

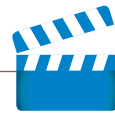
Action Plan: Managing Debt

I know how much debt I have and I have a plan for paying it down.

Managing debt is a critical step toward improving your financial situation. This section is intended to help you identify, prioritize, and plan how best to address any issues you may have. Use what you've learned in Part 2 of **AARP Foundation Finances 50+** to inform this work toward achieving your goals.

Start by writing down all of your debt, along with the current balance and interest rate. Then prioritize each item according to your own situation and what you learned in Part 2.

Secured debt (such as a mortgage, **home equity loan**, auto loan, or other debt where an asset is pledged as collateral for the loan) is generally prioritized above other kinds of debt because you can lose the property (home, car, etc.) if you default on the loan. However, you can also save a lot of money in the long run by paying down your high-interest, high-balance unsecured debt (credit cards, medical debt, personal loans, etc.) while still addressing your other debt obligations.



WORKSHEET 5: MANAGING DEBT

MY DEBT

Type of credit/debt	Current balance	Interest rate	Priority #
Home mortgage			
Home equity loan			
Auto loans			
Student loans/tuition			
Personal loans			
Other loans			
Medical debt			
Credit card #1			
Credit card #2			
Credit card #3			
Credit card #4			
Other:			
Other:			
Other:			
Total:			

Next, use the information from the table above to establish a 3-month plan for paying down your “unsecured” debt (credit cards, medical debt, personal loans, etc.). In the far left column on the next page, fill in your debts according to the priority order you have established. At the end of the third month, write down your new balance for those debts that you have prioritized (perhaps by highest interest rates and/or balances).



TIP

Once you have paid off a debt in full, use the extra money you had been applying to that debt and add it to the amount you are paying to the next debt in your priority order. You won’t miss the “extra” money and you’ll pay off your debts faster.

MY DEBT: 3-MONTH PLAN

Unsecured debt (by priority)	Current balance	Current minimum payment	Payment goal month 1	Payment goal month 2	Payment goal month 3	Balance after 3 months
Totals:						

Take a moment to reflect on what you took away from this section and how managing debt can help you improve your financial situation.

What I found interesting or useful:

What I learned about myself:

Things I can do to help me manage and reduce my debt:

Consider using this information to inform the action steps you will take on your Road Map.