Get Out of Debt and Save for the Future

Many Americans are consumed with anxiety and frustration over the debt that they owe, and the lack of funds to pay it off. Furthermore, most people struggle to save a cushion of three to six months' worth of living expenses in case of an emergency - much less invest for the future. So, what is a hard worker like you supposed to do to stay above water and put some money away at the same time?

It's easier than you think if you enforce some self-discipline and have confidence in your abilities. In fact, you could make some major strides in your financial status in as little as six months, if you take these proactive steps toward greater financial standing.

1. Track Your Spending

- Create a balance sheet and list your debts in order from highest to lowest interest rate. Keep track of your typical expenses for each month, while also accounting for unexpected expenses for the entire year. Then, add up your liquid assets, including money in savings and investment accounts. Also list any major purchases that you will need to make in the next year. Subtract this amount from your liquid assets. The remainder will be what you have available to pay off your debts. If you have a deficit, you will need to trim your expenses.

2. Build Money in Savings

- Link your savings and checking account with an ATM card. Then, set up three savings accounts – one for emergencies, one for unexpected expenses (car repairs, medical bills, etc.) and one for investments.
- Carry your ATM card only when it is absolutely necessary, and withdraw only what you need for the week.
- When you receive a paycheck, place only what you need for the month into your checking account. The rest of the funds should be placed into your three savings accounts.
- If possible, put money equaling one month's expenses into the savings account for unexpected expenses. Then, if you need new brakes unexpectedly, you will have the money saved already, and will be less likely to charge the expense.
- Place "found" money into your investments savings account, such as money from birthdays, holidays, bonuses, profits from a garage sale, etc.

3. Reduce Your Debt

- Pay off your highest interest credit card debt first. Pay as much as you can each month— avoid paying just the minimum payment. Since credit card companies make their money from interest payments, the minimum balance payments are set extremely low on purpose. If you can afford to pay more than the minimum, you will pay far less in the long run.
- Transfer outstanding balances to credit cards with lower interest rates. Or, contact your credit card company and see if they will match the interest rate of another company so that they won't lose you as a customer.
- Cancel old credit cards so you are not tempted to use them. Only keep two and store them at home for emergencies.
- Contact the National Foundation for Credit Counseling to develop a structured debt payment plan at 800-388-2227 or at www.nfcc.org.

Your debt problem will not go away immediately, but you do have the power to make it better over time. If you combine these debt reducing and savings strategies, you will be more financially secure in the future and well on your way to becoming financially strong.

This article is not intended to be exhaustive nor should any discussion be construed as legal or financial advice.