



# How do you relax during **CREDIT CRUNCH** ?

New Rules:

## IN

Large Down payments 10-30%  
Home for savings  
Capital gains

## OUT

No-doc Loans  
Home (equity line of credit) as ATM  
Dividends

**\$13.6**  
trillion

The total amount of U.S. household debt, including mortgages

Data: Federal Reserve

**14.4%**

Return that can be locked in by paying off debt on the average credit card

Data: Federal Reserve

**3.15%**

Interest rate on a 5-year U.S. Treasury note

Data: Bloomberg Financial Markets

Do whatever you can to **get yourself out of debt now** and make it a priority. It will help you in the future. Remember that the financial crisis is only going to make obtaining credit harder.

If you have a credit card and you're being charged interest, **transfer the balance to a zero-interest card**. Next, **begin paying it off** as much as possible. Most zero-percent ("0%") interest rates are an introductory rate, so try to get the balance to zero before the introductory rate timeline runs out, or transfer the balance to another 0% card and keep going until you pay it all off.

Once you have paid off your card(s), **don't use it (them) unless it is an emergency**. Then, always pay it off at the end of the month to avoid the interest.

Next, **establish a spending budget** and stick to it. Find ways to trim back your spending i.e. walk or ride a bike for short trips to save on gas money. After your budget is established and you have money left over, use it to pay off your debt or save it.

**Avoid impulse buying**. If it's something you don't absolutely have to have, don't buy it. Look for sale specials, discounts and coupons.

**Sell what you're not using anymore**. That could be video games you haven't played in months, clothes you no longer wear -- anything you have lying around that you haven't used in some time.

**Turn a hobby into cash**. If you have a talent outside your job, use it to your advantage i.e. babysitting.

Once you have gotten yourself out of debt, you should immediately begin to sock some away in **savings**.