

Create your debt repayment Plan.

Sick and tired of being in debt? It's time to create a plan and take action to turn your finances around for good!



So, you've made the decision to get rid of debt, and you are ready to fully commit to being debt free.

Getting into debt is easy. Paying back the debt (the money you borrowed), is much harder and can feel overwhelming, but with the right repayment plan it's possible to pay down high balances, start saving some money, and finally reach your financial goals.

A debt repayment plan gives you a good understanding of your finances while setting manageable repayment targets. Although paying off your debt won't happen overnight, a good repayment plan can help you stay both motivated and committed to improving your finances.

Here's how you can create a debt elimination plan...that works and will help you get back on track with your budget.

Step 1: Know exactly what debt you have.

It is important to fully understand your debt situation, take a hour out of your next evening to gather up your credit card statements, car loan or personal loan statements. If you think you might have some old, forgotten debts out there , you may want to get your [credit report](#), from www.centralcreditregister.ie .

Now you understand your debt situation.

Step 2: Prioritize your Debts

For me, the priority is placed on the interest rate. The higher the interest rate on the debt, the more you're paying every month in interest charges. Therefore, I'm motivated to stop paying so much out every month in interest charges.

Some people decide that it's easier to pay off your debts by starting with the smallest debt: the Dave Ramsey "[Snowball Method](#)." That's cool, too. Whatever motivates you to get rid of the debt is the best method.

The longer it takes you to pay off debt the more it will cost you.

Step 3 : Analyze your spending

Now it's time to take a close look at your spending habits. This is the first step in developing your budget—the next step in your debt elimination plan—because it allows you to see how much you're *actually* spending each month, rather than what you *think* you're spending.

Try grouping your spending into categories such as:

- Rent/mortgage
- Utilities
- Groceries
- Travel and transportation
- Insurance (e.g., health, auto, life)
- Dining out
- Discretionary spending (e.g., clothing entertainment etc)
- Savings (personal or retirement)

You'll want to go through your bank and credit card statements for the past month or two and calculate how much you've spent in each category

Step 4: Create a Budget

With your spending habits identified, you're ready to [create your budget](#). A basic budget shows two things: how much you've spent and how much you've earned. The goal is to end each month with more money coming in than going out.

You may want to put all your extra money every month towards the debt with highest priority, or you may simply want to make double payments on that debt.

Choose the method that's right for you and your budget. Make sure you at least make the minimum payments on the other remaining debts though.

Step 5: Make debt payment Automatic

The 5th and final step is a key one for me. Make the extra effort to **set up an automatic payment from your bank account to pay off your debts**. Taking the time to setup an auto payment will help to ensure the extra payments get made. Make sure you set the payment for a time when you're sure to have money in the account (i.e. just after you get paid).

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