

Title:

Consolidating your debt

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315

Summary:

Debt consolidation is important especially when you owe lots of loans and debts to different creditors.

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Article Body:

Is it necessary to consolidate your debt?

Debt consolidation is important especially when you owe lots of loans and debts to different creditors.

Having credit cards is very common in America. So much so that people tend to carry at least six to eight credit cards in their pockets. They make unnecessary purchases to take advantage of advances through a credit card. They find themselves in undue situation from where they are unable to pay even their minimum balance. This has resulted in tremendous growth of credit card debts over the years.

The best way to get rid of such a credit card debt is by paying the balances on time. But this is not possible for everyone as they are trapped under a very high interest rate. One of the best ways to get out of this situation is by consolidating your debt.

How does consolidating debt actually work?

Consolidation debt can help a person lower the amount of debt and pay his unsecured credit debt faster. He can take care of his debts by merging all his payments into a single loan at a lower rate of interest that what he was actually paying. If your debt is credit card debt then consolidating debt is probably the best option.

For Instance:

A person who does not undertakes debt consolidation

- Lets say a person has a credit card debt of \$1000

- The rate of interest he has to pay is 20%
- This means that at \$1000 credit card debt the person has to pay an interest of \$200

A person who undertakes debt consolidation

- He merges his payments to a single loan.
- Let's say he too has a credit card debt of \$1000
- Due to bill consolidation he has to pay an interest rate of 9%
- This means at \$1000 credit card debt the person has to pay an interest of \$90
- This means an annual savings of \$110 in interest charges.