

Let’s say you have $8,000 in your savings account and you owe $8,000 on your credit cards. What should you do? It depends on your financial situation, spending habits and personality.

Regardless of your current circumstances, here’s where to start. If you have $8,000 in credit card debt, you have to stop using your cards immediately, and pay cash instead. It doesn’t make sense to dig yourself in any deeper. Next, review your income and spending habits and set a budget. That will help avoid any future credit card debt.

Now that the bleeding has stopped, decide on the correct treatment plan for you. If you have stable employment, it might make sense to use half your savings to pay down your debt. But remember, savings are essential for emergencies. Make sure you still have an adequate safety net.

If you’re comfortable using some savings to pay down debt, this is where your personality comes in. The logical place to start is to pay off high-interest debt first. But if you need to see some quick progress to keep you motivated, pay off some cards with a low balance first. No matter which approach you choose, keep making your monthly payments on time, or you’ll damage your credit score.

If you’d like more advice about paying off credit card debt, call us today!

Is it better to pay off credit card debt or maintain a savings account?