

To Start the New Year Right, Consider Consolidating Your Debt

Paying off holiday debt can be stressful. If you have to make monthly payments for credit cards, loans or other obligations each month, it may be time to start the New Year on a better financial path by combining those bills into one simple loan.

Lenders such as Hickam Federal Credit Union offer several [options](#) to consolidate debt. You could combine your balances into a fixed-rate personal loan, a low-interest-rate credit card or even home equity financing. And with [home loans and lines of credit](#), the interest you pay is generally tax deductible up to the first \$100,000 borrowed.

Consolidating your debt can simplify matters. With fewer bills to pay each month, there's less of a chance you'll forget about a due date and miss a payment, which could harm your [credit score](#).

Solutions for credit card debt

The average indebted American household has [over \\$16,000](#) in outstanding credit card balances. If you're paying high rates on revolving debt, combining your bills into a single loan at a lower rate could save you thousands of dollars in interest.

You could then put the savings toward other financial goals, such as building an emergency fund or having a down payment for a new home or car.

Say you have \$10,000 in debt on one credit card and a \$5,000 balance on another, and both charge 15% in annual interest.

- Without debt consolidation you'd have to pay \$417 a month to pay off the \$15,000 in four years. You'd also have to keep up with different due dates.
- But if you consolidate the credit card debts into one personal loan for four years at a lower rate — say, 8% — your monthly payment would drop to \$366. That's a savings of \$2,448 over the life of the loan. You can use a [financial calculator](#) to review different savings scenarios.

If you take longer to repay the debt — five years instead of four, for example — your monthly payments could be even lower. But you may end up paying more interest in the long run.

Holiday spending can often mean big bills, but they don't have to lead to big headaches. By [consolidating your debt](#) into a single loan, you could lower interest payments, simplify finances and prepare yourself for financial success in the New Year.

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