



WEEK 4

# MONEY MINDSET

Dealing with Debt

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## Dealing with Debt

Credit card and other consumer debt are such a common part of life that many of us live with budgetary pressure without realizing we may be entering a financial danger zone.

Dealing with debt can be overwhelming and make it difficult to meet your financial obligations, stay on track to achieve future goals, and live a financially healthy life. **Preparing to live your best life means knowing ways to manage your debt, so you can be financially healthier, wealthier and wise.**

Most people have some kind of debt, but that's not necessarily a bad thing. **In fact, some types of debt can be beneficial to your financial plan.** When you borrow money to buy something that can grow in value over time, that could be considered "**good debt**," such as a mortgage or a student loan.

"Bad debt" can be considered things that quickly lose their value or carry a high interest rate, such as a car loan or a credit card balance.



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## Dealing with Debt

Eliminating debt takes discipline, planning and time, but it can potentially happen faster than you think once you by **starting with small steps**:

- understand what you're spending
- create a plan to address it and
- put the plan into action

### Understand what you owe.

Understanding how debt can cost you over time and beginning to plan a way to eliminate it will help you find your financial balance. Once you know how much you owe, you may want to identify unnecessary spending and a debt elimination goal over time. It all starts with a plan!

### Build a budget.

A budget will help you get the most out of your income. Knowing how much debt you have and how much you need to allocate towards living and spending expenses is important in helping to pay down debt fast. When you have a plan for your money, it can work better for you and help you reach your goals faster.

### Develop a pay down strategy.

First, you may want to prioritize how you want to pay off your balances. Two options include:

- **Avalanche method:** pay off the highest interest rate first, while also making minimum payments on the rest.
- **Snowball method:** pay off the lowest balance and then, take the amount you would have paid for that card each month and roll it into the next debt amount.

### Keep it up.

As you are working through your debt, be sure to continue saving for your financial future. Also make sure you revisit your budget over time to find new ways to cut your spending and pay off your debt faster.

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## Tips for Managing Debt

When finances get tight, many people turn to their credit cards or home equity when they need money. But racking up extra debt to deal with financial difficulties is a strategy that's almost sure to backfire. Below are tips on avoiding extra debt and stay on track to help meet your long-term goals:

- 1. Carefully monitor your credit card spending each month.** Try not to spend more than you can pay off in full each month.
- 2. Pay more than the minimum amount due.** Paying just the monthly minimum on credit cards can add extra years to pay off your balance because of all the additional compounded interest you are paying.
- 3. Pay off the credit card with the highest interest rate first.** Then pay off the card with the next highest rate. You want to pay off highest interest rates first because they eat up more of your income.
- 4. Cut back on expenses before using credit.** Most people can find some place in their spending for cuts. For example, reduce your cable bill by contacting the cable company to renegotiate or reduce your current package. Or, cut down on eating out or other discretionary expenses. Go this route before turning to credit cards or a home equity line of credit to cover regular expenses.



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Tools and Resources



## CHALLENGE ACTIVITY

Preparing to live your best life means knowing ways to manage your debt, so you can be financially healthier, wealthier and wise. Use the resources below to help you manage your debt.

Available to All  
**TELUS Health**

**Do You Have  
Debt Problems  
Questionnaire**

*Please note: you will be directed to log into the TELUS Health website to access the questionnaire.*

Available to US  
**VOYA**

**Strategies to  
Eliminate Your Debt  
Webinar**

**Prioritizing Debt  
Video**

Available to Canada  
**GOVERNMENT OF  
CANADA**

**Dealing with Debt  
Webinar**



## MONEY MINDSET WEEK 4 SUBMISSION FORM

Complete the [Week 4: Challenge Submission Form](#) by **Tuesday, March 19** to earn one Wellbeing Ticket.