



TOP 5 TIPS



Make the Decision to be Debt-Free!

Paying down debt is not easy but it is possible when you set your mind to it. Use the tools you learned in the budgeting and savings sessions to stay focused on this next step.



Control Your Spending

- Use your budget to keep your spending in line.
- Delay major purchases until you have enough cash in your savings to make the purchase.
- Put away the credit cards and avoid using your lines of credit.
- Use cash or your checking account/debit card for all purchases.
- Use envelopes to categorize your budget and cash spending – you will visually see when you're getting low.
- Determine if there's a way to increase the household income – second job, selling unused items, etc.



Determine Your Method of Tackling Debt

Determine what bothers you most about your debt:

- The number of payments you make each month
- The interest rate you are paying on the debt
- The balances you carry on the debt

Choose a Debt Reduction Strategy

Snowball Method – Focus on the smallest balance first. Put any extra money towards that debt. Once you pay off a debt, use the payment you were making on that debt and add that to the payment on the next priority debt. As you pay off each account, you will free up that monthly payment.

Debt Avalanche – Focus on the debt with the highest-interest rate first. This method may take longer to feel success, but once you get that account paid off, the high interest rate is over.

Restructure your Debt – Meet with your Banker and review your options for consolidating your debt into one loan. Always calculate your overall savings before deciding this method. If you choose this method, make sure you don't acquire any additional debt until you are able to get the loan paid off.



Pay as Much as You Can Afford Each Month

- A good practice is to have an emergency fund in place. Once established, use all extra funds you have monthly towards your current debt, even if it's only a few dollars.
- Make extra monthly payments or double up when you can – You can make more than one payment per month on debt.
- If you receive unexpected or extra income (tax return, overtime, bonus, etc.), put as much as possible towards your debt.
- Stay focused on your goal of getting out of debt. Visualize a debt-free life!

4 Tips to Reduce Your Mortgage Balance

• Pay Your Mortgage Every Other Week Instead of Once a Month:

-Homeowners typically make 12 monthly mortgage payments a year. If you make half payments every two weeks (biweekly/26 weeks), you'll make the equivalent of 13 full payments.

-Contact your lender and ask about the best way to do it. Some lenders will set you up with biweekly payments. You may prefer to send the extra payments by mail or electronically. When making any extra payment, be sure to designate it "principal". Otherwise, the lender may treat the extra as a prepayment of your next regular monthly payment.

• Round Up Your Payment:

-The monthly payment on a \$200,000 mortgage at 4.5% fixed over 30 years is about \$1,013 a month. Get into the habit of rounding up that amount to \$1,030, \$1,050, or even \$1,100. Do this regularly, and you'll shave years off your mortgage.

• Refinance to a Shorter Term or Just Pretend it's a Shorter Term:

-Calculate what your payment would be on a 15-year loan and begin making that payment.

-Consider refinancing if your interest rate would be less than what you are paying now on a 30-year mortgage and you plan on staying in the house long enough to make up for any closing costs. Please see a Banker for an individual cost-savings analysis.

• Make One Extra Principal Payment per Year:

-At the end of the year, give yourself a holiday gift by making an extra payment. You can choose the month that works best for you. You can also just add an amount equal to one-twelfth of your mortgage payment to each month's payment.

-For example, with the \$1,013 monthly payment in the example above, one-twelfth is \$84. Adding just \$84 to the normal payment saves approximately \$27,571 in interest on a 30-year mortgage and pays it off four years and three months sooner!



Celebrate Your Financial Freedom!

• Make a Pledge to Remain Debt-Free

If you worked hard to get out of debt with your spouse or your partner, you might want to take advantage of this moment and make a pledge to remain debt-free. Debt has a track record of leading to conflicts and marital issues. Decide to protect your partnership and help each other to stay out of debt.

• After Your Debt is Paid Off, Enjoy the Extra Money and Put it to Use

Now that you've gotten out of debt, one way to celebrate is to figure out what you can do with your money now that it's not going towards debt payments every month. Meet with a Financial Advisor and learn about how you can start increasing your personal wealth and protecting your future.

• Remember to Enjoy Yourself and Have Fun

With your debt paid off, it's okay to take a vacation or celebrate with a special event. Just remember to stay within your budget and continue on the financial plan you have built to have continued success!