



## Roll Down Your Debts

Do you budget for a certain amount of money each month to repay your debts but aren't sure why they don't decrease as fast as you expect?

Try a simple strategy that won't cost you any more per month and allows you to see real progress. We call it Roll Down your Debts.

This method focuses on eliminating one debt at a time rather than trying to pay down your debts all at the same time. Let's take a closer look at how the Roll Down works to repay consumer debt.

### 1. Pay All of your Minimum Payments

To maintain a healthy credit rating, make sure you pay the minimum payments on all of your debts each month. You don't want to rob Peter to pay Paul here.

Minimum payments are generally between 3 and 4% of the total amount owed. Here's an example of common consumer debt:

Debts	Total Owing	Interest Rate	Minimum Payment
Department Store	\$1,500	28%	\$ 50
MasterCard	\$1,250	17%	\$ 40
Visa	\$2,000	10.5%	\$ 60
Personal Loan	\$2,500	8.5%	\$ 75
<b>Total Minimum Payments</b>			<b>\$225</b>

### 2. Budget your Additional Debt Repayment Amount

In the breakdown above, the minimum payments add up to \$225. Can you fit another \$75 towards your debts each month? It would go a long way to getting ahead of your debts without breaking the bank.

### 3. Highest Interest Rate vs. Lowest Balance

Now that you've allotted \$300 per month towards debt repayment, you need to decide where to start. You can choose to start with the highest interest rate to avoid paying the most interest to your creditors. Another option is to pick the lowest balance and get the added boost from eliminating a debt quickly. Let's start with the highest interest rate for our example – the Department Store card.





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### 4. Break Down your Monthly Payments

By putting that extra \$75 towards your highest interest debt, your repayments would look like this:

Debts	Interest Rate	Monthly Payment
<i>Department Store</i>	28%	\$125
MasterCard	17%	\$ 40
Visa	10.5%	\$ 60
Personal Loan	8.5%	\$ 75
<b>Total:</b>		<b>\$300</b>

### 5. Taking the Next Step

Once the first debt – the Department Store card – is paid off, it's time to shift the extra money to the next highest interest rate debt (MasterCard in this case).

The best part: instead of adding \$75 to the minimum payment, you're adding \$125 for a total of \$165. This will knock off the second debt in no time flat!

Debts	Interest Rate	Monthly Payment
<i>MasterCard</i>	17%	\$ 60
Visa	10.5%	\$165
Personal Loan	8.5%	\$ 75
<b>Total:</b>		<b>\$300</b>

### 6. Watch your Debts Disappear

Once the second debt is repaid, you apply the same idea to the third highest interest rate. In this example, you're now paying \$225 to Visa each month until it's down to zero.

Debts	Interest Rate	Monthly Payment
<i>Visa</i>	10.5%	\$225
Personal Loan	8.5%	\$ 75
<b>Total:</b>		<b>\$300</b>





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At that point, your entire debt repayment budget goes to paying down the Personal Loan.

<i>Debts</i>	<i>Interest Rate</i>	<i>Monthly Payment</i>
<i>Personal Loan</i>	8.5%	\$300
<b>Total:</b>		<b>\$300</b>

With the Roll Down method, you'll be debt free much faster – and it will cost you much less money in interest in the process.

### 7. The Next Step – Turn Debt Payments into Savings Account

By using the Roll Down method, you've already planned to pay a certain amount of money each month towards debt...now it's time to make those funds work for you!

Whether you choose a Registered Retirement Savings Program, a Tax-Free Savings Account, a savings account dedicated to a holiday, new car, or any other goal, you'll switch from paying interest to earning it.

And the best part: you will be able to pay off your new purchases at little or no interest thanks to your newfound savings!

For a handy tool to calculate Roll Down amounts: [moneymentors.ca/java/DebtRolldown.html](http://moneymentors.ca/java/DebtRolldown.html)

