

The Debt Snowball & How It Works

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There are a ton of different debt relief strategies out there. The sheer amount of advice on the internet can be overwhelming at times. However, we are here to discuss one of the many debt reductions strategies. The Debt Snowball. The Debt Snowball is an excellent way to reduce your debt, especially if you have a multitude of small and large debts!

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What Is It?



Think of your debt as a snowball or rather the amounts as a snowball. A snowball starts out small and as it gains momentum, it gets larger. In this debt reduction strategy, the goal is to clear your smaller debts first and as you become debt free, you can put larger payments towards your bigger debts. This is not to be confused with the debt avalanche where your larger payments go towards the debts with the highest interest rates! Above is a short video explaining the debt snowball in greater detail!

How Does The Debt Snowball Work?

The debt snowball works in a multitude of steps. Your first step in this strategy is to identify your debts. This means you'll need to list your debts from smallest to largest,



the interest rate does not really matter in this case. After all your debts are listed out in front of you, you'll want to apply minimum payments to all of your debts EXCEPT for the smallest one. For the smallest debt, you'll want to pay as much as possible without putting you in a difficult situation.

Once the smallest debt is done, you'll move the larger payments to the next biggest debt. I'm sure by now you see the pattern. However, you'll want to continue this momentum until you are debt free. As you can see this is similar to a snowball. In the sense that your payments grow momentum and take out the larger debts as time goes on!

Is It Right For You?

The debt snowball can be right for anybody. This strategy isn't made for a certain demographic. However, some people may not like the idea of just paying minimum payments on their largest debts. This is because of the larger the debts, the higher the interest charges that you may be paying. Therefore, my advice would be to try it out. Having a strategy is better than having none at all. Also, the type of debt strategy you choose should be based on your lifestyle and how much of a monthly income you make.



If you're someone who loses momentum easily then this strategy may be right for you as well. This is due to the fact that if you were to attempt to pay off your larger debts first, you may lose steam and stop making large payments every month.

How Fast Does The Debt Snowball Work?

The debt snowball can be very effective and relatively quick. However, the speed ultimately depends on how much debt you have and how much extra you're paying towards your smaller debts. It's safe to assume that the more you put into the smaller debts, the quicker you'll become debt free! However, there is one more aspect that needs to be addressed that will make this process a whole lot easier.



Develop A Second Income

It goes without saying that if you increase your income, your financial life will become much easier. You'll have more room to make larger payments and afford some of the things that would have cost an arm and a leg. The misconception is that you have to get a second income that earns just as much as your primary. This does not have to be the case. Even aside hustle that is paying you a few hundred dollars a week or even a month can be life-changing. That few hundred dollars a month can go towards a car payment. This lets you use the rest of your income on paying off your debt!