



NICOLE HEALES FINANCIAL

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How to Get Rid of Debt

Cut up Credit Cards - They are Loans – Using your card is borrowing money that needs to be repaid. Always remember this! Cutting up your credit cards is a safe option to make sure you don't fall back on them.

Take Ownership – The most important step in becoming debt free is taking responsibility. The credit card companies may have encouraged you through the years but it's ultimately you who racked up those charges. Stop complaining and start doing something about it.

Understand That This is a Problem – Stop wishing that the problem will just go away by itself and start dealing with the situation. Debt is a problem. Start reducing what you owe immediately and stop thinking that you should drag it out infinitely.

Learn the Power of Compounding Interest – People who are in debt don't really understand the essence of compound interest. Remember all those charts that show how interest compound when you invest? When you are in debt, this is just in reverse.

Paying Minimum Payment Sucks – Everyone just paying the minimum amount due would be a dream come true for credit card companies.

Debt Snowball - Some people like to pay the highest interest rate first and others like to pay the smallest loans first. Whichever method you choose, debt snowball works because you are concentrating on one loan and the psychological benefit of paying them off helps tremendously.

Don't Keep Up with the Joneses – When friends are buying new cars and going out to fancy restaurants, it's hard to say no. Think of it as a choice between increasing debt or financial security, hopefully with this mindset the right decision becomes easier.

Ask for a Lower Rate – Don't be afraid to call your loan company up and try to negotiate. There is no shame and there is nothing to lose. Tell them why they should lower your rate and you might just succeed.

Keep Trying to Trim Your Bills – Be persistent because there are always more ways to save money. Always.

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Find a Debt Reduction Buddy – Find a buddy and help each other reduce your respective debts. Have a monthly catch up and talk about ways to save and inspire each other to be debt free.

Switch to a fortnightly payment plan - When you're paying every 14 days (every time you get paid), two months of the year you will be making three payments instead of two, helping you pay off a little more without even missing the money. Add an extra prepayment of \$100 each month and you may be able to cut a 25-year mortgage down to 17 years.

Consolidate debt - Try to consolidate all of your debt in one place, but don't reduce your payment. When your debt is spread out over a lot of accounts, it's hard to manage and there is a lot of smoke and mirrors. If you can see one repayment you can focus on that repayment, when you see your debt shrinking, you'll be more motivated to keep on track.

Go on a cash diet - Take out an agreed-upon amount of cash each week (on the same day, no advances and no exceptions!) and use it for the controllable expenses, such as groceries, eating out and entertainment. It's easy to spend money without thinking about it when you use plastic. Seeing the money come out of your pocket can be a real wake-up call.

Avoid eating out. Cook your own meals, except on very special occasions.

Find free or low-cost entertainment. Check the local newspaper or look online and see what upcoming events are going on, be a tourist in your own town, visit friends and only go to BYO restaurants.

Keep trying and don't give up. Make a commitment. Change is difficult, and it takes drastic change in mindset and behaviours to get out of debt.

Create a realistic budget. Put as much money as you can towards paying down debt and having an emergency fund, but you've also got to allow for a little bit of fun. You can't live without socialising for the entire time it might take you to become debt-free.

Eliminate. Take a hard look at what's truly necessary. Foxtel, storage units, personal training, eating out, "cheap" overseas holidays are not necessities.

Stop borrowing money – no matter what! This means no more credit cards, no more car loans, no more cash advances, no more home equity lines, etc. If you can't afford to buy something with CASH you have now, then YOU CAN'T AFFORD TO BUY IT.

Save up the money and buy it with cash. By the time you've saved up the money, it's very likely you will have realized you don't even need the item you were thinking about buying anyway.

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Track your expenses via an app. Pocketbook or TrackMySpend. Categorize your expenses and see how much you spent on what, so you can easily spot your problem areas (eating out, clothes, entertainment), then target those for reduction.

Make a plan ... ANY plan. You're better off with a mediocre plan than no plan at all. When in doubt, the "snowball method" is simple and works well.

Leave yourself some "wiggle" room. Life throws some unexpected expenses your way, so include some slack in your plan for these little setbacks.

Focus on getting rid of debt. Living on credit is what gets people in trouble every time.

Be patient. Debt reduction is a long, slow process. You may not see any significant progress at first, but it will happen.

Think about your goals and what makes you truly happy. Stop spending money on stuff you don't care about, and makes absolutely no different to your life, or level of happiness.

Extra cash. When you make extra money from overtime or bonuses, or a tax refund, use it to pay down debt.

See yourself as completely debt free. FREEDOM! What is that going to feel like. Imagine it.

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