

A step further

Snowball or avalanche?

If your goal is to reduce your debt, and you can pay more than your scheduled monthly payments, choose a strategy that helps to reduce your debt more quickly.



“Snowball” method

Focus on the smallest debt first. After you have made all of your minimum payments, increase your payment on the smallest debt. After it’s paid off, add that amount to your payment on the next smallest debt.

Seeing the progress of paying off your small debts can be very motivating. A disadvantage of this method is if your larger debts have higher interest rates and fees you might pay more overall if you pay off the smaller ones first.



“Avalanche” method

Focus on the debt with the highest interest rate first. After you’ve made all your minimum payments, increase your payment on the debt that has the highest interest rate. After it’s paid off, add that amount to your payment on the next highest-rate debt.

An advantage of this method is that you get rid of the most expensive debt first. By paying off the debts that charge you the highest interest and fees, your money could go further. A disadvantage is that it can be harder to feel like you’re making progress quickly.

The method I want to use is:

It will be the best choice for me because:

03 Making a debt action plan



Imagine how it would feel to be debt free.

Once you’re ready to start tackling your debt and have a clear sense of how much you owe, your next step is to make an action plan. Use this worksheet to think about your debt repayment goals, the steps you can take now, and the help you will need along the way.

This worksheet will help you:

- Set goals to build toward the future you want
- Take steps to get a handle on debt
- Identify resources that can help you
- Track your progress
- Pick a payback strategy that works for you

Reflect on the values and priorities that are most important to you. See if they are reflected in your goal. For example, if you value family and want your children to receive post-secondary education, your goal could be to reduce debt so you can put the money towards saving for their RESP (Registered Education Savings Plan).

Debt action plan

Start making your goals a reality.

Set a goal, make a plan, and consider what resources can help you.

Use this worksheet to write down action steps you will take to start paying off your debt, who can help you, and when you will complete

the steps. Consider choosing the “snowball” or “avalanche” approach (explained on the other side of the page). Would you feel better starting with a quick result, or a long term strategy?



The steps I'll take	Resources, people, or agencies who can help me	Date I will complete
<i>Pay \$20 more on my credit card each month.</i>	<i>My family and I will reduce our entertainment spending by \$20 each month.</i>	<i>Two years from now I will have completed the payments.</i>
<i>Pay off my outstanding line of credit of \$500 so that one of my smaller debts is paid off in full.</i>	<i>I will make an appointment with my local credit counsellor to help make a plan.</i>	<i>I will make the appointment this week.</i>

My motivation to pay off my debt is:

Once I pay off my debt I will be able to:
