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Credit & Debt

The most debt-free states in America

credit.com By Christine DiGangi
March 21, 2014 8:00 AM



Getty Images

[Credit card spending](#) typically spikes in the fourth quarter, and 2013 was no different, but it seems Americans were a little more conservative with their credit card spending than they were at the end of 2012. The [average balance per cardholder](#) declined in nearly every state, according to fourth-quarter data from the past two years.

Nationwide, credit cardholders had an average balance of \$3,799 at the end of 2013, which is down from the \$3,852 average in the fourth quarter of 2012, according to data from Experian-Oliver Wyman Market Intelligence Reports and Experian's IntelliView tool.

Keeping a low credit card balance is an important factor in maintaining or improving your [credit score](#). Keep in mind this data looks only at average balances, not how those balances compare to the overall available credit these consumers have, so high average balances don't necessarily mean the cardholders have high [credit utilization rates](#). It's a good idea to keep that balance as small a portion of your available credit as possible, ideally less than 30%, but lower is even better.

Still, high credit card balances can be both expensive and stressful, particularly if you can't pay the balance immediately. With a 16% interest rate, a \$4,000 balance will cost a consumer roughly \$640 a year in interest. If the consumer pays only the [minimum payment](#) each month, it can take 20 years to pay off, and cost nearly \$4,800 in interest.

There wasn't much change in credit card debt levels year over year, but Michigan moved into the top 10 (and West Virginia moved out, from No. 9 to No. 13). Here are the states with the lowest average credit card balances, the most debt-free states:

10. Mississippi

Average debt per consumer in Q4 2013: \$3,464
Average debt per consumer in Q4 2012: \$3,512 (No. 10)

9. Michigan

2013: \$3,446
2012: \$3,548 (No. 13)

8. Montana

2013: \$3,422
2012: \$3,548 (No. 9)

7. Nebraska

2013: \$3,410
2012: \$3,453 (No. 7)

6. South Dakota

2013: \$3,248
2012: \$3,260 (No. 4)

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4. Idaho

2013: \$3,242

2012: \$3,345 (No. 6)

3. Utah

2013: \$3,055

2012: \$3,151 (No. 3)

2. North Dakota

2013: \$3,043

2012: \$3,081 (No. 2)

1. Iowa

2013: \$2,978

2012: \$3,007 (No. 1)

For the most part, states with the lowest average balances in 2012 were among the lowest in 2013, and the same goes for the states with high credit card balances. As far as improvement goes, cardholders in Arkansas and Colorado made the most progress, cutting \$218 and \$120 from their average balances, respectively.

Iowans have consistently reported the lowest average balance for several quarters — it was the only state with an average lower than \$3,000 in the fourth quarter of 2013 — and they shaved \$29 off their average from the fourth quarter of 2012.

Four states (Hawaii, West Virginia, Rhode Island and Vermont) reported increased fourth-quarter averages, but the changes were small. Of those, Rhode Island had the highest average balance at \$4,205, which is the 10th highest average balance per consumer. New Jersey claimed the No. 1 spot with its cardholders carrying an average of \$4,607.

If you want to see how your debt is affecting your credit scores, the [free Credit Report Card](#) will show you two of your scores for free and a breakdown of the major factors impacting your scores.

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