

Managing Debt

Financial Literacy





Debt

Borrowed money that needs to be repaid with interest. Ex. credit card debt, student loans, mortgages, and personal loans.



Assessing Your Debt

Assessing your debt is a crucial step in effectively managing your finances.

- Start by making a list of all your debts, including credit cards, loans, and other outstanding balances.
- Note down the outstanding balances, interest rates, and minimum monthly payments for each debt.

By assessing your debt, you can develop a clear picture of your financial situation and make informed decisions on how to tackle your debt effectively.



Creating a Budget

01

Budgeting as a Tool

Define budgeting as the process of tracking income and expenses to allocate funds effectively.

02

Tracking

Regularly reviewing and adjusting your budget allows you to stay on track and make progress in managing and reducing your debt.



Prioritizing Debt Repayment

Consistent and timely debt repayment positively impacts credit scores. As individuals demonstrate responsible debt management, their creditworthiness improves, enabling them to access better borrowing options,



Avoiding Future Debt

Avoid the temptation to spend beyond your financial capacity. Differentiate between wants and needs, and make thoughtful purchasing decisions based on your budget and long-term financial objectives.

Establish an emergency fund to cover unexpected expenses and prevent relying on credit cards or loans during financial crises. Aim to save three to six months' worth of living expenses.

Periodically assess your financial status, review your debts, and monitor your progress. Stay proactive in managing your finances and make adjustments as needed.



Extra Resources

[Managing debt - Canada.ca](#)

[Debt Management Strategies - Guide to Paying Off Debt | Equifax](#)

[Managing debt | Planning basics | GetSmarterAboutMoney.ca](#)

[Debt Management Guide \(investopedia.com\)](#)

[Debt: What It Is, How It Works, Types, and Ways to Pay Back \(investopedia.com\)](#)

[Pros and Cons of Debt Management Plans \(investopedia.com\)](#)