

# Do's and Don'ts of Managing Debt

**SAFA Financial Literacy Lesson**

# Do: Make sure you get advice from trustworthy sources

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When getting advice, know that you cannot take advice from anyone. Make sure to get advice from professionals, and even then, there might be bias and misinformation in their strategies. This is because everyone's situation is different, so only the best can help you with your debt. Licensed Insolvency Trustees are the most reliable source of help. This is because they are backed by the federal government to help you and others with their debt problems.



# Do: Organize and Make a Plan

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Keeping track of your expenses and how you use your income can allow for you to tackle your debt much more effectively. By creating a budget(will be explained later), you will have more money that you can devote to paying off debts. Plan out how you are going to tackle each debt. Even over saving, you should prioritize paying off high-interest debts.



# Do: Tackle debt one by one, and start with most important debts

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Usually, just focus on one debt at a time, and by doing so, you will be able to clear your debts one by one. In regards to the order that you should tackle the debts, make sure to start with the most important debts. In essence, debts with higher rates of interest are more important since you will have to pay much more if you leave those until later, and secured debts are also more important since you will be forced to liquidate a collateral asset.



# Don't: Ignore your debt

Without acknowledging its existence, you can't effectively tackle debt and reduce it, and without tackling debt, it will increase and you will be very financially insecure. You can not ignore it, and you must instead plan to deal with it.



# Don't: Borrow From Friends or Family

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By borrowing from friends and family, you harm your relationship, as if you are unable to pay back the loan, tensions develop. In fact, lending money to those who are close to you does not usually work out for the same reasons. By borrowing money from them, you are becoming financially dependent on them.



# Don't: Withdraw Money from your retirement savings

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Retirement savings are very important, so you should not use them. Although using them now may provide benefit now, in the long run, during your retirement, you will struggle without any money and needing to rely on family members. In addition, retirement savings are federally protected in the case that you file for personal bankruptcy. Taxes can be taken on your savings when redeeming them, so it will cost money.

