Investing and Personal Finance Blog

# Useful tool to help you pay off your debt

keyword: finance, debt, calculator, interest, money

Graphical user interface, application

Description automatically generatedHello and welcome back to my investing and personal **finance** blog. Thank you for joining me on my journey of learning and improving my own personal **finance**. This week I will be sharing a **debt** **calculator** that helps show you different methods for you to pay off your **debt**. Due to the pandemic American consumer **debt** has risen to $14.56 trillion around the end of 2020 (link to: <https://www.debt.org/faqs/americans-in-debt/> ). If the pandemic has affected you as well, then keep reading, this tool might help you out.

The **calculator** is called Undept.it ( link to: <https://undebt.it/debt-snowball-calculator.php> ), it was introduced to me by a friend that is majoring in **finance**. He once told me that in order to be truly financially free, one must be **debt**-free first. If you are the kind of person that has opened multiple credit cards and is struggling to pay off your **debt**, then this **calculator** might be able to help you make a good plan to pay off your **debts**.

If you do not know, already paying off credit card **debt** also comes with an **interest** rate. Not to worry, if you key in the **interest** rate you are charged into the **calculator**, it will do the calculating for you. Cumulated **interest** rates may vary, depending on which method you choose to pay off your **debt**. That is why it is important that you choose the suitable method for you. I am going to be talking about two different methods you can use to pay off your **debt**.

**How to use the Undept.it Calculator**

Graphical user interface, text, application

Description automatically generatedWhen you open up the **calculator**, the first thing you want to do is key in your “Total **debt** payoff budget.” This is the **money** that you are willing to put aside in order to pay off your **debt**. If you have been following along with my budget plan from my previous blogs, then you should already have a fixed sum of **money** set aside for **debt** payment.

Application

Description automatically generated with medium confidenceAfter that, key in all the accounts you owe **money** to. At the bottom, you can see an “add row” button. Add as many rows as you need until you got all your **debt** accounts in there. Be sure to include your minimum payment and **interest** rate as well.

Finally, choose the method you are going to use to pay this **debt** off. I have included more info on two of these methods below. There are other methods in the **calculator** as well, so be sure to experiment yourself with which ones fit you the best. I will only be talking about two because I think these are the best methods among them.

**Avalanche Method**

**Diagram

Description automatically generated with low confidence** The Avalanche Method is one of my preferred methods of pay off my **debt**. This method makes sure that you pay off your **debt** with the most **interest** rate first. Using this method, the total amount of **interest** you pay will be reduced compared to other methods of paying off **debt**. The only catch is that you will still have multiple accounts you owe **money** to until you pay off your first account.

**Snowball Method**

A picture containing diagram

Description automatically generated The Snowball Method is a very different way of pay off **debt** compared to the Avalanche Method. This method is focused on paying off your smaller accounts first, accounts that you owe the least **money** to. This method helps you clear off accounts faster so that you do not have multiple **debts** that you have to worry about. This method definitely enables you to keep a more positive mindset because you are clearing accounts faster. The downside to using this method is, in the long term, you are cumulating more **interest**. The total amount of **interest** paid in this method should be a little more than the Avalanche Method. That being said, both methods are excellent methods to use.

Thanks again for reading. Hope you stick around for the next one where I am going to sharing more market research and **finance** information.