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FINANCIAL COUNSELING

THE DEVILS WORK OR JUST A STRATEGY?

Most financial coaches would rather roll themselves in tar and feathers than recommend a client to open a credit card in order to transfer debt from another credit card. (like robbing Pete to pay Paul).

But.... It can be a savvy move. Money is just a tool, remember.

Here is how it works...

With decent credit you can open up a credit card with a 0% balance transfer offer, and transfer other credit card debt and pay no interest for typically 15-18 month.

The "new" card issuer is banking on (no pun), that you wont be able to pay the amount back within the timeframe- making you their new debt slave at 22% interest.

Ok- lets run an example:

You are carrying a $6000 balance at 22% and just paying the interest. This is costing you $1320 a year. Deferring interest for 15 month will save you $1650 dollars, or $1980 over 18 month.

Now... of course you want to chip away at the debt. Every month you can do so BEGINNING with the $110 interest that you freed up from the "old" card.

As always their is a little hitch: Balance transfers come with a typical 3% transfer fee so the $6000 will cost you $180 to transfer.

...But here is a trick.

Many new credit cards comes with an opening Bonus. For instance Wells Fargo's "Active cash" will offer you a 15 month 0% transfer at 3% but give you a $200 statement credit when spending $500 in the first 90 days- more than offsetting the transfer fee and easily done by temporarily using the card to pay for groceries, gas and other necessities.

This is only a "tactic of the lesser evil" sort. Overtime you want no credit card debt whatsoever, except for the statement balance you pay in FULL every month.