



Business / Personal Finance

## 5 tips get out of — and stay out of — the debt trap

Excerpt from *Unstuck: How to Get Out of Your Money Rut and Start Living the Life You Want* by Karin Mizgala and Sheila Walkington.



**By:** Karin Mizgala and Sheila Walkington Published on Sun Feb 03 2013

In this excerpt from *Unstuck: How to Get Out of Your Money Rut and Start Living the Life You Want*, Karin Mizgala and Sheila Walkington offer ways to stay out of the debt trap.

- 1. Know why you want to be debt-free.** Imagine how good it will feel to be debt-free and the freedom or choices you will have once you are out of debt.
- 2. Make paying down debt a #1 priority:** Making paying down debt a #1 priority doesn't mean it's the only priority you have, but it does have to be a priority because it's not going to happen on its own. You might have credit cards and lines of credit that are just sort of revolving — you pay them down, you run them up, you pay them down and run them up, but in actual fact you're not making any progress. Or you might just be paying the interest on your line of credit, but nothing towards the principal. We like to call this the 'never-never plan' because unless you start making extra payments, the debt will never be paid off.
- 3. Make debt reduction systematic.** Decide on a fixed amount you will pay each month (or per payday) towards your debt, then set this up as an automatic payment with your bank. By making the payment automatic there will be no debate or wiggle room when it comes to paying the amount you decided on.
- 4. Keep a running tally:** Track the balance on your debt each month. Make sure it is going down. When you see it go down, you'll think twice about racking it back up. If you have several

different debts — credit cards, a line of credit, student loans — take a tally, let's say on the first of the month. Track your balances at the beginning of the month, and then again at the beginning of the next month. This will keep you honest and show how much progress you've made or whether you need to revisit your spending habits.

**5. Shop around for a lower interest rate:** Reduce your interest rate by all means. You may be carrying a balance on your credit cards at rates up to 19 per cent to 25 per cent or more so see if you can get a lower rate on your credit cards or perhaps transfer the balance to a line of credit to reduce your interest costs.

*Excerpted from [Unstuck: How to Get Out of Your Money Rut and Start Living the Life You Want](#), By Karin Mizgala and Sheila Walkington. (\$24.95, Amazon.ca) [www.moneycoachcanada.ca](http://www.moneycoachcanada.ca)*