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## How to Get Out of Debt

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Debt. A word so ugly and heavy it's hard to even say it without drooping a bit. Just a little bad luck or some less-than-perfect spending decisions and the next thing you know, debt can take over your life. It can get so bad that even grab lunch at a take-out place or pick up the dry cleaning becomes a guilt-laden task.

The staff at Apartments.com has experienced their fair share of money woes and would like to offer some advice. The good news is that you **do** have options and by just taking the first steps toward pulling yourself out of the hole, you start to feel better!

### Step One: Know the Real Credit Facts!

*The good news...*

- It is possible to get out, and stay out, of debt. It is true that the average American has \$8,400 of credit debt, but it is also true that only 1 in 20 Americans owes \$8,000 or more.
- Most households owe balances that are \$2,000 or less.
- Only 1% of Americans have over \$20,000 of credit card debt.

*The bad news...*

- The percentage of disposable income used to pay debts is at a record high in this country.
- Personal bankruptcy hit a new high in 2003.

**Step Two:** Quick—Put Down That Credit Card! Like nothing else in the modern world, credit cards can go from a blessing to a burden in a heartbeat. When you needed a quick loan for car repairs or an emergency road trip, the old credit card was there. But before you knew it, it took on a life on its own and is now sucking your bank account dry with its enormous hidden fangs, the interest rate. This monster's power is multiplying every month and will soon steal your ability to get a good rate on a loan or even rent an apartment. If you have a high balance on your cards, stop it now by **ONLY** using the money you have in the bank, unless it's an emergency.

**Step Three:** Learn the difference between good debt and bad debt. It's kind of like when you first found out about good fat and bad fat and thought, "There's good fat? How's that?" Well, debt works like that, too. While too much of anything can fall under the bad category, some types of debt are almost necessary for most people to have in order to live their lives. Good debt means the interest rate is below 10% and the funds will appreciate in value. This means you're getting something for your money over time. Student loans and home mortgages fall into this category. Automobile loans on the fence; they have low interest rates but cars very rarely appreciate in value. Any other loans including personal and credit cards are considered bad debt. Now you know what to focus on—get rid of that bad debt! You still need to make payments toward good debt accounts, of course, but you can rest easy knowing that those were smart decisions.

**Step Four:** Cut Out the Bad Debt! Approach your desk drawer and carefully remove a pair of scissors. Now start chopping, all except for the one card that has the lowest interest rate. That one will be saved for those dire emergencies. Get out last month's bills and circle the minimum payment on each one. Vow to make that minimum on time every month, plus as much as you can afford to pay to the smallest bills. It's easiest and smartest to pay off the smaller bills first, every bill you eliminate is one less to worry about. Now pick up the phone and prepare to put on your most pathetic, puppy dog face. Any credit card that is charging you 14% or more interest has the potential of slashing that rate if you give them a good case. Remember that a credit card company really just wants your money and if they can have it sooner with slightly less interest, they may just take it. Consider any rates you get reduced a major victory. It's okay to celebrate a little, just don't charge it.

Your final job is figure out what you can live without. We mean, take it down to the bare minimum. Cancel the

cable, make brown bag lunches, brew your own coffee. Do whatever you have to do to make the minimum payment on your credit cards WITHOUT missing any payments on your good credit.

You can consider yourself “debt free” when your bad debt has been paid off and you are able to comfortably make payments toward your good debt accounts. You should also be putting some money toward savings as soon as you can—most experts recommend putting 10% of your monthly income into savings.

Just because you’re trying to get out of debt doesn’t mean you should have to live a miserable life. Your debt diet may leave you feeling weak but you can flex your creativity muscles by finding ways to have fun without very much money. Rediscover childlike joys—remember when money had nothing to do with happiness? Learn to live like that and getting out of debt won’t be your biggest victory.

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