



Financial News for Students

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College Goal Sunday: February 11-12

Need assistance filling out your FREE Application for Federal Student Aid (FAFSA)? Look no further. College Goal Sunday 2012 is offered **TWO days** in February on campuses near you. To find locations and times, please visit www.fasfaa.org and select 2012 College Goal Sunday. Volunteers will be at each location to provide FREE, on-site professional assistance in completing the FAFSA.

**Navigating
Your
Financial
Future**
*your dream
your plan
your future*

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Jan Smith
Manager of
Outreach Services
850-245-1822
Jan.Smith@fldoe.org

Topic #2: Managing Debt

Continuing the Financial Fitness theme, last month we discussed how to set up an emergency fund. (If you missed that newsletter, you can access it through our website www.navigatingyourfuture.org and look for January's newsletter in the archives.)

This month's topic is about managing debt. **Debt is money that you OWE.**

The first step to managing debt is to determine what type of debt you have. There are many types of debt:

- Mortgage
- Installment (such as a car loan)
- Student Loan
- Revolving (such as credit cards, department store cards)

Once you've established what kind of debt you owe, make a list of each debt, how much is owed, the interest rate, and your minimum payment required. It doesn't matter if you create this list in an official Excel spreadsheet format or simply list them on a piece of notebook paper. *What matters is that you are taking time to acknowledge your debts with an awareness of types and interest rates.*

So what's the next step? See page 2 for more details.



Acknowledge debt.



List types of debt and amounts owed.



Get a game plan.



Pay down debt.



Celebrate!

Managing Debt—Continued

Create a plan of action for paying down the debt. Please know that this game plan takes time and focus. You will not be debt-free overnight.

There are several ways to pay down debt effectively. Choose the one that motivates you the most and proceed accordingly. Here are two suggestions that you might consider:

Debt Snowball—this strategy is promoted by Dave Ramsey in the Financial Peace University program. How does it work?

- List your debts in order: largest to smallest.
- Focus on the smallest debt first.
- ***Continue to make minimum payments on the other debts*** until the smallest one is paid off.
- Once the smallest debt is paid off, take the money you were spending monthly on that debt and ADD it to the next smallest debt's payment while continuing to pay the minimum balance on remaining debts.

This "snowball effect" increases your momentum in chunking out debt and gives you the feeling of accomplishment as certain debts are paid in full along the way.

Interest Rate Strategy—similar to the debt snowball, this plan lists your debts by the highest interest rate to the lowest interest rate. Tackle the higher rate debts first while continuing to pay minimum payments on all debts.

One Last Thing...

While paying down debt, keep tabs on your credit report to ensure that you are cleaning up any negative activity or comments from debtors. Pay your monthly bills **ON TIME**. It sounds so simple yet has a huge impact on your credit reputation. If you are having difficulty making monthly payments, please contact your lenders immediately to discuss other options available.

For student loan debt assistance, please contact the Office of Student Financial Assistance at 1-800-366-3475 or the U.S. Department of Education at 1-800-4-FED-AID (1-800-433-3243).