

Compare Your Debt Relief Options and Choose Wisely

If you find yourself in enough debt that you're seeking debt relief options, please be careful. Companies offering debt relief solutions are not always looking out for your best interest. Their solutions may not be as helpful as they seem. Some solutions can even do more harm than good.

Debt relief is a lot like dieting. Quick fixes are temporary, and you can end up in worse shape than when you started. Learning how to manage your health – physical or financial – and gaining better habits can bring results that last a lifetime.



4 Popular Debt Relief Options

Do It Yourself

Debt Consolidation

Credit Repair Services

Financial Coach

1 Do It Yourself

The first thing to know is that it's possible to create your own plan to get out of debt. There's no magic to eliminating debt. Anything you can pay a company to do, you could do yourself. It's not easy, and it will take a lot more time, but it is doable. Think of it along the lines of, do you want to remodel your own house, fix your own car, do your own taxes, or hire a pro? If you're willing to educate yourself and hold yourself accountable with an actionable plan, you can become debt free. But, like remodeling, repairs, and taxes, debt is complex, and mistakes are costly.

You may choose to fix your debt by yourself before seeking help. There are a few popular debt repayment methods to get you started – debt snowball and debt avalanche. The difference between them comes down to which one will best motivate you to stay on track. The debt snowball method is focused on giving you a psychological boost as debt is repaid and the avalanche method is all about numbers. We recommend using a Debt Planner to give you an overview of your debts so you can choose which method better suits you.

DO IT YOURSELF PROS & CONS

BEST FIT:

This is a good solution if your debt is just starting to be a concern. It hasn't negatively impacted your life, other than the aggravation of paying all that interest instead of saving money. You haven't been denied a loan because of your credit, and you don't have any accounts in collections. You have the time and energy to figure out a plan, and the diligence to follow through with it.

PROS:

It's free, and if you're successful, a mighty sense of accomplishment.

CONS:

Very time consuming. Easy to miscalculate the plan and pay more interest for longer than necessary.



2 Debt Consolidation

This is a very popular option, and on its face, makes a lot of sense. If you are burdened by debt even though you have good income, debt consolidation could help. Instead of paying multiple debts and various interest rates, you consolidate the debt into one loan, with lower interest. You make one payment per month until it's all paid off.

You have a few good options for debt consolidation loans. Personal loans currently have interest rates averaging 10.72%. Home equity loans are even lower, averaging 4.92%. It's even possible to consolidate with a credit card that offers 0% interest on balance transfers for a specified term.

The rate, term, and payment are the most important considerations. They have to make good financial sense for you.

A low payment with a long term will immediately ease the monthly burden but you'll end up paying a lot more in interest.

A high payment with a short term will get you debt free faster and cheaper, but if the payments become a strain on your budget, and you end up using credit cards to make up for it, you're digging a bigger hole.

If you find a 0% interest balance transfer credit card, make certain you can easily pay off the entire debt in the specified time frame. The interest will kick in after the introductory period, which could be significant enough to undo your progress.

You can do debt consolidation yourself to avoid monthly fees. A debt consolidation company can get you through the process faster, but their services can be pricey.

DEBT CONSOLIDATION PROS & CONS

BEST FIT:

This may be a good solution if your credit score is high enough to qualify for a debt consolidation loan at a reasonable interest rate.

PROS:

One monthly payment, less stress, an end in sight.

CONS:

Can be expensive, some companies charge up to \$250 per month. Easy to inadvertently accumulate more debt outside the debt consolidation loan.



3

Credit Repair Services

Credit repair seeks to improve your credit score. A low credit score is a major obstacle to moving forward, not just with buying a house or car, but even getting a new job. If there are actual errors on your credit report, regardless of other steps you take, those should be addressed and get resolved. Like all the other options above, you can do this yourself, but it is an arduous task with a low success rate. That's why people hire a credit repair company.

Proceed with caution on this option. Some credit repair companies promise to wipe your credit report clean and will deliver on that, improving your credit score. The problem is, if the negative information in your report was accurate, not an error, your creditors can just put that info back in your report. So, after paying the credit repair company, you could discover a tanking credit score just a few months later.

CREDIT REPAIR SERVICES PROS & CONS

BEST FIT:

This is a worthy solution only if you know there is inaccurate information on your credit report. It's also a good option to do in conjunction with other options. If you consolidate debt, for example, you want to make sure the old debts are shown to be paid off and your score reflects that.

PROS:

Higher credit score.

CONS:

The high score may tank soon after it's raised. Fixing a credit report does nothing to manage your debt. It just makes it look better on paper.



4 Financial Coach

If you have the right financial coach, you can get the pros of all the above without the cons and learn how to manage your finances, so you don't incur debt again. Money Coach Group takes it a step further and helps you get ahead financially.

We will look at the big picture, not just your finances, but your lifestyle and unique circumstances – with no judgement. We create a personalized financial plan that will work for your life.

You'll have a person you trust to guide you one-on-one and hold you accountable to your plan.

We are not affiliated with any debt relief programs so there's zero incentive to sell you on any specific option. Our partnership with you is confidential – we don't ask for your account information (or need to know your name for that matter!). Our only goal is to help you eliminate debt so that you can pursue your dreams and live the life you want.

FINANCIAL COACH PROS & CONS

BEST FIT:

This is the ideal solution for anyone who has good income but is drowning in debt. For those who want to get on a better financial path.

PROS:

Average time to become debt free is about six months depending upon your financial circumstances. The value far exceeds the cost. It's a short-term investment with lifetime gains.

CONS:

NONE!



Which Debt Relief Option Is Right For You?

The best debt relief solution is the one that helps you get out of debt the quickest with the least amount of risks. You know your financial situation better than anyone else. If you'd like a better understanding of your current financials, we recommend downloading our free debt planner. Based on our recommendations here, comparing the pros and cons of each debt relief option will help get you started on your journey to financial freedom. For additional guidance and recommendations, contact our financial coach. A free, 30-minute consultation can help you determine if our personalized Debt Management Program is the right option for you.

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