5 QUICK WAYS TO GET INTO DEBT

Does it seem like your debt keeps growing? If so, you're not alone. The average U.S. household with credit card debt has an estimated $6,849 in revolving balances, based on a NerdWallet report from December 2019. Here are some easy mistakes that can cause debt to pile up, along with tips on how to limit on what you owe.

Mistake 1: Collecting credit cards. Consumers are bombarded by offers for credit cards, but don't be tempted! Once you get a new card, it's easy to use it, which could lead to spending more than you intended—and more than you can afford. Running up credit card balances will only increase your debt and the amount of interest you will end up paying. The solution is to be strategic: Don't charge more than you can afford to pay off each month. Stick with one card and don't sign up for any new ones.

Mistake 2: Paying only the minimum. Even if you can't currently afford to pay off your entire credit card balance, paying as much as possible each month will help minimize your interest costs and save you money over time. It may seem easy to pay only the minimum required, but this is a costly error. Be sure to check your credit card statement for more details on the life of the balance paid at the minimum amount.

Mistake 3: Not budgeting or saving. It's easy to overspend if you don't know how much you have available to spend each month, which is why creating a spending plan is so important. Add up all your monthly income, and then subtract all your monthly expenses. Adjust your spending if your income doesn't cover your expenses or make plans for how to allocate any money left over if you earn more than you spend. A budget can also help you spot and trim unnecessary expenses or expenses that are higher than you realized. Be sure to make room in your budget for establishing and maintaining an emergency fund so you don't have to borrow to cover unexpected costs or use credit cards to pay for everyday expenses. (Check out our article "Budgets are nothing to be afraid of – 10 tips to build a better budget in this Kit.)

Mistake 4: Spending tomorrow's money today. This is spending money that you do not actually have yet. Say you lose some part of your income, but you don't change your spending because you think you'll probably be able to replace that income soon. In the meantime, you rack up debt, and it takes longer than you thought to restore your income—which can lead to even more debt. Another mistake can happen when you are expecting to get some extra money, say in the form of a new higher-paying job or a windfall of some kind, and you start spending now as if that money were already in the bank. In both cases, the best approach is to adjust your spending to reflect the funds you actually have today.

Mistake 5: Not rewarding yourself for your accomplishments. You know that minimizing debt has many benefits, but you're more likely to succeed if you celebrate a little when you've finally reached a milestone; such as paying off a credit card or lowering your debt by a certain amount. Don't break the bank, but do consider giving yourself a night out or some other small treat. A reward will help motivate you to keep going until you are debt-free and make it less likely that you'll slip up and overspend again.