Debt Reduction Strategies

Like many people, you may find that after paying bills each month, you have little money left over. Below are some debt-reduction tactics you can try:

Minimize variable expenses. Identify opportunities to cut back on various expenses. For example, carpool to reduce fuel expenses, dine out less, consider online grocery ordering to avoid buying what you don't need, or reduce unnecessary fees.

Limit impulse buys. Ask yourself, "Do I NEED this or do I just WANT it?" Consider rewarding yourself with a little something after you've saved a set amount for the month. Soon, you'll realize it's more gratifying to save than to buy that one thing you're sure you can't live without.

Evaluate services to make sure you're getting the best deal. Regularly review the price of products and services that change regularly. Examples include cell-phone plans, cable and satellite TV programs, and auto/homeowners insurance.

Pay more than the minimum monthly payment. If you can afford to pay more than just the minimum monthly payment, you will avoid paying finance charges, saving you hundreds, even thousands. Additionally, you will pay the debt off sooner and, if a credit-card balance is high relative to your credit limit, you will improve your credit score.

Restructure your payments. Arrange to have payments on fixed loans made biweekly, at no additional cost. This can drastically reduce the total amount of interest you pay while significantly reducing the time that it takes to pay off your loan. If you can't set up biweekly payments, try making a single extra monthly payment once each year.

Refinance. If you own your own home, refinance an amount that will pay off any existing mortgage and additional debts. If you prefer to keep your current mortgage because it has a lower interest rate or it has a prepayment penalty, opt for a home equity loan to pay off your other debts.

Increase your credit score. With a 40- to 60-point increase in your credit score, you could save hundreds of dollars a month by refinancing your home or car and have your insurance re-quoted.

Sell some assets to pay down your debt. See items you have to bring in extra capital and pay off debt. For example, have a garage sale, post items online, or sell the ATV that rarely gets used.

A secured loan. You could take out a loan that is secured by a specific asset, like an expensive car or boat that you have equity in, or a term share certificate or stock.

An unsecured loan. If you don't have any other property or assets to borrow against, but you have good credit, an unsecured loan may be an alternative. It has a shorter term, with higher monthly payments, and a higher interest rate. But the debt principal will reduce more quickly.

ACTION PLAN TO INCREASE YOUR CREDIT SCORE

Beginning Credit Score: ____________ Date: __________

Focus On: ______________________________

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Score Check-Up: ____________ Date: __________

Focus On: ______________________________

Score Check-Up: ____________ Date: __________

Focus On: ______________________________

Score Check-Up: ____________ Date: __________

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