use any of these, make sure you're not setting yourself up to be paying more in the long run.

Doing a balance transfer is a smart first step in working to pay down your credit card debt. If you need help calculating how much certain rates may charge over time, we have a free calculator on our website that will show you how long it will take to pay off your balances and how much interest you can expect to pay. Check out the link in the show notes to try it out.

If you have any additional items that we may have missed or tips that could be helpful to our listeners, let us know at tcupodcast@trianglecu.org, or look for Triangle on Facebook, Instagram and LinkedIn to let us know what you think or to share your thoughts.

Thanks for listening to today's Money Tip Tuesday and be sure to check out our other tips and episodes on the Making Money Personal podcast.
Have a great day!

Calculator:
https://www.trianglecu.org/home/tools/calculators?CALCULATORID=PC02&TEMPLATE_ID=www.trianglecu.org_1