Debt Payoff Strategies

*Reclaiming Control of Your Money*

**General Tips & Strategies**

Conquering your debt starts with small steps towards financial freedom:

- Use part of your tax refund to payoff some of your debts
- Limit purchases to what you can afford in cash
- Find ways to increase your income
- Create a budget to find ways to reduce your monthly expenses

**Avalanche Method**

Pay off debt with the highest interest rate *first* while continuing to make minimum payments on each of your other outstanding debts.

**Pro:** Pay off debt faster and pay less interest over the life of the loan

**Con:** Results may take longer when paying higher principal debt

**Snowball Method**

Pay off debt with lower principal balances *first* while continuing to make minimum payments on each of your other outstanding debts

**Pro:** Easier to see progress and builds momentum and motivation

**Con:** Interest will continue to grow on larger principal debt

**Debt Management Plans**

Consolidating your credit card debt can help you better manage your monthly payments.

**Pro:** may reduce your interest rate, improve credit score, and help you payoff you debt more quickly!

**Con:** Certain loans relating to student loan, medical, or tax debts may be excluded

**Facts and Figures**

Do you feel like your debt is placing a *HUGE* burden on your life? Millions of Americas are struggling to pay off loans and credit card debt. Here are some facts and figures you may not know:

- Total U.S. Consumer Debt = **$16.51 Trillion**
- 37% of Americans have revolving credit card debt.
- 72% of Americans are burdened by debt.
- Mortgage debt is the largest outstanding debt

Thankfully, you are **NOT** alone!

There are plenty of resources to help you conquer your debt and reclaim control over your finances!

**Counseling**

Before taking out a loan or new line of credit, it's important to consult with a financial counselor or experienced family member who can help you consider all options and implications of taking on new debt. Here are some good points to consider:

- Think of debt as a *marathon*, not a sprint.
- Look for loans with low interest rates.
- Prioritize paying off debts which would cause harm to you or your family if not paid off in a timely manner.
- Create a budget and stick to it!

**Plans to Avoid**

**Debt Settlement Plans**

Although debt settlement plans claim to offer financial relief, borrowers are often encouraged to cease debt payment while third-party companies negotiate to reduce their debt. Not only does this severely damage your credit score, but third-party negotiators will still charge you fees even if their debt settlement is unsuccessful.

**Debt Consolidation**

Debt consolidation promises to simplify your outstanding debt. However, consolidated loans typically charge higher interest rates which make your financial situation worse.

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