

Developing Your Debt Repayment Plan

Almost one-third of all families are taking on more debt from month to month. As consumers we are committing more and more of our future income to debt. If you are barely making ends meet and you are looking for a way to get out of the stressful monthly grind, consider establishing a debt repayment plan.

What is a debt repayment plan? A debt repayment plan is a systematic or regular plan to repay debt you have incurred. To begin with, you must review your budget and cash flow; then determine your timeline for paying off debt. Now for the more difficult step – calculate how you can squeeze extra dollars out of your monthly budget to begin paying down your debt.

Let's say you have a \$1,000 balance on a major credit card, and you decide you want it paid off within 10 months. Simple math shows that you will need an extra \$100 per month to pay down the \$1,000 debt. It can be done, but you will also need to avoid increasing your debt; in other words, reduce your spending.

Why develop a debt repayment plan? A debt repayment plan will be your map or game plan to reduce your debt. Knowing what debt you have and where you want to be is essential. Developing a plan will make it easier to successfully repay your debt. A debt repayment plan is also useful in repairing your credit if needed. The form on the next page can be of help to you when developing a workable plan.

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