

DEBT VS SAVINGS

Having some savings for an emergency is great, but only where the cost of debt doesn't outweigh the benefit of the savings.

If you had:



£1,000 debt

on a credit card at 35%

Interest cost is:

£350



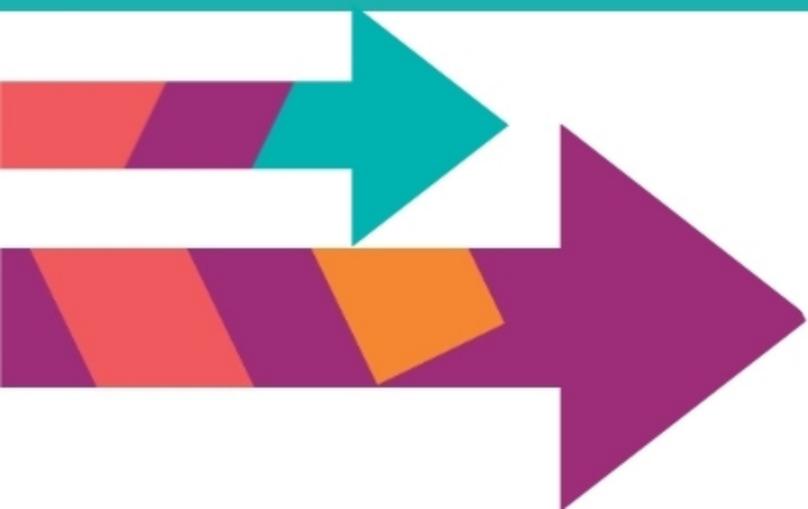
£1,000 savings

earning you 3%

Interest earned is:

£30

Pay off the debt with the savings, and you'll be **£320** better off a year.



SNOWBALL V AVALANCHE

Both are popular strategies for paying off multiple debts, but the main difference is what you prioritize first.



Snowball method:

Pay off smallest debt first.

Quick wins, motivating, emotionally satisfying.



Avalanche method:

Pay off highest interest debt first.

Reduces overall interest costs, saves money, efficient.

