00:00:09:13 - 00:00:23:19

Speaker 1

Welcome, my name is Andrew Baron, and this is Well… It Depends! The podcast where I address financial decisions that can't be answered by a simple yes or no.

00:00:24:08 - 00:00:59:15

Speaker 1

In this episode, I ask the question, Should I consolidate my debt? But before we begin a short disclaimer. This is being recorded on May 15th, 2024, the contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It's important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

00:00:59:15 - 00:01:19:14

Speaker 1

Getting into it. Should I consolidate my debt? Well… It Depends! Debt consolidation can seem like a straightforward solution to managing multiple debts. But as always, it depends on your unique situation.

00:01:19:15 - 00:01:44:20

Speaker 1

Let's examine several factors that you need to consider before making a decision. First, what is debt consolidation? Essentially, it is combining multiple debts into a single loan, typically with a lower interest rate. This can help you manage payments, lower overall interest costs, and potentially improve your credit score.

00:01:44:20 - 00:01:51:21

Speaker 1

One of the main attractions to consolidating loans are lower interest rates.

00:01:52:00 - 00:02:17:21

Speaker 1

If your new loan has significantly lower interest rates than your current loan, you may save substantial money over the long-term. However, watch out for extending loan repayments schedules as even with lower interest rates, you may pay more in interest over the long term. Therefore, it's important to strike a balance between lower interest rates and a reasonable loan repayment schedule.

00:02:17:21 - 00:02:44:10

Speaker 1

Debt consolidation can have various fees. Loan origination fees, balance transfer fees, closing costs and more. These fees can quickly add up and can negate any of the savings you get by having a lower interest rate. Therefore, it's especially important to consider the total cost of consolidating versus sticking with your current plan.

00:02:44:10 - 00:03:05:07

Speaker 1

Another consideration is your credit score. Applying for a new loan can cause a temporary dip in your credit score due to the hard inquiry. However, if consolidating helps you make on time consistent, regular payments, you'll see your score improve over time.

00:03:05:07 - 00:03:16:09

Speaker 1

Debt consolidation is not a magic bullet. If you struggle with financial discipline, debt consolidation may only be a temporary fix.

00:03:16:11 - 00:03:27:20

Speaker 1

Instead, it's crucial for you to address the underlying issues that led you to debt in the first place. Otherwise, you risk facing a similar situation down the line.

00:03:28:15 - 00:03:58:07

Speaker 1

To recap, as we've explored today, debt consolidation is not a one size fits all solution. Instead, it depends on your personal needs, goals and your ability to manage finances effectively. Therefore, it's prudent to weigh the pros and cons, do the necessary calculations, and reach out to a professional if necessary. So to answer the question, should I consolidate my debt?

00:03:58:09 - 00:04:00:11

Speaker 1

Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA