

How To Get Out of Debt and Stay Debt Free Forever



Debt solutions and strategies to pay off debt and then stay out of debt forever can be different for everyone. One thing is clear, the sooner you are able to resolve your debt issues

and deal with your debt, the more options you will discover open to you.

Part of paying off your debt is learning sensible money habits, which help you to stay happily out of debt in the future.

Here are five simple strategies to help you to understand your debt, map your overall financial situation, monitor your financial position and apply some savvy money management techniques to keep you debt free moving forward.

1. Reduce Debt By Managing Your Money Smarter

Step number one on the road to freeing yourself from the burden of debt is to understand how to manage your money. Once you have mastered that, its easier to get out of debt and then to stay debt free.

One of the oldest systems for managing money revolves around sticking to three simple ratios:

1. Ten percent of your earnings should be saved and hen invested
2. Twenty percent of everything you earn should be used to pay debts. If the amount available is insufficient this is a warning sign to get a grip on your debt levels and make some positive steps to address your debt before it is out of control
3. Seventy percent off everything you earn should be used to cover your living expenses.

This system is simplicity itself but it comes with two clear messages:

- Regardless of how much you earn, always stick to the ratios. If you have to change your lifestyle and sacrifice to fit into the 70 percent allocated for living expenses, make them!
- Increases in lifestyle and the amounts available to pay off debt and to save and invest only come from increases in your income.

So, start by setting up a budget:

2. Regain Control

- Learn Budgeting: If you don't have experience with budgeting, remember a budget is a guide, not a straightjacket. It is there to map out a path to future financial freedom
- Excel Spreadsheets: The easiest option for beginners. There are free budget templates available on the Internet, which are handy and easy to use. You can also automate Excel so it less time intensive
- You Need A Budget: This is an amazing software package. It is not free, but it is worth the money to fast-track your budgeting skills
- Clarity Money App: This free app helps you to set up a budget and also help with analysing your expenses identifying areas you can cut back.
- Personal Capital: Another free aid, handy set up groups to track where you spend your money.

When your budget is up and running you have the information you need to look at a debt reduction plan.

3. There's An App For That: Your Debt Digital Assistant

When you are ready to seriously tackle your debt levels, get a little digital help with the Pay Off Debt app. You still need to understand how you ended up in debt, but the Pay Off Debt app maps a savvy path forward from there.

For a one-off cost of \$4.99, it will structure your debt for you and identify what payoff strategy works for your personal situation to pay off your debt. The app also helps track goals and provides the visual motivation to help you stick to your debt reduction plan.

4. Consolidate Your Debt

When your debt repayments exceed your ability to pay, it is time to seriously consider debt consolidation options. Consolidation enables you to work your way out of debt by making your monthly debt payments more realistic.

There are generally three options for consolidation:

1. Creditor negotiations
2. Peer-To-Peer loans
3. Consolidation companies

Creditor Negotiations

Negotiating with your major creditors is a sensible strategy, but it can be a fraught process and is very time intensive. Start by negotiating to have any late charges waived and your interest rate reduced.

Peer-To-Peer Lenders

Going the peer-to-peer lending path provides access to a personal loan funded by a peer network of investors. The company then distributes your monthly payments to the people who funded your initial loan. It is a great source of loan funds and bypasses all the hassles that come with dealing with a bank.

Consolidation Companies

Debt consolidation companies don't help you slay huge amounts of debt. In fact, you can end up paying more and staying in debt longer going down the consolidation path. Debt consolidation is simply a refinanced loan with extended repayment terms.

- Extended repayment terms mean you'll be in debt longer
- A lower interest rate isn't always guaranteed when you consolidate
- Debt consolidation doesn't mean debt elimination.



5. Credit Counselling

If you are drowning in debt and struggling to find a workable solution, credit counselling can help. A credit counsellor will walk you through your debt situation. However, you still need to actively manage your budget and pay your bills on time.

A credit counsellor will help you to map out a budget and analyse your debt to create a path forward to paying down your debt. Many credit counsellors will help with:

- **Negotiating With Creditors:** The credit counsellor will undertake all negotiations on your behalf and manage your monthly repayments
- **Negotiate Lower Interest Rates:** As credit cards carry high interest rates, lowering your credit card interest rates will make it easier for you pay down your credit card debt
- **One Monthly Payment:** A debt consolidation program with a credit counsellor may give you the option of making a single monthly debt payment. Your counsellor directs that monthly payment to reduce your overall debt
- **Waive Penalties & Late Fees:** If you have racked up significant penalties and late fees you can remove them via a debt consolidation program. Your creditors waive these fees, lowering the total amount you owe.

Always look for a certified debt counsellor who will outline their services and fees clearly up front. Ensure they can assist you with your type of debt and can show their experience in dealing with similar debt scenarios.



Final Observation

Getting out of debt and then managing to stay out of debt is a life-changing experience. Take the time to do it right to ensure you become debt free and are in a position to stay debt free moving forward. Do your research. Consider the pros and cons of each strategy and then think about your own circumstances. Do you need or want someone to help you with negotiations or are you confident

you can work through your debt issues on your own? Above all else, set up a budget, monitor it and stick to it.

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