

## **FOUR STEPS TO BREAKING CREDIT DEPENDENCE**

Using credit is not a bad thing. The trouble, however, is that credit can be unforgiving and once you start making mistakes with credit those mistakes have a way of compounding. One of the worst mistakes you can potentially make with credit is to become dependent on it to meet monthly expenses. Once you start using credit as a supplement to your income, you're going to have a hard time keeping up. Unfortunately, many people find themselves using credit as a supplement to their income. They make credit purchases they can't afford. Fortunately there are ways to help break your dependence on credit.

### **Tighten up your budget**

Create a real, achievable budget covering every expense (no matter how small). Get a full picture of where every dollar is going. Skipping daily coffee at Sheetz equals annual savings of \$500. A recent client at Alliance for Consumer Protection found over \$6000 annual spendable income simply by keeping track of where the money went and spending wiser.

### **Cut back on non-essentials**

The easiest way to free up extra cash is to know the difference between needs and wants and make a conscious effort to do without those things that you don't need. Really focus on only buying the things you need and reshaping your buying habits to support your new budget. Having savings, lowering debt, and avoiding financial stress more than compensate the short term fulfillment of impulsive spending.

### **Create a plan to pay down debt**

Get your family involved in working toward a shared goal of paying down your debt. It's very difficult to create and maintain a healthy, balanced budget with a ton of debt looming over you. Paying down your debt as quickly as you can manage should be a top priority. Start with the highest interest accounts. Pay monthly balance in full on all credit cards.

### **Shelve your credit cards**

If buying with credit is too tempting, consider carrying cash or your debit card for daily use. Leave credit cards at home and only carry one when you plan to use it for a larger purchase or something that you have already reserved for your credit card. Use credit cards only when their use is to improve credit score. Use credit only when there is more than ample income to pay debt in full and/or make monthly repayment with extra income still in budget for unexpected expenses.