

Debt Consolidation - Pros And Cons

Many people wake up one day and discover that over time they slowly accumulated a pile of debt and it is more debt than they can begin to repay. When this reality hits, very often a spiraling downward trend begins to build. This inability to pay back the owed debt in the end leads to additional late charges, interest charges and penalties, increasing the amount owed and making payment more difficult to repay.

One suggestion often used to break the never-ending debt problem is to use the services of a debt consolidation company. For thousands each year, this step has given them a way out of the debt pit and helped them nurse their way back to a stable financial life. However, there are both pros and cons to consolidating any kind of consumer debt, no matter what shape, method or form it takes. Walking into the financial battlefield armed with knowledge will help make the process and decisions easier when your particular financial circumstances are reviewed.

Before you go any further it is important to know exactly what "debt consolidation" is. In its simplest form it entails taking all of your debts from all the sources, taking out a loan, paying off all the balances and then making one single payment on a single loan.

In order for any debt reduction strategy to be successful a few things need to take place. If you pay \$125 + \$75 + \$25 to three different creditors or make one payment of \$225 to one creditor you have not really saved anything. Today with the ability to pay bills online you do not even save on postage!

For any debt consolidation system to be worth the effort one or more of the following items needs to occur: (1) The total monthly payment must decrease, or, (2) the overall net amount of the combined interest must decrease, or, (3) the actual total debt must be lowered because of the consolidation. Which, if any, or all of these 3 conditions can take place depending on the type of debt reduction plan selected.

Ideally, although it rarely happens, monthly payments will decrease, interest will be lower and the total debt will be reduced. The usual scenario finds the monthly payment lowered. This does give the debt ridden several advantages. With lower payments the chance of making payments consistently and on time should increase.

This helps prevent stacking more debt with more interest and late charges onto current existing debt. One other noticeable advantage is the peace of mind and reduced stress which occurs without the constant thought of debt always on your mind. It is a relief to know you can meet your monthly obligations of servicing your debt and yet still meet your monthly needs.

After going through the process of consolidating all this debt, keep your guard up! Lower payments can sometimes lead to a relaxed feeling of having extra money to spend. Do not be fooled! Start building an emergency fund! The goal should be to head towards a life of debt free living.

Make sure you read the fine print. One of the cons with many consolidation plans is the extended length of the loan period. The added interest and time added more than covers the entire amount of the original balances prior to consolidating. It may seem unfair but you do owe the money. Take note that some creditors will take less money to settle the debt since they believe their changes of getting paid increases.

One of the best ways to approach tackling debt such as [the elimination of credit card debt](#) is to look at it much the same as losing weight. It starts with a commitment to consistently work toward reducing your debt. A plan and working the plan consistently will result in long-term success and a better happier life!

About the Author

In case you are unaware there is much more on the topic of [credit card debt elimination](#) Visit us at <http://www.everlife.com/debt-consolidation-loans.php>.

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