



# Your Monthly Money

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## Ways Credit Counseling Can Help You Pay Off Debt

A nonprofit credit counseling agency can help you pay off debt and manage money better.

When too much debt has your back against the wall, it may seem like you have no way out. But did you know that there are many options available to help you figure out how to pay off debt and manage money better to avoid ending up with another debt burden down the road?

From debt settlement and debt relief to debt consolidation loans, many companies offer to help you get rid of debt or pay off a reduced amount – for a fee or money upfront. Before you go that route, however, you're wise to seek help from a local nonprofit credit counseling agency first.

Unlike for-profit entities, a nonprofit credit counseling agency offers free or nominal-fee credit counseling to help you tackle debt and learn to manage finances better.

### 1. Perform a credit report review

To get an idea where your credit record stands, a credit counselor will pull a copy of your credit report. While the report may seem like a bunch of hard-to-decipher credit history to you, a trained credit counselor knows what to look for and where you need improvement.

The credit counselor can go over your credit report section by section, explaining what all those numbers and notations mean, and offer suggestions on how to improve your credit score.

### 2. Create a debt management plan

When you owe a lot of creditors, the monthly bills can pile up fast. A nonprofit credit counselor can set up agreements with you and your creditors, allowing you to make one lump sum payment to the credit counseling agency every month. Then the agency sends the agreed-upon monthly payments to your creditors.

### **3. Teach how to manage money better**

If no one showed you how to manage money, how interest works or how to create a budget, it's never too late to learn.

Along with helping you create a monthly budget so your money goes farther, nonprofit credit counseling agencies also offer planning tools and calculators, homeownership and foreclosure prevention counseling and bankruptcy counseling.

### **4. Explain debt management options**

Don't stumble through the fine print of debt-relief options alone. A credit counselor can help you understand the difference between debt settlement and debt consolidation and explain the pros and cons of each, along with offering other options, including a debt management plan.

### **5. Improve money habits**

Putting together a monthly budget is a great start, but what about examining your daily spending habits? When you meet with a credit counselor in-person or by phone, he or she can help you determine where you're frittering away money on mindless purchases and what you can do instead.

Then the two of you can come up with ways to improve your money habits so you can pay off debt and prevent racking up more debt later.