Published on *Brightworth* (https://www.brightworth.com)

If you don’t look at the monster…

Submitted by Patricia D. Sklar on 10/24/2018 - 09:25

With Halloween on the horizon, I thought it might be time to talk about scary movies. When I was a kid, I used to watch scary movies with my dad. My dad likes to tell the story about how when we watched Alien together I would always laugh at the aliens, while my dad would literally hold me in front of his face (I was quite young) to block himself from the monsters on the screen.   I think watching with me made those movies less scary for him. Now, as an experienced scary movie wingperson, I’d like to help you fight one of the scariest monsters in finance…debt!

While watching any scary movie, my dad always says that once you see the monster, the movie is no longer scary. I’m not sure if I agree with that logic when it comes to Chucky, but I do find that when folks finally take a hard look at their situation and understand it, it starts to become less scary. Take that first step and look it right in the eye, so you know what you’re dealing with... student loans, credit card debt, car loans, and so on. Just because you ignore it, doesn’t make it go away. If left alone – that scary sucker can take over your life!

Once you have seen what kind of debt monster you are dealing with, you can then try and figure out a plan of attack. In any scary movie, the people who panic and do nothing upon seeing the monster…uh…don't usually come out on top. But the level-headed planners usually make it out OK. So let's keep our wits about us and get planning.

From a pure math standpoint (sorry, can't help myself), the best way to slay the debt monster is to pay off the debt with highest interest rate first. Other people choose to pay off the smallest loan first to feel like they made some progress, and some choose to consolidate their loans to get a lower overall interest rate. Whatever your choice, make sure your plan includes paying at least the minimum on all loans or you could end up with more monsters to slay. One thing's for sure, if your plan is looking the monster in the eye and saying "Leave me alone," it's probably not a great plan… (Thanks, Stranger Things).

Once your plan is in place, it's time to execute… ***The Debt Monster***. Make sure your monthly progress towards your debt does not waver. If you have multiple loans and you finally pay one off, take that amount and apply it to the other loans. Additionally, as your income increases, you should increase what you are paying towards your debt. For instance, if you are putting 25% of your monthly take-home pay towards debt and you get a raise, then you may need to consider increasing what you are putting towards the debt to 25% of the new take home pay, or even take the whole raise and apply it to the defeating the monster.

As a reminder, the three life tips to dealing with debt monsters are to face them, make a plan, and execute on it. It's ok to be scared by debt, but don't let it stop you from trying to reach your financial goals. Also, once you have left the debt monster's clutches, make sure you instill good habits (like getting your "Uh Oh Fund" in order – see first blog post), so you don't end up there again…Ok that's a wrap, …***OR IS IT***….

Continue reading ? [1]

Links
[1] https://www.brightworth.com/content/if-you-don-t-look-monster