



[MONEY]

## get out of debt checklist

Before you make major purchases as a couple, make sure you clear up any financial glitches you have. These ten steps might not be sexy, but you'll get in the black again—and start planning for that room reno or trip to Aruba.

### MAKE BUDGET CUTS

Do everything from limiting your dinners out to selling your car to save money. Also, look into raising your insurance deductibles (to lower your premiums), selling old items online, and ditching your land line. Devote every extra dollar you can to erase debt.

### COMPILE A LIST OF YOUR COMBINED DEBT

Include these categories:

- Type of debt (e.g., credit card, car loan)
- Amount owed
- Minimum payment required
- Interest rate
- Current monthly payments
- Payment due date
- Paid in full/reward

### REORGANIZE YOUR DEBT HIT LIST

List each payment by order of interest rate—starting with the highest APR (annual percentage rate) and working down the list.

### PRIORITIZE YOUR PAYMENTS

Add up all your monthly obligations from the "Current Monthly Payment" column. This is your bill allowance. With this allowance you will pay the minimum payment on each card—except the one with the highest rate. Once minimum payments are met, apply the rest of your bill-payment allowance to the credit card with the highest interest rate. Eventually, you'll be able to knock it off your list and start working on the balance of the next credit card on your hit list.

### NEGOTIATE BETTER TERMS

Identify which credit cards are charging you the highest interest rates (it's spelled out on your account statement). Call each company and ask them to lower your interest rate. Let them know that you are thinking

about transferring the balance to another credit card. Ideally, you want them to offer an APR in the single-digit range and have it last until the debt is paid off.

### MOVE YOUR DEBT TO THE LOWEST-RATE CARDS

- If your lenders won't budge, call the credit card companies on your list that have the lowest APRs. Ask to transfer debts from your higher rate cards at this lower interest rate. (Don't worry about rewards points—balance transfers usually don't qualify.)
- If you do decide to cancel some cards, don't do it all at once, or else your "debt-to-available-credit ratio" on your credit report will look out of whack.
- If your debt is primarily school loans and not on credit cards, consider keeping only your oldest cards (the older they are, the better they are for your score) and the ones that give the best rewards.

### USE CASH

Limit your credit card use as much as possible. All new charges on your cards can mess up your pay-off plan and may be subject to even higher interest rates than the ones you negotiated for your transferred balances.

### PAY ALL BILLS ON TIME

One late payment to any of your credit cards can trigger a rate hike—with penalty interest rates in nosebleed territory of 25 percent more. So mark the deadlines from your "Payment Due Date" column on your calendar in bold red ink.

### FILL IN "PAID IN FULL" COLUMN

Go back to your debt list and put a big fat "X" through each item as you pay it off. We suggest: a trip to your favorite ice cream place, a picnic in the park, sledding like you're kids again, new downloads from iTunes.

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