

## **A practical 10-Step plan to get out of debt**

### **1. Face the Numbers Head-On**

- List every debt (credit cards, student loans, car loans, etc.) with balances, interest rates, and minimum payments.
- Awareness is the first step—avoidance only makes debt scarier.

### **2. Build a Starter Emergency Fund (\$500–\$1,000)**

- This prevents you from using credit cards for surprise expenses.
- Keep it in a separate savings account for quick access.

### **3. Create a Bare-Bones Budget**

- Track income and expenses with apps like Mint, YNAB, or even a spreadsheet.
- Cut nonessentials temporarily (subscriptions, takeout, “just browsing” online shopping).

### **4. Prioritize Needs Over Wants**

- Cover essentials first: housing, utilities, food, transportation.
- Then allocate to debt payments before luxuries.

### **5. Pick a Debt Payoff Strategy**

- **Snowball method:** Pay smallest balances first for quick wins.
- **Avalanche method:** Pay highest-interest debt first to save money long-term.
- Stick with whichever keeps you motivated.

### **6. Automate Payments**

- Set up autopay for at least minimums to avoid late fees.
- Direct extra funds toward your target debt.

### **7. Increase Income (Even Short-Term)**

- Side hustle: tutoring, freelancing, delivery apps, part-time work.
- Sell unused clothes, electronics, or furniture.
- Extra income accelerates debt payoff faster than cutting alone.

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## 8. Negotiate Better Terms

- Call credit card companies to request lower interest rates.
- Look into balance transfers or refinancing options if you can qualify.
- Federal student loans often have income-driven repayment options.

## 9. Celebrate Milestones (Without Spending Much)

- Mark each debt paid off with a low-cost celebration (picnic, movie night, day trip).
- Momentum is key—reward yourself in smart, fun ways.

## 10. Build Long-Term Habits

- Once debt-free, redirect those monthly payments into savings and investments.
- Keep an emergency fund of 3–6 months.
- Use credit wisely to avoid falling back into debt.

## For a quick, bullet point approach, here is a 10-Step Roadmap to Get Out of Debt

A practical, step-by-step plan for young adults to take control of their money and build a debt-free future.

- Face the Numbers Head-On: List all debts, balances, interest rates, and minimum payments.
- Build a Starter Emergency Fund (\$500–\$1,000) to avoid new debt from surprises.
- Create a Bare-Bones Budget: Track income and cut nonessentials temporarily.
- Prioritize Needs Over Wants: Essentials first, then debt, then luxuries.
- Pick a Debt Payoff Strategy: Snowball (smallest balance first) or Avalanche (highest interest first).
- Automate Payments: Ensure minimums are paid and send extra to target debt.
- Increase Income: Side hustles, part-time work, or selling unused items.
- Negotiate Better Terms: Lower interest rates, balance transfers, or loan refinancing.
- Celebrate Milestones: Reward yourself cheaply for each debt paid off.
- Build Long-Term Habits: Redirect payments into savings/investments and grow an emergency fund.

Remember, UBI Federal Credit Union is local and here for you! Please let us know how we can help with your banking and financial needs! 860-747-4152 or find us at [www.UBIFCU.com](http://www.UBIFCU.com)

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