

What is debt?

Debt is money you owe a person or a business. It's when you've borrowed money you'll need to pay back. Usually, people borrow money when they don't have enough to pay for something they want or need. If you do borrow money, it's best to have a plan for how you'll pay it back.

How can I avoid or limit debt in my life?

Making careful choices about spending and borrowing can help you avoid debt. Avoiding debt can help build your financial well-being. Financial well-being means having control over your money and being able to make choices that allow you to enjoy your life. To achieve financial well-being, it's good to plan ahead, manage your spending, spend less than you earn, and have a plan to save money each month. One way to do this is by creating a budget. A budget is a plan that you can use to track how much money you spend. With a budget, you can look for ways to spend less money so that you don't need to borrow money.



Before you borrow money to buy something, it can be helpful to make sure what you're buying is something you really need. Or perhaps you wait to buy things until you know you have the money to buy them. Or you decide not to get the fanciest phone because it's outside of your budget. All these decisions can help you pay for what you need and want without having to borrow money and go into debt.

Is it okay to have debt?

Sometimes it's okay to have debt. For example, it may be okay to borrow money to further your education or to get a reliable car to get you to work. When thinking about taking out debt, a good rule to live by is to make sure you earn more money than you spend each month. In fact, before a person or a company lends you money, they may review your finances to be sure you'll be able to repay the money you borrowed. However, sometimes people spend more money than they earn, so

they have to borrow money to get things they need or want. When this is a regular habit, it can be difficult to achieve financial well-being because it becomes hard to pay back the borrowed money. In these cases, debt may not be a good option.

How do I know if I have too much debt?

Borrowing too much money can result in excessive debt, which can make it harder to manage your finances and pay your monthly bills. It may also hurt your credit rating and your reputation as a borrower. Here are a few signs that you may have too much debt:

- You don't know how much you owe.
- You spend more money than you make.
- You struggle to make the minimum payments on your debt.
- You miss some required payments.
- You can't buy things you need.
- You don't have a good borrowing reputation with lenders.
- You're not able to save money.

How can I get out of debt?

To get out of debt, it can help to make a budget. A budget can help you change your spending habits so you spend less money, stop taking on more debt, and work on paying down the debt you already have.

It can also help to think of ways to earn extra money each month. This can include getting a new job, getting a side gig to make more money (such as running errands, doing yard work, cleaning, babysitting), or selling stuff you no longer need (old equipment, clothes, etc.).

If you're struggling to pay back loans, it can be helpful to contact the people you've borrowed money from. Explain what's going on and try to work out a new payment plan with lower payments that are easier to manage.

