

Credit Card Pay-down

There are basically three strategies to pay down your credit card debt. Read through the strategies and select the one that’s right for you. Fill-in the chart accordingly.

Strategy 1: Pay off the smallest balance first

This approach builds “pay-off momentum.” On-line calculators can help you calculate pay-off dates given certain payment amounts.

1. List your credit cards from lowest balance to highest.
2. Pay only the minimum payment due on the cards with larger balances.
3. Pay additional on the card with the smallest balance.
4. When the card is paid off, apply additional payment to card with the next smallest balance.

Strategy 2: Pay off the highest interest rate first

This is the best dollars-and-cents approach.

1. List your credit cards from highest interest rate to lowest.
2. Pay only the minimum payment due on cards with lower interest rates.
3. Pay additional on the card with the highest rate.
4. When the card paid off, apply additional payment to card with the next highest interest rate.

Strategy 3: Pay down the debt that helps your credit score the most

This approach improves your credit score and potentially reduces your future borrowing costs by paying down cards with the highest credit utilization ratios. For example, a credit card with a \$4,000 balance and a \$10,000 credit limit has a 40% credit utilization ratio. A ratio below 30% is recommended.

1. List your credit cards from the highest credit utilization ratio to the lowest.
2. Pay only the minimum payment due on credit cards with lower ratios.
3. Pay additional on the card with the highest credit utilization ratio.
4. When the card is paid off, apply additional payment to the card with the next highest utilization ratio.

Credit Card / Loan Issuer	Interest Rate	Balance	Credit Limit	Minimum Payment
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
Totals:		\$	\$	\$