

What are debt snowballing and debt avalanche?

My debt is getting out of control - what should I do?

Knowing how to manage debts and keeping them under control is important, but it can often be overwhelming.

Creating budgets, examining income and expenditure and regularly reviewing spending habits are all things we should try and make part of our everyday lives.

When it comes to arranging how you repay debts, two methods that are commonly used are the snowball and avalanche methods.

What is snowballing?

This is where you group all your debts together and then pay them off one by one, in ascending order.

As you'll start with the lowest debt, you'll get used to using some of your income towards debt and won't be overwhelmed by the time you get to the larger debts.

What's the avalanche method?

This is a more direct, aggressive way of dealing with debts.

It works in the same way as the snowballing method, just the other way round. This means that you'll start with the higher interest, bigger debts first.

While you may save some money using the avalanche method because you're paying off higher interest debts off quicker, this route can often be psychologically difficult as it feels less rewarding than paying off small debts.

Remember, if you're unable to keep up with repayments, our team are here and ready to help.

How do I start snowballing or using the avalanche method?

As the principles are the same, it's pretty straightforward:

1. Make a list of all your debt information such as payments, total amount owed, minimum payments and dates they're due to be paid.
2. Sort them into an order (smallest to largest if you're snowballing, largest to smallest for avalanche).
3. Work out how much extra you can afford to put towards the monthly minimum payments.
4. Remember to roll over payments. Once you've paid off the smallest debt or largest interest rate debts, take the monthly payments paid and move on to the next smallest debt/interest rate maintaining those extra payments.