

**00:08 Megan:** Financial wellness doesn't have to be hard, but it does take a little discipline and some good advice. At Golden 1 Credit Union, we're here to help, with unbiased financial advice and education. As a not-for-profit, member-owned credit union, our main goal is to help you reach your goals, whether you're trying to make a major purchase, start an investment fund, or just have some peace of mind. Together we can be golden!

**00:37 Megan:** Hello! Welcome to the Golden 1 Financial Wellness podcast. I'm Megan.

**00:42 Daniela:** And I'm Daniella.

**00:44 Megan:** Thank you so much for joining us.

**00:46 Megan:** People these days often have multiple loan balances on things like credit cards, cars, personal loans, even medical debt.

**00:56 Daniela:** That's so true, and with different loan payment amounts due on different days of the week, it can feel overwhelming just trying to keep up with it all. Plus finding enough room in your budget every month to make all those payments, it can feel like it's gonna take forever to pay them off.

**01:13 Megan:** That can really be discouraging. But the good news is, there's an easier way to manage multiple debts with a debt consolidation. And that's what we're gonna talk about today.

**01:23 Daniela:** So what is that consolidation exactly?

**01:27 Megan:** It's basically the process of combining two or more debts into one new loan. That means, instead of having a bunch of different debt payments due on different days each month, you have one new monthly payment. And in many cases, the interest rate on the new loan is lower than the interest rate on the previous loans.

**01:47 Daniela:** So, debt consolidation can make it easier to budget every month, and it might even help you pay down your debt faster. Sounds like people could really save some money.

**01:57 Megan:** It really can be a great option for people trying to manage multiple loan payments every month.

**02:02 Daniela:** So how does a debt consolidation process work?

**02:05 Megan:** There are three popular options for consolidating multiple debts. Let's talk about each one and how they work. The first option is to use a credit card.

**02:16 Daniela:** That sounds a little counter-productive...

**02:18 Megan:** I know, but hear me out. In this case, you're transferring balances from credit cards or other loans with high interest rates to a new credit card with a lower interest rate. And if you have strong credit history, there is a good chance to qualify for a credit card with a zero or extra low introductory interest rate.

**02:39 Daniela:** Aha! So it could help people save a lot of money on interest, right?

**02:42 Megan:** Yes, especially if they're moving from a variable rate loan or credit card to a fixed rate credit card.

**02:50 Daniela:** That sounds like a great option. What are some other ways to consolidate debt?

**02:55 Megan:** Another solution is to use a personal loan. Essentially, you use the funds from your new personal loan to pay off your old loan balances.

**03:04 Daniela:** Okay, like the closed-end personal loan from Golden 1?

**03:07 Megan:** You've got it! This type of loan has a specific start date and end date- so you know exactly when you'll have your balances paid off. And it has a fixed monthly payment.

**03:19 Daniela:** That sounds like a super easy way to help budget and manage expenses.

**03:23 Megan:** Exactly! Finally, another way to consolidate debt is with a home equity loan or home equity line of credit. If you're a homeowner, this type of loan lets you borrow money based on the amount of equity in your home.

**03:36 Daniela:** Hold up. Can you explain home equity?

**03:40 Megan:** Sure. If you take your home's value and subtract what you owe on your mortgage, the result is your home equity. You might be able to borrow as much as 80% of that equity in a loan or a line of credit. And since your home is being used as collateral, these types of loans usually come with lower interest rates and more flexible payment terms compared to other types of financing.

**04:03 Daniela:** Those all sound like smart options for consolidating debt. How can someone decide if one of these solutions makes sense for them?

**04:11 Megan:** For starters, it's a good idea to consider your total amount of debt and how much money you'll be able to pay each month towards the new loan. Having a plan to pay down the new loan is important too.

**04:24 Daniela:** Those are great suggestions. Anything else people should consider it before moving forward with a debt consolidation loan?

**04:30 Megan:** It's a good idea to know your credit history and credit score. The stronger a person's credit history is, the more likely they'll be able to consolidate their debts at a lower interest rate.

**04:42 Daniela:** Is there a way to figure out what a new monthly payment would be with a debt consolidation loan? That would be really helpful.

**04:49 Megan:** There is. Online debt consolidation calculators make it easy to estimate a new monthly payment based on total loan balances, interest rates and length of the loan. You can find a debt consolidation calculator, at [golden1.com](https://www.golden1.com). Click on Financial Wellness and then the Financial

Calculators.

**05:07 Daniela:** That sounds super easy.

**05:09 Megan:** It is.

**05:10 Daniela:** Alright, what else should people know before moving forward with a debt consolidation?

**05:16 Megan:** Well, it's always a good idea to weigh the pros and cons before taking out a new loan.

**05:21 Daniela:** Let's start with the pros.

**05:23 Megan:** One of the biggest advantages of a debt consolidation is that you only have one monthly payment to manage each month.

**05:29 Daniela:** That could really help simplify money management.

**05:32 Megan:** Absolutely. Another advantage is that if you're able to get a lower interest rate, you could pay less every month.

**05:40 Daniela:** And that means you could potentially pay less overall over the life of the loan. And you can also end up paying it all faster.

**05:47 Megan:** Exactly.

**05:49 Daniela:** What to do with all that money once that loan is paid off,

**05:52 Megan:** Well, paying off your debt sooner means there's more money available to put towards other goals. Haven't you been looking for a new car?

**06:00 Daniela:** I have. But I've also been saving for my bucket list vacation.

**06:04 Megan:** Well, that choice can be yours.

**06:07 Daniela:** Okay, we've covered the pros and they sound pretty good. Are there any drawbacks to a debt consolidation?

**06:14 Megan:** If you use the funds from your consolidation to pay off your old debts, that's all good. But, if you continue to add your credit card balances could risk staying in debt.

**06:26 Daniela:** That's a good point.

**06:28 Megan:** There are a few more drawbacks to consider. If you use your house as collateral, you could risk losing it if you happen to default on the new loan. It's also important to pay attention to interest rates. If your new debt consolidation has an introductory fixed rate or a variable interest rate, a rate change could potentially cause your monthly payments and interest to increase.

**06:53 Daniela:** Those are all important factors to consider if you're thinking about debt consolidation. Essentially, if you're able to replace multiple debts with one new loan at a better interest rate, and you have a plan for pay it off, a debt consolidation can be a smart financial move.

**07:08 Megan:** You've got it.

**07:09 Daniela:** You can learn more about debt consolidation solutions at Golden1.com, including credit cards, personal loans, and home equity loans, and lines of credit.

**07:20 Megan:** Daniella, I guess that's our show for today! I hope everyone out there has picked up some helpful tips and understands how to get started with a debt consolidation.

**07:29 Daniela:** I sure did.

**07:30 Megan:** And remember, if you haven't already done so, you can subscribe to Golden 1 Financial Wellness podcast on Apple, Google and Spotify. Plus, you can find a ton of other resources

**07:42 Daniela:** like videos, interactive modules and webcasts, and you don't even have to be a member to use them

**07:49 Megan:** just go to the financial wellness tab at Golden1.com.

**07:52 Daniela:** That's golden. And the number one.

**07:55 Megan:** Thank you so much for joining us today, this has been Megan

**07:59 Daniela:** And Daniela

**08:00 Megan:** wishing you financial health and happiness, and is always reminding you to

**08:05 Daniela/Megan:** stay golden!

**08:08 Megan:** Golden 1 Credit Union is insured by NCUA

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