

## **Five Ways to Become Debt Free**

In today's instant gratification world with a plethora of products and finance options, taking on debts is a given. While nobody plans on being debt ridden, a lot of it is the result of bad spending habits and living beyond the actual means of income. It takes less time to amass debts but far longer to repay them. A combination of these habit modifications and strategies can help pay out the accumulated balances and prevent future debt creation.

### **Don't spend more than you earn**

This seems like simple advice, but is difficult to put into practice. Habits such as eating out at fancy restaurants every week or frequent shopping for high end clothes are funded through credit, unless the salary levels permit these expenses. With time, one ends up using a major portion of the salary and savings to pay off credit cards. A long term strategy of living within one's income and cutting down on excess spending helps in clearing existing debts and being debt free in the future.

### **Paying one debt with another**

Pay off a credit card balance by transferring it to a card that offers a lower rate of interest. Take a fresh loan at lower rates of interest to consolidate unpaid credit bills and loans into one single debt. Remember, the debt still remains unpaid, though manageable, with the added burden of down payments on new loans and card transfer fees. This is at best a temporary measure, and not to be used as a regular debt repayment device.

### **Create an emergency fund**

Put aside a certain amount of money every month even as you go about clearing accumulated debt. As the name suggests, it is meant for an emergency situation where one is short on funds. Avoid the temptation to use it for regular or everyday expenses. Use it to pay off a priority loan in part and makes reduce existing credit obligations. Being on the debt threshold makes it difficult to create such a fund, but do try.

### **Come up with a budget plan**

A budget helps in creating a track of monthly income and expense flow. It is a useful tool in analysing the spending patterns and identifying the types of expenditure. One can keep track of important bills and loans to be paid off on a monthly or bimonthly basis. One can also create

a miscellaneous expenses column for any untoward expenses. A budget is simple to make. Use it in tracking any unnecessary or indulgent expenses and curtailing these to reduce your debt.

### **Find additional sources of income**

Try and find ways in which you can improve on the current earning system. You can do overtime or avail of incremental benefits. With fixed salary systems, it may not be possible for you to generate more money. The other option is to create a new source of income. Take on a second job or utilise a hobby or skill to make money.

There are many other ways to reduce debt. Take your loved ones into confidence, seek professional help, discuss with your creditors and find a way out of debtgate.

\*Article for client