Did the Christmas spirit inspire you to spend a little more than you should have this holiday season? The best New Year’s resolution is to pay off your credit card balance as soon as you receive the bill. Although much less painful in the short run, the absolute worst New Year’s resolution is to simply pay the minimum balance required each month.

According to CreditCards.com, the required minimum monthly payment is typically about 2 to 3 percent of the outstanding credit card balance. Currently, the average Annual Percentage Rate (APR) charged on credit cards is 15 percent.

If you resolve to make no additional purchases on your credit card, how long will it take to pay off a $3,000 balance if you pay only the minimum required payment of 3 percent each month on a credit card with a 15 percent APR?

   a) 3 years
   b) 5 years
   c) 7 years
   d) 12 years

Answer: d) 12 years. If instead of just paying the minimum required, you tighten your belt and pay $200 a month, the balance will be paid off in less than two years (17 months) and you will save about $1,600 in interest payments.


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