

I owe over \$17,000 in credit card debt—help!

Christina, a 32-year-old healthcare worker in Reno, Nevada, is struggling to pay off her five-figure credit card debt while also supporting her children and helping her mother financially. To offer guidance to Christina and others like her, host Stefanie O'Connell Rodriguez interviews financial coach Cindy Zuniga-Sanchez about how she balanced paying off \$215,000 of debt while offering financial assistance to her own family.

Abby: I just went way over budget and that's what kind of tipped the credit card debt to a place where I couldn't keep up with it anymore.

Maureen: Why I owe so much money in credit card debt, I owe about \$5,000 right now. Is it total mystery to me, and I definitely need help.

Jess: I currently make about \$400 payments in total and I just feel like it's always stagnant.

Stefanie O'Connell Rodriguez: This is Money Confidential, a podcast from Real Simple about our money stories, struggles and secrets. I'm your host, Stefanie O'Connell Rodriguez. And today we're talking to a 32-year-old essential healthcare worker from Reno, Nevada, we're calling Christina, not her real name.

Christina: I feel like I've been very responsible with all of my bills each month, our mortgage paying our healthcare bills, continuing to work. But it's been hard to adjust to paying for my higher education tuition, and also paying for the behavioral therapy for my son, who's on the autism spectrum disorder. So even though I have this consistent income, for some reason the unexpected bills just kind of surprise you out of nowhere. And sometimes, they're big ticket items—they're not like a hundred dollars here.

Stefanie O'Connell Rodriguez: And what do you wind up doing in those moments? How do you pay for those bills?

Christina: I put myself on a payment system. And then at a certain time, I just had to pay up front for things. And so a lot of the times when it was those type of situations, um, I would put it on a credit card.

Stefanie O'Connell Rodriguez: When we think about credit card debt, we tend to make associations with careless financial habits, frivolous spending beyond our means, and thoughtless money mistakes. But talking to Christina about her credit card debt painted a very different picture. One that is probably a lot more representative of the nearly half of US adults that have credit card debt—for whom financing is a way to access things like education and healthcare, as it has been for Christina.

Stefanie O'Connell Rodriguez: What's your credit card debt now?

Christina: It is at \$17,000.

Stefanie O'Connell Rodriguez: And what's been your approach to it thus far?

Christina: I have a second job, and I'm going to add another one, so I'll be working three jobs and I've been making payments, but I feel like even though I make my minimum payment and I give an extra \$200, the majority of that is still not going towards the principal. The interest is eating up so much out of the money that I'm giving into. So if I have a minimum, that's \$200, you know, about 75% of it is interest.

I feel kind of like I'm drowning. Honestly it feels like you just can't stay afloat and you're doing what you can and you're being diligent and responsible and you're still barely above water. My credit score was almost, it was always in those high 700s, so not quite 800, but it was like 788, and then over time it's dropped like a hundred points.

Stefanie O'Connell Rodriguez: Have you needed your credit score at any point during this time?

Christina: We just purchased a house last July and yeah, that was really hard. I froze all my credit cards. I've always done these programs with the credit card collectors or agencies, and I've called them. I told them my situation and they won't lower the interest rate, but most of the times they'll say, well, if you lock your card and make your payments we won't charge you as much of an interest for the amount that's already on there. So I've done that but yeah, it was really embarrassing.

It's steadily starting to climb because I'm making all of my payments. I'm on automated payments, so I'm not having late and I'm continuing to, I guess, lessen the balance.

Stefanie O'Connell Rodriguez: I know you're still in a lot of debt, but I wonder if you're able to recognize the progress and celebrate it in any sense.

Christina: I don't think I will be able to, until I get below \$10,000 in debt and my credit score is at least in the 730s.

I don't know if that's just my, my character, but I've always been a good student in school and I've always strived to be a good employee, a good mom. Yeah, you're doing all these great things, but there's this huge weight of failure. When you see what you pay and the numbers just don't go down, it's almost like, when you're working really hard on your homework or your research paper or your projects, and you still only get like a C average and it's like a slap in the face.

Stefanie O'Connell Rodriguez: I know the credit card balance and debt has impacted what you can do or what you can't do right now. Can you tell me a little bit more about that?

