



Consumer Tip November 2016: Take Control of Your Debt



While it can be surprisingly easy—and often fun—to get into debt, it's much more difficult and takes longer to get out. Statistics show that eight in ten Americans are in debt. However, all debt isn't created equal. Mortgage debt can help strengthen your financial position if handled correctly, but credit card debt and other debts with high interest rates are unnecessarily costly and should be dealt with as soon as possible. There isn't a one-size-fits-all approach to tackling debt but there are various proven strategies to help knock it out. With a plan, dedication and discipline, anyone can achieve a life free of bad debt, even if it takes a while to get there from your current position.

Many people struggle with getting out of debt because they're not sure where to start and feel overwhelmed. Below are tips that can help you take control of your debt and get on the road to financial success.

Stop Creating More Debt

While this may seem obvious, it's often harder than one would think. This won't get you out of debt, but it will ensure your current situation doesn't get worse. You can reduce temptation by cutting up your credit cards or freezing your credit. Try cash or debit cards instead.

Make a List of Your Debts and Plan

Make a list of all of your debts and the interest you're charged for each, then put them in order of highest interest rate to lowest. Put as much as you can toward the debt with the highest interest rate—usually your credit card balance—while paying at least the minimum on other balances. Pay all bills on time to avoid unnecessary late fees. Once the debt with the highest rate is paid, move to next-highest rate and do the same.

Create a Budget

Figure out where your money goes, including your spending patterns and unnecessary expenses. For one month, write down every dollar you spend so you can determine the extras that can be cut out. Once you have your budget to the bare minimum, you'll know exactly how much you have each month to pay your debts.

If possible, save monthly to build an emergency fund—start with a \$1,000 goal but aim to build it to three to six months of living expenses. While this may sound counterproductive to what you're trying to do, it will help ensure you don't get further in debt when an unexpected emergency arises, which inevitably will happen.

Live Within Your Means

You can avoid bad debt by living within—or better yet, below—your means. A detailed budget will allow you to get on track and stay there. It can help you watch expenses and divert money to saving or paying off bills. Make changes like packing your lunch instead of eating out, skipping the fancy coffee and keeping your car for a few years once it's paid off. Your commitment to sticking with your budget and living within or below your means is critical to getting out of debt. Plus, it will help install good financial habits for the future.

Ask Creditors for Lower Interest Rates

Ask your credit card issuers to lower your interest rate. They'll often negotiate the rate for customers with a good payment history. The saved interest can make a real impact over time.

Boost Your Income

Try to boost your income however you can. This may mean temporarily taking a part-time job or selling things you no longer use. If you receive a tax refund, bonus or other unexpected money, immediately put that toward paying off debt.

Be Patient

Be realistic and understand that you can't erase years of debt overnight. Acknowledge that setbacks will come up but don't get discouraged and give up. Track your progress, celebrate each success and keep at it until the seemingly impossible has been accomplished. Once you've overcome debt, it's likely you've learned an important lesson and won't find yourself in the same situation again.

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