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Good Ways Americans Are Able To Get Out Of Charge Card Account Debt

For some, job layoffs and unforeseen external factors have loaded them up with debt. For most, however, debt is the result of extraneous spending, poor cash management, or both.

Here are ten tips to getting out of debt. Some are easier to follow than others, but all are designed to help alleviate the problem:

1. Create a realistic monthly budget for your expenses. List all monthly bills and necessities and make sure they are covered by your monthly income. Allow only the money remaining after the bills are paid to be spent elsewhere. Stay within your budget guidelines.
2. Pay off the balance on the charge card with the highest APR first (unless the balance on any card exceed 50 percent of your credit limit). First, pay all balances to below 50 percent of the card limit because balances above this level cause your credit score to diminish. Then pay off the balance on the charge card account with the highest annual percentage rate. If the account was opened within the past year and you have additional older accounts, close it after it is paid off. Next month do the same with the card that has the next highest interest rates. Continue until you reach the charge card account with the most favorable terms (i.e., low APRs). Use this as your preferred account. You need only four open accounts to establish a positive credit history.
3. Learn to use cash instead of charge card accounts. Have one primary charge card and use it only for emergencies or major necessities, such as a new refrigerator if the current one stops working. Put your charge card in a safe place, not available for everyday use. Also, do not accept increases on your charge card account limit above an amount you can easily pay off in three months.
4. Use direct deposit for your paychecks. Also have a limit on how much you will allow yourself to withdraw each week and month.
5. Cut down on your discretionary expenses. This includes dining out, overusing your cell phone, and other such unnecessary expenses.
6. Evaluate your living situation. Your housing costs should be no more than 33 percent of your household income, including mortgage payments, property tax, and both property and homeowner's insurance. You can shop around for lower insurance rates, refinance your home mortgage, and look for more economical utility plans.
7. Avoid borrowing cash to get out of debt, especially consolidation loans. Many Americans think this is a way of helping them get out of debt. However, consolidation loans are simply a means of combining debt. You could end up losing everything because you've tied it all up in one loan. If you must borrow, see if a friend or family member can lend you cash, since the APRs should be low or nonexistent.
8. Contact your creditors and try to work out repayment plans. Many creditors are willing to work with you in a manner that will help them get their money without having to resort to debt collectors.
9. Become a savvy shopper. Look for deals, bargains, and savings. You'd be surprised at how much you can save if you take the time to shop around. Check out the price comparison Web sites such as Shopping.com and BizRate.com.
10. Look for extra ways to make some cash. From part-time work to a garage sale to taking in a boarder, there are many ways to bring in some additional income.

If all else fails, seek out help from a debt reduction specialist or counselors who can help you formulate a plan for getting out of debt and staying out. Just make sure that you check out the service in advance. Many companies are simply taking advantage of consumers in debt and charging them high service charges.

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