

# LEARN ABOUT DEBT CONSOLIDATION



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## Key Takeaways

- Debt consolidation is combining multiple debts into one loan.
- Some benefits include lower interest rates, easier payments, and faster debt payoff.
- Debt consolidation has a lot of benefits but it's not for everyone.

## What is debt consolidation?

Debt can pile up quickly from right under our noses, making it difficult to keep up with monthly payments. If you're feeling overwhelmed, you should consider debt consolidation as a way to simplify your finances and potentially reduce your monthly payments.

Debt consolidation is simply put, combining multiple loans into a single loan, usually at a lower interest rate. This can make it easier for you to make consistent monthly payments and take the load off of heavy interest rates.

## Here's an example:

Christina has accumulated a number of loans, her total debt is sitting at \$30,000, including \$10,000 in credit card debt at 22% interest, a personal loan of \$5,000 at 15% interest, and an auto loan of \$15,000 at 12% interest. Not only is she finding it difficult to keep track of all her monthly payments but she's also worried about falling behind on bills.

To make her life easier, she applied for a loan to consolidate her debt. She found a lender with a 10% interest rate and applied for a \$30,000 loan.

Once she was approved, Christina used the loan to pay off all her debts. Now, she only makes one monthly payment which makes things easier to manage and remember.

Her consolidated debt loan has a total interest charge of \$12,000 over five years, which is less than the \$23,750 interest charge if she would've continued to pay each of her loans individually.

Breakdown:

	Amount	Interest Rate	Annual Cost
Credit Card	\$10,000	22%	\$2,200
Personal Loan	\$5,000	15%	\$750
Auto Loan	\$15,000	12%	\$1,800
		Total	\$4,750
<b>VS</b>			
Debt Consolidation Loan	\$30,000	10%	\$3,000

## How can debt consolidation help you?

### Simplified payments

Having to make only one payment saves you from having to remember multiple dates each month. This also reduces the risk that a late or missed payment occurs which can negatively impact your credit score.

### Lower interest rates

Depending on your credit score and other factors, you can usually secure a lower interest rate with a debt consolidation loan. This could add up and save you tons of money as opposed to paying each loan separately at different interest rates.

### Faster debt payoff

If you're able to secure a loan with a lower interest rate, you may be able to pay off your debt faster since you're paying your actual debt rather than extending the loan term because of interest payments. This also helps ensure that you're paying them all at the same time rather than getting stuck with loans with multiple terms.

## Is debt consolidation right for you?

Debt consolidation can be a good option for some people, but it's not the right choice for everyone. Before considering debt consolidation, it's important to evaluate your financial situation and determine whether it's the best course of action for you. Consider factors such as your credit score, your total debt, your ability to make consistent payments, and your overall financial goals.

Learn more at:

<https://gopeer.ca> 