

FIND YOUR

FINANCIAL

FREEDOM



Dominion Energy
Credit Union®



→ Your Guide to Debt Consolidation





ARE YOU STRUGGLING WITH DEBT?

Likely, if you're reading this, the answer is yes. But worry not! With a little financial guidance and some elbow grease, your debt doesn't have to define you. A debt-free future is possible.

Despite what you may be told, debt is often a part of life and isn't always bad. Sometimes you need to take out that loan to finance your house or car. This kind of debt can be an investment in your future when used with care and foresight. However, it is easy to venture into the territory of irresponsible debt without a little caution.

If you're walking the fine line between irresponsible debt and responsible debt - or are fully past that line entirely - there's hope, and that starts by becoming financially educated.

→ Let's get learning!

Let's

REFLECT:

HOW DID YOU GET HERE?

The first step to any good lesson is reflection. It's OK to fail and make mistakes – we all do! But the best way to improve and learn from those mistakes is to understand what went wrong in the first place. This kind of knowledge is priceless when it comes to your finances and often teaches you more in the long run than your successes – so, don't be discouraged by your mistakes, but rather let them encourage your journey to financial freedom.

» Warning Signs of Credit Trouble

So, the question is, how did you get here? How did you end up in debt? It doesn't happen overnight, but it does happen quickly. While some rack up charges on a credit card, others find themselves with unforeseen circumstances due to costly medical bills or an untimely termination.

Many find themselves in a sticky situation when they have multiple credit cards, all with different due dates. It can be easy to forget about a payment in general but even easier when you're juggling multiple cards. And, although automatic payment is a wonderful feature that can help, not everyone has the luxury of having the funds to use this helpful tool. Depending on when bills, house payments and other expenses are due, your checking account funds may be reserved for other bills that occur earlier in the month than your credit card payment.

This brings us to the issue of overspending. If you're living paycheck to paycheck or consistently finding that you're spending more than you're making each month – also known as your debt-to-income (DTI) ratio – you may be overspending. To this you might be saying, "But I make minimum payments on my credit cards." While making minimum payments is all right, it's not optimal. Although it keeps your account in good standing and prevents late fees, you are still accumulating debt and prolonging the payment process. By only paying off the minimum amount, you will be charged interest on the remaining amount, which often results in paying thousands of dollars extra in interest – money you could put to better use.

MONTHLY DEBT
PAYMENTS

DIVIDED BY

GROSS MONTHLY
INCOME

EQUALS

DEBT-TO-INCOME
RATIO

No matter the reason for your debt, it's important to find the root of the problem so you can actively work towards its resolution.

So, what's your reason? Once you know that, we can move forward.



SO, WHAT CAN

YOU DO?

That is the question, isn't it? How can you reverse the downhill trend and start working toward financial freedom?



» Let's explore your options and financial tools:

Debt Consolidation

This is a great place to start and a highly effective means of diminishing debt. We'll explore this further in the coming pages.

Assess Your Lifestyle Choices and Habits

Your lifestyle makes a direct impact on your finances. Especially if you are overspending each month, taking a hard look at your lifestyle choices and habits can help you find places to cut costs and create healthy spending habits.

Create a Budget

A budget can help you stay on track, especially as you find your way out of debt. This is a great place to track your debt-to-income ratio and see firsthand the impacts of the financial changes you make.

Look at the Big Picture

Consider your debt as a whole. Knowing how much you owe and to whom will help you gain a sense of order while allowing you to focus on what you need to do to reduce your debt.

Set a Goal and Make a Plan

Once you take a hard look at your debt, it's time to set a realistic goal when it comes to managing your debt and map out how you plan to get there. Remember, you have resources at your disposal! Enlist the help of a trusted financial advisor, like Dominion Energy Credit Union, to help you put together a budget and payment plan that will give you some much-needed encouragement, along with the knowledge that your situation can and will improve. Meeting with a financial advisor or an account manager to discuss tips and strategies can ultimately dwindle your debt and help you become a better financial steward.

