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72% of Credit Card Debtors Added to Their Debt Over the Past Year

Nearly half have taken on additional debt due to inflation and rising interest rates

New York – January 23, 2023 – Upon entering 2023, Americans have witnessed record-high credit card interest rates reaching a steep 20.16%, proving it difficult for many consumers to climb their way out of debt. Nearly 3 in 4 credit card debtors (72%) have added to their debt over the past year largely due to inflation and interest rates continuing to rise, according to a new CreditCards.com report. Nearly half of credit card debtors (48%) took on additional debt due to inflation/rising costs, while 34% due to rising interest rates, and 24% due to a disruption in household income. Click here for more information:

https://www.creditcards.com/statistics/credit-card-debt-increase-poll/

Younger generations and lower earners are most likely to have added to their credit card debt over the past year. 82% of combined Gen Z and millennial credit card debtors added to their credit card debt over the past year compared to 68% of those ages 43 and over. 65% of upper-income households (making $100,000+ annually) with credit card debt added to it over the past year, versus 77% of those who make between $50,000 and $79,999 and 75% who make less than $50,000.

7 in 10 U.S. adults (70%) have some type of personal debt, with the most common being credit card debt (41%), followed by mortgages (27%), auto loans or leases (24%), student loans (16%), medical debt (14%), personal loans (13%), home equity loans or lines of credit (7%) and payday loans (5%).

Notably, Gen Xers (ages 43-58) are the most likely (77%) to have personal debt, followed closely by 72% of baby boomers (ages 59-77) and 71% of millennials (ages 27-42). Gen Zers (ages 18-26) are the least likely to have personal debt (57%). More specifically, 49% of baby boomers and Gen Xers have credit card debt compared to 38% of millennials and 18% of Gen Z. Credit card debt is most common with U.S. adults who fall in the middle-income bracket (49% who earn between $50,000-$99,999 have it), followed by 42% of upper income households ($100,000 or more) and 39% of lower income households (under $50,000).

When it comes to being debt-free, only 40% of people with credit card debt think they will be able to pay it all off within a year, although 79% believe they will be able to do so within five years. That’s significantly more optimistic than a similar 2021 report which found 30% of credit card debtors anticipated being rid of it within a year and 60% within five years.

Turning to all personal debt, 66% of those with debt believe they will be debt-free within a decade. That leaves 18% who said it will take more than a decade to become debt-free, plus 9% who don’t know and 8% who expect to die in debt.

As credit card debtors enter 2023 and fears of a recession grow, the vast majority (92%) are actively trying to pay it down. Some common strategies being used are paying more than the monthly minimum (61%), cutting expenses (43%), and increasing their income perhaps by finding a side hustle or increasing hours worked (18%). Also, 17% of credit card debtors are following the snowball method, which prioritizes the smallest debts as a way to build momentum, similar to a snowball rolling downhill. Some 15% of credit card debtors are following the avalanche method, which involves paying off debts with the highest interest rates first.

Younger adults (33% of Gen Zers and 30% of millennials) are more likely to be looking for ways to increase their incomes, with only 21% of Gen Xers and 7% of baby boomers considering this as a way to pay down credit card debt. Paying more than the monthly minimum is especially popular among boomers (69%) and Gen Xers (61%), compared to 53% of millennials and 48% of Gen Zers.

“While debt can feel overwhelming, there are plenty of good debt payoff strategies.” says Ted Rossman, Senior Industry Analyst at CreditCards.com. “For example, signing up for the right 0% balance transfer card can be an excellent way to avoid high credit card interest rates for nearly two years. You might also consider a low-rate personal loan as a form of debt consolidation if you have good credit. If you have a lower credit score or just want more help, reputable nonprofit credit counseling agencies such as Money Management International can often put together debt management plans along the lines of 6% interest over 4-5 years.”

Methodology:

CreditCards.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,392 U.S. adults, of whom 1,002 have credit card debt and 1,681 who have any kind of personal debt. Fieldwork was undertaken between December 28, 2022 - January 3, 2023. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

About CreditCards.com:

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