



Are You in Debt? Don't Panic. Do These 5 Things

Description

COVID-19 brought [financial anxiety](#) to Canadians. Almost 50% believe they're bordering on insolvency. The latest MNP Consumer Debt Index confirms the worsening situation because consumer debt is rising. It might come to the point that many would miss honouring debt obligations due to a lack of income or funds.

People with little debt can still manage to keep up with payments. However, it's undoubtedly hard for the majority who say they are \$200 or less away from the brink of insolvency. If you have a large amount of debt, panic is not the solution. You must put more effort into paying off debts. You can follow a five-step process to ease the burden.

1. Account for all debts

List all your debts, including the total outstanding, interest rate, monthly payments, and due dates. Once you see the bigger picture, it will prompt you to act with urgency.

2. Create a budget and debt-repayment plan

Create a monthly budget that incorporates a debt-repayment plan. Limit your spending on essentials and avoid impulse buying. If you can cut down on expenses, you can have free cash to save money or accelerate debt repayments.

3. Pay the expensive ones first

From your list, organize the interest rate in ascending order. Prioritize the debt with the highest interest rate — usually credit cards. The lowest balance can also go first, so clean up is faster.

4. Make prompt payments

If cash is limited, pay at least the minimum allowed on the due date. You will avoid incurring late payment charges and keep your good credit standing. However, finance charges will compound if you keep paying the minimum amount only. Whenever possible, pay more than you have to pay.

5. Don't obtain new loans

If it isn't credit cards, then payday loans are the culprits. Don't obtain new loans with very high interest rates, or you will bury yourself deeper. Also, your debt-repayment plan is useless if you keep adding more debt.

Create a fallback

If you can save while eliminating debt, you can build an emergency fund through dividend investing. It would be best if you had a [fallback](#) during crisis periods or recessions. **TELUS** ([TSX:T](#))([NYSE:TU](#)), for example, is a pandemic-resistant and recession-proof investment.

Telecommunications and internet services will take centre stage in a changing world where connectivity is most vital. The second-largest telco in Canada operates in a near-monopoly and derives stable revenues from its national broadband business. You don't need an extensive analysis if you understand the vital role TELUS plays in Canada.

Unlike **BCE** and **Rogers Communications**, which operate media businesses, TELUS channels its financial resources entirely to wireless and wireline operations. Aside from the work-from-home trend, its telehealth business should be another growth driver in the near term.

At less than \$25 per share and with a complementing 4.94% dividend, TELUS is the right buy for income investors. Cellphones and the internet are staples, such that you can own the stock for decades.

Rule over debt

Weigh your options carefully if you're ready to rule over your debt and not the other way around. Also, if your mindset is to earn more and spend less money, debt is not an option.

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