

Bankrate

Louisiana Has Highest Credit Card Debt Burden

Massachusetts has lowest credit card debt burden

NEW YORK - March 25, 2024 - Louisiana tops the list with the highest credit card debt burden, while Massachusetts has the lowest. Bankrate's new study analyzed credit card debt and household incomes across all 50 states and the District of Columbia to determine how long it would take to pay off credit card debt in each state, and at what interest expense, following a series of assumptions. For the full report, please visit:

<http://bankrate.com/finance/credit-cards/states-debt-burden/>

The national average credit card balance is \$6,140, according to TransUnion data, while the national average monthly household income is \$8,796, according to the U.S. Census. If 5% of the average household monthly income is allocated towards the average credit card debt, it will take 17 months to pay off while accruing \$947 in interest along the way.

"This sample scenario is meant to be both realistic and aspirational. If cardholders can pay their entire statement balances every month, that's the best way to avoid interest," said Bankrate Senior Industry Analyst Ted Rossman. "But at the other end of the spectrum, minimum payments toward \$6,140 at the average interest rate of 20.74 percent would keep someone in debt for nearly 18 years and cost more than \$9,000 in interest."

If cardholders stick with the idea of putting 5% of their monthly income toward credit card debt, the average credit card debtor with the average income in each state would be debt-free within two years and in most states within a year and a half. Because incomes vary more than credit card balances from state to state, states with lower incomes are more likely to carry a heavier burden.

The states with the highest credit card debt burdens (relative to income) are:

2024 Rank	State	Average Credit Card Balance	Average Monthly Household Income	5% of Average Monthly Household Income	Months to Pay Off	Total Interest Paid
1	Louisiana	\$5,796	\$6,598	\$330	22	\$1,171
2	Mississippi	\$5,332	\$6,052	\$303	22	\$1,080
3	Oklahoma	\$5,862	\$6,895	\$345	21	\$1,138
4	West Virginia	\$5,333	\$6,272	\$314	21	\$1,035
5	Nevada	\$6,710	\$8,202	\$410	20	\$1,245

Following the study’s assumptions, Louisiana credit cardholders have the longest payoff time. The average Louisiana household carries \$5,796 in credit card debt, slightly less than the national average. However, Louisiana has the nation’s fourth-lowest average income. By following the strategy of putting 5% of monthly household income towards debt repayment, it would take the average Louisiana credit cardholder 22 months to pay off their credit card debt, racking up \$1,171 in accrued interest.

Rounding out the top five highest credit card debt burdens are Mississippi, Oklahoma, West Virginia and Nevada. Other than Nevada, the five most-burdened states tend to have very low average incomes, making it hard to overcome credit card balances that actually fall below the national average. In Nevada’s case, a middle-of-the-pack income didn’t keep pace with one of the nation’s highest average credit card balances.

Alaska has the highest average credit card balance (\$7,316), but because it has the 15th-highest average household income (\$109,524), Alaska was judged to have the 10th-highest debt burden (adjusted for income). Sticking with the study’s parameters, it will take 19 months for the average Alaska credit cardholder to pay off their balance, with \$1,326 paid in interest.

The five states with the lowest credit card debt burdens (relative to income) are:

2024 Rank	State	Average Credit Card Balance	Average Monthly Household Income	5% of Average Monthly Household Income	Months to Pay Off	Total Interest Paid
51	Massachusetts	\$6,077	\$11,152	\$558	13	\$714

50	Minnesota	\$5,551	\$9,145	\$457	14	\$734
49	New Hampshire	\$5,953	\$9,954	\$498	14	\$773
48	California	\$6,576	\$10,959	\$548	14	\$858
47	New Jersey	\$6,695	\$11,183	\$559	14	\$872

Massachusetts credit cardholders have the lowest debt burden, according to the study. The average Massachusetts household carries \$6,077 in credit card debt, which is the 19th highest. But that’s offset by the nation’s third-highest average household income. If 5% of their average monthly income goes towards credit card debt payoff, it will take Massachusetts credit cardholders just 13 months to pay off their credit card debt, accruing \$714 in interest.

“While it’s generally easier to pay off credit card debt if you have a higher income, I’d stress that everyone can pay off credit card debt – and probably quicker than they think,” Rossman said. “A great way to turbocharge your debt payoff efforts is to sign up for a 0% balance transfer card. These deals last as long as 21 months.”

<https://www.bankrate.com/finance/credit-cards/balance-transfer/>

Methodology:

Bankrate calculated payoff times and interest charges using the average credit card balance (according to November 2023 TransUnion data) and the average household income (according to 2022 U.S. Census data, the most recent available) in each state and the District of Columbia. Bankrate assumed that 5 percent of gross monthly income would go toward credit card debt. For the average credit card interest rate, Bankrate used 20.74 percent, the national average it measured on more than 100 popular cards offered by the 50 largest U.S. credit card issuers as of early February 2024. The ranking was sorted from longest debt payoff time to shortest, with ties broken by the total interest expense (higher interest bills being designated as more burdened).

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