

Cut Your Debt Now!

Incurring some debt is often necessary to accomplish life goals. However, if debt isn't paid off quickly, it can compound and turn into a major financial drain. If your debt is causing you worries or making you financially vulnerable, then it's time to take action. These steps will help you get your debt under control:

- ▶ **Know what you owe.** List all your bills and add up the total amount of debt (excluding mortgage). Look at where you could cut expenses to put more money toward paying down balances.

Focus on paying off debts with higher interest rates first.

- ▶ **Cut back on credit use.**

Continuing to use credit will make it harder to whittle down existing balances. Consider only using credit when absolutely necessary and paying cash for everything else.



- ▶ **Pay yourself first.** Set aside a small amount of money in savings each month. Use this fund to pay for emergency expenses (rather than reaching for your credit card).
- ▶ **Cut back on spending.** There are lots of things you may think you can't live without — until you live without them for a while. Cut back on little luxuries and funnel the savings toward debt repayment. Don't be too strict: make room in your budget for one or two small treats each month and the occasional vacation or weekend getaway.
- ▶ **Make a shopping list.** It's much easier to stay on budget when you shop if you make a list. While it's not unusual to think of things you need while you're at the store, consider if buying them now is really necessary or if they can wait a week, a month, or even longer. Impulse buys add up quickly, so avoid them whenever possible.
- ▶ **Refinance debt.** If you haven't refinanced your home in a while, look at current rates and consider if it's time to redo your mortgage. Talk to your credit card company about lowering your interest rate or see if you qualify for a low balance transfer offer (these usually expire after a pre-set period, so you'll get the most benefit if you pay them down quickly). Make sure you are clear on all fees and terms before transferring your debt to a new loan or card.
- ▶ **Get help.** The LifeMatters Financial Consultation Service can help you make good decisions about how to handle your debt. Call anytime.


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Source: Financial Planning Association

