

Title:

Debt - Strategically Pay It Back

Word Count:

661

Summary:

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List Your Debt

Make a list of all your debt: The amount of each, the monthly payment and the interest rate. You may have trouble finding this information, but it's worth bringing it all together into one place and documenting it in a format you can fo...

Keywords:

Article Body:

When paying back debt, a little strategy goes a long way. It can literally save you hundreds, even thousands of dollars in interest charges. And the best part is that the best, most effective strategy is so easy to follow.

List Your Debt

Make a list of all your debt: The amount of each, the monthly payment and the interest rate. You may have trouble finding this information, but it's worth bringing it all together into one place and documenting it in a format you can follow. You can't manage your debt strategically if you don't even know the full extent of it, now can you?

Remember to include your credit cards (be sure to include the different rates and balances for purchases and cash advances) other cards, loans, mortgages, and even money you've borrowed from friends or family. All debt counts when you're trying to pay it off completely or to get it down to a manageable level.

Bad Debt and Good Debt

Go through your debt and organize them into "good" and "bad" debt. This may sound a bit odd, but all debt is not created equal - certain types of debt are nowhere near as bad as other debt. A mortgage, for example, is an investment in

a house, paid over a fixed term - there's no real risk of paying a ridiculous amount of interest or never getting it paid off. On the other hand, the interest you're paying on a credit card isn't tax deductible and isn't associated with an asset of value and so that debt is "bad" debt. Below are a few examples of both types of debt:

Good Debt - Mortgage, Student Loan, Car Loan

Bad Debt - Credit Cards, Store Cards

As a rule, good debt is for a fixed amount of time and allows you to buy something of value that without the debt, you couldn't otherwise afford. On the flip side, bad debt is "revolving" and is used as a substitute for cash to purchase in many instances, non-essential products and services.

#### Prioritize

For the time being, cross your good debt off the list. You shouldn't consider paying your good debt off early until you've paid all your bad debts off.

First, arrange your debts by interest rate, with the highest interest rate at the top. Odds are that the debt at the top will be a store card or credit card, which could have a very high interest rate. Next, try to transfer as much money as you can from the high-interest cards down the list to the lower-interest ones.

Once you've done that, focus all your energy on repaying the debt with the highest interest rate. Pay the minimum on everything else and throw as much money as you can find at paying that debt off as quickly as possible.

A few ideas to come up with some additional monthly income are: Cancel any non-essential monthly commitments and put that money towards your payments. Until you pay off your bad debt - stop saving. Keep track of where your money goes, for a month or two. This will enable you to find areas where you're spending money frivolously that you could be using to pay off your debt.

Do your best to give up any expensive habits you might have. You'll be shocked at how fast your debts can go down if you put the money you normally spend on smoking, drinking or gambling towards them! I'm not trying to spoil your fun here. Simply make a few small sacrifices for a while, and your life will be so much better in the long run.

You have to be aggressive against your high interest carrying bad debt and focus on eliminating it at all costs. This is a war, be the aggressor, win the monthly battles and before you know it you'll win your war against debt.

