

Make yourself proud! Dig your way out of debt



Debt plays a part in most people's financial lives. It can be the student loan that helps you get the education you want, the mortgage that helps your family move into a new home or the credit card you use for regular purchases. The amount of debt you owe has a habit of building up over time.

A large amount of debt gets in the way of your financial goals, like saving up for your retirement. And some forms of debt, like credit cards, feature compound interest, which makes your debt grow more quickly, making it much harder to pay down.

Paying down your debt as fast as possible can be a big boost to your personal well-being and financial wellness.

Here are a couple of popular methods for tackling sources of debt:

The snowball method

The key to the snowball method of paying off debt is starting small. Start by paying off your card or loan with the smallest balance first. Then, once you've paid off the smaller debt, move on to the next biggest source. You'll rack up bite-sized achievements faster on your quest to becoming debt free!

The avalanche method

The avalanche method is all about interest rates. Start by paying down the source of debt with the highest interest rate first. The size of the balance doesn't matter. Once you've paid the first debt off, move on to the source with the next highest interest rate. You'll pay less interest overall by tackling your debt with the highest interest rates sooner, saving you money over time.

It's important to remember that with either of these strategies, you'll want to make the minimum payments on all your debt every month.

Life's brighter under the sun



As you work to pay down your debt, there are some important things you may wish to keep in mind:

- **Create a budget.** Have a job for every part of your paycheck and track your expenses. If you find ways to save, you can put that money towards your debt repayment goals!
- **Build an emergency fund.** Surprise costs happen. It's unavoidable. But you don't have to resort to paying for emergency expenses on your credit card. By building an emergency fund, you eliminate the risk of adding further to your debt load. As a general rule, it's good to aim for enough money to cover three to six months of your expenses. It might take months or years to build up, but you'll be glad you have it when you need it.
- **Don't take on new debt.** This might seem like common sense, but it's important. While you're trying to pay off what you already owe, avoid taking on new debt.
- **Put your tax refund, bonus or any other extra money towards your debt.** You can use any lump sums that come your way to pay down your debt. By paying your debt off sooner, you'll save money on interest later, and clear the way to reach your financial goals.
- **Speak with an advisor.** If you want to make your debt disappear, an advisor (registered as a financial security advisor in Quebec) can help you figure out the best way to get started. They'll assess your current financial situation and help you craft a plan to help you become debt free.

It feels good to pay off debt. Do it as fast as you can to gain the financial freedom you deserve.

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