Christina: Eventually, I would like to go into getting my master's, and that alone is about \$30,000.

Stefanie O'Connell Rodriguez: Is the thought behind getting the master's just to like increase your earning potential?

Christina: Yes. I would hope I wouldn't have to work three jobs. I would like to spend more time with my kiddos because at this point I work about every day. With a master's, I hope that I can continue my education and grow further professionally to where I can continue to help my son and if he wants to go to college, I want to be able to say, yes, I can help you.

That would be so hard if I were to say, I know you want to go to college, but this is what it's going to cost you. And I can't make your dream happen because I'm still paying, you know, \$600, \$700 of student debt. I always think, how is this decision going to affect my future and my kids?

I would hate for them to feel like I feel, like a failure, because you did the right thing. You went to school, you graduated. And at the same time, you can't even afford your meals for the week because you've already paid this huge amount for your rent and your student loan and that's it. That's all you have time and money for.

When I see my coworkers or friends with new phones and, you know, expensive handbags sometimes it feels like you're left behind.

Stefanie O'Connell Rodriguez: Growing up, how did your parents kind of talk about money?

Christina: My mom was a widow at the age of 28. And my dad was more like a freelance contractor. So he worked where he could, so money wasn't really spoken about because at the time it was based on, do we have food on the table? Yes. Do we have our family together? Yes. Are we all healthy? Yes.

It wasn't until my mom was a widow and there was a point where I wanted to turn 15 and a half as fast as I could, because I wanted to get a job so I could help out.

Stefanie O'Connell Rodriguez: What's your relationship with your mom like today?

Christina: Really good. And I always try to help her out wherever I can, whether sometimes I could pay for new pajamas for her or, you know, I can buy her a new pair of shoes or I can gift her \$300.

We grew up very poor. Poor like below the federal poverty line poor. I can remember at one time we were even homeless, but that never made me feel sad. I always felt like as long as I had my mom and my siblings, I was going to be okay.

Stefanie O'Connell Rodriguez: And when you bought a house...

Christina: I felt guilty. I think it's because when you grow up with so little and you accomplish something so big or so basic to somebody else, like having your own home, you feel like you don't even deserve it because your mom hasn't been able to buy a house so why should you?

Stefanie O'Connell Rodriguez: It's interesting that you say that, because at the same time you say, 'I'm a failure.'

You are having struggle, but you're also having accomplishment and I feel like there needs to be some, some acknowledgement, some self-love in that. How does it feel when I say that?

Christina: You know it warms your heart, you know, it, it doesn't feel as guilty as when you put it that way. But I think it's just because I've always been the type of person where like, if I have something, I want somebody else to have it too.

Stefanie O'Connell Rodriguez: Where do you hope you'll be five years from now?

Christina: I hope that the debt will be paid off and I'll be able to put that money aside for something else, either have my mom, help her out in other ways. I see myself, you know, being done with, or starting grad school.

Stefanie O'Connell Rodriguez: How would it feel to be debt-free?

Christina: Just so freeing It's actually almost like when I've hiked up a mountain and I'm almost to the top and I can almost see it.

And then once you get there, you feel like this, this surge of power and like you can do anything. That's exactly how I would feel once I'm done with credit card debt.

Stefanie O'Connell Rodriguez: One of the biggest things that struck me during my conversation with Christina was how much she was doing right.

She had taken full stock of her credit card debt—figuring out what she owes, to whom, the interest rates and the minimum payments on each of her debts. She had been budgeting, and looking for ways to cut her expenses, while simultaneously taking on additional work to increase her income. She had negotiated payment plans whenever possible to avoid taking on additional debt, and had called her credit card companies directly to negotiate alternative repayment strategies with them. And she was making more than minimum payments on her debt. All important steps for anyone working to pay off credit card debt.

So what more could she do? After the break, we'll get some additional debt repayment ideas from someone who recently paid off \$215,000 dollars of her own debt.

Cindy Zuniga-Sanchez: I'm Cindy Zuniga-Sanchez, the founder of Zero-Based Budget Coaching LLC. I am a full-time commercial litigation attorney, and I am also a personal finance content creator.

Stefanie O'Connell Rodriguez: And you paid off \$215,000 of debt.

