

How to tackle debt reduction

Debt reduction strategy that works



If you are struggling with a large debt load, it can be easy to lose sight of who's really in charge: the debt or you. Even though you may feel like your debts are running your life, don't forget you are the boss. That means that you can decide to take charge of your debt and pay it down.

Here are some tips on how to tackle debt reduction.

Decide to change

“The very first (and most important) step of debt reduction is deciding to do it. You are at a crossroads. You can continue on the same path or you can decide to change direction with your debt and regain control of your finances,” says Jeff Schwartz, executive director, Consolidated Credit Counseling Services of Canada.

“You *can* pay down your debt, but it will take time. Your debt load likely didn't appear overnight. By the same token, it will take months or even years to eliminate. Debt reduction is a daily commitment,” says Schwartz.

Wishing your debt away won't make it disappear. Once you've decided to get moving with debt reduction, you need a plan in place with specific tools and actionable items.

How did you get here in the first place?

To develop a strategy that will work for you, it's a good idea to consider how you got so deeply in debt in the first place. That will help you to correct the mistakes and increase your chance of success.

Some common reasons that people accumulate debt are living without a budget, spending beyond their means or having to turn to debt to pay expenses. To address these, set up a detailed budget, commit to cash and start building up an emergency fund.

How will you pay down your debt?

What options are available to you to pay down your debt? Can you do a DIY consolidation with a balance transfer on your cards? Maybe a consolidation loan from your bank would be your best bet?

If neither of these are available to you, pick either the smallest balance card that you've got or the highest interest bearing one and put all available money down on that until the debt is gone.

Do more with less

To reduce your debt, you've got to stop spending, which means finding creative ways to stretch your dollars. Be a smart shopper and seek out deals and coupons. Commit to never paying full price for anything by using a coupon or price match strategy or shopping around.

DIY wherever you can, whether it is home repair, maintenance or cooking. You can use your savings to accelerate your debt repayment.

Be patient with yourself

One of the most important steps that you can take to pay down debt is to recognize that you are human. You may have made money mistakes in the past, but it's time to focus on the future and how you can make strides to get there.

One thing that you can do is learn to ask for help and support when you need it. This can be enlisting family and friends to support your cost-saving measures or getting help from professionals who can help you develop a smart debt repayment strategy.

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