

Ten Valuable Tips to Get Out of Debt

1. **Know how much debt you have.** This is the first step towards getting out debt. Do you know how much debt you have? And if you live with a spouse or partner – do they know how much debt you have? It's important that both partners have a clear understanding of what the personal debt situation is. But perhaps neither knows how much debt has actually accrued. Therefore it's important to gather all your bills together; your paper bills as well as your e-bills. Calculate and total the sums up. The numbers can be quite shocking if you haven't been keeping tabs on your spending. If you have less than 20k in personal debt than this guide will benefit you. If you have more than 20k it is a good idea to seek out professional debt help.
2. **Curb Spending.** This may at first seem elementary, but it cannot be overstated that in order to bring your debt under control you must spend less, and quite often – you must spend considerably less. And this curb spending tip is of even higher importance to homeowners who are deep in debt. Why risk losing one's home when cutting costs can often times mean the difference between keeping one's home and losing one's home to foreclosure. The cuts in personal spending can be small or they can be large, but they all contribute to the bottom line. But make no mistake about it – cutting spending means to do without. Why spend \$3 on a morning coffee when \$1 morning coffee can be had? These types of daily spending cuts really add up over the course of a month.
3. **Create A Personal or Household Budget.** ...And be realistic. It's important to have a monthly budget set on paper or on a spreadsheet. Calculate how much must be allocated towards all your various bills and expenses, minus the gratuitous personal spending. When we look at our expenses versus our income we can usually see that managing our debt is perhaps not as difficult as we thought it would be – if we can muster the strength to curb spending. But we must set firm amounts of how much we will put towards our personal debt. We should note the payments when they are made – and watch our debt amount begin to shrink. If you've never created a personal or family budget and don't know where to begin or how to format one, have no fear. A quick search online for "personal budget templates" will reveal to you free budget templates which you can download and personalize and adjust as needed.
4. **Stop Spending on Credit.** For things and expenses that you will continue to pay each month – avoid using your credit cards to pay for these items. Instead, use a debit card or cash. This way there will be no chance of accumulating more debt; no change of taking on water as you are trailing to bail yourself out. You may find it necessary to literally destroy your credit cards to prevent you from being tempted into using them. However, do not close your open credit card accounts. Closing them will actually work against you by lowering your credit score. So keep the accounts open, continue to pay off the balances but avoid any new spending on these accounts.

5. **Which Credit Card To Pay Off First?** This has been a cause for much debate and much confusion and uncertainty. There have been those who have advised paying off the credit cards with the highest interest rate. But a newer, more progressive strategy that makes perfect sense is to pay down the debt on the credit cards in which you are using more than 50% of the available credit limit. This is because your credit score will actually drop when you have lower available credit. After you have gotten those cards below 50% of their credit limit – that is when it's time to begin paying down the credit cards with the highest interest rates.
6. **Avoid Borrowing Money To Get Out of Debt.** Debt consolidation loans (especially home equity loans) are not recommended for getting out of debt. With these types of financial products you are basically exchanging unsecured credit card debt for secured debt. You could potentially lose your home if you fall behind or unable to make your new payments. This is a truly risky strategy and a risky bet, with high stakes at hand. If you must borrow money to get out of debt the first place to turn to ideally is to family and friends. More than likely you can obtain a loan with zero interest. What could be better?
7. **Build Up An Emergency Fund.** This point is extremely key. We simply must establish an emergency fund and add to it every pay period. Exactly how much of a fund should be created is debatable, but at the very minimum we should all have at least a 3 month fund from which to survive off of in the event of an emergency. Assume you lose your job – what would you do? Unemployment benefits only pay so much every week, hardly a stipend to be honest. So this emergency will help you to pay your rent and pay your bills when you are in a bind.
8. **Pay More Than The Minimum.** It has been documented and mathematically proven that if a person pays only the minimum monthly payment on a credit card bill that is 5k for example, it can take upwards of 20 years to fully pay off that debt – at a cost that is a whopping 2 times what the principal is. Truly shocking indeed. To avoid scenarios like this that suck dollars out of one's life, we need to strive to absolutely pay more than the minimum amount each month.
9. **Consider Professional Debt Help.** If you are having a difficult time managing your credit card debt on your own it makes perfect sense to consider professional debt help. Professional debt management services offer many programs and services which can help a consumer in debt reduce and eliminate credit card debt over a fast-track period of time – without all the harsh repercussions of filing for bankruptcy.
10. **Think Positive.** Having the right frame of mind is key towards achieving that goal of getting rid of credit card debt. It can be quite a shock for many when they realize how much credit card debt they have accumulated, but focus not on the past but on the bright future that lies ahead. It takes time and effort to become debt free, but with a positive mental attitude, a good plan in place, and the help of professionals if necessary, you too can become debt free.