Cindy Zuniga-Sanchez: Yes. Anytime anyone says that number out loud, I have to remind myself like, oh yeah, I did like absolutely insane.

Stefanie O'Connell Rodriguez: So now you're looking back on it from having accomplished it. Tell me about being on the other side of that.

Cindy Zuniga-Sanchez: Oh gosh. It's like the best feeling in the world. There's few things in life that I'll never get over.

And one is the feeling of graduating from law school, another is a feeling of passing the bar exam and the feeling of paying off all of my debt. I'll never get over just how it felt when I hit that final, submit payment and was officially done. I cried, I felt all of the emotions. I felt like the weight of the world had been lifted from my shoulders.

Stefanie O'Connell Rodriguez: How do you keep staying with it and staying motivated with the heaviness of that burden?

Cindy Zuniga-Sanchez: You have to keep your why in mind at all times. That's all that will keep you moving. It was extremely difficult to see the light at the end of the tunnel.

My parents are immigrants. I was born and raised in a very low-income community in the Bronx. You know, we didn't grow up with much. And I had to keep in mind that my parents sacrificed so much. And so just keeping in mind that I want to be able to provide for them. And then of course, eventually debt pay off.

Stefanie O'Connell Rodriguez: You said something about how your debt really facilitated a lot of the freedom you have now. And I think that is really a powerful point of view. I think it is one that would be really interesting to our listener. She has a lot of credit card debt, around \$17,000 to \$18,000.

Part of that is from financing a higher education. Part of it is for paying for her son's autism treatments. And a lot of it is related to taking care of her mother and her children. And I bring it up because in her words, when she thinks about her credit card debt, she feels like a failure. And she's so hard on herself.

Cindy Zuniga-Sanchez: Yeah. A lot of times people will ask me, 'Cindy, do you regret your debt? And I say no, because I wouldn't have become a lawyer. Now we can go on and on about the completely oppressive price of higher education, but I think that when you think of the purpose behind certain choices that you made, look, some of them are going to be, I think, quite honorable, such as, you know, treatments needed for a health reason, school, you know, things like that.

But some people might say that, oh, you know, try to cast shame on other decisions. Like, let's say shopping or whatever. You don't know what that person was going through at that moment. And so no matter where or why or how you accumulated that debt, it happened and it's okay. It's led you to where you are today and now you just make a plan to move forward. But it really starts with forgiving herself for anything that's occurred. You acknowledge it, you forgive yourself, but then you make a plan to move forward.

I think that hands down, when it comes to debt, credit card debt specifically is the one that you want to tackle first, right? Because the interest rates are just so unbelievably high and it can feel very, very much like you're never going to get out of it because perhaps the payments that you're making, it's barely covering the interest on the credit card debt.

And so I think that when it comes to credit cards, just for anyone that's listening, first and foremost, you really need to understand your numbers. Pull out your credit card statements for all of your credit cards, and write down the balance on that card. Write down your minimum payment that's required. Okay. Even though, of course, understanding that that will fluctuate right. Month to month, depending on your situation. And then also write down the interest rate.

Stefanie O'Connell Rodriguez: And what is having a high debt balance mean for your credit score?

Cindy Zuniga-Sanchez: A lot of times people ask me, 'Cindy, my credit score is just suffering. How do I get it up? And I tell them. I'm like 'The number one thing that will make it go up...' and they're like, 'Oh my gosh, yes, please tell me the secret. Tell me right now.' And I say, 'Pay off your credit cards.' That's it. Pay them off and pay them off on time.

Now we have a goal, right. We have a clear goal, which is, we want to make sure we get this credit card debt down and you will see that credit score just start skyrocketing. And that could be a good motivator too.

Stefanie O'Connell Rodriguez: Another thing that is coming up in my conversation with Christina is that a lot of the credit card debt is really tied to these unexpected expenses and medical expenses. So how do you kind of balance that prioritization of saving for emergencies and unexpected expenses against a credit card that might have, you know, a 25% interest rate?

Cindy Zuniga-Sanchez: And it's tough, right? But what I try to recommend is first and foremost, you always want to have your emergency fund. Save one month of your necessary living expenses. God forbid you lose your job, right? And for one month you need to cover your rent, your groceries, just the bare minimum.

