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Beware of Creeping Credit Card Debt

Heard of this story? A frog was swimming in a pot of water on a lit stove. He thought he could jump out at any time before the water got too hot so he continued to enjoy his swim. Before he realized it, the water temperature had risen to boiling point but by then it was too late for the frog to save itself as its muscles had been atrophied by the heat. What went wrong for the foolish frog? It had to do with the slowly increasing temperature. The temperature did not rise suddenly but slowly. As it rose slowly, the frog's body temperature rose together with it, which was why the frog did not notice it was getting boiled until it was too late.

So what's the moral behind the story? Just this – credit card debt has a way of creeping up on you unnoticed and before you realize it, you are overwhelmed by your debts.

It is very unusual for credit card debt to rise suddenly. It normally rises in stages. The first stage of debt is debt that comes when you overspend on credit. If you are not able to clear your credit card balance at the end of each month or at least within 4 months, you are at risk of getting into even more debt in future.

So you should always spend within your budget and keep your credit card spending to a minimum. Spending on credit should be reserved for necessary times like when you are travelling and cannot carry lots of cash on you.

If you allow your credit card debt to rise above the first stage, you will get into deeper debt where you can only afford minimum payments on your credit cards or you transfer balances from one card to another while your credit spending continues. You need to take some drastic action if you are in this much debt. The best thing to do is to drastically reduce your overall spending (cash and credit) and use the cash you save to reduce your credit card balances. You may need to negotiate your credit terms with your credit card issuer.

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The final stage of credit card debt is when you start skipping payments and you are charged more interest and fees on the unpaid balance. This is the 'boiling water' stage and you must do some debt negotiation with your credit card issuers for a lower monthly repayment or waiver of late fees. If all negotiations fail then the other option is to file for bankruptcy. Bankruptcy is your right under the law and can be your means of wiping the slate clean for you financially. Call us at (813) 200 4133 for a free consultation or further information.