

How To Figure Out If You Need Debt Consolidation

Most people think debt consolidation is when you combine a bunch of smaller bills into one monthly payment because you want to lower the monthly payments or reduce the interest rate. The debt is usually consolidated into a secured loan. Because it's a secured loan, such as a home equity loan, the interest rate will be much lower and the monthly payment will also be lower.

There are other ways to consolidate debt by working with credit card companies to reduce interest and payments without taking out a secured loan. The method of debt consolidation varies with each financial situation. The question is, who needs debt consolidation?

Okay, you know a something about a couple of debt consolidation options, now let's look at a few things to ask yourself before deciding whether or not to consolidate your debt. Hopefully the following suggestions will help you answer the question, how do you figure out if you need debt consolidation?

Can you easily make the monthly payments on your debts? If you're currently able to pay the monthly minimums on your credit cards and other debts, perhaps debt consolidation is not for you. However, you may be able to lower your overall interest rates and put additional some cash in your wallet each month? Debt consolidation isn't just for people who are behind or barely scraping by each month. It can also be a great way to reduce your debt quickly and easily.

After paying the bills, do you have any money leftover for fun and entertainment? Now, it's not advisable to spend loads of dough hand over fist and expect to be financially stable forever, but including some money in the budget for a bit of fun and entertainment is acceptable. In fact, having a small budget for entertainment is healthy. Depriving yourself from fun all of the time on account of the bills will tend to encourage rash spending and impulse buying.

Can you get a lower interest rate on the amount you owe? A great reason to think about debt consolidation is to lower the interest rate on your debt. It may be smart to consolidate your debt if interest rates are low. Regardless of your budget and ability to pay more than the minimum payments, if it's possible to secure a great interest rate, then by all means, go for it.

Only you will know if you can benefit from consolidating debt. Take the time to evaluate your budget, especially if all your income goes to pay bills. Make sure you honestly look at your financial situation especially the interest rates you're paying on your debts and the bills you have each month. Remember, your financial circumstances will evolve and change as time passes. Perhaps you're in a position where it isn't the right time for debt consolidation, but then again, it may be exactly what you need.

About the Author

Did you know it will make things a lot easier to [reduce your debt](#) once you know how? Visit Debt Consolidation Strategies Revealed at <http://debt-consolidation-strategies.com/> to discover how.

Source: <http://www.diyresource.com>