

# Dealing with debt

## Getting started

Being in debt can be extremely stressful. And if you're trying to get out of debt, it can be hard to know where to start. Here are a few things that you can do to get started:

- **Create a checklist.** Use the *Debt Tracker Worksheet* to list all of your debt in one place. As you pay off your debt, make sure to cross it off the list.
- **Prioritize your debt.** Most experts recommend paying off debt with the highest interest rates first, not the largest balance. Use the *Debt Tracker Worksheet* to determine how you will pay off your debt.
- **Reduce your interest rates.** Call your credit card companies and ask for a lower rate. Smaller monthly interest payments will give you more money to pay toward your balance.
- **Pay more than the minimum balance.** If you only pay the minimum balance, you're likely paying little more than the interest.
- **Stick to your budget.** It's easy to fall back into old spending habits. Review your budget and expenses frequently.
- **Use Cash.** We tend to spend more when using a credit card and less when paying with hard-earned cash.

## Cutting back to pay off debt

Look back at the *Expense Tracker* and *Balanced Budget Worksheets* from the past two weeks. Now, use these tips to decide where you can make changes that will give you more money to pay toward debt:

1. Changing non-essential spending habits can help you start decreasing your debt.
2. Change variable fixed expenses by shopping around for less expensive car insurance, switching to a more economical cell phone provider, or taking public transportation.
3. Consider larger cost saving measures like refinancing your home, or downsizing from your new SUV to a less expensive car.

Now that you have a few ideas on where to get started, write out your pledge on how you plan to deal with your debt.



## Take Action

Name: \_\_\_\_\_

Answer the question which best fits your financial situation:

- 1) I pledge to start reducing my debt by...
- 2) I pledge to continue staying out of debt by...

