

# Americans Are Still Charging, but That May Not Be a Bad Sign

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NEW YORK ([MainStreet](#)) — Americans are still in love their credit cards — but they may be getting smarter on how to use them.

New numbers from credit card site **CardHub**'s annual credit card debt survey show consumers are not backing down when it comes to charging. In fact, the survey showed U.S. consumers incurring \$57.1 billion in credit card debt in 2014 — a 47% increase from a year before.

“Many people treat the credit card like cash or an extension of their checking account and don’t view it as borrowing money or going into debt,” says R. Joseph Ritter Jr., a certified financial planner at **Zacchaeus Financial Counseling**.

“It’s easy to justify using a credit card because you can pay it off next month or in a couple months when your bonus or raise comes or when things get better,” Ritter says. “But then something happens, and you can’t pay it off as planned.”

The numbers marked the fifth consecutive year credit card debt increased, with consumers racking up close to \$180 billion after the nearly debt-neutral years of 2009 and 2010. The study estimates new debt will climb above \$60 billion this year.

But the numbers may not be further illustration of American's inability to handle credit, but rather an optimism in the economy.

"Increased consumer confidence and the job market are leading people to spend more," says Peter Nigro, professor of finance at the Bryant University School of Business. "Although there is growth in debt, [it's] still well below where we were."

Nigro said debt levels are below historical highs set earlier last decade and consumer charge-offs — debt unlikely to be collected — are low.

Whitney Lee, an advisor at **oXYGen Financial** in Georgia, says she thinks while people may be using their credit cards more, they are getting more savvy about how they use them — taking advantage of special card incentives, as well as extremely low introductory rates.

"Credit card companies have caught on to the fact that people like incentives, and with today's technology, consumers can explore their many credit opportunities within minutes on the Internet," Lee says. "American are seeing now that if they pay their bills with these reward cards, and then pay off their balance every month on those charged expenses, it's a win-win for them."

Crystal Kendrick, owner of marketing firm **The Voice of Your Customer** in Cincinnati, can attest to that. Kendrick has used her business and corporate credit cards not to supplement cash flow, but to pay bills.

"I then pay the balance at the end of each month," she says.

Kendrick says she's chosen to pay through credit cards because they made it easy to track expenses and to collect airline points and get cash back.

Kendrick isn't the only one paying off her cards. Kylie Muratore, a spokeswoman with **T. Rowe Price**, says her firm's 2014 *Parents, Kids & Money* survey on credit card use shows 22% of parents who identified themselves as "savers" carrying a credit card balance most of the time — but 39% of parents paying them off in full each month.

While paying off your entire debt every month sounds good, many can't do it. For those people, Ritter suggests starting with a budget and establishing basic financial goals, including having an emergency fund. Next is devising a specific payment plan, which usually should include aggressively paying off the lowest balance first to generate momentum and giving the person a sense of accomplishment, while also freeing up cash in the monthly budget.

"Momentum, accomplishment and more cash in a short amount of time create the type of atmosphere many people need to get excited about paying off their credit cards," he adds.

— *Written by Chris Metinko for MainStreet.*