WHAT IS YOUR MINIMUM PAYMENT COSTING YOU?

Paying the minimum on a credit card might feel like a way to keep your monthly bills under control. It keeps your account in good standing and avoids late fees, but it can be very expensive. Rather than making progress with your actual debt, you are paying interest, interest, and more interest on your original charges, while the principal stays essentially the same.

There are times when paying only minimums makes sense, but as a long-term strategy for managing debt, it's a recipe for serious trouble.

Many of us don't understand these numbers. In fact, the federal government passed legislation in 2009 (called the Credit CARD Act) that required Credit Card companies to print a "Minimum Payment Notice" on each Credit Card statement, that outlines how long it would take to pay off the existing debt, and what the total cost would be.

If you aren't sure you can pay off your purchase in 3 to 6 months, you might reconsider your purchase.

See the sample below.

Minimum Payment Notice

PAYMENT INFORMATION

New Balance:	**$6,295.10**
Minimum Payment Due:	$139.00

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	26 years	$24,740
$241	3 years	$8,863 (Savings = $16,057)

When you receive your CREDIT CARD bill, there are typically THREE amounts you can pay:

MINIMUM PAYMENT: The smallest amount of money that you have to pay each month to keep your account in good standing.

STATEMENT BALANCE: The total balance on your account for that billing cycle.

CURRENT BALANCE: The total amount of your most recent bill plus any recent charges.