

Planning for Debt Reduction

Snowball vs. Avalanche Method: What is the best way to pay off debt?

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The best way to pay off debt can be difficult to figure out. Maybe you are considering the snowball method versus the avalanche effect. Maybe you just feel trapped by debt and don't know where to begin. Regardless of the season, being in debt can feel like you're frozen in the past, living life just spinning your wheels and never getting ahead. If debt is holding you back, here is what you can do about it.

There are debt repayment strategies that work. If you're serious about taking control and getting rid of your debt fast so that you can move on with your life, it's worth considering the snowball effect versus avalanche effect.

What Does Snowball vs Avalanche Mean?

Snowball versus avalanche means making minimum payments on all of your debts and choosing one debt for special attention. The "special attention" you give it is higher payments

Any extra money you find goes towards this one debt. The difference between snowball vs avalanche debt payment is how you choose the one debt that gets the special attention.

The Snowball Method: Start With the Smallest Debt First

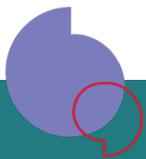
In the snowball method, after you make minimum payments on all of your debts, your debt with the smallest balance is the one you single out for special attention. Once it's paid off, you take the money you were paying towards it and put that money towards your debt with the next smallest balance. You may also want to consider using a free online debt snowball calculator in order to better help you create a plan of attack to get out of debt.

With the debt snowball plan, as you work your way from smallest balance to largest balance you gain momentum; like a snowball that gets bigger and bigger, your payments get bigger and bigger. The advantage of the snowball method is that you quickly see the benefit of your hard work. Paying that first debt off feels good, and success motivates you to keep going.

The Avalanche Method: Pay off Highest Interest Rates First

The debt avalanche method works much the same way as the debt snowball method does, but the debt you choose for special attention is the one with the highest interest rate (even if it has the lowest balance owing). By paying off your highest interest debt first, followed by the next highest one, the third highest, and so forth, the money you save on interest payments is put towards paying off your debts.

With credit card interest rates coming in on average between 19% and 30% only paying the minimum payment might not be enough. You will pay less interest overall with the avalanche versus the snowball method. When you make payments that bring your overall balance owing down, it will start to raise your credit score. But you wouldn't be alone if you're wondering if the time and interest savings difference is significant.

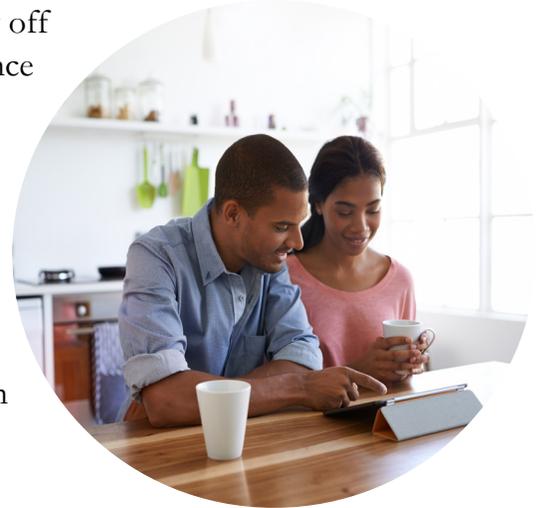


How to Choose the Right Method to Pay Off Debts Fast?

Some people swear by one debt repayment method; others by the other method. It is tough to know how to choose the fastest way to pay off debt. Is the snowball or avalanche better? Use our pay down debt fast calculator to find out.

Ultimately, the snowball effect vs avalanche effect might not come down to the numbers. In fact, the emotional side of money management plays a more important role in debt repayment than most people realize. Use whichever method keeps you motivated to pay off debt, become debt free and work towards your goals. Often, the difference between these two methods is not worth worrying about just as long as you are working towards the end-goal.

That being said, if it's more personally satisfying to knock all your debts off the list one by one, then the debt snowball method might be right for you. If paying the least amount of interest is most important to you, then the avalanche method might be a better choice. Set up mobile or online banking with your financial institution to pay off a credit card online quickly and easily. However, when it comes right down to it, the best way to pay off debt is the way that works for you.



There's No Shame in Needing Help

Often, it's easy to get stuck in the thoughts of "I should be able to control my finances" when the reality is that the challenges of everyone's situation are different. Remember, there is no shame if you need help, and there are many great resources and techniques that you can access to speed up your road to financial recovery.

FSEAP's Counselling and Credit Coaching

If you are ready for some assistance, FSEAP's can help. We not only offer resource kits for self-guidance, but also confidential Counselling and Credit Coaching Services for you to access. Reach out to your EAP provider today.

This article was originally written by Julie Jaggernath of the Credit Counselling Society. To access the original article, please click the link here: [Snowball vs. Avalanche Method Explained.](#)

