

## Credit Card Debt Reaches an All Time High

March 9, 2023 - US household credit card debt has hit a record high of nearly \$931 Billion according to a new report from TransUnion. That's an increase of 18.5% when compared to 2021. At the present rate of debt increase, Americans will owe more than \$1 Trillion dollars of credit card debt by the end of this year.

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The average balance owed on credit cards now stands at \$5,800. And the average interest rate paid for that debt is 20%. That interest rate however is likely to continue to rise as the FED continues to hike rates. Based on testimony from FED Chair Jerome Powell earlier this week, the FED appears to be taking an aggressive posture towards interest rates hikes and is likely to continue them through the end of this year. So far, there have been eight rate hikes since the beginning of 2022.

Economist are now predicting that the FED funds rate could increase to 6.5% by the end of 2023. That's 2% higher than the current rate. That would mean that by the end of this year, the average credit card interest rate could be in the 22% to 24% range, depending upon how lenders react.

There is some fear that with high inflation, higher interest rates and layoffs, credit card delinquency rates will rise. Another report from TransUnion that was release in December predicted this for 2023. That report predicts a 2.6% delinquency rate by the end of this year; up from 2.1% last year and 1.89% at the end of 2021. A payment is considered delinquent when it is more than 60 days late.

Anyone carrying large credit card balances should focus on paying those balances off. There are a variety of ways to go about this. One of the most effective is balance transfers to credit cards that offer 0% financing on them. These are usually promotional offers that have expiration dates on them, so anyone doing this needs to be very careful. Once the promotional time period ends, interest rates will soar on any remaining balance.

by Jim Malmberg

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