

Strategies for effective debt management



It would be safe to say that almost everyone has debt - some people just have more to deal with than others. But debt isn't necessarily a bad thing, especially when it is used for investments and self-development like pursuing further studies or putting up and expanding your own business. Debt can simply be a smart measure to obtain money for achieving a specific goal. But regardless of the size and purpose of one's debt, keeping track and managing your debt prudently is a must.

Debt management is a way to get your debt under control through financial planning and budgeting. The goal of a debt management plan is to use these strategies to help you lower your current debt and move towards eliminating it completely. Debt management plans are meant to assist create a budget for yourself that will allow you pay off your debts and maintain financial stability.

Here are 3 principles of debt management that will get you started on the right path to managing your debt:

- 1 Understand your debt.** This requires you to take a critical look at what you owe taking into account the following;
 - Amount(s) owed
 - Interest rates
 - Due payment dates
- 2 Make a budget.** Once you have an idea of what and how much you owe, you can create a workable budget that you can reasonably follow. This might seem like you are depriving yourself, but you are actually prioritizing your spending so that you can enjoy a better financial future.
- 3 Start paying off debt**
 - Avalanche method. This strategy helps you pay off the loan with the highest interest first while continuing to make minimum payments on your other debts.
 - Snowball method. This allows you to pay off your smallest debt first, regardless of the interest rate. As smaller debt gets paid off, the borrower then directs payments toward the next smallest debt amount.

Essential tips on how to manage your personal finances

Personal finance is about meeting personal financial goals, whether it's having enough for short term financial needs, planning for retirement, or saving for a child's college education. It all depends on your income, expenses, living requirements, and individual goals and desires.

Here are some tips to guide you towards managing your finances.

- Draw a budget. A budget is essential to living within your means and saving enough to meet your long-term goals. As you stick to your budget, it helps you avoid impulse buying
- Create an emergency fund. This ensures money is set aside for unforeseen circumstances. It is recommended you have a minimum of 3 to 6 months of your living expenses in an emergency fund.
- Spend less than you earn. To keep debt from getting out of hand, do not spend more than you earn.
- Monitor your spending habits. Tracking your expenses enable you to see where your money goes. This helps you to know exactly how much money you have and also better analyze your standard of living, whether you are living within or beyond your means.
- Pay your debts on time. Paying bills on time is an easy way to manage your money. It helps you avoid late fees and prioritizes essential spending.

If you have a question or would like to know more, please call us on 0302 610610 or send us an email at newmont@databankgroup.com.

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