Debt management worksheet

Debt is common for many people. Before creating a strategy to pay down debt, let's first take an inventory so you know where you stand.

List your debt	Ballpark how much you owe	List interest rate (if available)	Is this good or bad debt? Not sure? Let's take a look.
1.	$	%	
2.	$	%	
3.	$	%	
4.	$	%	
5.	$	%	
Total	**$**		

You're not alone; 8 in 10 Americans have some form of debt.[1]

Tip: When paying down debt, start by tackling the debt with the highest interest rate.

COMPUTE YOUR DTI

Debt-to-Income Ratio (DTI)
What is it?

DTI is your monthly debt payments divided by your gross monthly income.

Why is it important?

Lenders consider this number if you try to obtain a loan or line of credit. It helps measure your ability to manage the payments you would make to repay the money you borrow. It is also used by credit bureaus as they calculate your credit score.

Goal: Keep your total monthly debt payments below 35% of your monthly income.

Step one: Add up the minimum monthly payments on all your debt.

List your debt	Minimum monthly payment
1.	$
2.	$
3.	$
4.	$
5.	$
Total	**$**

Step two: Divide your total debt payments by your monthly income.

Total monthly debt payments: __________ / monthly income $__________ = __________

[1] Source: PEW Charitable Trusts report: The Complex Story of American Debt, July 2015

TAKE CONTROL: 8 TIPS FOR MANAGING YOUR DEBT

1. **Take inventory:** Gather all your debt information, including balance, interest rate, due date, minimum payment and length of time for payoff. Use this to set motivating and realistic financial goals.

2. **Set a realistic budget:** Calculate your monthly income, and decide how you are going to use it to meet your goals. This is the best way to get clear on where your money is going. Download a budget app, track your spending for a few months, and then adjust your spending to follow the **20/60/20 rule:**
   - ✓ **20 percent** for saving and investing
   - ✓ **60 percent** on essential expenses
   - ✓ **20 percent** on discretionary expenses

3. **Prioritize your debt:** Determine which debt has the highest interest rate, and pay that debt down first. This will save paying excessive interest rates over the life of your debt. Once a debt is paid, commit to making this same payment in full each month toward your next highest interest rate debt. Continue these ongoing payments and living within or below your means.

4. **Automate your payment plan:** Put as many of your credit card and/or loan payments as possible on auto-pay so consistent payment comes out of your bank account on time, every time. No more late fees or sky-high interest charges.

5. **Review loan payment options:** Periodically revisit options for repayment. With student loans, you may be able to make payments based on your income, paying more as you advance in your career. If you have multiple loans at various interest rates, consider consolidating them into a single loan, or explore eligibility for debt forgiveness. And don't shy away from contacting a card company to request a lower interest rate or transferring debt to a card with the lowest interest rate.

6. **Watch your debt-to-income ratio:** When you want to buy a house or obtain a loan, the lender examines the difference between your debt and overall income to decide whether to approve it. A common guideline is to keep your debt at or below 35 percent of monthly income, including payments for housing, credit cards, car or other loan obligations.

7. **Don't lose sight of retirement:** Paying off debt isn't a free pass to put your retirement savings on hold. If your employer offers to match a percentage of your retirement savings contributions, prioritize your budget so you can set aside enough to obtain the maximum employer match. Even if you're paying a high interest rate on credit card debt, a 50 percent match on your retirement savings makes your retirement plan contribution the better deal.

8. **Talk to a professional:** Managing debt can feel overwhelming, but it doesn't have to be. You can balance debt and move forward on your journey to financial security by establishing a habit of savings and a well-thought-out financial plan. A financial professional can help you design a plan and implement strategies to meet your specific goals with confidence.

People who write down their goals are more likely to accomplish them.[2]
You're learning how to manage debt and build strong financial health. Let's keep going!

Something I plan to do **this week** to take control of my debt: ______________________________

Something I plan to do **this month** to take control of my debt: ______________________________

Something I plan to do **this year** to take control of my debt: ______________________________

You don't have to go this alone. A Northwestern Mutual financial professional can help you develop a financial plan to achieve your goals.

[2] Source: Dominican University