myHealth CONNECTIONS
PROMOTING HEALTH AND WELL-BEING

REDUCING DEBT: CREATING A DEBT PAYMENT PLAN

A debt payment plan will keep you on task and speed up the process of paying down existing balances.

1. List your existing debts.

Include credit card debt, student loans, personal loans, mortgage and all other debts. Include minimum payment amounts, interest rates and total amounts owed.

2. Rank your debts.

Decide the order in which you want to pay off debts. The order is up to you, but the important thing is to stick with your decision.

3. Find extra money to pay debts.

Take a hard look at your monthly budget to determine where you can cut back spending and apply that money to your debt payment plan. Direct money you receive from gifts, bonuses or tax returns to your payment plan. Consider selling unused items or taking on a part-time job. County employees will have to disclose that they have a second job by completing the Dual Employment Form.

4. Focus on one debt at a time.

Going back to the ranking you determined in Step 2, focus on paying off the debt at the top of the list. Put as much money as you can toward this debt while paying the minimum on all other debts.

5. Move on to the next debt on your list.

Once you've paid off the first debt on your list, move on to the second. Repeat the strategy in Step 4.

6. Build your savings.

Focus on building your savings. An emergency fund can keep you from sliding back into debt. Use credit cards responsibly or not at all.

Start an emergency fund

An emergency fund of approximately one month's salary can help you avoid using credit cards while working on paying off existing debts.

Source: thebalance.com

REDUCING DEBT: CHOOSE A PLAN FOR PAYING OFF CREDIT CARD BALANCES

No matter how many credit cards you have, you must pay at least the minimum each month. But the larger goal is to pay off all balances entirely.

1: Target one card at a time

Rank your credit card debt, either by interest rate (card with highest interest rate first) or by balance owed (smallest balance first). Pay as much as possible to whatever card is at the top of your list while paying the minimum on the others. Then move on to the next card on your list.

2: Pay more than the minimum on all credit cards

Every dollar over the minimum payment on a monthly credit card bill goes toward your principal. And the smaller your principal, the less interest you'll pay

3: Combine and conquer

Consolidating credit card debt lets you fold several higher-interest rate balances into one with a lower rate so you can pay down debt faster without increasing the actual payment amounts. One way to do this is with a balance transfer to a lower-interest card. Balance transfer fees are often 3% to 5%, so you have to weigh that fee against the cost savings afforded by a lower interest rate. Another strategy is to use a home equity line of credit to pay off credit cards, but only if that line of credit carries a lower interest rate than your credit cards.

4: Reprioritize your budget

Take a close look at budget categories such as groceries, transportation, entertainment, etc. and determine where you can cut back. Apply the savings to your existing credit card balances.

Feeling overwhelmed with debt?

Don't despair — you can get out from under *and* build your savings with these easy steps from America Saves.

COOK COUNTY BENEFITS CONNECT

Source: Americasaves.org