

Five ways to weather your way through your debt

Meteorologically managing your money

Credit is a great tool that helps us get established in life, but eventually our accumulated debt needs to be paid off. Easy enough said in principle, but for many people it's tough to reverse the tap from accumulation to decumulation.

Most people come into debt slowly and steadily over many years. Expecting that it can be overcome quickly and effortlessly may not be realistic. You need to do three things:

- Wean yourself away from taking on more debt
- Make sure you are paying all the interest on what's outstanding, and
- Pay down the principal owed to your creditors

Where to start

With that in mind, here are some meteorologically-themed strategies to begin dealing with your debt. These are not mutually exclusive so decide what best fits your sensibilities, and keep in mind that planning is nice but you need to commit to action, even if it's small steps.

Your first step is to figure out what you reasonably need to live on each month while you tackle the debt, which will then tell you how much is available to knock down the debt.

1. Even payments – *A steady soak*

The easiest arithmetic may be to just pay the same dollar amount to each debt, being sure that you're above each creditor's required minimum where extra interest or penalties may apply. Monitor it monthly (and otherwise don't fret), and as the smaller items drop off, adjust the amount and reallocate among what's remaining.

2. Smallest first – *Sun showers*

Actively tracking many accounts can be mentally wearisome, and even physically draining. Instead, you could concentrate on your smallest debts one at a time, while paying the minimums on the rest. As you peel away those nuisance amounts, you build confidence in your abilities, freeing time and mental space to move on to the larger balances. As well, early and frequent victories will bolster your resolve.

3. Biggest first – *The downpour*

It depends on you, but one of the biggest stress inducers for many people is simply seeing a large dollar figure. Your heart sinks each time you open your statement because you see and feel what seems like an insurmountable obstacle. By wiping out large chunks of this large chunk, you're able to see beyond it to get perspective on your entire financial picture, and make visible headway toward reaching your goals.

4. Most costly first – *Thunder and lightning*

If you ask the mathematical technicians, this is where you should begin. It can easily be shown that eliminating your highest interest debt is the fastest way to stem the flow required to service all of your debt. Once you've beaten down that most costly leakage, you can build on that momentum to aim at progressively easier targets. If you are driven by logic, this is the strategy with the strongest appeal.

5. Your habits – *The all-weather solution*

Again, the key is to get started, but it could be a fruitless exercise in the long run if you don't know how you got to this position. While you trim your debt, consciously consider your past and present spending patterns and living habits. This can free up more cash for the cause while in the midst of debt reduction, and lay the groundwork to be in a more comfortable position to enjoy and sustain sunnier days ahead.

For more information, please consult your financial advisor and tax professional.

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