

Title:

Can You Get Out From Debt?

Word Count:

554

Summary:

The first principle towards settling your debt and moving towards a debt-free existence is in prioritizing your debt. What you must hold on for now to and what you must clear immediately is the first step towards debt management. This article will give you some information guide on your debt management.

Keywords:

Get Out Of Debt,Debt Counseling,student debts, Debt Settlement,Consolidating Debt,debt consolidation

Article Body:

The first principle towards settling your debt and moving towards a debt-free existence is in prioritizing your debt. What you must hold on for now to and what you must clear immediately is the first step towards debt management. A good debt management and prioritization of you loans settlement will get you out of debt. This article will give you some information guide on your debt management.

Which loans to prioritize?

Logically, the one with the highest rate of interest is the one that should be cleared quickly.

Two types of loans that should be cleared as soon as possible are personal loans and credit card loans.

The interest rate on these loans is the highest. On credit cards, it amounts to around 24% per annum (at 2% per month). A personal loan should be around 18% onwards. Even if you get the personal loan at a discount, it would be around 14% per annum.

Which loans can be serviced over time?

In your debt management process, there are loans which you need to prioritize to pay them off first, but there are loans which you could service them over time

to reduce your loan repayment burdens. These loans can be serviced over time:

1. Loans with low or no interest rate

2. Loans with tax benefits

Home loans and education loan offer tax benefits and can be settled over time. Same for loans to family or friends, which are either interest-free or carry a low rate of interest.

The loans which you can close now

If you are in the bad debt situation, it is critical for you to close as much of loans as possible in the short period of time. Look at your asset list and see whether you have loan on these assets. For instance, you take a car loan for an asset - which is the car. In such a case, you can sell the car and close the loan.

If you are really struggling to pay your home loan, shifting to a smaller home or more economic location is solution for it.

Switch to Other Loans

As you know credit card interest rate is high and you might not able to clear it in short period of time; then, look for an alternative and switch it to a financier who will charge you a lower rate of interest.

For credit card, there is service call balance transfer. Say you are paying 2% or 2.25% per month on your card. You can go in for another credit card. They will pay back the bank and transfer your loan onto the new card. For the first six months, they will give you a lower interest rate. Say 1.5% or 1.75% per month. This lower rate of interest will help you pay back more.

For home loan, there are home loan packages which offer a very loan interest rate in the first 3 to 5 years; some even offer 0% interest rates in first 1-2 years. Take up these benefits by refinancing your home loan.

Summary

Almost all people have debt in somehow or rather and debt is the worst poverty. Being in debt is bad enough and not managing it well is worse. Know your debt and manage it property and you will get out from debt one day.