

Interested in tackling debt?

Get tips aimed at taking control of your finances.



Debt vs. debt situation

Some debt, like credit card debt from everyday purchases, can be paid off right away. But a debt situation is spending more borrowed money than you're able to easily pay back in a short amount of time. It may be concerning if it causes:

- Strain in your monthly budget
- Worry that your retirement will be delayed or that your long-term plans will be derailed

3 tips for tackling debt

1 Recognize debt

Debt may cause strain if you're dealing with any of these situations¹:

- Have balances on several credit cards or other installment loans
- Worry about being able to pay your bills
- Can only afford to pay the minimum amount due
- Your consumer debts (credit cards, medical bills, personal loans) total half or more of your income

2 Understand the cost of debt

When you use credit, you're charged interest on top of the dollar amount you spend. Take a look at the true cost of paying off \$10,000 in credit card debt.

Time to pay off debt	Interest rate	Minimum monthly payments	Cost of debt
1 year	12.5%	\$890.83	\$10,689.96
5 years	12.5%	\$224.98	\$13,498.80
10 years	12.5%	\$146.38	\$17,565.60

For illustrative purposes only, <http://federalreserve.gov/creditcardcalculator>

¹ www.debt.org/advice/do-i-have-too-much (Sept. 2018)

3 Take control of debt

Ready to start reducing your debt? Here are a few options to consider:



Change your approach

- Use credit cards only when you can afford to pay them off monthly.
- Pay off high-interest-rate cards first.
- Consolidate debt on a low-interest-rate card.
- Pay tuition with student loans rather than credit cards.



Use your home's equity

- Pay down debt with a low-rate home equity loan.
- Refinance your mortgage to a lower interest rate and for a higher amount than you owe. Use the extra money to pay down higher-rate debt.
- Shorten your mortgage financing period to pay it off sooner.



Seek help from a credit counselor

- Get help to better manage your debt.
- Ask them to negotiate better repayment terms with your creditors.
- Implement an affordable repayment schedule.

Questions? We're here to help.

Visit principal.com/milestones for additional resources.

Your debt's under control.

What's next?

The money you save from managing your debt can help provide a debt-free future. You may want to consider:

Building an emergency fund

Help finance unexpected costs, like car and home repairs, medical bills, or a job loss. As a general rule, your emergency reserve should contain about three to six months of your regular net income.

Boosting your retirement savings

Increasing your retirement contribution by even a small amount can make a big difference in the money you have when it's time to retire.



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