How much is that? So if for Christina, for example, that amount is \$2,000. Well, then this is what I would say. And then \$2,000 is a lot of money. Right? But you start small and you put that in your budget.

This month, I have decided to put \$200 in my emergency fund. I need to do that because otherwise my lights are getting cut off. That is the kind of fuel that you want to have.

And then, of course, you want to pay off that credit card debt, right? Because the interest is accumulating. If that interest was \$60 and your minimum payment is \$50, you're not even covering the interest. That means that even if you don't put a single additional purchase on your credit card, it will grow next month—the balance will be higher.

Cindy Zuniga-Sanchez: So I would say two things at the very, very, very least: commit to putting definitely more than the minimum payment, because you really want to actually start chipping away at that debt. But another thing is to consider looking at a debt repayment calculator.

You could just plug in your numbers there and see, okay. If I just made an additional. Just 40 bucks, just 40 bucks payment, additional to my credit card debt.

What impact could that have? Run the numbers you would be surprised. You'd be surprised at the impact that just a small, additional payment can have on your overall debt payoff.

Stefanie O'Connell Rodriguez: I do wonder if there are any strategies for paying off credit cards that you would recommend beyond making more than the minimum payments.

Cindy Zuniga-Sanchez: I would say definitely consider a balance transfer. A balance transfer is basically what it sounds like it is where you take the balance that's on your credit cards and you transfer that amount to another credit card with an introductory rate of 0% interest. Now I want us to walk through this because there are so many caveats with it and I want people to be very careful before they just jump into it. Right. So you often will see these offers for balance transfers Oh, 0% interest for, 18 months, right?

Basically what it is is a bank says, hey, we'll take on your debt essentially. Right. Just bring it over to us. And that way you'll be done with that 25% interest that you're paying that literally feels like you're drowning, right? And then you come with us and you have no interest accumulating for, let's say, something like 18 months.

And that could be phenomenal, right. That could make an actual, real and quick impact on Christina's debt payoff for her credit cards.

Because now the interest is not accumulating on that debt. But there's a catch, there's always a catch. Listen, girl, if you don't pay off your credit card debt in those 18 months, you now get faced with a nice fat statement that says you've been kicked back up to 25% interest.

If Christina decides to go the balance transfer route, which I think could be a great thing, especially with high credit debt like that, but I would want her to have a plan like on paper, something that says, okay, I'm going to commit them to paying off as an example, \$900 a month towards my credit card debt, just like as large as possible, because then I know when I'll be done rather than like, there's just no hope for me.

Stefanie O'Connell Rodriguez: Any thoughts on personal loans?

Cindy Zuniga-Sanchez: So I don't mind a personal loan, but I want you to be very mindful of the terms. Let's just say in Christina's example, \$17,000, she gets approved for a \$17,000 bank personal loan. Now she could take that money, pay off her credit card debt, and now she has a debt with the bank and very likely that interest with the bank is much, much lower.

Here's the catch though—because I've had clients that have done this. They've told me I also have a personal loan and I'm like, okay, what's that for? And they're like, well, I took it out 'cause I went to pay off my credit cards, and I did, but then I racked up the credit card debt again. So now I have credit—that credit card debt is back here alive and well—and now I also have the bank loan.

So that is what I want you to be mindful of. You need to walk in with a plan because in either of those situations, in the balance transfer situation or the personal loan situation, if you do not walk in with a plan, you could actually wind up being in a worse position than you did when you were, you know, when you step into at all.

Stefanie O'Connell Rodriguez: On top of all of this, Christina's tired of working two to three jobs just to be able to make all of these payments. So she's thinking, well, maybe if I get a master's, I can get a job that pays better. How can she go about thinking about whether that's a good decision to make and how to make it?

Cindy Zuniga-Sanchez: Step one is, do you need the master's actually. A lot of people, they step into grad degrees, which are very expensive, but they don't actually sit down and run the numbers on what the return is going to be on that investment.

So the very first thing that I would consider is, what kind of salary could I expect out of school? Not like maybe 20 years down the road. No, be realistic with yourself. What do people post-grad make in that field. Okay.

