Bills-First Guide

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For education only. Not financial advice.

Seeing what you owe is a practical first step toward managing debt. From there, pay the essentials first and follow a plan you can keep. This guide walks through those steps and points you to free or low-cost help if the numbers don't add up.

1. List everything you owe and everything you earn

Write down every debt and monthly bill: who it's owed to, the balance, the minimum payment, the interest rate, and the due date. Then add up your take-home pay for the month. Seeing income and obligations side by side shows whether you have a shortfall, and how large it is. Statements, your online accounts, and a free credit report (available at AnnualCreditReport.com) can help you find anything you've missed.

https://www.annualcreditreport.com/

2. Cover essentials first, then minimums

When money is tight, pay the bills that keep you housed, safe, and working: rent or mortgage, utilities, food, insurance, transportation, and child support. Next, make at least the minimum payment on every other debt to avoid late fees and damage to your credit. If you can't cover all the minimums, contact those creditors before the due date rather than letting payments lapse (see step 4).

3. Choose a payoff method that fits you

There is no single repayment plan that fits everyone. Your income, debts, interest rates, and habits all matter. A payoff method organizes extra payments, so it comes after your essentials and required minimums are covered. Two common approaches: the avalanche method puts extra money toward the highest-interest debt first, which usually means paying less interest overall; the snowball method pays off the smallest balance first. Either can work when you have money left over after essentials and minimums. If you don't, a payoff method won't close that gap; see steps 4 and 5. Any money freed up by trimming expenses or adding income can go toward whichever plan you choose.

4. Talk to your creditors

If you can't keep up, call your creditors before you fall behind. Explain your situation honestly and ask what hardship or payment options they offer, such as a lower monthly payment, a reduced interest rate, waived late fees, or a temporary pause. They don't have to agree to any of these. If you do reach an agreement, get the terms in writing and keep notes of who you spoke with and when.

5. Consider credit counseling

Some readers may benefit from individual credit counseling. A certified counselor reviews your full budget, helps you build a realistic plan, and may suggest a debt management plan, where you make one monthly payment to the agency and it pays your creditors, sometimes at reduced interest rates. Ask each agency to put any fees in writing before you commit. Some counseling is free, while repayment-plan services may charge fees. If you start a debt management plan, confirm with your creditors that they have accepted it before you pay the agency. Choose a reputable nonprofit agency and be wary of any company that promises to erase debt quickly or asks for large payments before doing any work.

Where to find nonprofit credit counseling

- National Foundation for Credit Counseling (NFCC): use its agency finder to locate a member counseling agency.

  https://www.nfcc.org/agency-finder/

- Financial Counseling Association of America (FCAA): another nonprofit counseling directory.

  https://fcaa.org/find-a-credit-counselor/

Being listed in these directories is not a government endorsement, and it doesn't guarantee results.