



## Manage and Reduce Your Debt

Many people believe that having no debt is ideal. However, debt can sometimes be beneficial for your finances if it helps you build wealth. For example, a mortgage can help you achieve the goal of owning a home and may help you build wealth if your home appreciates in value.

On the other hand, excessive debt or the wrong type, like high-interest credit card debt, can limit your ability to achieve other financial goals.

Here are six steps we've detailed below to help you better manage your debt.

### 1. Take account of your accounts

Create a list of all your debts, noting the interest rate on each. This will help you identify which debts are costing you the most financially.

### 2. Check your credit report

Ask for a free copy of your credit report from one or more of the three major credit bureaus. This will help you ensure you haven't overlooked any unpaid debts.

### 3. Look for opportunities to consolidate

If you have several high-interest loans, consider whether consolidating them into a single loan with a lower interest rate is an option. Alternatively, explore using a low-interest personal loan to pay off high-interest credit card balances.

### 4. Be honest about your spending

If your debt feels unmanageable, take a close look at your monthly spending. Are there any costs you can reduce or cut entirely? Managing debt also involves minimizing the amount of new debt you accumulate.

### 5. Determine how much you have to pay

After consolidating your debt, calculate the total amount you need to pay each month by listing the minimum payments. Make sure to include this amount in your budget.

### 6. Figure out how much extra you can budget

After determining the minimum monthly payments for your debts, assess how much extra you can allocate from your budget toward paying them down. Hopefully, the money saved from cutting expenses will give you additional funds to speed up your debt repayment.

How you approach paying off your debt is your choice! Two common methods are focusing on balances with the highest interest rates first or paying off the smallest balances first. Whichever strategy you choose, you're moving in the right direction—so stay committed to your plan!