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## Good vs. Bad Debt: Know the Difference

Is all debt bad? Not necessarily. Strategic spending can often work out well in the long run, even if this means temporarily racking up loan balances. However, it's important to plan carefully to make sure you're making wise choices.

Here's what to keep in mind as you consider different forms of debt.

### Good Debt

What's a potentially healthy way to borrow? If you can secure a relatively low interest rate and put the money toward something that's likely to boost your income later, this action could be considered an investment. Just remember, as promising as some endeavors may seem, they aren't guaranteed to [put you ahead in the future](#) -- especially if the financed amount is significant.

**Examples:** Home mortgages, student loans and small business loans are typically viewed as good debt.

### Bad Debt

The worst kind of debt is high-interest and consumption-based. When you're borrowing money to buy things that will quickly lose value and your lender imposes a steep interest rate, you could end up paying more for something than it's worth.

**Examples:** Using your credit card to buy clothes or electronics or taking out a high-interest loan to finance a new luxury vehicle would be ways to accrue harmful debt.

### How to Know the Difference

If you're not sure whether you have good or bad debt on your hands, ask yourself a few questions. Are the items or activities you're financing helping you work toward security and independence, or is your debt acting as an obstacle by pushing these goals even further out of reach?

Money can act as a tool to help you build your best life, but it should be used carefully. As you make your spending decisions, be sure to consistently keep your long-term goals in mind.

Have questions? Reach out today.

*Thank you for reading our newsletter!*



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