

Bigger Payments Are Incentive to Eliminate Credit Card Debt

WASHINGTON, DC (SEND2PRESS NEWSWIRE) – Eliminating credit card debt is for many a distant dream. But this year, with most credit card companies doubling their required minimum monthly payments, consumers will be more diligent about replacing their card debt with an alternative such as a home equity loan or a 401(k) loan, predict the retirement plan experts at Lamaute Capital, Inc. (InvestSafe.com).



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Millions of Americans will find it difficult to pay the additional hundreds of dollars more each month on their credit card bills. If not careful, a large number of cardholders will fall deeper in debt trouble because being just one day late with a payment can boost their cards' interest rates to as high as 29 percent.

The alternative of a home equity loan is well known. But the 401(k) loan is also becoming popular because:

** There's little paperwork, and there's no credit check.*

** The interest paid on a 401(k) loan is credited to the 401(k) account – so borrowers pay interest to*

themselves, not to a bank or other lender.

** There are no taxes and penalties on early withdrawal as long as the loan is repaid on time according to the loan terms.*

** The Interest rate on many 401(k) loans is set at prime rate and is fixed for 5 years, the normal term of a 401(k) loan.*

Employees should ask their employer if their 401(k) plan allows loans. On the other hand, independent contractors and individuals with their own business (part-time or full-time) can open their own Solo 401k plan with a loan feature.

It's possible to transfer funds from IRAs, 401k from a previous employer, SEP plan or other qualified retirement funds to a Solo 401(k) plan and borrow up to a maximum of \$50,000 or 50% of the Solo 401(k) account balance, whichever is less.

Make sure, however, to follow the 401(k) loan guidelines. Defaulting on a 401(k) loan may not ruin your credit but it is very costly. The defaulted 401(k) loan balance will be subject to tax and a possible 10 percent tax penalty.

Lamaute Capital, Inc., (www.InvestSafe.com) is an investment firm that specializes in setting up retirement plans.

News issued by: Lamaute Capital, Inc., (www.InvestSafe.com)

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Original Story ID: (1162) :: 2006-01-0111-001

Original Keywords: Lamaute Capital, Inc., InvestSafe.com, eliminate debt, 401(k) plan, loans, IRAs, Solo 401k, investment firm, retirement plans, Eliminate credit card debt, credit card companies doubling their required minimum monthly payments, invest safe, 401 k, Lamaute Lamaute Capital, Inc., (www.InvestSafe.com)