

# Quick Tips to Reduce Your Debt

## **1. Admit that you have a problem and commit yourself to fixing it.**

Only you can solve your debt problems, and it will take commitment. The first step in reducing debt is to make that commitment and decide that it's worth the effort. Some find it helpful to talk with a financial counselor or attend a meeting of others with debt problems. Finding other people who understand your problem can be a huge relief if you've been shouldering this worry yourself.

## **2. Stop debt spending.**

Take your credit cards, store cards, and gas cards out of your wallet and put them in a secure place at home. Pay in cash, write a check, or use a debit or ATM card. If you're still tempted to use the credit cards, cut them up. Also cancel the credit reserve or overdraft features on your checking account.

## **3. Track your spending and make a spending plan.**

Most people don't know how they spend their money, so they don't know how to control their spending. Tracking your spending will push you to pay more attention to where your money is going.

- *Track your cash spending.* Write down every bit of cash you spend and what you spend it on for one week.
- *Track the checks you write and payments you make with debit or ATM cards.* Every time you write a check, write down the number of the check. Every time you pay with your debit or ATM card, write the amount in your checkbook register.
- *Make a monthly spending record.* Track your spending by week to help you get a general sense of your spending habits.
- *Make a plan to cut your spending.* It's usually the casual spending on meals out, music, movies, and other "impulse" extras that have to be trimmed to make a manageable spending plan.

## **4. Pay down your debts month by month. Pay them off one by one.**

Make a list of all the debt payments you make each month. Choose one of your debts to pay off first -- either the one with the highest interest or the lowest balance. Use the money you're saving by cutting spending (step 3) to pay more toward this debt each month, while keeping up the payments on your other debts. When the first debt is paid off, move on to the next one.