

File Created by [Blogging Rebirth](#) WP Plugin

# Debt Management Budgeting in Six Easy Steps

You know you're in a pool of debt if:

- ? You're juggling bills. For example, you apply for another credit card and use cash advances from it to pay an existing card.
- ? You have more credit cards than a successful gambler has poker chips.
- ? You are at or perilously near the limit on each of your credit cards.
- ? You consistently charge more each month than you make in payments.
- ? You are working overtime to keep up with your credit card payments.
- ? You don't know how much you owe and really don't want to find out.
- ? You have received phone calls or letters about delinquent bill payments.
- ? Your credit cards are no longer used for the sake of convenience, but because you don't have money.
- ? You are hiding the true cost of your purchases from your spouse.

The amount of debt left unpaid increases overtime due to interest rates. To keep yourself and family from sleepless nights due to debts, start a debt management budgeting strategy with special interest on decreasing debts.

#### 1. CUT ALL CREDIT CARDS

It is best if you don't use credit cards, or even own one. If you think you're responsible enough to use it in emergency situation, then leave one for those times. Buying a Gucci dress for a hot date isn't an emergency situation. Paying for school tuition fee or electric bills is a right example of emergency situation.

Only fools keep more than one credit card. If you want to go down the pool of debt then own ten. Keeping ourselves away from temptation is the first step towards debt management budgeting.

You can see that there's practical value in learning more about Budgeting. Can you think of ways to apply what's been covered so far?

#### 2. KEEP TAB OF INCOME AND EXPENSES

Write down in your budget pad or software every debt you have, even the small ones. Number them according to importance. Between a house mortgage and a car mortgage, label the house mortgage as 1.

Then study your budget pad. Could you cut down expenses on utility bills or transportation? If yes, how much would it raise to add up to fund the mortgage? Study all possibilities of cutting down your expenses.

#### 3. SAVE FOR THE RAINY DAYS

Effective debt management budgeting means not forgetting to save. Although you want to settle your debt, you don't want to be penniless when rainy days come, or do you? You don't have to allot every money that you have to pay off a debt. You only have to manage debt.

Save at least ten percent (10%) from your income, regularly.

#### 4. SAVE TO PAY DEBTS

Since your program is debt management budgeting, you have to allot certain percentage from your income just to settle your debts. For every income that comes in, automatically save five percent (5%) from it. That five percent shall be used specifically to pay debts. It shall not be used for any other purposes.

## 5. CUT CORNERS

Compare the income and the expenses. In debt management budgeting, if the expenses are larger than the income, you are going to have to look at cutting corners. The easiest place to cut corners are on expenses that requires our discretion such as grocery bill, or the entertainment expenses. Necessary and fixed expenses such as mortgage, or rent, car insurance, utility bills can be lessened a little, but for the most part will stay the same.

You don't have to deprive yourself of everything that you enjoy, but cutting back a little will help. Using coupons at the grocery store, and shopping for sale items will help cut your grocery bill. You can also limit your entertainment expenses by watching movies on video so the entire family can enjoy the movie in a price of one. The extra you save could be used to buy another video or towards something that you really need, or want.

## 6. ASK FOR DEBT RESTRUCTURE OR AVAIL OF AMNESTY PROGRAM

Take advantage of the amnesty program that banks and credit card companies offer. Most especially for the credit card companies, they offer payment of principal amount less the padded interest. This will help make budgeting and managing your debt easier.

If you think you're drowning with the amount of your monthly amortization, say for your mortgage, ask for debt restructuring. Have it stretched to suit your budget.

Although you may pay for the mortgage in a longer period of time, the debt restructuring allows you to pay the amortization on time and save on interest for late payments or worse, repossession of your property.

You can also find this article published on [Debt Management Budgeting in Six Easy Steps](#)