

Pay it Off for Good – Debt Consolidation 101

Debt is part of the American household, as typical as your living room couch. Short on cash flow, you meant debt to be a temporary fix.

Instead, it's been hanging around your house for too long. Like the time your old college friend, Brett was in a jam and needed a place to stay for a few days.

Except a few days turned into a few weeks. He'd go outside to get his daily Amazon packages wearing the same gray t-shirt and Spiderman pajama pants. He'd order pizza on your card every time promising to pay you back next time. Weeks turned into months. Clueless, he'd ask "Is everything okay between you guys? You seem tense."

Debt is an unwanted houseguest too.

2018 studies by [Northwestern Mutual](#) and [NerdWallet](#) show personal debt continues to rise.

Eliminating debt is a financial priority if you want to build wealth. More than that, it feels good, like "just got a promotion" good.

Before debt permanently moves in, causing fights and sleepless nights, here's what you can do to get rid of Brett ... er, um ... *debt*, for good.

"Know What You Owe"

We discuss this on our Debt Consolidation Loans [page](#), but key messages are worth repeating. Make a list of all your debts, including the interest rates, payment amounts and balances. Then make a list of all your other expenses including any quarterly or annual charges.

Compare your income and expenses even if you think you know where all the money is going. You might find some opportunities because you're looking at it from a different view.

Is there any extra income that can go towards debt? Are there subscription services you pay for but don't use?

Pick a Strategy

Remember the [four debt reduction strategies](#), Snowball, Avalanche, Tsunami and Snowflake?

- Snowball focuses on the smallest debt balance first.
- Avalanche concentrates paying down the highest interest debt first.
- Tsunami works to end debt with the most emotional pain first.
- Snowflake takes advantage of found and unplanned money towards debt payment.

All involve making extra payments to one debt until it's gone while making minimum payments on the rest. When you've cleared one debt, you roll the amount you were making on it as the "extra" payment towards the next debt.

Review the [strategies](#) using the list you made earlier. Pick one that's doable and fits your style – quick win, highest interest, emotional pain. Automate payments if possible.

Consider Debt Consolidation

Consolidation might be a [good idea](#) if you can answer "yes" to all the following:

- Is your debt (excluding mortgage) less than 40% of gross income?
- Is your credit score good enough to qualify for a low-interest loan or 0% interest credit card?
- Can you make the payment?
- Do you plan **not** to run up more debt?

Here are two approaches if consolidation makes sense for you.

Loan - A [Debt Consolidation Loan](#) or [Anything Loan](#) from White Sands can turn a rat's nest of payments and interest rates into one payment.

0% Interest Rate, Balance-Transfer Credit card - White Sands [Visa](#) makes sense if you know you can pay the full balance within the promotional period.

White Sands can look at both options and help you determine which one would better serve you.

Don't Backslide

The day has come. You're ready to zero out a debt. Make sure you know the 'payoff balance' and communicate with the creditor when it's done. Close it if the debt isn't a

credit card. Get confirmation in writing that the account is 'paid in full' and the account's closed.

When this happens, you'll receive tempting offers in the mail. Don't open another credit card, loan or credit line. It's like watching Brett leave, only to come back the next day with more stuff.

Follow Your Plan

If you've closed one debt but still have other obligations, remember the strategies above.

Don't forget extra money from raises, bonuses, tax refunds and side gigs can also go towards debt. Set a percentage or fraction to reward yourself and use the rest to pay down debt as part of your plan. Look at that extra debt payment as a bonus reward.

No matter what method you pick, stick to a plan and you'll be able to kick that unwanted house guest out the door.