If you want to pay off your debt soon, you have to know these 6 numbers

If you are not aware of the current debt situation, including total liabilities, interest rates, money to pay from where and how, how long will you be able to escape it.

There are many paths that make you fall into debt and there are many ways to help you quickly get rid of that misery.

While some people choose to apply *"debt snowball"* strategy - a repayment method proposed by economist Dave Ramsey with the idea that when there are many debts (interest is nearly equal), pay the least debt, then the second debt . or the *"debt avalanche" method* means paying the most profitable debt first, others choose to convert old high-interest credit cards to credit cards new with 0% interest rate for a certain period of time and the new card issuer will be responsible for the balance transfer, selling all assets to increase the amount of cash that can be used to pay the debt, Find additional jobs or combine all of these methods.

Each method has certain benefits if you are serious about repaying debt and are willing to follow the plan. Obviously, the earlier you start, the faster you will get out of debt. On the contrary, the longer the interest rate is, the higher the amount and the larger the amount you pay.

However, where to start? While wanting to escape the burden of debt requires a change of mindset over other things, there are also a number of numbers that you need to know before starting this "difficult journey". No matter which repayment strategy you choose, they are still the first things that need to be clarified.

Knowledge is power. When you understand your situation, both in nature and impact factors will be easier to set up a realistic and realistic repayment plan.

Suppose you have a table of 6 columns and below are 6 data to be filled corresponding to each column.

1. Total actual debt (column 1)

Facing the actual amount to pay is probably the "most painful" moment that anyone who is falling into debt is perceived.

When bank loans or credit card debt, you can easily focus on accounts payable and individual monthly transactions. However, just paying attention to each debt without grasping the amount of money to pay may make you not realize how bad your current situation is.

To get rid of the anti-substance debt, you need to face it. Start collecting bills, then, list all accounts payable and calculate to figure out the final total debt, including credit card debt, car loan debt, tuition debt, and debt rent a house, rent appliances, bank debt, personal debt or any other debt.

2. Interest rate of each debt (column 2)

After you know the total amount of debt you need to pay, you will know which debts you can pay as soon as possible. The best way to classify them is based on real interest rates. If you don't understand the annual interest rate or APR (annual average interest rate) that you need to pay for each loan or credit card, you need to look at the monthly report, check the online account management page. online or call creditors / credit card issuers for details.

If some debts have high interest rates (APR> 10%), you can prioritize paying them first. This is the main strategy of the *"Debt Avalanche"* repayment method mentioned above - these will require you to spend more money to pay your creditors monthly. By cutting down on the amount of money raised for the first highest interest rates, you will reduce the amount of money you need to spend the following months and feel less pressured than before.

However, some people choose a different approach. Instead of trying to pay the first high-interest loans, they adopted the *"Debt Snowball"* strategy - that is, focusing on lower or lower interest rates. However, whatever method is used, it is important to know the interest rate of each loan. As a result, you will know which strategy is right for you and which payables should be prioritized first.

3. Monthly payable of each loan (column 3)

After the above two figures, the next number that you need to pay attention to is how much money each month should be spent on each debt. This is the basis for you to calculate the total amount to be paid monthly.

4. Minimum monthly living expenses (column 4)

To get rid of debt, you need to change your habits. For many people, this is probably a thrifty diet, not spending extra money on the budget or building a lifestyle that suits your financial situation. The important thing here is that you should not do anything that makes your debt bigger than before.

To start, consider the total budget for minimum spending - including only the total costs and bills you need to pay each month. In general, this strategy requires that you do not generate any additional shopping - no entertainment, no travel, no meeting . By living with such a limited amount of money, you have It is possible to temporarily have more free cash to pay other debts.

Obviously, once you pay off your debt, you can start expanding your budget to spend on what you like. However, everything needs to be carefully planned to avoid becoming a "debtor" again.

If you're still wondering if you're allowed to spend only on a limited budget, remember that the past consumption habits have caused you to fall into the current situation. So, if you want to get out of debt, first change yourself.

5. The amount you bring home every month (column 5)

Getting out of debt is not something super. However, if you really want to do this, you also need to know a little bit about finance.

In fact, the amount of money you use to pay the debt is taken from the total amount of money you bring home (after deduction of taxes, insurance, payment to welfare fund, other social contributions . .). If you have more than one income each month, if you do not know this data, you will only know them until a tax report is sent at the end of each financial year.

Once you have a real monthly income, you will have a better sense of your ability to pay your debts and how much money you will have to repay your debts after subtracting the necessary expenses.

6. Available income for debt repayment (column 6)

When comparing all figures: total debt, interest rate, minimum monthly living expenses and monthly income, you will have a clearer view of the amount each month to pay.

When living with the minimum amount just to cover the necessary expenses, by default, your surplus will increase. This "excess amount" is called disposable income and this is the starting point of the repayment plan. You can gradually allocate this amount to pay until you pay off your debt. However, the strategy is only possible when you spend all that "excess" on getting rid of debt, not wasting on other things.

In fact, the formula for debt repayment is simple: **income - cost = savings** . To get rid of debt, you must **increase your income** or **reduce your spending.** Although debt seems to make us feel very heavy, the real solution to the problem is not complicated.

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