

Should You Save or Pay Down Debt?

Contributed by J Daniel
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It sounds logical, doesn't it? Why build up a savings account, earning an average 6% interest every year, when you are paying 15% on your credit card debt? Well, on paper that much is true, but in reality, life can throw a few curve balls.

What happens when your car breaks down? Without any savings, it is unlikely that you will have enough money to fund the repairs. So that cost goes on the credit card, heaping back £100's onto the debt that you have been paying off. Not only is this costly, it is also demoralizing!

So the answer to the original question is neither. You cannot save all your money & neglect your debt. But on the other hand, it is unwise to leave yourself with absolutely no savings in the event of an unexpected expense. The best choice is to do both.

Of course, you need to at least be making the minimum payments on your debt before you consider saving any money, but if that is the case, then how much you save is entirely up to you. It may be 3-6 months' income, or just a few hundred pounds. Either way, having some savings behind you is like a safety net & will allow you to continue paying down your debt instead of adding to it!

For more debt help, including advice on debt management plans & other debt solutions, visit GregoryPennington.com