

RECONNECT CORNER

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2 Ways to Tackle Debt

There are so many ways to get into debt, but only a few ways to get out of debt. Two of the most popular strategies are debt snowball and the debt avalanche.



In the snowball method the strategy is to target the smallest debts first. For example, if you owe \$1,000 dollars on a credit card and \$400 dollars on a Macy's card, you would allocate the minimum payment to the credit card and the rest of your debt reduction budget to the Macy's card. As you pay off line items the additional money you have available will be used to tackle the next smallest debt. You repeat this strategy until all debts are paid.

This strategy is great because it creates multiple wins along the way. Paying off debt can be difficult and stressful. It's nice to have something positive happen from time to time. It feels good to pay something off!



The avalanche method involves focusing on your highest interest rates first. Obviously, this strategy makes mathematical sense. You have to identify which debt is costing you the most money on a month to month basis, and you eliminate that one first. You pay minimums on everything else and once a line item is paid off you roll the payment over to the next highest interest rate debt.

I like this method because it's efficient and preserves the most money. However, it can be more difficult to stay committed over the long haul, as it can take longer before you start seeing your debts disappear. Ultimately, the choice is yours. Do whatever works best for you!



5 Tips to Control Holiday Spending

The holidays are a time for joy and celebration. However, if you don't have a plan you may find yourself spending quite a bit more than you originally anticipated. Here are five tips that could lessen the blow, and have you kicking off the New Year on the right track.



Create a Holiday Budget

Sit down and come up with a budget for additional expenditures associated with your individual holiday activities. Look at the calendar. Identify things like travel, parties, gifts, and charitable offerings, just to name a few.

Allocate a specific amount of money to each holiday activity. Have fun and make good choices.



Are you Naughty and Nice?

Santa Claus travels the entire world in one night distributing gifts to everyone. You are not Santa Claus! This season prepare a list of people who will receive gifts, and be selective. Secondly, Christmas cards are an affordable way to show someone you appreciate them. Don't spring for the crystal vase that will never get used.



Super Coupon Collector

There are two types of shoppers in this world: convenience shoppers and bargain shoppers. You should try your absolute best to be the latter. There are sales and deals all over the place during the holidays. It's important that you plan and look for places to save. Convenience shopping can be especially bad for your budget this time of year.



Spend Time, Not Money

No matter your beliefs, this is a time of year to connect with the people you love. It isn't about material things. It's about togetherness and tradition. Don't worry about spending a ton of money. That's not the point anyway!



Budget Based on Your Actual Financial Situation

"Pride comes before the fall." Famous words and applicable to the holidays. Design your budget around your actual financial situation. Don't build your plan based on a desired perception, or the continuation of a ruse, that involves you having a bunch of money. In short, don't spend money you don't have just to impress others. This will only worsen your long-term financial outlook.

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PART TIME JOB?

It's easy to say spend less and save more. Try telling that to a single mom working two jobs just trying to make ends meet. Developing good financial habits is extremely important and will serve you well in your life. But we all have to eat!

The truth is that income matters. Income is the gas you are putting in your car. Wealth is built in the chasm between what you spend and what you make. You may need to amend some of your habits. That's true. You might also need to make more money.

What are some ways you can add income? Jot down a couple ways you could feasibly bring more money home. For many Americans, this is an option that should be on the table. Go get it!