

Title:

Constantly Planning to Get Out of Debt

Word Count:

488

Summary:

Having a constant plan to get out of debt will help you keep your finances in order.

Keywords:

debt,get put of debt

Article Body:

Having a constant plan to get out of debt will help you keep your finances in order.

When you keep your focus on your debt and money situation, you are able to better control it.

Most advisors will tell you that you need to be debt free. Yes, that is the ultimate goal, but for many people, it isn't exactly reality. There are situations, like buying a home, in which you have to accept debt.

There is good debt and bad debt. Good debt is debt you can afford and bad debt is debt you can't afford. That's all there is to it. If you can afford your mortgage, car payment and RV payments, then it is alright. If you can't, then it isn't good debt.

When it comes to credit cards, however, they are bad debt, regardless. You will eventually reach a point where you can't afford them. That is almost guaranteed.

The key is to constantly work to paying off your debt. Start with your credit cards and high interest loans. Focus on paying off the cards with the highest interest rates to start with. This will save you money in the long run.

Once you have all of your credit cards and personal loans paid off, start working towards your autos and student loans. I like to focus on what has the lowest balance to pay off first. This helps you knock things off rather quickly -- adding to your gratification. If everything is about equal in balance and interest rate, I pick the highest monthly payment.

When you pay off a high monthly payment loan, you free up more money to put towards the next debt.

When you have your cars and student loans paid off, the next thing you have is your mortgage. You can be working on your mortgage throughout the process as well. By adding as little as \$100 a month to the average mortgage, you can knock several years and thousands of dollars off the mortgage.

That's the overall game plan. But be aware that it can change.

For example, you may find that you are in a situation in which you must have a new, reliable vehicle. You don't want to spend your emergency savings. The only debt you have is your mortgage. You are able to afford the monthly payments, yet plan to pay it off as quickly as possible. Then go ahead and finance a reasonably priced vehicle. Transportation is very important for work, school and other obligations.

What you must do is adapt your debt-reduction plan around the new car payment. Although you have added debt, it doesn't mean that you still can't work to be debt free.

Financial management is built around the idea that you must be flexible and able to adapt to the situation with smart choices. Too many people believe that there is a right way and a wrong way. That isn't necessarily true.