

In Debt Over Your Head? These 5 Simple Steps Will Help.

The next 5 steps are not difficult. They only take commitment. You can do it. The feeling of freedom and success when the bills are not hanging over your head will make this all worthwhile.

Ready to get started? Let's go.

Step #1. Work out where you are now

You may not have looked at your financial position for a while. Maybe that's why you are suffering under a load of debt presently. But you need to take stock of your financial position now. Unless you know where you are now, it's hard to work out how to fix things.

Just get a pen and paper and all your credit card bills and look at the situation honestly. List out all your debts and their interest rates and the minimum monthly repayments.

Don't get worried about how much you owe. It's been said that anyone can get rid of all their debt within 5-7 years, including their mortgage. That means you too.

Step #2 Stop spending more than you earn NOW

This is the first thing that must be done to start the ball rolling for your financial success. This is most probably the reason you need to take action now. Look at your living expenses and cut out those things you can't afford.

Also cut up all the credit cards except one for emergencies and commit yourself to only spending what you can afford from your own income.

Step #3. Find some cash to pay down those debts

Once you have come to grips with Step #2, the next step is to work out ways to put some money aside every week or month to start paying down those debts, preferably faster than the minimum monthly requirement. Pay as much as you can. It's better to pay down these debts than to put the money in the bank. This is because the credit card interest is a lot more than you can receive from the bank for funds on deposit. The aim is pay down the highest interest debt first.

If you have 2 credit cards with the same interest rate, pay off the one with the smallest balance first. That will give you a boost and the resolve to keep on going.

Step #4. Build a Savings Fund

Once you have those credit cards under control it's time to think about putting some funds aside to start building some savings. You'll be surprised how fast your money grows if you religiously keep adding to the balance and don't touch it. If you really need to purchase an expensive item like furniture or car it is better to save for it than to borrow, if at all possible.

Step #5. Pay Down That Mortgage.

Since the interest rate on your mortgage is usually a lot less than credit card and store debt you can leave this item till last. Also it is increasing in value over time - unlike your car, TV, Video, furniture and boat. You will be surprised how many years you can cut off your mortgage repayments by just adding a few extra dollars each month to the payment.

These are just a few basic rules to help you get back on your feet financially. The main principle here is to work on reducing your credit card debt. Once that is done use those freed up funds to build your nest egg and pay off the mortgage. That's the plan that works.

Now get those documents out, do the sums and start on your road to financial freedom.

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About the Author

Bruce Hokin has designed a simple budget tool called ["5 Steps to Freedom Personal Budget."](#) It's based on his extensive background as a qualified, experienced accountant, manager, consultant and financial adviser. You can download this powerful budget assistant today and be on your way to financial freedom within the hour. It is available at his website www.freedom-personal-budgets.com.