

4 Ways To Be Debt Free Without Bankruptcy

It can be frighteningly easy to get into debt, as many millions of people have found to their cost over the last few years. Easy access to cheap credit over the last decade or so, along with a generational shift in attitudes to borrowing, has left huge numbers of people struggling to get by and keep their debt repayments on track. Of course, the unhappy fact is that for some people their debt problems are simply too pressing and no solution can be realistically found, and for these unfortunate people bankruptcy is often the only option. However, there are ways to get debt free without resorting to such drastic action, although none of them are quick or easy, no matter what the abundance of advertisements may insist. The most common method of dealing with debts is to take out a consolidation loan. The basic strategy is to take out enough cheap credit to pay off your existing more expensive debts, leaving you to concentrate on repaying this single new debt, for which you should be having to pay less each month than the total of your previous repayments. Obviously, this is not a quick route to being debt free, especially if your loan was taken out over a long term, but it's a popular way to relieve the pressure of unaffordable debts. So long as you stick to the repayments, and avoid racking up additional debt, you will (eventually) clear your debt. A more proactive way of clearing your debts is to use the snowball method, where you determine to make the minimum repayments on all your debts each month, with any extra cash left over being concentrated on repaying just one of your debts. Once this single debt is cleared, you transfer your previous minimum repayment on it to the next debt in the line, as well as keeping up the repayments you've been making all along. Once this debt is cleared, you transfer the entire repayment onto the next one, and so on down the line. The beauty of this method is that your total monthly debt payments will stay the same, but the power of your repayments will grow and grow as your debt gets smaller, and you also have the encouragement of seeing your debts get cleared one by one. A more drastic move is to enter into a debt management program. This is basically an admission that you can't cope with your debts, and a plea for negotiation with your creditors. You should be able to come to some sort of arrangement to spread your debts over a longer term, reduce the interest rate you're being charged, or otherwise ease the burden by restructuring your finances. You can either take this process on yourself, or consult a debt charity or debt management agency who will handle it for you. The final option is known as an IVA or Individual Voluntary Arrangement, which is actually a form of insolvency. It is in some ways similar to a debt management program in that you negotiate a new repayment deal with your creditors, but the crucial difference is that your new agreement is legally binding and must be signed off by a judge. Under an IVA, you don't necessarily have to clear all of your debt, but so long as you stick to the agreement you've made in court, any remaining debt will be written off after the five year term of the IVA. Although this is one of the fastest methods of becoming debt free, it's not a trivial course to take and will impact on your financial future from many, many years, not least through the near destruction of your credit rating.

About the Author

Martin writes for Debt Sorter, who can help you get [debt free](#) through consolidation, debt management or an [individual voluntary arrangement](#). Visit today to get help with your debts.

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