That's one thing that you want to consider because if, the difference is only something like \$10,000, girl, you can negotiate. But also, Christina, I would really, really encourage you to try to pay off that credit card debt first. If I had gone into law school with a lot of consumer debt that has high interest attached to it, I think it would have distracted me from my studies, you know, because that's the kind of effect that debt has. And I don't want to ever discourage higher education or further development and improvement. No, not at all, but I do want to encourage you to make this be one of the most important decisions that you'll have to make. So really map it out.

Stefanie O'Connell Rodriguez: I want to talk about the reality of multi-generational obligations, supporting parents, supporting children sometimes at the same time, but then also just that emotional experience.

Cindy Zuniga-Sanchez: Yeah, you know I can definitely relate to that, like I mentioned earlier, I'm the daughter of immigrants and when I graduated from law school at the age of 26, my starting salary was \$160,000. That is not relatable at all. It's also maybe five times, what my father ever made at the height of his income. There was a lot of guilt that came with that. And it is hard dealing with those emotions, but then I have to remind myself, but this is why my dad came to this country.

Right. So for Christina, that is what your mom has fought for, so that you can be a homeowner. What a great way to say thank you, mom. For even putting me in the position, through your sacrifices to even have the opportunity to do this.

Stefanie O'Connell Rodriguez: I think it's really hard to stay engaged with your money when all it seems to be is a negative experience. Any thoughts on how to make it a positive experience?

Cindy Zuniga-Sanchez: Yeah. I think that, you know, have goals, write them down. Color in a goals tracker. Look, when I was trying to pay off my debt, it was daunting.

If Christina wants to have kind of like a countdown thermometer, that has the little checkpoints that she can color in with her kids too, right? I think that you need to convert that energy of negativity, of shame, of guilt. You need to turn that into something positive. But for me personally, I need to do that in a tangible way. And so maybe that's something that could be good, right, is doing kind of like these sort of like family activities around it. So that you're also not living with it kind of like on your own, right.

I'm not saying like put your, you know, guilt and shame on your children. No, of course not. But you want to have charts, sticky notes, just set actual goals for yourself so that once you do hit them, you can reward yourself.

Stefanie O'Connell Rodriguez: For sure. And I think rewards along the way and acknowledging smaller increments. Because she was saying I can't breathe until my balance is below \$10,000.

And my credit score is above 700 and I was like, that is that is too big, a bite. You know, you talk about not only celebrating these little wins, but also just making it something that she's bringing her family into, not in a negative way, but just so she's not bearing that burden alone.

Cindy Zuniga-Sanchez: Exactly. Involve people. That's why I created an Instagram account. I involved like thousands of people on my journey, regularly.

Like, why the heck not. Like, you know, and it's it, but it was a positive way to get me motivated. I was sharing my numbers, like \$96,823 left on this loan, you know? And people were cheering me along the way.

Look, I'm not saying you need to create a public social media account and put all of your business out there like I did. But tell someone. Don't carry it all on your own. I don't care how independent you think you are. Everyone needs at least one person that's really in their corner.

Stefanie O'Connell Rodriguez: In addition to acknowledging and celebrating everything she's already doing right, Christina can consider some alternative debt repayment strategies and tools like a balance transfer or personal loan that might give her a temporary break on her interest, so she can make more progress on paying down her principal.

Christina can also prioritize building a savings account buffer for future unexpected, but inevitable expenses. Building an emergency savings fund is a financial goal she can prioritize and build into her budget alongside her debt repayment plan.

Since Christina has already organized all of her debts, she can now put together a plan of prioritization, continuing to make the minimum payments on all of her debts, while putting anything over and above the minimum to one card at a time.

The order of the debts she pays off first is less important than having a tangible plan that she can track and use as motivation to stay accountable, and actually recognize the progress she's making—potentially using charts or checklists she can tick off or can color in with her kids so she can share in the process and take more satisfaction in the accomplishments along the way. Because it's not just paying off the debt that's valuable, it's the essential things that financing enabled her to do, whether it's been pursuing higher education, providing medical care for her family or realizing the dreams of her parents, that is nothing to feel guilt or shame over. And while having a plan to pay down debt, it's equally important for her to take pride in the life she's created for herself and her family in the meantime.

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