Hold Yourself Accountable

Accountability is a great way to ensure you don't fall into the same bad habits. Create a strategy to hold yourself accountable or have someone you trust help you do so. Your credit union is also here to help!



What Is Debt Consolidation?

As you learned, **debt consolidation** is one of your options to diminish debt, but what exactly is it? Debt consolidation is the act of merging multiple debts into one new loan. By combining your debt, you are able to more effectively pay it off in a consistent and timely manner at a lower interest rate.

How Does It Help?

- Moves multiple debts to one payment plan
- Makes staying organized easier
- Decreases stress levels
- Lowers the interest rate
- Saves you money
- Decreases debt in a fixed period of time
- Can improve your credit score



Should You Consolidate Your Debt?

Although debt consolidation can be a great option for managing your debt, it may not be the best option for everyone. Below are some things to consider when deciding if you should consolidate your debt.

Considerations

- Are you spending more than you are making each month?
- Are you unable to pay certain bills or forget to pay them altogether?
- Do you have a budget but still struggle to decrease your debt?
- Are you tired of being in debt?
- Are you ready to commit to becoming debt free and investing the time and effort needed to do so?

If you answered yes to all or many of these questions, debt consolidation may be for you.



LET'S GET STARTED!

So, you want to consolidate your debt. Where do you start? Although consolidating your debt may seem daunting, at Dominion Energy Credit Union, we make it simple! Just reach out to us about debt consolidation options, and we'll help you with the application.

You might be wondering, "Can someone with an average or poor credit score get a debt consolidation loan?" In many cases, the answer is yes!

Even if our team is unable to offer you a debt consolidation loan on your first inquiry, we refuse to give up on you.

We take the time to develop a financial plan that sets you up for success and that will better prepare you for a debt-free future. Our team will stick with you during the process and look for ways to help you meet your financial goals.

What You'll Get When You Consolidate Debt with Dominion Energy Credit Union:

- Lower rates
- Flexible terms
- Generous loan amounts
- Friendly, personalized service
- Simple application and quick approval process



Visit dominionenergycu.org for useful tools and resources to help you get started. We offer budgeting worksheets, tips for improving and maintaining your credit score, and more!

YOU'VE CONSOLIDATED YOUR DEBT. WHAT NOW?

Consolidating your debt is a great step in the right direction when it comes to getting a handle on your finances. However, the work doesn't stop there. You must remain financially proactive in order to keep yourself from falling into old habits and getting into debt again.

Consolidating your debt with loans can feel great and help your credit rating, but it's only a bandage unless you deal with why you got into debt in the first place. The breathing room consolidation creates can sometimes provide a false sense of security and ease. You may feel like you've got the room to start spending again – but be careful! You could very well end up in the same place you started if you haven't dealt with the root of the problem or the fact that your income isn't enough to match your payments.

SEE THE SAVINGS FOR YOURSELF

Now that you've consolidated your debt, it's time to see the rewards of your hard work and newly established financial efforts. Use these positive effects as an incentive to keep up the good work.

Use Your Budget

After putting in the work to consolidate your debt and evaluate your spending habits, your budget may start to positively reflect your efforts as your finances become less constrained.

Continue Evaluating Your Spending Habits

As your budget begins to reflect your new spending habits, you may begin to find other areas you can cut back on. You may even discover that some items or habits are easier to live without than you thought.

Make Saving Automatic

Ensure you have funds to pay for unexpected bills by padding savings using automatic deposits.

Consider Setting Up Automatic Payments

With the financial changes you have made, automatic payments may be a feasible option for you now. If you have adequate funds to automate your payment process, choosing to do so may be worthwhile, so you don't have to worry about forgetting a payment.

Monitor Your Credit Report

You may be pleasantly surprised to find that your credit score has changed, opening yourself up to lower interest rates and more savings as you move forward.

Debt consolidation and healthy financial habits are just the start! Let your savings continue to encourage you. The world is your oyster, and financial freedom is your pearl.



Debt can be a distant memory, and Dominion Energy Credit Union can help. Just reach out at **800.268.6928** or stop in to one of our branches to start your debt-free journey today.



CONTACT US – WE'RE HERE TO HELP

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