

Between mortgages, car loans, credit cards, and student loans, most people are in debt.

While being debt-free is a worthwhile goal, most people need to focus on managing their debt first since it's likely to be there for most of their life.

Handled wisely, that debt won't be an albatross around your neck. You don't need to shell out your hard-earned money because of exorbitant interest rates or always feel like you're on the verge of bankruptcy.

You can pay off debt the smart way, while at the same time saving money to pay it off faster.

Assess the Situation

First, assess the depth of your debt. Write it down, using pencil and paper, a spreadsheet like Microsoft Excel, or a bookkeeping program like Quicken. Include every financial situation where a company has given you something in advance of payment, including your mortgage, car payment(s), credit cards, tax liens, student loans, and payments on electronics or other household items through a store.

Record the day the debt began and when it will end (if possible), the interest rate you're paying, and what your payments typically are. Add it all up, painful as that might be. Try not to be discouraged! Remember, you're going to break this down into manageable chunks while finding extra money to help pay it down.

Identify High-Cost Debt

Yes, some debts are more expensive than others. Unless you're getting payday loans (which you shouldn't be), the worst offenders are probably your credit cards. Here's how to deal with them.

- Don't use them. Don't cut them up, but put them in a drawer and only access them in an emergency.
- Identify the card with the highest interest and pay off as much as you can every month. Pay minimums on the others. When that one's paid off, work on the card with the next highest rate.
- Don't close existing cards or open any new ones. It won't help your credit rating.
- Pay on time, absolutely every time. One late payment these days can lower your FICO score.
- Go over your credit-card statements with a fine-tooth comb. Are you still being charged for that travel club you've never used? Look for line items you don't need.

- Call your credit card companies and ask them nicely if they would lower your interest rates. It does work sometimes!

Save, Save, Save

Do whatever you can to retire debt. Consider taking a second job and using that income only for higher payments on your financial obligations. Substitute free family activities for high-cost ones. Sell high-value items that you can live without.

Do Away with Unnecessary Items to Reduce Debt Load

Do you really need the 800-channel cable option or that dish on your roof? You'll be surprised at what you don't miss. How about magazine subscriptions? They're not terribly expensive, but every penny counts. It's nice to have a library of books, but consider visiting the public library or half-price bookstores until your debt is under control.

Never, Ever Miss a Payment

Not only are you retiring debt, but you're also building a stellar credit rating. If you ever move or buy another car, you'll want to get the lowest rate possible. A blemish-free payment record will help with that. Besides, credit card companies can be quick to raise interest rates because of one late payment. A completely missed one is even more serious.

Pay With Cash

To avoid increasing debt load, make it a habit to pay with cash. If you don't have the cash for it, you probably don't need it. You'll feel better about what you do have if you know it's owned free and clear.

Shop Wisely, and Use the Savings to Pay Down Your Debt

If your family is large enough to warrant it, invest \$30 or \$40 and join a store like Sam's or Costco--and use it. Shop there first, then at the grocery store. Change brands if you have to and swallow your pride. Use coupons religiously. Calculate the money you're saving and slap it on your debt.

Each of these steps, taken alone, probably doesn't seem like much. But if you adopt as many as you can, you'll watch your debt decrease every month. If you need help managing debt give us a call. We can help.

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