

STRATEGIES TO PAY PAY OFF DEBT



There are 3 ways you can approach repaying debt:

- The snowball method: A bottom-up approach
- The avalanche method: A top-down approach
- Debt consolidation: A single-debt approach

Choosing an approach provides a guideline on how to efficiently repay your debt and help you progress towards your goal.

There's no right or wrong method. It depends on what works for you and your situation, and it could mean a combination of methods.

1. List all your debts and the amounts owed. You can use our debt log for this.
2. Arrange them from smallest to largest amounts.
3. Figure out how much to pay towards it. Consider paying more than the minimum to accelerate your momentum.
4. Roll over the extra towards your next payment.

STRATEGY	HOW IT WORKS	HOW YOU GAIN MOMENTUM	WHY IT WORKS
THE SNOWBALL METHOD	Pay off the smallest debts first and as quickly as possible.	Once the debt is paid off, you take that money and put it towards the next-smallest amount owed.	<p>Paying off one debt frees up money to pay off another so you can afford to pay more money into that debt and pay it off faster.</p> <p>Small amounts might feel more manageable and give you a quick win.</p>
THE AVALANCHE METHOD	Pay off the loan with the highest interest rate (i.e. the most expensive) first.	After paying off the debt, add the money you would've paid towards it into the next-highest amount.	<p>Paying off large amounts of interest means you pay less over time.</p> <p>Getting large amounts out the way leaves you with breathing room and frees up cash flow.</p>
DEBT CONSOLIDATION	Combine all your debt into a single loan amount.	Going from multiple lenders to one means one interest rate, which is usually lower, and there is only one amount to pay off.	<p>Paying a lower interest rate means it's less expensive over the long run.</p> <p>A single payment is more manageable and can keep you focused.</p>