# Credit Card Debt and Retirees

Today we're going to discuss how you can tackle debt – like credit card debt – in retirement. Paying down credit card debt probably wasn't on the top of many retirees' list of things to do after they finished working. Yes, one of the biggest fears for retirees isn't that they've potentially saved too little – it's that they're carrying too much debt. Pesky, unwanted credit card debt can be the ultimate thorn in your side during retirement. Whether it's just a little bit or a lot – when you don't have a regular paycheck coming in, the road to paying down that debt becomes precarious.

According to a recent CNBC article entitled, "3 simple ways retirees can control their credit-card debt", a retiree's credit-card debt, on average, is more than double the maximum monthly Social Security payment.

Having a manageable amount of debt during your working years is normal – you've probably got a mortgage, a car payment or two, and some college loans still lingering. But that's okay, your paycheck helps you manage your debt. After all, your family needs a roof over its head, your car probably gets you to work, and student loans made it possible to build a career. So, where does this credit card debt come from?

It can come from anything, really. Car repairs, gas, groceries, you name it. Typically, it's not just one thing that leads to significant debt. With that in mind, it's vital to read your credit card statement. Depending on how you use your card, you could have different buckets with different rates in play.

For instance, you could have one rate for a balance transfer, another rate if you take a cash advance (which typically is not recommended doing with a credit card), and still another on your normal balance for spending. Knowing how to read your statement and manage your billing cycle is the first important step in managing your credit card debt. If the credit card that you use has rewards that you can redeem towards a balance credit, you may be able to apply that to eat away at your balance.

It's also important to know what fees you're paying. Late fees are the easiest to avoid. Know when your billing cycle ends and pay at least your minimum balance on time.

If you see yourself in 5-figure credit card debt, and you feel that you simply cannot get ahead, it might be wise to talk to a mortgage professional about pulling equity from your home to pay off high-interest debt. The rates will likely be lower.

Generally, it's a good idea to talk to a financial services professional about your retirement, but if you're carrying considerable debt into retirement, and still plan on retiring before you settle your debt, it may be an even better idea to work with someone who really understands the entire industry landscape. In certain cases, it makes more sense to have a debt elimination plan within your overall retirement income plan.

When you're working to save money for retirement and simultaneously pay off debt, well, these two things can cannibalize each other. That's a fancy way of saying that the two goals not only don't work well in unison, they work against each other.

You could be saving more money for retirement if you paid off your high-interest debt. It's a balance you need to strike if you might have this type of debt in retirement.

When people come to us for advice, we tell them we're going to come up with an income plan that works for you, but it isn't going to work unless you "turn off the faucet" when it comes to spending.

Switching from a credit card to a debit card using money from your bank account could be beneficial. This may help to turn off the faucet and stop debt from growing. If you're paying off your credit cards, but are spending just as much as before, your debt isn't going anywhere.

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Sources:

https://www.cnbc.com/2016/09/15/3-simple-ways-retirees-can-control-their-credit-card-debt.html