



# Managing Credit Cards When Interest Rates Rise

Since March 2022, interest rates on credit cards have steadily increased. Higher interest rates can make it challenging for consumers to pay their bills and save for the future. Because of these challenges, consumers can benefit from making a plan to pay off debt with variable interest rates, like credit cards.

Month & Year	Average Interest Rate
February 2022	14.56%
May 2022	15.13%
August 2022	16.27%
November 2022	19.07%
February 2023	20.09%

\*Rise in credit card interest rates from February 2022 to February 2023 (Federal Reserve Economic Data)

Interest rate increases on credit cards can have a huge impact on paying off debt. For example, if you pay the minimum monthly payment on a \$500 credit card bill with a 14.56% interest rate, you will pay almost \$145 in interest by the time you pay off the debt. If the interest rate is to 20.09%, you will pay over \$235 in interest. That is almost \$100 more in interest!

Here are tips to avoid and pay off high interest credit card debt.

- **Make a spending plan.** A spending plan (also called a budget) is a plan you create to help you pay for expenses and spend money the way you want to spend it. This plan helps you pay bills on time, save for emergencies, and pay off or avoid additional credit card debt.
- **Pick a debt payoff method.** There are two common methods to pay off credit card debt. Focus on paying smallest debts first or focus on paying debts with highest interest rates first. The best method for you will depend on your specific situation and what helps you stay motivated to achieve your goals. Visit [extension.usu.edu/powerpay/](https://extension.usu.edu/powerpay/) to learn more.



- **Limit your credit card use.** Use your credit card only for expenses that you know you can pay off in full each month. It can also help if you limit the number of credit cards you have.
- **Pay your bill on time.** Paying your credit card bill late will result in late fees. If this happens, your credit card issuer may be able raise your interest rate, which makes it harder to pay off debt.
- **Know your credit card's terms.** When you understand your credit card's rules then you can avoid making mistakes that result in higher interest and fees. You can also learn if you have been charged any fees that you should not have been charged. Read your card's terms and conditions to learn these important details.
- **Check your credit report.** Your credit report will show your debts, debt payoff progress you have made, and any incorrect information on your credit profile. You can check your credit for free at [annualcreditreport.com](https://annualcreditreport.com) and can get one copy every 12 months from each of the 3 credit bureaus. Check on 2/2, 6/6, & 10/10 each year.
- **Ask for a lower interest rate.** Contact the credit card issuer to ask for a lower interest rate, which can save you money and help you pay off your debt faster.

Talk about financial topics with your county's financial educator. Visit <https://counties.extension.wisc.edu/> for more information.