

Debt action plan

Picking a strategy to repay your debt can help you start reducing it and make progress toward achieving your goals.

It can be difficult to make a dent in your debt if you only pay the minimum balance every month. If you have money left over in your budget to pay more than the minimum, there are two basic strategies on how to best apply it.

You can either pay your debts from smallest to largest or focus on repaying the ones with the highest interest rate first. One strategy isn't better than the other—they each have pluses and minuses to consider.

Choose the strategy that helps motivate you the most, so you feel encouraged to keep paying down the debt.

What to do

- **Pick a repayment method** that works best for you.
- **List your debts in order** based on the interest rate or the overall size of the debt.



Start reducing your debt by making a **Debt action plan**

1. Review the pros and cons of each strategy for paying down debt.
2. List your top three debts, sorted based on the strategy you chose—either by smallest total dollar amount or highest interest rate.

	PAY SMALLEST DEBT FIRST 	PAY HIGHEST INTEREST RATE FIRST 																
Description	After you've made all your minimum payments, increase your payment on the smallest debt. After it's paid off, add that extra amount to your minimum payment on the next smallest debt.	After you've made all your minimum payments, increase your payment on the debt that has the highest interest rate. After it's paid off, add that extra amount to your minimum payment on the next highest-rate debt.																
Pro	If you have many small debts, you might see progress quickly by reducing the number of debts you owe.	By paying off the debts that charge you the highest interest and fees first, you save money overall.																
Con	If the interest rate and fees are high on your larger debts and you pay the smaller ones first, you might pay more in total over the length of the debt.	You might not feel like you're making progress very quickly, especially if the first debt is large.																
	I'll pay down the smallest debt first, in this order: <table><thead><tr><th>DEBT</th><th>AMOUNT</th></tr></thead><tbody><tr><td>1.</td><td>\$</td></tr><tr><td>2.</td><td>\$</td></tr><tr><td>3.</td><td>\$</td></tr></tbody></table>	DEBT	AMOUNT	1.	\$	2.	\$	3.	\$	I'll pay down the debt with the highest interest rate first, in this order: <table><thead><tr><th>DEBT</th><th>INTEREST RATE</th></tr></thead><tbody><tr><td>1.</td><td>%</td></tr><tr><td>2.</td><td>%</td></tr><tr><td>3.</td><td>%</td></tr></tbody></table>	DEBT	INTEREST RATE	1.	%	2.	%	3.	%
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