
7 Easy Steps to Pay Off Debt

Let's be honest. Did you overspend in 2013? If the answer is "yes" you are not alone. American consumer debt rose 1.1 percent to \$11.28 trillion in the third quarter of 2013, according to the Federal Reserve Bank of New York. That's the highest increase in household debt in more than five years!

There is never a quick-fix solution to getting out of debt. But dealing with debt doesn't have to be painful. Here are seven steps to consider when making your debt payoff plan:

1. Create a debt payoff strategy. If one of your financial goals for the year is to get a better handle on debt, put together a debt payoff strategy that complements your budget and won't overextend you financially. It's also a good idea to create a master list of all your recent holiday-related expenditures that were paid for with a credit card or a personal loan. Knowing what your total debt load is will make it much easier to create a realistic payoff strategy. And reward yourself when you hit certain milestones to keep the momentum going!

2. Pay off the most expensive debt first. Look at the interest rates of all of the credit cards you use to make purchases and sort them from highest to lowest. By paying off the balance with the highest interest first, you increase your payment on the credit card with the highest annual percentage rate while continuing to make the minimum payment on the rest of your credit cards.

3. Lower your interest rate. You can often lower your credit card interest rates by doing a balance transfer. This means moving your credit card to another bank that might lower the interest rate to get your business. Shop around and try to get the lowest interest rate for the longest duration (preferably until the debt is paid off completely). Just make sure you fight the temptation to use that new card, and commit to paying off the balance you moved over in a timely manner.

4. Use annual budget data to plan against pitfalls. Several personal finance tools allow you to see the sum of your spending for the year, which can be your greatest asset in pinpointing the areas where little changes will result in major financial progress in 2014. For example, by vowing to reduce spending in your highest-spent category by a mere 10 percent in 2014, you could put more toward emergency savings, retirement and your credit card debt.

5. Stop creating new debt. As you start to pay down your debt, stop using credit cards on a regular basis. Even if you earn cash back or other rewards with credit card purchases, stop spending with your credit cards until you have your finances under control. It's probably a good idea to leave the cards at home when you're out shopping so you aren't tempted!

6. Allocate your holiday bonus. If you received a holiday or New Year's bonus, put that money toward your debt payoff plan. Avoid the temptation to spend that bonus on a vacation or other luxury purchases at the beginning of the new year, so you can focus on improving your financial health instead.

7. Pay more than the minimum. Break the habit of paying only the minimum required each month on your credit card statement. Paying the minimum – usually 2 to 3 percent of the outstanding balance – only prolongs a debt payoff strategy. Strengthen your commitment to pay everything off by making weekly, instead of monthly, payments. If your minimum payment is \$100, double that to \$200 or more. Early and/or multiple payments mean reduced interest expenses and a quicker pay down, which will help you get back on a positive financial track.

Like anything having to do with self-betterment, the road to being debt-free can be a difficult and arduous one. But following these basic steps as your guide can help get you on the right track.

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Profitera Corporation is a leading technology provider of Revenue & Arrears Collections, Debt Recovery and Agency Management Software Solutions. Profitera provides specific solutions to help its Customers focus on their clients, reduce arrears and optimize profits throughout their Revenue and Profitability Lifecycle. As experts in Revenue & Arrears Collections, Debt Recovery and Agency Management, Profitera continuously brings enterprise level scalable software technologies to the doorstep of its Customers. This helps to reduce Arrears Delinquency, Bad Debt and Improve Tracking & Profitability. Profitera, being a MSC status and TUV Quality certified company has its global HQ in Malaysia and leverages on partners for regional presence in ASEAN, Asia South, Middle East and Africa.

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