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Written by **Bob Adelmann** on January 9, 2018

Credit Card Debt Hits $1 Trillion, Raising Alarms

For the first time in history credit card debt hit $1 trillion last year, reported the Federal Reserve on Monday. This eclipsed the previous record set almost 10 years ago, just before the housing and credit bubbles burst. In addition, "non-revolving" (i.e. auto and student loans) debt is approaching $3 trillion.

These numbers have put credit card debt on "watch" at Seeking Alpha, which said that that trillion dollar number is "scary."

A closer look behind the numbers reveals that these may not be such "scary" numbers after all. For one thing, fewer than 40 percent of all households carry any sort of credit card debt. Among millennials ages 18 to 29 only a third even have a credit card.

Next, the ratio of income to credit card debt at the end of 2017 (before the new tax cuts) was already declining, with the ratio of credit card debt compared to the nation's gross domestic economic output at about five percent, compared with 6.5 percent in 2008.

Also, credit card delinquencies remain way below the nine percent historical average, at just 7.5 percent, and far below the rate of 15 percent touched following the 2008 financial crisis.

There's another way to look at credit card debt: comparing outstanding balances to incomes. ValuePenguin performed such a service, showing that households with annual incomes of between $25,000 and $100,000 have less than $7,000 in outstanding balances on their credit cards. Further, that analysis showed that the average has increased only slightly since 2013.

With almost two million more people working today than held jobs a year ago, and others enjoying wage and salary increases, that $1 trillion in credit card debt becomes far less "scary." In a $20 trillion economy that is growing at three percent a year, $1 trillion in credit card debt may reflect that growth as banks are willing to issue more cards to more credit-worthy individuals and those individuals, having perhaps learned lessons from the Great Recession, are using them more prudently.

Photo: Deejpilot/E+/Getty Images

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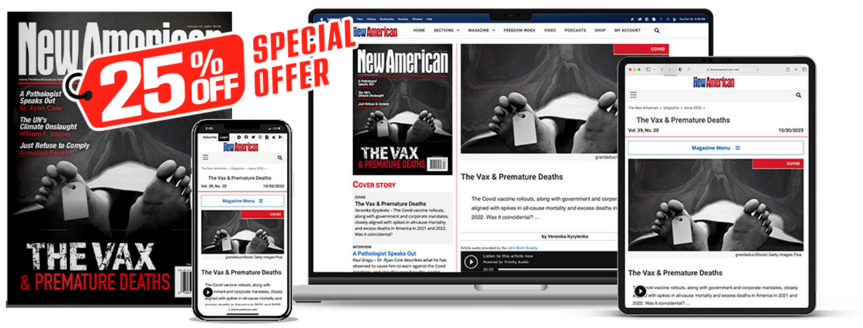

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