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## **The 4 Step System on Executing The Zero Interest Strategy – Read All 4 Steps Before Implementing the Strategy**

### **Step 1)**

Determine how much you can afford to pay each month on the debt for which you want to lower the interest rate. Multiply this amount by 12 to get an annual figure. Use this as the estimated transfer amount to the new credit card. As an example, if you can pay \$400 per month as a monthly payment to your current credit card or debt, you would be transferring \$400 x 12 or \$4800 for a one year period. You can also accelerate payments if you get extra money. You can use the minimum payment as the monthly amount, but the higher the payment you can afford to make each month, the more effective the strategy will be for you. This report assumes you are transferring debt from one credit card to another, but you can also transfer a portion of a HELOC or another type of loan. Do not transfer any more than this yearly amount because if you can't pay it off, you may have a high interest rate once that zero interest period has passed. If you cannot pay your whole debt in one year – just transfer an amount equivalent to one year. The following year, you can start up another credit card and do this process again. You don't want to do this for too many years because it will label you as a "jumper" and credit card companies will be reluctant to give you new credit cards. After a few iterations however, your debt situation will be a lot better, and you will have an easier time obtaining credit in general.

### **Step 2)**

Find a zero interest rate credit card and apply for it. Below are some links on how to compare and scope out various credit cards. On the comparison categories, zero in on "0% Balance Transfer and Purchase" or a description close to this to highlight only cards with the 0% interest rate for the introductory period. Read Step 4 on things to watch for when you are reading the details for each card. Make sure to read the terms and conditions for each card by clicking on what you are interested in from one of the web sites below. Click on "Rates and Disclosures" or an equivalent that indicates all of the terms and conditions in detail. This section also tells you what you need to qualify for the card. Your FICO score will be handy (See Step 4) and you will want to know your credit history, other debt you have and income level so you can assess whether you have a good chance of getting the card before applying.

<http://www.creditcardguide.com/>

<http://www.bankrate.com/brm/news/cc/19990329a.asp>  
<http://www.cardbenefit.com/credit-cards/zero-apr-on-transfers.htm>  
<http://www.nerdwallet.com/compare/>  
<http://www.dailymarkets.com/creditcards/balance-transfer-card/>

### Step 3)

Review the credit limit on your new credit card and the length of the promotional period.

Check the balance on your high interest credit card or other debt by reviewing your billing statement, or calling your lender's customer service department. Transfer the amount calculated in step 1, or what your credit limit allows, whichever is less.

Call your credit card company to initiate the balance transfer. Provide the customer service representative with the full account number of the high interest credit card or debt account and other information as requested, such as the lender's name and address. Be prepared to answer any questions to establish your identity. Get a confirmation number for the transaction and ask when the transfer will be completed. Allow a couple of weeks to pass, and follow up by checking both your high interest debt and zero interest credit card statements to confirm that the transaction was successful. Once confirmed, pay the equivalent minimum payment to your new zero interest credit card. **Make sure you continue to pay the minimum payment on your old credit card until you have confirmation that the transfer has been completed to your zero interest credit card.**

Once the debt amount has been transferred, start making the monthly payments on the new card.

### Step 4)

Make sure the process runs smoothly.

Apply for a credit card that offers a zero-percent interest rate through a promotional or "introductory period". Make sure you check that this period is at least 12 months. Some cards have periods longer than 12 months. If the period is 18 months as an example, you could go back to step 1, and use 18 instead of 12 for the number of months to calculate your transfer amount. I would leave a couple of months as a buffer in case there is a delay making the transfer, so if the period was 18 months for the card, I would use 16 months for step 1.

Be mindful that there is no transfer fee. Some credit cards charge you to transfer debt over to their card. Avoid this charge if you can. If you cannot obtain a credit card without a transfer fee, you can still implement the strategy, but I would deduct that amount from what you calculated in Step 1. If you are transferring \$4800 to a zero interest card, and there is a 3% transfer fee, this would be a fee of  $\$4800 \times 3\%$  or \$144. I would still transfer \$4800, but  $\$4800 - \$144$  or

\$4656 would be the amount of the debt that you would be able to pay down within the introductory period. Some companies include this transfer as a purchase and others would cap the percentage charges. I would ask the company specifically how this works before signing up.

Make sure that the 0% interest rate applies to balance transfers, AND new purchases. Be mindful of fees on transfers after a certain period. It is advised that you transfer how much you can pay down ONCE to the new card right after you obtain it, and only pay off existing debt for that introductory period. Don't put new purchases on this zero interest card yet. Don't close down your old credit card account even if you can transfer the entire amount to the new card right away. This may lower your FICO score temporarily. Once your debt has been reduced, you can close down this card and use the zero interest card as your day to day credit card. When you stop the old credit card account, have the credit card company note on your FICO score that the account was closed at the customer's request. Calculate your FICO score before you apply so that you are aware of what it is. The link below will give you a close estimate.

<http://www.myfico.com/ficocreditscoreestimator/estimator.aspx>

This link discusses FICO scores when you apply for a new credit card.

[http://www.creditcardguide.com/creditcards/balance-transfer/balance\\_transfer-impacts-fico\\_score-1266/](http://www.creditcardguide.com/creditcards/balance-transfer/balance_transfer-impacts-fico_score-1266/)

Be certain that the card you apply for is the one you get. Have the list of terms in front of you and make sure they match. Sometimes the card you apply for is not the one you get due to a low credit score. By having your credit score on hand, you can verify if this makes sense to you or not. If the introductory period is shorter than what you applied for, recalculate Step 1 for fewer months and see if you can still pay off the balance completely within the period. If you cannot, you may have to transfer a smaller balance until you can, or apply for a different card.

If you make new purchases, is the interest rate 0%, or is it higher? Some companies apply all payments to the lowest interest debt, so new purchases would be charged a higher interest rate until all of the old debt is paid off. Some cards work in reverse. If there is any doubt about this, don't make new purchases with this card until the debt transferred is paid off and you can pay the new purchases off in full.

Avoid other types of fees like annual fees. Companies will justify these fees with reward points or cash back offers. If this card is strictly to pay off debt, I would eliminate as many fees as possible, as in some cases if you make purchases with this card, you will incur a high interest rate.

Always pay your bills on time. Late payments may make the terms void, which means you could be charged interest on your outstanding balance. If you can pay a bill a few days in advance to ensure that it is received to the credit card company, so much the better for you.

If you need specific information for your needs, contact me, Joe Barbieri by email at [joetheinvestor.today@gmail.com](mailto:joetheinvestor.today@gmail.com), or by telephone at 647-286-8020 for an independent consultation on what your options are. **Note: This article is intended for people who want to learn about the world of finance and how to research for themselves. If you would like to buy or sell investment products, or specific advice on investment products, tax or legal issues, please consult your investment advisor, accountant or legal counsel.**