



Your Financial Health

Create a Debt Reduction Plan and Stick To It

Most workers today report financial stress due to credit card debt and lack of enough money in savings. Here are 7 steps toward debt reduction.

1. Take stock of your debt – make a list of all your monthly credit card and loan payments. For each bill, list the total amount owed, minimum required monthly payment and the interest rate being charged.
2. Determine how much you can pay. Add up all of your household monthly expenses and the minimum payment of your debts as well as any other spending on clothing & entertainment. Subtract this total from your monthly income – the remaining amount is what can be used to pay down more debt.
3. Pick up the phone – call lenders and explain your situation. It is possible you can negotiate a lower interest rate.
4. Start with one targeted bill – focus either on the debt with the lowest balance or the highest interest rate. If you start with the lowest balance and pay that off – you have created a quick success and can now use dollars allocated to that bill to pay off another debt.
5. Chart a payment path – paying the monthly minimum on each debt. The exception is to put any extra dollars toward ONE debt to pay it off faster. This exercise removes your debt one by one – giving you the ability to put more and more money toward each remaining bill.
6. Get creative by using any extra income to pay off debt. Have a garage sale, consider a second job or use your annual tax refund to pay off debt.
7. Break the cycle. As you start to escape debt, it is tempting to reward yourself with purchases, such as an expensive dinner or something new. Think about how you can do those things by saving first and paying with cash versus credit.

Your AIS Planning Team

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Plan your tomorrow. Enjoy your today.

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