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Debt Management Guide for Beginners

Why Manage Debt?

Uncontrolled debt can cause stress, limit opportunities, and harm your credit score. Debt management helps you:

- Reduce financial anxiety
- Improve your credit score
- Save on interest
- Free up money for savings and goals

Step 1: List All Your Debts

Create a clear picture of what you owe.

Include:

Debt Type	Balance	Interest Rate	Minimum Payment	Due Date
Credit card (Visa)	\$4,200	22.99%	\$125	15th monthly
Student loan (Federal)	\$11,000	4.50%	\$145	1st monthly
Car loan	\$6,800	5.00%	\$280	20th monthly
Personal loan	\$3,000	10.00%	\$95	10th monthly

Tip: Organize by highest interest rate or smallest balance depending on your strategy.

Step 2: Choose a Repayment Strategy

Avalanche Method (Interest-First)

- Focus on **highest-interest** debt first
- Saves the most money long term
- Make minimums on all, then pay extra on the highest-interest debt

Snowball Method (Smallest-First)

- Focus on **smallest balances** first
- Builds momentum and motivation
- Make minimums on all, then pay extra on the smallest debt

Pick the strategy that motivates you most to stay on track.

Step 3: Cut Expenses & Increase Income

To pay off debt faster, free up extra cash.

Ideas:

- Cancel unused subscriptions
- Cut back on takeout/entertainment
- Sell unused items
- Take on side gigs (freelancing, ride share, etc.)

Step 4: Contact Creditors (If Needed)

If you're struggling to make payments:

- Ask about hardship programs, lower interest, or temporary payment plans
- Avoid payday loans or high-interest consolidation scams

Step 5: Consider Consolidation (Cautiously)

When to consider it:

- You have good credit and multiple high-interest debts
- You qualify for a lower interest rate

Options:

- Personal loan
- 0% balance transfer credit card (promotional period)

- Debt consolidation program (nonprofit credit counseling agency)

Step 6: Automate Payments

- Set up **auto-pay** to avoid late fees
- Pay more than the minimum, even small amounts help
- Prioritize **timely payments** to protect your credit

Sample Debt Repayment Tracker

Month	Total Paid	Extra Payment	Debt Targeted	New Balance
January	\$645	\$150	Credit Card (Visa)	\$4,050
February	\$645	\$175	Credit Card (Visa)	\$3,875
March	\$645	\$200	Credit Card (Visa)	\$3,675

Tools & Resources

- **Apps:** Undebt.it, Debt Payoff Planner, Mint
- **Spreadsheets:** Use Google Sheets or Excel debt snowball templates
- **Credit Counseling:** National Foundation for Credit Counseling (NFCC)

Common Debt Mistakes to Avoid

- Only paying minimums
- Ignoring due dates
- Adding new debt while paying off old
- Using balance transfers without a payoff plan
- Closing old accounts too soon (hurts credit score)

Final Tips for Success

- Celebrate small wins
- Track progress monthly
- Stay motivated with a visual tracker
- Avoid taking on new unnecessary debt