

# Overcoming Debt Problems



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One of the first steps in overcoming debt problems is admitting that there is in fact a problem.

## Here are some warning signs of debt trouble

- Paying only the minimum on credit cards or loans
- Using credit to pay for everyday expenses—like groceries or gas
- Making payments late
- Paying so much on credit cards and loans that you're unable to save for retirement

If you constantly pay only the minimum of credit card accounts, here's an example of what it can cost you:

	Pay minimum 2% of balance	Pay extra monthly
Credit card balance	\$3,000	\$3,000
Interest rate	19% APR	19% APR
Monthly payment	\$60 first month; minimum thereafter	\$80
Time to pay off	35 years	5-8 years
Interest you pay	\$9,284	\$1,560

## Tips for Getting out of Debt

- Make a budget. Cut expenses—for example a weekly family dinner out, and put the money you save toward paying off debt.
- Cut up credit cards. Commit to spend less than you earn.
- Avoid nonessential purchases—like furniture—if you can't buy without using credit.
- Make all payments on time. Set up payment reminders through online bill pay.
- When one is paid off, redirect payment to another account.
- Focus on accounts charging the highest rates of interest first.
- Don't be afraid to ask for help. Talk to a friend or family member who understands finances or a nonprofit credit counselor.
- Use resources available within the community.
- Don't fall for companies who claim they can repair credit for a fee