



How to Beat that Debt



Have you lost control of your finances? How can you beat that debt? Here are ten things you can do to help your situation.

Plan your spending according to your income

Don't get into more debt

1. Keep track of spending and make a budget.

One of the smartest things you can do to get control of your finances is to start keeping track of what you spend so that you can see exactly where your money is going each month. This is the first step in creating a budget that shows your income and expenses.

Having a budget and learning to stick to it will help you free up money to reduce your debt. For more information on budgeting, see FCAC's tip sheet called ***Making a Budget and Sticking to It***, which explains how to make and keep a budget and includes a budget worksheet.

2. Put needs before wants.

Buy what you need first. Eliminate unnecessary expenses and look for things you can live without.

3. Keep your credit card in your wallet.

To avoid getting into more debt, use cash or your debit card instead of your credit card. That way, you'll be spending money you already have.

4. Avoid 'Buy Now, Pay Later' offers.

When you're having problems making ends meet, the administrative fees tied to such offers and high interest rates if you don't pay on time will only add to your existing debt load.

5. Reduce small, recurring expenses.

Saving a little every day can go a long way. Good examples of ways you can save on costs include taking public transit instead of your car, bringing your lunch to work and reducing your coffee consumption. Eliminating that extra \$1.50 coffee each workday can mean over \$400 a year in savings.

6. Reduce your banking fees.

Use automated banking machines (ABMs) from your own financial institution. Review your banking package every now and then to make sure that it is still the best one for you. For more information, see FCAC's ***Cost of Banking Guide*** and interactive tool, which lists ABM fees and helps you compare and choose the best banking package for your needs.

Manage your existing debt

7. Pay down your highest interest rate debts first.

If you carry a balance on your credit card, then this is likely the debt with the highest interest rate. Use cash or a debit card while you pay off this debt to avoid accumulating more.

While you pay off the credit card debt, don't forget to make the minimum payments on other debts with lower interest rates. If you set aside the main part of your income towards bringing the balance down on your most expensive loan, you'll be surprised at how much you save. For tips on how to reduce costs with your credit card, see FCAC's *Getting the Most from Your Credit Card*.

8. Contact your creditors.

As soon as you realize that you are having trouble making ends meet, call your creditors and explain the situation. In most cases, they will work out a modified payment plan that will make it easier for you to pay off your debt.

9. Get a consolidation loan with your financial institution.

This means getting one single loan to pay off all your existing debts so that you have just one payment to make. For this new loan to save you money, it must have a lower interest rate and a lower monthly payment than all the other loans put together. It is also important to stop using any credit cards that you consolidated into the new loan. For more information on a consolidation loan, talk to your bank or financial professional.

10. Talk to trusted financial professionals.

These may include your bank representative, your financial planner or a credit counselling agency. With their help, you will be able to evaluate your current debt situation, determine your present and future needs, make a budget and find ways to pay off the debt. For more information on credit counselling agencies, see FCAC's *Tips for Dealing with Credit Counselling Agencies*.

For more information

The Financial Consumer Agency of Canada (FCAC) provides timely, objective information to help consumers choose the best banking products and services for their needs. FCAC also informs Canadians of their rights and responsibilities when dealing with financial institutions and makes sure that banks and federally regulated trust, loan and insurance companies respect the laws and agreements that protect consumers.

You can call our toll-free Consumer Contact Centre at 1-866-461-3222, or visit our Web site at www.fcac.gc.ca. (Consumers with hearing problems can call our TTY number at 613-947-7771 or toll-free at 1-866-914-6097.)

This tip sheet is part of a series. To view FCAC's other tip sheets, please visit our Web site.