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U.S. consumers now owe \$12.35 trillion in total debt, and the average household with a credit balance owes \$16,061 on its cards alone, according to [NerdWallet's Annual American Household Credit Card Debt Study](#).

Credit card debt is one of the most expensive types of debt, and consumers who carry it pay an average of \$1,292 per year in interest on it, assuming an average annual percentage rate of 18.76 percent. The average cost of interest is expected to reach \$1,309 per year following the U.S. Federal Reserve's next rate increase.

“Cost of living continues to outpace wage increases, contributing to increasing debt levels,” says Sean McQuay, NerdWallet's credit and banking expert. “While credit cards are an attractive option to cover today's purchases, they come at a high cost — 18.76 percent per year on average. Paying down credit card debt will mean changing spending habits or increasing earning power, both of which may be difficult adjustments, but they are the only way to build financial freedom.”

U.S. Debt: By the Numbers

Total owed by average U.S. household carrying this type of debt

Total debt owed by U.S. consumers

Credit cards

\$16,061

\$747 billion

Mortgages

\$172,806

\$8.35 trillion

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\$1.28 trillion

Any type of debt

\$132,529

\$12.35 trillion

The 'Why' Behind Debt Levels in the U.S.

NerdWallet's Annual American Household Credit Card Debt Study analyzes data from several sources, including the Federal Reserve Bank of New York and the U.S. Census Bureau. Key findings include:

Cost of living continues to outpace income growth: Cost of living increases have outpaced income growth over the past 13 years. Median household income has grown 28% since 2003, but expenses have grown significantly more. Medical costs increased by 57% and food and beverage prices by 36% in that same span. **Credit card interest is costly and expected to rise:** The average household with credit card debt pays a total of \$1,292 in interest on that debt each year. This could increase to \$1,309 if the Federal Reserve hikes rates a quarter of a percentage point. **Total household debt continues to increase:** Total debt is expected to surpass the amounts owed at the beginning of the Great Recession by the end of 2016. Americans will soon owe more than they did in December 2007.

Accounting

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