

## 7 Steps To Eliminate Debt



Many Americans today find themselves in large, seemingly insurmountable amounts of debt. They ignore the problem until it threatens their financial health and has huge negative effects on their life. Learn how to take control now and eliminate your debt by following these seven easy steps – and the best part is that it won't cost you a dime to do so!

### 1. Use Common Sense

People fail to realize how much they have already spent, and before they know it, they're maxing out their credit cards on a monthly basis. The best way to know just how much money you are spending is to pay for everything in cash.

This means using credit cards only for emergency purposes, such as unexpected car expenses and medical emergencies. By paying with cash, you will gain a higher appreciation for every hard-earned dollar.

### 2. Stop Impulse Buying

Do you really need that item? Instead of buying it now wait a week and see if you still want it. If you want to freeze your debt, you must freeze your spending.

### 3. Develop A Plan

There is an old saying in the financial world: If you fail to plan, you plan to fail. This advice applies to everyone, including family households.

Start by developing a road plan that will take you to debt-free zone. You need to know how much your total debt is and how long it will take you to pay it off given your current payment plan.

The next process involves establishing a budget. List all your revenues and keep track of your expenses. This will give you a better idea of how much money is coming in, how much money you're spending on different activities, and whether or not you can sustain your current spending habits.

Once you know exactly how much you're spending, it's time to cut back on unnecessary expenses. Take a close look at each expense and determine which ones can be eliminated. You can then use that extra money to lower your debt.

Cutting back takes a lot of willpower. If you find it difficult to do so, I suggest you set up expense jars. They work in a very simple manner: Set up a jar for each main activity, such as movies, clubbing, restaurants, fast food, gas, and so on.

Every month, put cash into each jar according to your budget. Once the money is gone, stop that particular activity. If there is money left over, apply it to reducing your debt. As rudimentary as it may seem, this technique works wonders.

#### **4. Research Money-Saving Options**

Look for money-saving opportunities like low interest rates and credit card offers. Before settling down with a creditor, shop around. Most people are afraid of banks; they think that it is still as hard to get a bank loan as it was in the early '50s. But today, most creditors are eager to lend you money. Don't be afraid to negotiate the rates.

If you don't have time to shop around and compare lending rates, you can always check out BankRate.com. You'll get an instant look at the average rates on various types of cards, as well as links to the best credit card deals.

Carefully look at these different plans. Some credit cards allow you to cut your interest in half simply by paying an annual fee of \$20. Imagine that: You pay \$20 once a year and your annual interest rate gets cut from 18% to 9%.

#### **5. Take Action**

Take these steps today and stick with them. Don't be lazy. Discipline is critical.

#### **6. Don't Close Credit Card Accounts**

When you close your credit card accounts, you reduce your options. As long as your current credit card companies aren't charging you any fees for inactivity, it's in your best interest to hang onto your accounts.

The problem with closing accounts is that you're at the mercy of whatever credit cards you decide to keep. That's the equivalent of having to shop at one store no matter how good the prices are elsewhere.

Plus, when credit card companies notice that you're not using them anymore, they'll generally send you an offer that saves you money.

Always keep your options open and be ready to switch banks once you get a better offer.

#### **7. Always Pay On Time**

The worst thing you can do is make late payments. If you let the deadline pass, you'll pay

interest on the full credit card balance as of the purchase date.

The late fees hurt you immediately and would be better used to reduce your debt. They're also a strike against your credit rating and future bargaining power.

By paying late, you also diminish your chances of getting the best rates and deals on a car loan or a mortgage. In the long run -- especially in the case of a mortgage -- that kind of negligence can cost you thousands of dollars.

Also, in addition to these seven tips, you should also try the following:

First, you need to create a list of all your credit cards, including their balance, interest rate, minimum payment, and last statement payment. Now rearrange that list so that the credit card with the highest interest rate is at the top and the card with the lowest interest rate is at the bottom. High interest rates, especially on cards that you have a high balance on, are your greatest concern.

Second, add up the required minimum payments for all of the cards. Decide how much money you can come up with each month in addition to the money needed to pay off the minimum payments on all cards. It is important that you find ways to put aside more money than needed for just the minimum payments or you will never be able to pay off your debt.

Now, each month pay the minimum balance on each card, but on the card with the highest interest rate pay the minimum balance plus all the extra money that you put aside in the extra step. Continue to do this until the first card (with the highest interest rate) is payed off in full, then apply this same principle to the next credit card.

**Note: it is *not* a good idea to use one credit card to pay off another credit card's debt!**

Also, Call every one of your credit card companies and request a lower interest rate. You may be surprised at how quickly some of them will agree. Lower interest rates mean you can eliminate your credit card debt more quickly without increasing your payments.

## Final Step

There are many free resources on the internet that help you analyze and eliminate your debt. I suggest looking into some of these offers:

- [DebtProfessional.net's free debt analysis program](#) – provide your zip code, estimated total debt, and email and have a specialist talk with you about how to reduce or eliminate your debt
- [Debt Genie's free, no obligation consultation](#) – similar to DebtProfessional.net, it is worth trying out also. Like above, provide your zip code, estimated total debt, and email address.
- [DebtMatch.net free debt assessment](#) – fill out the form and their system will match you with one or two specialists who will explain your options, and then you decide what

is best for you.