

To use this strategy, list all of your monthly bills by ease of payoff. This could mean the smallest amount you owe, or the debt with the shortest term until it is paid in full. After you get one debt paid off, move on to the next, and so on, until you get your monthly budget under control.

If you find yourself using the month-to-month strategy, yet never seem able to get ahead, a debt consolidation loan might be in your best financial interests. Doing so can give you control over your monthly payments by reducing many bills into one. It can also help get the debt paid off in a shorter time frame.

### **Debt Payoff Techniques: Debt Snowball & Debt Avalanche**

Paying off multiple debts can feel impossible, especially if you feel like you're barely making the minimum payments each month. To get out of debt, it is often necessary to accelerate payments. Two strategies to do so are: 1) the debt snowball and 2) the debt avalanche. These techniques can be used on most kinds of debts, such as credit card balances, medical bills, and personal, student, and car loans. However, they do *not* work with mortgage repayments.<sup>91</sup>

**With the Snowball Technique:** List your debts in order from *lowest balance* to largest. Don't pay attention to interest rates. Put extra money towards your smallest debt, while continuing to make minimum payments on all your other debts, and work your way up. Once you've paid the smallest debt off, move on to the next smallest, and so on, working your way through your list. Continue "snowballing" your debt payments until they are all paid off!

This method can produce fast results for your smallest debts, which can build motivation and encourage you to stick with your debt payoff plan. It is also relatively easy to implement. However, this method can be more expensive in the long run (because you continue to incur interest) and can take longer to become completely debt-free.

**With the Avalanche Technique:** List your debts in order from the *highest interest rate* to the lowest. Don't pay attention to the balance. Put extra money toward the debt with the highest interest rate, while continuing to make minimum payments on your other debts. You will start at the top and work your way down, focusing on the next-highest interest rate, and so on. Continue this "avalanche" of debt payments until all your debts are paid off!<sup>92</sup>

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<sup>91</sup> Ashley Eneriz. "Debt Avalanche vs. Debt Snowball: What's the Difference?" *Investopedia*, April 28, 2021. <https://www.investopedia.com/articles/personal-finance/080716/debt-avalanche-vs-debt-snowball-which-best-you.asp>

<sup>92</sup> "Crushing Debt: Snowball vs. Avalanche Method." *Denver Community Credit Union*.

<https://denvercommunity.coop/financial-education/crushing-debt-snowball-vs-avalanche-method/>