Paying off debt

Planning a way out of debt is easy with You Need A Cash Plan. With a clear picture of your cashflow for the next twelve months, you can put together a pay-off plan that is comfortable and, more importantly, is a way forward that you can stick with to completion.

The choices you have for getting debt free when using You Need A Cash Plan include a consolidation loan and the three options for creating custom pay-off plans.

Debt consolidation loan

A debt consolidation loan combines all of your debts into one loan with a single monthly payment which may be lower than the combined total of your current debt payments. In addition, the interest on a consolidation loan may be less than what you are now paying. As of October 2024, the average rate for a personal loan is 12.41% while the average APR (Annual Percentage Rate) for credit cards is 20.55%.

The appeal of a consolidation loan is that your monthly payments are reduced thereby making more cash available to spend and more room on your credit cards to spend even more. That’s the risk. A consolidation loan, instead of solving your debt dilemma, can result in even more debt unless you approach getting a consolidation loan with a plan which in You Need A Cash Plan means:

- Depositing the full amount of the money from the consolidation loan in your cash plans's checking account.
- Entering the deposit of the loan proceeds as an Other deposit.
- Adding the consolidation loan to your spreadsheet as a bill that will last the number of consolidation loan payments.
- Changing the next payments to all of the consolidated debts in your spreadsheet to one final, pay-off payment. (The pay-off payments absorb the uptick in your net cashflow caused by the deposit of the loan proceeds. The net result of integrating a consolidation loan into your net cashflow is the increase caused by the replacement of all the consolidated debt payments with the one, possibly lower consolidation loan payment.)
- Using the four-step method to manage all future credit card usage.

Getting a consolidation loan can be difficult. Just applying for one may damage your credit because of the intense extra scrutiny that is put on your credit history.

Before jumping on the consolidation loan bandwagon, you might take a look at the options you have in You Need A Cash Plan for creating your own custom debt payoff plans. Getting out of debt with your own pay-off plan may take longer, but will have a positive effect on your credit rating.

Debt pay-off options

In You Need A Cash Plan, you have three options for creating custom debt payoff plans that fit comfortably within your net cashflow.

1. A payoff plan for one debt can be created using either a desired payment amount or the number of payments you want to make. While creating the plan, you can bounce back and forth between the payment options until you create a plan that works best for you.

2. A debt snowball accelerates the paying off of multiple debts, which can include credit cards. A debt snowball that you create in You Need A Cash Plan can be customized as to which debts are included, the order in which the debts are paid off, and the total snowball plan amount you want to pay each month. You can play with all of these parameters to create your optimum snowball.

3. An automatic payoff plan for a high credit card balance is created with You Need A Cash Plan’s amortization feature. An amortization plan is based on your choice of monthly payment amount or how many payments you want to make. A credit card amortization plan is automatically integrated into your cashflow spreadsheet.