

The Snowball Effect

Melting away your debt.

If you are like most people, you probably have debt you would like to get paid off. But what is the best method for debt reduction, and how can it work for you? This article will discuss the advantages of using the Snowball Effect to reduce and eliminate your debt.

The Snowball Effect of debt reduction was made popular by personal finance guru Dave Ramsey. Ramsey says you should focus on paying off your smallest debt first to create momentum. Using the this approach, you order your debts by size and pay off the smallest balance first, on the theory that quick wins will keep you motivated.

You pay as much money as possible at your chosen debt, while paying the minimums on the rest. When the targeted debt is gone, you apply the same payment plus the minimum to the next debt, and so on. The amount you apply to your targeted debt grows as you pay off each bill, and you pack together those little victories to make a big dent in what you owe.

In order for this method to work, you need to create a realistic plan. Start by compiling a list of all the debts you owe including the creditor name, balance owed, current interest rate, and minimum payment. Once your list is compiled, prioritize your debts in order to determine which debt should be the first to target for payoff.

Make sure your plan is realistic and easy to implement to avoid frustration. Remember, this method will only work if you stay focused on reducing your overall debt. One more thing, you must commit to avoid adding more debt to the pile. Put your credit cards away to avoid using them unless it's absolutely necessary.

If you would like more information on the Snowball Effect please call Financial Counselor, Cathy Beaber, at 614-487-6650, ext. 1732.



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