

5 Ways to Reduce Your Debt Right Now That Won't Cost You a Dime!



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Reducing your debt is all about having a system in place. This isn't going to happen overnight, but if you stick with it, there is no reason why you won't be able to drastically reduce your debt and eventually become debt free!

1. Be Strategic in How You Pay Your Debt. Identify how much each month you can contribute to paying towards debt, then choose one of the strategies below.

Method 1: Snowball method. Pick the account with the smallest balance and aggressively pay that off. To do this, only pay the minimum amount on all your other accounts. Use the rest of your money to get the smallest account paid. Then move to the second smallest account and rinse and repeat.

Method 2: Hybrid strategy. Not all debt accounts are created equal. You can save more by paying extra on some accounts vs other accounts. To start, you pick the smallest account and get that paid off (very similar to the Snowball method). You do this to build momentum, but after that, you focus on paying extra on the account that is going to save you the most money. This all depends on what your current interest rates are. To figure this out, use the debt paydown calculator at <https://www.bankrate.com/calculators/managing-debt/debt-pay-down-calculator.aspx>

2. Track Your Expenses. If you want to get out of debt sooner, you have to be able to pay more each month on your debt. To do that, you must budget better. In order to budget better, you need to start tracking your expenses. This is the single greatest tool to control and reduce spending. It keeps your spending top of mind which helps you make better decisions. Most people use automatic apps such as mint.com to track their expenses, but this doesn't help train your awareness, which is how you can start spending less, saving more, and getting out of debt sooner. You don't need anything exotic. When I first started tracking my expenses, I used a yellow legal pad on my nightstand. I eventually developed a spreadsheet to help which I will be releasing to the public soon! But in the meantime, start tracking your expenses now. Most of my clients can reduce spending by 10 to 20% by simply tracking their expenses. That could be an extra 10 to 20% that you can devote to paying off your debt.

3. Use Balance Transfer Offers and Take Advantage of 0% Interest! This only works if you are committed to being disciplined. Most people use this method but never get out of debt, they simply keep delaying the inevitable. However, if you are serious, have a budget and a specific monthly amount earmarked to pay down your debt, then this is a no brainer. Most cards have interest rates from 14% to 21%. When you do a balance transfer, you usually get a 6 to 18 month window where

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you pay 0% on your transferred balance. This means every cent goes to principal. Check out <https://www.creditcards.com/balance-transfer/> for a list of current balance transfer promotions.

4. **Celebrate Your Victories.** You need to celebrate your wins. When you pay off an account do something to reward yourself. You need to keep the momentum and energy going. If you don't feel like you are making progress then you will eventually quit. Each time you make a payment above the minimum, you are saving money in unpaid interest. Try to gamify paying off your debt as much as possible. If you can somehow make it fun or less painful, you are more likely to stay the course.

5. **Set A Big Goal.** Once you are done paying off your debt, you are going to have a lot more disposable income. Come up with a big goal that gets you excited. Maybe it's going on an amazing vacation or buying a house or remodeling your existing house, whatever it is, write it down and put it on your bathroom mirror or in a place where you can see it every single day. This will help you stay the course on days when you don't feel like it.

The secret to paying down your debt is to be consistent. You need to automate as much as possible and take the guesswork out of it.

If you want more information or want to receive a 30 minute finance coaching session, then give us a call at 469-607-8552 and mention the title of this pdf, and the session will be free.

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