

Balance Transfer: Can It Get You Out Of Debt?

The offers are tempting: 0% for six months or 4.99% for 12 months on balance transfers. Sure, you can cut your rate and pay your balance down faster. But, like everything else in life, do your homework.

Banks are in the business of making money, and the only way they do this is by reeling in interest from customers each month. They can require just about anything in their credit card terms. So it's up to you, the wise consumer, to find out exactly what that catch may be - if any.

Here are some tips on assessing that great credit card offer:

1. Read the Disclosure Statement and/or Terms and Conditions carefully to learn post-promotion rates and terms. If you'll have debt on the card after the promotion period, will the new terms beat those from your current bank or financial institution?
2. Find out if the company charges a balance transfer fee. If they do, you may not save as much money as it seems on the surface. Calculate how much interest you'll save during the promotional period, then subtract the balance transfer fee from this to find out if the transaction is worth your while.
3. Read the fine print for things like late payment and over-limit fees. Make sure these are competitive with other credit card offers.
4. Find the card's grace period. You ideally want a card offering a 25-day grace period, which means you pay no interest on charges for 25 days following your purchase. So you can pay your balance in full each month and incur no interest charges whatsoever.
5. Do they charge an annual fee? The best credit cards demand no annual fee.
6. You'll find smaller institutions typically offer the lowest rates to individuals with minimal debt-to-income, positive credit and employment histories.

Credit card debt is possibly the highest priced debt you'll incur. If at all possible, pay and don't charge. If you can use the introductory period to get ahead and pay off your debt in full, plus you've determined the card's terms are fair and beneficial to your situation, then it might be wise to make the transfer.

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