

# WHAT'S THE BEST WAY TO PAY OFF DEBT?



## TIPS FOR MANAGING DEBT

*Here are five tips for getting out of debt:*

### 1. Use savings to pay off balances.

You may be able to cash in an investment or sell an asset. But keep up your regular savings plan and always keep an emergency fund on hand.

### 2. Pay down your highest interest rate debts first.

If you carry a balance on your credit card, this is likely the debt with the highest interest rate. Use cash or a debit card while you pay off this debt to avoid accumulating more.

### 3. Switch to less expensive credit cards.

### 4. Talk to trusted financial professionals.

These may include your bank representative, your financial planner, a credit counselling agency, or a Licensed Insolvency Trustee (LIT). With their help, you will be able to evaluate your current debt situation, determine your present and future needs, make a budget and find ways to pay off the debt. See the section titled Credit counselling for more information.

### 5. Consolidate your debt and use home equity.

Using the equity you've built up in your home over the years is certainly one possible option for consolidating your other, higher-interest debt — however it's not a decision you should take lightly. Don't sign anything until you've had an opportunity to speak with a professional. A Licensed Insolvency Trustee can help you with this.

## HOW TO RECOGNIZE THE DANGER SIGNALS

*How do you know when you are crossing the line from being able to manage your debt to over-using credit? Here are some danger signals. Check any that apply to you.*

- |   |   |
|---|---|
| <input type="checkbox"/> You use your credit cards as a necessity instead of a convenience. | <input type="checkbox"/> You borrow from one card to pay another.   |
| <input type="checkbox"/> You borrow to pay for your daily living expenses.                  | <input type="checkbox"/> You transfer balances every few months just before the introductory offer expires. |
| <input type="checkbox"/> You miss payments or due dates.                                    | <input type="checkbox"/> You borrow when you know you can't afford the payments.                            |
| <input type="checkbox"/> You're near the credit limit on most of your cards.                | <input type="checkbox"/> Your debt is growing month after month.  |

## Disclaimer

The information provided is not intended as complete financial advice. This information is only intended to give a brief summary of the topic for discussion purposes. It is recommended that you speak with a financial expert who can provide more detailed financial advice based on your individual situation.

### Sources:

[fcac-acfc.gc.ca](http://fcac-acfc.gc.ca) - Financial Consumer Agency of Canada (Government of Canada)  
[www.ic.gc.ca](http://www.ic.gc.ca) - Innovation, Science and Economic Development Canada (Government of Canada)

