

MarketWatch Guides is MarketWatch's research and commerce newsroom. We employ dedicated researchers distinct from our newsroom coverage. We may earn a commission from links. [Learn More](#)

MarketWatch > Guides > Personal Loans

[Advertiser Disclosure](#)

How To Get Out of Debt

Last Updated: Sep 12, 2024

You can reach your financial goals and get out of debt, but creating a realistic plan and having the discipline to stick with it is crucial.



Principal Researcher

[Adam Frankel](#)

[Our Research Process](#) ▾

☰ In This Guide

You can reach your financial goals and get out of debt, but creating a realistic plan and having the discipline to stick with it is crucial.

No matter how you might have ended up in debt, there are actionable steps you can take to make strides toward paying off what you owe. Not every debt payoff strategy is right for everyone, but knowing your options can empower you to make the best decision for your unique financial situation.

Key Takeaways

- Carrying debt can seem insurmountable and have a negative impact on your life and financial opportunities, but there are basic strategies you can employ to take control of your finances and work toward debt repayment.
- [Creating a budget](#), having a plan and taking action through steps like debt consolidation, decreasing your expenses and a positive mindset can go a long way toward helping you be debt-free.

Related Resources

Get matched with prequalified loan options in 2 minutes.

Personal loan rates from 6.94% fixed APR¹

Disclosure ▼

Fixed APR from

6.94% - 25.29%

Loan term

2 - 7 years

[Check Rates](#)

on Credible's website

Disclosure ▼

Fixed APR from

6.99% - 35.99%

Loan term

Creating a Budget and Tracking Expenses

If you don't have a budget, creating one to track your incoming funds and outgoing expenses is the basis for making a debt payoff plan. A basic budget relies on making sure you have enough money coming in to cover your outgoing expenses. By tracking each dollar, you can identify opportunities to cut back and meet your monthly expenses.

Making a budget can be as basic as using a pen and paper, a printed worksheet or an online tool or program specifically designed to help you track your spending. You can download a free basic worksheet from multiple places including [Consumer.gov](#), the [Federal Trade Commission](#) or make your own. There are [budgeting apps](#) that offer various levels of budget tracking and can sync with your bank account and credit cards to make the process easier.

Debt Repayment Strategies

Getting organized is the first step. Once you have a clear picture of your spending habits, work on an approach to paying off your debt. If you're looking for a do-it-yourself method to accelerate paying off what you owe, you could try one of two commonly used approaches: the debt snowball and the debt avalanche.

Debt Snowball

With the [debt snowball method](#), you make the minimum payments on all your debts and apply extra funds to the credit card debt or bill with the smallest debt. When that is paid off, you move on to the next smallest balance. The idea is that by tackling the lowest-hanging fruit, you get the psychological boost you need to keep going until you've paid off all of your debts.

Debt Avalanche

The [debt avalanche method](#) also includes making the minimum payments on all your debts but focusing on paying off the balance with the highest interest rate first. When that's paid off, you move on to the one with the next highest interest rate. This method will save you more money than the debt snowball, but may not be as satisfying as paying off the smaller bills completely.

Although at first glance it may seem like the debt avalanche is the more logical choice since it saves the most money, in practice the right one for you is the one that's most likely to keep you motivated and on track.

Debt Consolidation

One option to get out of debt includes debt consolidation, and there are numerous paths to take on this route depending on your personal finances. Debt consolidation involves taking all of your debts and consolidating them into one lump-sum payment. This is usually done by either taking out a [personal loan](#) to pay off the debts — so you only have one monthly payment to make to the loan issuer — or through a balance transfer credit card.

[Debt consolidation](#) can expedite paying off your debts if the annual percentage rate (APR) for the loan is less than what you're paying on your other debts. Plus, consolidating multiple debts into one monthly bill can be less overwhelming. A balance transfer credit card comes with a low- or no-interest introductory interest rate on balance transfers for a promotional period, usually anywhere from six to 21 months. When you shift high-interest debt to a balance transfer card with 0% APR, your monthly payments will go toward the principal debt rather than being partially used to pay interest.

