

MINIMIZING CREDIT CARD DEBT WHEN YOU RETIRE

When it's time to retire, it's important to find ways to minimize your debt — including reliance on credit cards.

Credit card usage is ubiquitous for Americans. Online purchases are just a click away when paying with a card, while other transactions — car rentals, for instance — require a credit card for both payment and security.

Commensurate with credit card usage is carryover debt that accumulates each month, a financial strain for those entering retirement. There are a few key considerations for using a credit card once you're relying on a fixed monthly income.



When living on a fixed income, using a credit card as if it is actually income may deliver a short-term benefit — i.e., that big ticket item that looked too good to pass up. However, it comes at a long-term cost: an inability to sustain your standard of living.

Paying for groceries and other necessities may seem convenient with just a swipe or tap at the register. But, unless you can pay off the balance each month, you'll incur a credit card bill that accumulates finance charges each month, making it an increasingly formidable debt to discharge.

What to Consider When Selecting a Credit Card

Not all credit cards are alike. When assessing whether to sign up for a card, consider your intended use. Cards with enticing rewards programs may be appropriate if you're paying off the balance each month, though these programs typically come with hefty annual fees. Also, if the cards include a high interest rate, it's financially prudent to turn down the potential rewards and instead look for a card with a lower interest rate.

Nurture Your Credit

You can receive a lower interest rate on a credit card if your credit score is strong. To improve your rating, pay your bills on time and minimize your debt.

Chipping Away at Debt

While doing away with all credit cards may be impractical, reducing your debt will help keep your finances in order and your fixed income more predictable.

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