

### **Overcome the Roadblocks to Paying Down Debt**

The barriers to financial well-being can feel crushing. No one will argue that this is a simple change to make. There's a good chance that you are wondering whether setting aside money to pay down debt is worth the effort. It can be challenging to change old habits, especially at first. But we've got three strategies to help reduce the drawbacks or roadblocks you might be facing.

What are your three biggest roadblocks?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

### **Reduce the Drawbacks**

1. Create a list of the benefits, or pros, of paying down your debt. As you add to your list, the drawbacks, or cons, may seem less important. Try to have at least two pros for every con.
2. Consider the cons as the hassles they are compared to the serious consequences of not paying down debt. For example:
  - How does keeping up the appearance of having a certain lifestyle or measuring yourself against others you assume to be more well-off (but in reality may not be) compare to your stress over the amount of debt you have?
  - How does meeting your family's expectations compare to paying high interest on their credit card purchases?
  - How does the temporary discomfort of starting a conversation with your spouse or partner about your personal finances compare to continuing to live paycheck to paycheck?
3. Counter the cons, or drawbacks, with practical alternatives or challenges. Some of the most common barriers to our personal financial well-being are the things we tell ourselves, like:

“It's too overwhelming.”

“I don't have time.”

“I don't know how to reduce my expenses.”

“I’ll have to give up things I enjoy.”

“I’m the “fun one,” and if I can’t spend money, people won’t see me that way anymore.”

“I won’t be able to spend time with other people the way I’m used to.”

Chances are, at some point in the change process, you’ll say one of those things (or something similar) to yourself. But don’t let that stop you. Be prepared and arm yourself with strategies to overcome the barriers. You can check out some suggestions for overcoming those common barriers below.

### ***It’s too overwhelming.***

True, it can be overwhelming. But you’re not going to pay down your debt overnight. Remind yourself that you’ll do it one day at a time—when you are ready.

In the meantime, check off the strategies you can try.

- Getting organized can help you feel less overwhelmed. When a task feels too big for you, it often feels better once you get organized. So, start by pulling the papers together and keeping all of your bills and loan statements in one place.
- Begin with the basics. Getting a handle on how much debt you are carrying or how much you need to save is a good place to start. List it on a spreadsheet or on paper—the *Debt Resource* can help.
- Think about who you can ask for help when you get started. Encouragement from others can help you take the first few steps.

### ***I don’t have time.***

We’re all really busy, but there are ways to make time for this. Tell yourself that you can break the big task of changing your financial behaviors into small tasks that will only take a few minutes at a time.

Think, for example, about how you’ll figure out what’s coming in and what’s going out of your accounts and your wallet. Think that will take forever? Think again...it can be done in three steps and take just a couple of minutes a day. Do one step each day, and you’ll spend less time than it would take to watch one ½ hour show on TV—even if you recorded it and don’t watch the commercials.

**Step 1:** Figure out your monthly net income. Unless you have other forms of income, this basically means looking at your pay stubs. Your net income is the amount remaining on your paycheck after taxes and other deductions are subtracted.

**Step 2:** Figure out your fixed expenses. This step takes the most amount of time. How about setting aside 30 minutes a week over the next month? Start by listing the easy things you pay each month like rent/mortgage, car, and child support payments. The next week tackle your utility bills. Then insurance payments and taxes. And finally, any other set monthly expenses.

**Step 3:** Figure out your variable expenses. This means you'll have to track your expenses in a notebook every day for at least a week (two weeks or a month is even better). It only takes a second to jot down what you're spending as you're spending it. Each night take five minutes to add your day's expenses to the appropriate spending category.

You can also tell yourself that taking the time to do one bigger thing can have a big payoff over time—think changing your withholding on your paycheck, refinancing your mortgage with a local bank or credit union, or raising the deductible on your auto or home insurance if you have the money to cover the higher deductible if needed.

### ***I don't know how to reduce my expenses.***

You'll be amazed at how much you spend without even thinking about it. How much did you spend yesterday? You probably have no idea. Did you buy coffee and grab a pastry on the way to work? Did you use a couple gallons of gasoline on your commute? Hit the vending machine? What about lunch? And dinner? Did you go to a restaurant or get carryout from the grocery store?

It all adds up. Those are all variable expenses, some of which could be cut. Take that \$2 soda or coffee a day...no big deal, right? But that's \$14 a week, and \$728 a year.

And that \$7 lunch? Even at only five days a week, that adds up to \$1820 a year. Want to go to a movie? If you and a friend split the cost of a DVD rental or on-demand movie instead, you could both save \$8.

Cost-cutting strategies are getting a lot of press lately—everything from how to reduce your grocery bill (think coupons, buying in bulk, and buying produce in season) to getting a better deal on cable and Internet service or family vacations. Your friends and family may have ideas too. Keep your eyes and ears open for those tips.

***I'll have to give up things I enjoy.***

Yes, you will. But ask yourself how the temporary loss or delay of some of the things you want compares to the weight lifted by knowing that you are doing something about your finances. So for now, remind yourself how much better you'll feel about yourself and of all the benefits you'll get by paying down your debt.

Try some of these ways to enjoy yourself:

- ✓ Buy less expensive versions of the things you enjoy.
  - At the grocery store, try the store brand of your favorite cereal (raisin bran is raisin bran, right?).
  - You can also save on over-the-counter medications—the formula will be the same whether it's store brand or name brand.
  - Instead of department store cosmetics and shampoo from your salon, check out the beauty aisle at a discount store like Target™—you can get great quality products for less money.
  - Shop for clothing at sales and brand-name discount stores.
- ✓ Entertain your family the old-fashioned way. Try board games, bike rides and picnics, and free summer concerts. Borrow books and DVDs from the library and take advantage of their story hours, lectures, and movie nights.
- ✓ Watch sports events on TV instead of at the stadium—you'll have a much better view.

***I'm the "fun one." If I can't spend money, people won't see me that way anymore.***

If your friends and family are used to you picking up the tab for dinner or drinks and/or taking them to fun places (and let's be honest, often expensive places), you might be worried about how they'll react if you have to pull the plug.

But ask yourself if they would really want you to burden yourself with more debt to continue to pay for everything. Then, challenge the thought that you need to spend money

to be fun by reminding yourself that they want to spend time with you, not your credit card. You will be the same good-time girl or guy even when you are spending less—whether it is having everyone buy their own drinks, sharing a potluck dinner, or attending free or low-cost events with your friends and family. Can you practice saying, “Here’s my share of the bill. You can settle the difference with the waitress.”?

***I won’t be able to spend time with other people the way I’m used to doing.***

Maybe your friends eat out often or shop together on weekends. Maybe your relatives want to take an expensive vacation every year. Will you be left out? Will you miss the time they are spending together? It may feel like a big sacrifice to give up experiences other people are having if they aren’t in your budget.

It definitely doesn’t have to be that way. Chances are if you step up to say, “I’d love to join you, but it’s not in my budget” at least some people are going to be relieved and admit that it is not in their budget either. Who could you try that on this week? Think ahead about how you can suggest a less expensive alternative way to spend time together (try, “Can we rent a movie instead?”).