Smart ways to pay down debt

If the thrill of gift-giving turned to panic after you opened your holiday bills, let financial expert Nicole Lapin bring you back to a better place.



GROWING UP, I RARELY GOT TO CELEBRATE the holidays. My parents divorced when I was young and money was in short supply, so for me, most holidays were spent watching TV instead of opening presents. One year, when I had started earning money of my own, I tried to make up for the past by buying a ton of gifts for my friends. It was perfect... until I got my credit card statement in January. I had derailed my budget for *three months*. I snapped into action to attack my debt, and since then I've learned a lot more tricks. You can too—it's easier than you think. (Then, promise yourself you'll spend smarter next year!)

FIND MORE MONEY

1 Try a credit card detox. It's impossible (and boring) to cut out fun altogether while tackling debt. But don't add to your bill when you should be paying it off. Instead of using credit cards this month, take out a small percentage of your usual entertainment budget in cash to pay for activities. Once the cash is gone, the party's over.

2 Use gift cards. Don't let those stocking stuffers sit in your wallet. If your gift card works as cash, use it to buy essentials like groceries—it'll feel so good to stock up on the things you need without a dip in your bank balance. (Then, use what you saved to pay your credit card bill!) You can also trade in unused or partially used cards for 92 percent cash back on cardpool.com.

3 File your taxes early. If you expect a refund this year, do your taxes in January or as soon as you receive the necessary forms. When the refund rolls in, use it to pay any outstanding credit card bills. This shouldn't be your payment plan every year (you could invest that money in your IRA or even go on a vacation), but this isn't free money—it's *your* money, so let it help you when you need it.

PAY DEBT STRATEGICALLY

1 Pay bills with the highest interest rate first. These tend to be store-issued credit cards. Compare the rates of these with your other credit cards and loans, and focus on paying off the one with the steepest rate as quickly as you can. If possible, pay a bit less on some of your lower-interest debt (like student loans) for a few months until the highest-rate cards are under control, then gradually ramp your other payments back up.

2 Set realistic goals. I know you want to finish paying off your debt ASAP. But here's some real talk: It's better to give yourself more time and cover all of your day-to-day expenses than risk over-budgeting. Take a full six months to pay off your debt—that way you won't rack up more if, say, your oven breaks down and you need to hire an electrician.

3 Stay on schedule. Check your bills for the due date, then mark a calendar you hang on your fridge so you know when to pay what. Need a better reminder? Debt-payment apps like Debt Free (99¢, iOS; mobileinnov.com) send you alerts when the money's due. With each payment, you're one step closer to a debt-free 2017.

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