

THE STATS

It's no secret that debt is a major problem in the United States. The total US consumer debt is at \$13.86 trillion, which includes mortgages, auto loans, credit cards, and student loans. Debt is something that most of us struggle with, and can be a major stressor for us. It can be overwhelming to plan paying off debt and prioritize which debts to pay off.

THE CHALLENGE

This month's challenge is to make a plan for paying off debt. We'll talk about two different strategies: the debt snowball and the debt avalanche. We'll also provide an online tool that will allow you to compare different debt payment strategies.

DEBT SNOWBALL

In this method, you pay off your debts in order of smallest to largest, regardless of their interest rate.

You will start by listing all of your debts from smallest to largest. Then you will continue making minimum payments on all of your debts except the smallest. Put as much money as you can toward your smallest debt. Once you've paid off that debt, take its payment and apply it to the next smallest debt, while continuing to make minimum payments on the rest. Repeat as you chip away at your debt!

AVALANCHE METHOD

This method is also known as "debt stacking" – instead of starting with your smallest debt and working your way up, you're starting instead with the debt with the highest interest rate.

The idea is very similar to the debt snowball: you list all your debts, but this time you put them in order of highest to lowest interest. Start paying off your highest-interest debt, putting any extra money toward that debt. Once that debt is paid off, put that same amount of money toward your second-highest interest debt. This payment schedule allows you to pay off your debts in roughly the same amount of time as the debt snowball, but you'll be paying less interest.

For more information and resources, visit:

[GATORCARE.ORG/MONEY-2020](https://gatorcare.org/money-2020)

PAY OFF DEBT