



10 Practical Ways to Start Reducing Debt

Take stock, choose a repayment strategy, and build habits that last

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Yesterday's purchases can linger long after their usefulness—or enjoyment—has passed. The restaurant meal is over, the vacation photos are filed away, but the credit card balance remains.

Reducing debt starts with knowing what you owe and deciding what you can realistically pay. You don't have to be a financial wizard, and you don't have to solve everything at once. These ten steps can help you begin.

1. Make a Complete Debt List

Gather your latest statements and record each creditor, outstanding balance, interest rate, minimum payment, and payment due date. Include credit cards, installment loans, medical payment plans, and buy-now-pay-later balances.

Flag overdue accounts and promotional rates that will expire. Knowing the balance is useful; knowing what it costs and when payment is due makes the list actionable.

2. Protect Your Essentials First

Before directing extra money toward debt, make sure you can cover necessities such as housing, food, utilities, medication, and transportation to work.

If you cannot pay every bill, consider the consequences of missing each payment. Keeping your home and maintaining your ability to earn income may take priority over an unsecured credit card balance. The highest interest rate is not the only consideration during a financial crisis. [Use the CFPB's guide to prioritizing bills.](#)

3. Build a Budget Around Your Actual Income

Start with take-home income, then subtract living expenses, required debt payments, and amounts set aside for predictable future bills.

Your personal finance worksheet can show whether there is room for extra payments. Use realistic figures: a plan that consistently understates groceries or transportation will fall apart quickly.

Avoid counting uncertain overtime, bonuses, or gifts as money already available.

4. Find a Sustainable Extra Payment

Review spending for changes you can maintain. Unused subscriptions, expensive service plans, frequent deliveries, and impulse purchases are reasonable places to begin.

If you free up \$60 a month, assign it to debt repayment rather than letting it disappear into other spending.

If essential expenses already consume your income, further trimming may not solve the problem. Additional income, assistance, or changes to payment arrangements may be necessary. Recognizing that limit helps you choose a workable next step.

5. Choose a Repayment Strategy

Once essential bills and minimum payments are covered, choose how to direct extra money:

- **Highest-interest-first, or avalanche:** Focus extra payments on the debt with the highest interest rate. This generally minimizes interest costs.
- **Smallest-balance-first, or snowball:** Focus extra payments on the smallest balance. Early payoffs may help you stay motivated, although this approach can cost more in interest.

With either method, continue required payments on the other debts. After paying off one balance, redirect its payment toward the next. [Compare the CFPB's debt-reduction strategies.](#)

6. Make Payments Consistent

Set reminders for due dates. Automatic minimum payments can help if your checking account reliably holds enough to cover them; otherwise, reminders may give you better control over timing.

Schedule the extra payment in your budget, too. “Whatever is left at the end of the month” is easy to spend before it reaches a creditor.

Review statements to confirm payments posted correctly and balances are moving in the right direction.

7. Avoid Adding New Debt

If carrying a balance has become routine, pause avoidable credit purchases while you work through repayment. Removing stored card details from shopping sites can make impulse buying less convenient.

Use cash or a debit card for planned purchases when appropriate, while keeping track of your available balance and upcoming bills.

Also make room for a modest emergency cushion as circumstances allow. Otherwise, the next necessary repair could send you straight back to borrowing. If you need credit for groceries or utilities every month, revisit the underlying budget gap.

8. Contact Creditors Before You Fall Further Behind

If a payment is becoming unaffordable, contact the creditor promptly. Explain what changed, what you can afford, and whether the difficulty is temporary.

Ask about hardship arrangements, reduced interest, waived fees, or a different due date. Availability varies, so get the terms in writing and ask how the arrangement affects interest, account access, and credit reporting.

You don’t have to wait until you miss a payment to ask for help. [Read the CFPB’s guidance on unaffordable credit card bills.](#)

9. Evaluate Consolidation Carefully

A consolidation loan may simplify payments or reduce interest, but compare the total cost—not just the monthly amount. A smaller payment stretched over more years may cost more overall.

Check fees, the repayment term, and whether the rate can change. Be especially cautious about using your home as security to repay credit cards: that can put your home at risk.

Consolidation also leaves the original problem unresolved if you continue accumulating new balances. [Review the CFPB’s consolidation guidance.](#)

10. Review Progress and Get Help When Needed

Update your debt list monthly. Watch balances, interest charges, and the effect of extra payments. Adjust your plan when income or essential expenses change.

If the numbers still don't work, a reputable nonprofit credit counselor can help you examine your budget and repayment options. Ask about fees and services, and check the organization's reputation before enrolling. [Learn about credit counseling.](#)

Debt reduction takes time, but you can begin today: make the list, protect your essentials, and choose one manageable action. A plan you can maintain is worth more than an ambitious one you abandon.