

# Personal Finance 101: DEBT MANAGEMENT

Debt is common — but it doesn't have to be overwhelming. Managing debt wisely is a key part of financial wellness. Whether it's student loans, credit cards, or medical bills, understanding how to reduce and eventually eliminate debt can lead to greater peace of mind and financial freedom. Let's break down practical strategies for managing debt, building resilience, and avoiding common pitfalls.

## Why Debt Management Matters

Debt affects more than your wallet— it impacts your mental health, relationships, and future opportunities. According to the American Psychological Association, **72% of Americans report feeling stressed about money**, with debt being a major contributor. Learning to manage debt effectively helps reduce anxiety, improve credit scores, and free up resources for savings and investing. It can also:

- Reduce financial stress
- Improve credit health
- Increase long-term financial stability

**"Money that's going towards debt isn't going towards an emergency fund, a college or retirement fund, mortgage down payments, a house remodel, or things that can really help you financially going forward. It really does tie your hands in a lot of ways."**

~ Matt Schulz, Chief Credit Analyst at LendingTree

## Two Debt Repayment Methods

### Debt Avalanche

For this method, focus on the debt that's costing you the most each month.

- Start by making the minimum payments on all your debt
- Then put any extra cash towards the debt with the highest interest

Do this until the debt is paid in full, then move on to the next debt with the next highest interest, and keep it up until all your debt is paid off.

### Debt Snowball

This method focuses on repaying the smallest debts first. The thinking here is that if you can check some smaller debts off your to-do list earlier on in the process, you'll be more inspired to keep going.

- Make minimum payments on all your debt
- Then put any you have leftover towards the debt with the lowest amount.

Continue until your debt is paid in full.

## Tools & Support from Credit Unions

Credit unions offer personalized financial wellness programs designed to help individuals take control of their finances without judgment or pressure.



Scan to learn how to manage your debt. And be sure to follow us on social media!

