Digging Out of Debt

Stop borrowing: Instead of using your credit card, use cash or a debit card at all times. When you are unable to pay for something in cash...**don't buy it**! Save monthly for expenses like car repairs, house repairs and Christmas so you have the money when you need it. You need to look at what sort of things you borrowed for in the past and what you can do now so that you won't have to borrow for those things in the future. Refer to **'Money Basics'** for information on money management.

Prioritize Debts: Do you want to save money by paying extra to the highest interest debts first or do you want to pay off the smallest debt first and gain a psychological boost of having one less debt? A good process is to list all of your debts and then rewrite the list in order of priority (include each debt's interest rate). ***Use the table below to list/prioritize your debts.***

Set a fixed amount for credit card repayment: Decide what you can afford and pay that exact same amount every month instead of only making the monthly minimum payment. Paying a few extra dollars can save hundreds, even thousands in the long run. For example, based on 18.9% interest, **$92.00 a month** will pay out a $1,000.00 credit card balance in **1 year**. Half of the people who have credit cards choose to only make their monthly minimum payments. In the above scenario, paying a monthly minimum of 3% would mean more than **10 years** of payments to pay off a $1,000.00 balance and you would pay an additional **$879.87 in interest!**

Cut back on living expenses: Take a good look at where you spend your money and decide on items you cut back on in order to pay down your debts quicker. Could you eat out one less time per week and put that extra $60.00 per month towards debt repayment?

Make a one time debt payment: Use an income tax return, a bonus/commission cheque, or even a transfer from savings to lower your debts.

Sell an asset: Consider selling any unused items you may have that could help to pay down your debts (recreational vehicles, jewellery,old toys etc).

Consolidate (with caution): Paying off your debts with a new loan that has a smaller payment and a lower interest rate sounds attractive... *but you need to stop using new credit to make this work!* Many people consolidate saying they will never use their credit cards again...often, in a year's time they will have several cards charged to the limit **plus** the payments on the consolidation loan. The end result in this scenario… the total amount of debt has increased drastically! Remember, you can never borrow yourself out of debt**. (See Consolidation Loan on the 'Dangers of Credit' page.)**

Debt List	Interest Rate

Prioritized Debt List	Interest Rate