Both [debt consolidation loans](#) and balance transfer cards can be useful tools in paying down debt, but they come with considerations. If your credit score is below 580, lenders may not approve you for either a [loan or a balance transfer card](#). Or, you could get approved for a debt consolidation loan but not at a lower interest rate than what you're paying on your current debts. Everyone is entitled to receive their credit report, for free, each year.

A balance transfer card also typically charges a fee of 3% to 5% for transferring debts to the new card, which can add to your debt load. Determine if the amount you'd save on interest with a balance transfer card is greater than what you'd pay in transfer fees. Additionally, if you can't pay the full amount before the promotional period expires, the card will revert to its standard variable APR and you'll be paying interest on the balance.

Debt Negotiation

Debt negotiation involves contacting your creditors and asking them to work with you to either reduce the interest you're being charged or if they're willing to settle for less.

"It is possible to negotiate directly with your creditors, but it is usually more successful for those with a good payment history experiencing a temporary hardship," said Bruce McClary, senior vice president of communications for the National Foundation for Credit Counseling, a nonprofit network of credit counseling agencies. "The more accounts you have, the more frustrating and time-consuming direct negotiation can be."

If your debts have become unmanageable, working with a nonprofit credit counselor on a debt management plan (DMP) will likely be a better option, McClary said. A debt management plan is negotiated by a credit counselor on your behalf and, although there are some fees involved, it's likely to save you money.

While you may have heard of debt settlement companies as an option, these are typically offered by companies who tell you they can settle for less than what you owe and then advise you to stop paying your debts while the settlement company negotiates. This can damage your credit score and be more expensive than a debt management plan set up by a qualified nonprofit credit counselor.

Increasing Income and Reducing Expenses

If you're serious about shedding debt, cutting back on non-necessities can help. Cancel any streaming services, or see if you can share an account with friends or family. Making meals instead of eating out can also be a money-saver. Everyone spends their disposable income differently, so you'll have to self-evaluate to see where you can save.

Although reducing your expenses can help you allocate more money toward paying down debt, if there's nowhere left to cut back, or if you want to make as much headway as possible, consider ways to earn extra money. If you work traditional hours, consider getting a part-time job on nights or weekends. According to a [recent MarketWatch Guides survey](#), more than half of respondents say they've taken on additional work to supplement their salaries.

If you have a marketable skill or passion, consider freelancing your services through a site like Fiverr or Upwork. Common side hustles that don't require specialized skills include delivering packages for Amazon, food delivery services or pet sitting. You can also use a [money-making app](#) such as Swagbucks or Ibotta to save when you shop. There are multiple options, and it's worth exploring to see how you could monetize your skills and interests.

Staying Motivated and Overcoming Challenges

Taking action is the first step in empowering yourself to move ahead. As you progress with your debt repayment plan, celebrate your progress. As you reach various payoff milestones, it's okay to celebrate in a way that keeps you motivated and maintains your momentum.

Setbacks can happen and no one can predict a financial emergency, but by taking action, setting a goal and sticking to it, you will see progress.

Frequently Asked Questions About How to Get Out of Debt

How long does it take to get out of debt? 

Should I pay off debt or save money first? 

What should I do if I can't afford my debt payments? 

If you have feedback or questions about this article, please email the MarketWatch Guides team at editors@marketwatchguides.com.

Meet the Team

Jared Macarin
Editor



Adam Frankel
Contributor



Related Articles

Best Personal Loans

Best Debt Consolidation Loans

Best Bad Credit Loans

Finance

Annuities

Banking

Car Loans

CDs

Checking

Home Equity

Personal Loans

Savings

Business

Business Formation

Warranty

Car Warranty

Home Warranty

Insurance

Auto Insurance

Home Insurance

Life Insurance

[Pet Insurance](#)

[Renters Insurance](#)

[Travel Insurance](#)

More

[About Us](#)

[Contact](#)

[MarketWatch Guides Team](#)

[Our Partners](#)

[MarketWatch.com](#)

Legal

[Privacy Notice](#)

[Cookie Notice](#)

[Terms of Use](#)

Copyright © 2025 MarketWatch, Inc. All rights reserved.