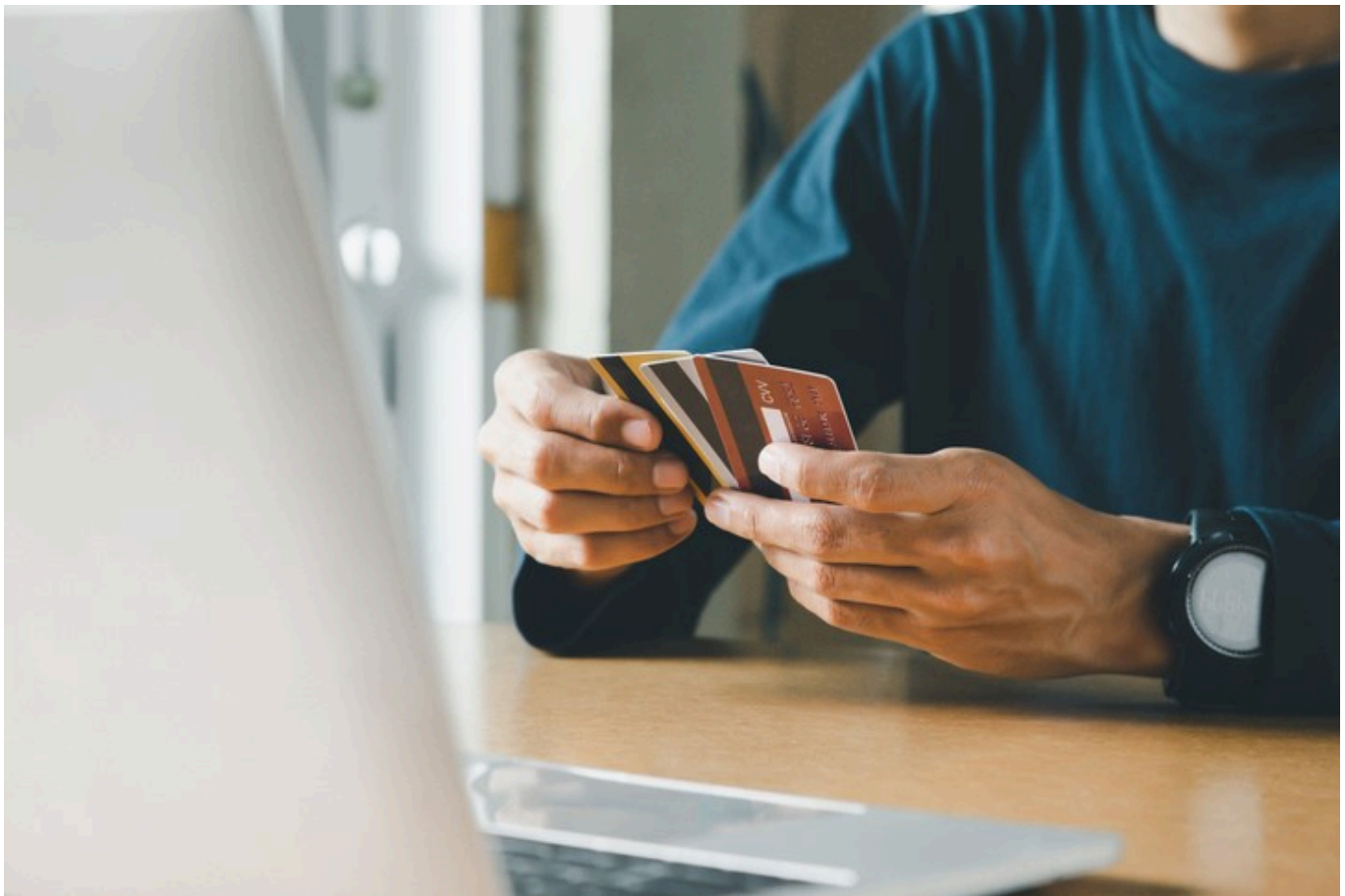




Does Paying Off Credit Cards Improve Your Credit Score?



If you aren't able to pay off your credit card balances in full every month, don't panic. The key is to pay as much as you can, above the minimum payment if possible, to chip away at your debt consistently. Check out these strategies for boosting your score from SavvyMoney.

Credit Card Debt is Rising

America's collective credit card debt keeps making national headlines, with the Federal Reserve Bank of New York reporting in mid-May that U.S. residents now owe a total of \$1.12 trillion on credit cards. There's more.

More Credit Cards in Wallets

New data shows that adults in the U.S. also have more credit cards tucked in their wallets than they did last year – and are carrying more balances across those credit lines. In the first quarter

of 2024, U.S. adults had 543.1 million credit cards, up from 523.2 million at the beginning of 2023 – a bump of some 20 million, according to the May 2024 TransUnion Credit Industry Insights Report.

Carried Balances are Up

It's probably not surprising that the number of people carrying balances on those credit cards is also up from last year, the TransUnion data shows. In the first three months of this year, some 169 million people carried a credit card balance – meaning they did not pay off what they owed by the end of the grace period. That number is up from 150 million Americans carrying a balance in 2021.

The U.S. population is estimated to be about 333 million. With 169 million people carrying a credit card balance, that means more than half of all Americans are carrying credit card balances.

That's why it's so important – when it comes to high-interest credit card debt and other monthly financial obligations – to not only pay your bills on time, every time but to strive to pay off your entire balance at the end of each billing cycle.

Why Pay Off Monthly Balances

There are some specific reasons to stick with this proven approach. When you pay off your balances monthly:

- You won't get stuck paying interest on purchases, which saves you money.
- Your credit utilization should remain low, which improves your credit score.
- A higher credit score means potentially better rates on loans, which can translate into saving thousands of dollars over the life of a loan.
- You'll likely sleep better at night without the crushing weight of debt hanging over you.

Can't pay off your balances every month?

We get it. With inflation still pushing up the price of nearly everything – and millions of people living paycheck-to-paycheck – not everyone will be able to pay all of their credit card balances every month. And that's OK.

- **Pay as much as you can.** The key is to pay as much as you can against the balance – and more than the minimum payment. Only paying the minimum balance, which is often 2% of the total, can stretch your payments across multiple years. That means if you pay for a nice dinner out with your credit card and then only make the minimum payment, you could be paying for that meal for months.
- **Tackle higher interest rate cards first.** If you owe money on more than one credit card, it's important to pay more against the balance of the one with the highest interest rate first. Continue paying the minimum on the other cards, too. Once you have paid off the card with the highest rate, tackle the account with the next highest rate. Keep doing this until all of your high-interest credit card debt is paid off.
- **Look for promotional offers.** Another way to pay off credit cards more quickly is by moving some of your debt to a card with a zero or low-interest introductory rate. If you get mail or email from credit card issuers that say you are pre-approved (or preselected) for a new card with a better rate, look into the offer.
- **Consider a side hustle.** If you have the time and energy, look into picking up side work to help knock down your debt even faster. There are literally dozens of online options for jobs that you can do from home. To see what's out there, go to the app store on your smartphone. Type in the keywords 'make more money' then scroll through the results. Once you find something that suits you, do some digging by going online to see what others are saying about the company.

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