

Debt Management 101

Monica, 25, is drowning in debt. Between her student loans, car payments and high-interest credit card balances, she can barely pay her rent, let alone contribute to her retirement savings plan. But there's hope: A few savvy financial moves can help her begin to climb out from under her debt.

Consolidate!

Monica took out several federal education loans to pay for college. Combining those loans into a single new one under the Direct Consolidation Loan program (www.loanconsolidation.ed.gov) may bring her a lower rate than what she's now averaging (given the current relatively low interest rates). In addition, combining loans that have different terms and repayment schedules — or loans that come from different lenders — may simplify loan repayment.

Similarly, Monica should consider transferring the high-interest balances she carries on multiple credit cards to a single debt instrument such as a lower-interest-rate card. This could further reduce her monthly payout, but she must be careful. For instance, some cards offer very attractive introductory rates that eventually increase dramatically. The last thing Monica wants is to end up with *more* debt than she started with.

Get professional help

If Monica needs further assistance in managing her finances, she might consider looking to the National Foundation for Credit Counseling for support. It's one of the largest nonprofit credit-counseling networks in the country. She can contact them by phone (800-388-2227) or online at www.nfcc.org. Once Monica gets her finances in order, she may be able to begin to focus on saving for retirement.

© 2008 SmartMoney. Prepared by SmartMoney Custom Solutions. SmartMoney is a joint publishing venture of Dow Jones & Company, Inc. and Hearst Communications, Inc. All Rights Reserved.

CustomSolutions
FROM SMARTMONEY