FOR MORE INFORMATION, CONTACT YOUR DEDICATED EDUCATIONAL RESOURCE TODAY!

HUNTER NIGHBERT
FINANCIAL ADVISOR

hnighbert@mcfadvisors.com
859.967.0990

MCF
a fiduciary partner

PRIORITIZING DEBT

Debt is sweeping the nation. With student loan debt becoming astronomical among millennials and credit card debt piling up in the background, it can feel overwhelming that your savings is getting the short end of your paycheck. According to the Federal Reserve Bank of New York, Americans' total household debt as of 2019 has reached $14 trillion – a record high.

Thoughts of financial stress flood our minds of how we are going to afford our current lifestyle and our future in retirement.

Putting off saving for retirement until you are debt-free could cost you your most valuable asset: **TIME**. With compound interest, even small contributions to your retirement plan can grow significantly over the years.

Starting out small, even 2% today can help establish financial security for your future in retirement.

Don't feel like you can save for retirement because your debt is too much? Like most Americans, debt can control our lives and we often feel like we will never be debt free. We've outlined some potential different strategies, which may help as you decide how to recover from debt and work towards financial security for your future.

Prioritizing Debt by APR: Debts with higher APR cost you more each month and it is recommended to pay off this debt first and work your way down. This method is also known as Avalanche Debt Repayment because it allows you to accelerate your payments quickly. When you take out the highest APR debts first, all other debts are quick to follow.

Prioritizing Debt by Lowest Balance: Starting with your lowest balance first can help you gain motivation when paying down debt. This also allows you more cash flow that can be used towards paying down your largest debts. Staying motivated while repaying debt is the key to success, so celebrate those victories!

Prioritizing Debt by Largest Balance: Paying off your largest balance first isn't always someone's first thought. Consider paying off the largest balance first if:

• It’s on a 0% promotional APR period
• The large balance is hurting your credit score because you’re using more than 30% of that available credit limit
• You’re paying off a joint account from your divorce decree so you can close the account
• Part of the balance has a higher APR because you used a specialized type of transaction, such as a cash advance

Once this large balance is paid off, consider using the above two methods for paying off the rest of your debt.

Consolidate: If you are not able to pay off your balances within 5 years or all of your interest rates are high enough making it impossible to pay off your debt quickly, then you may need to consolidate. For credit card debt, you may be able to consolidate using a balance transfer credit card. For debts like student loans or mortgages, you may be paying more interest than you should. Search for lenders and their current offerings for refinancing. By doing so, you may reduce your monthly payment AND the period of the loan.

Consolidation helps minimize the interest charges applied to your debts so you can pay off the principal faster – the debt you actually owe.

MCF
a fiduciary partner