A Guide to Managing Your Debt

Debts come in different ways. Maybe you lost your job, experienced a short-term illness, or you just mishandled your income. Regardless of what happened, your debt should not rob you from living a happy life.

1. Your Options to Eliminating Debt

If you fail to make your payments, your credit status will change, which can affect your life in many ways: higher costs, job promotions, investment opportunities, getting a job, or getting credit to buy a home or a car. Here are some ways to eliminate or reduce your debt.

a. Paying from your savings

Saving more money from your income will be the hardest way to payoff your debts but it can mean a stronger financial status. Before you can take out a loan to buy a car or a home, creditors look at your credit history which helps them make their decision to either approve you or deny you a loan. With a strong credit history, you will have more opportuinites to achieve other financial goals.

c. Debt consolidation

This option combines debts from several creditors, and take out another loan to pay for all current debts. If it's done successfully, this can reduce interest rate and lower monthly payment. Consumers elect to do this to keep up with bills from multiple credit cards and other debts. Keep in mind that it can provide almost instant relief, however, it can mean paying more in total interest and a lenghtier period of time.

c. Debt settlement.

This type of debt elmination means that a creditor will agree to accept less than the amount you owe as full payment. It also means collectors can't continue to harass you for the money you owe them. Debt settlement requires that you stop making payments for at least six months to be able to negotiate with lenders. Eventhough it can provide you with debt relief, future lenders will be hesitant to lend you money.

d. Bankruptcy

This option allows you to have your debts being discharged, which means that he court decides to give you a break on your debts. It will allow you to no longer pay off your loans. it will damage your credit, however, because it involves discharging your debts that you will not pay.

2. Follow Your Own Financial plan

As you can see, you do have options to deal with your debts. I will however, guide you on doing things the right way, which is to payoff your debts from your income.

a. Analyze your spending

1. Every day you are faced with making finanicial decisions that impact your present and future financial situation. As a result, you must know what you are doing with your money daily.

b. Set up a financial plan

1. First, track your income and expenses daily. As you do your planning, pay attention to the activities that make you spend money. For instance, if every day you spend money on breakfast, you must figure out if this expense is something you would like to continue using your money on. Why? If you spend $7 a day on breakfast, this expense will cost you $49 per week which translate to $196 per month. Annually, that will amount to $2,352. What if you saved that amount for 5 years? It would mean being able to save $11,760. Now, if your credit card balance is $10,000 or $11,000, you will be able to payoff your debts. This is just on this daily activity. What about lunch and dinner? Are you spending money on that too? How about money you spend for entertainment or other hobbies? Your plan will allow you to pay off your debts and will put you on a strong financial situation to the point that you will be able to achieve other financial goals. Remember, it is not what you make but rather what you keep that counts!

3. Should I Payoff Debts or Should I Save?

Wondering if you should payoff your credit card or build your savings funds?

a. Cost of not paying you credit card balance

1. If you have a credit balance is $11,000, your annual cost will be more than $3,080 if your APR is 28%. In 5 years, you will be spending $15,400, which is very costly.

b. Should I save this money instead?

1. I will not be saving my money because I will be paying a lot more if I save. How much would you earn if you put money in a savings account; .5% or 1%. Your interest on your credit card is 28%. This recommendation will be based on bullet point 2, which means that you will be aware of all your daily expenditures.

2. Following your plan daily will put you in a mindset of being more careful and less impulsive with your money. This will be a way of living a lifestyle that allows you to enjoy your life and be more savvy about spending your money.

4. Maximizing All Your Resources

a. Should my goal be to become debt free?

1.The minute you decide to be debt free, that will be the moment you are deciding to stop growing personally and professionally. When you have small dreams, use debt when possible. As you complete you small goals, your goals will become bigger and bigger to the point that you will be better at and be more comfortable carrying debt. You should not stop dreaming and you should learn every day. This is the American way! Being $5,000 or $15,000 in debt should encourage you to find out ways to increase your skills so that you can make your payments, and still learn and grow personally and professionally. Using debt wisely can encourage you to do more for you, your loved ones, and other people. Debt can be a good thing for us. You just need to learn how to manage it right!

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Regardless of your decisions, always make sure that your future creditors see you as a strong borrower. Remember that debt , if used wisely, can help you achieve your personal and financial goals, which will require to follow a plan and financial discipline. to learn more, go to www.wealthydollar.com