

# What is Debt Management

## Part I

**Debt Management** is a very simple financial concept hire a qualified Debt Counselor or certified Debt Management Company to pay your unsecured debt.

**The Debt Management Company** you hire will relieve and eventually reduce your debt by managing your assets effectively and negotiating with your creditor regarding interest rates and monthly payments. This is not a loan so you are no obligated by any contract or other binding paperwork associated with a Debt Management Plan.

When choosing a Debt Management Company you want to make sure and beware of several things. *First*, make sure the company registered with the **Better Business Bureau (BBB)** and has been rewarded the "Reliability Program Online Seal." *Second*, beware of any companies who want to charge more than \$50.00 a month to open your account and work with your creditors. *Third*, make sure the company is able and willing to answer all your questions, if you feel that the company is "beating around the bush" don't waste your time; find another company. *Last*, if you feel pressured by the Debt Management Company, run, more than like that feeling will not go away.

Once you choose a company and feel comfortable working with them. They will get you started on your way to a debt free future. There are several steps that are generally followed by Debt Management Companies. The first step is listing all your creditors and the amounts owed for each. Remember, not all creditors are eligible to be included in a Debt Management Plan. The second step is listing all incomes and expense i.e. mortgage, car payments and cost of living payments. The third step is deciding how much of your income is available to contribute to your Debt Management Plan. Your Debt Counselor will try their best to settle any debt and eliminate interest rates. The fourth step is reviewing and approving your Debt Management Plan. Make sure you understand everything and read the fine print. This last step is crucial; it ensures that you're not in the dark regarding the amount of money being paid out.

## Part II

As with any financial product there are advantages and disadvantages working with a Debt Management Company. One advantage is the company can lower or eliminate the high interest rates and fees associated with credit card debt. The company can also settle your debts for nearly half of the balance. You only have to make one monthly payment instead of five or ten. The biggest advantage is you will no longer have to communicate with creditors via mail, phone or Internet.

One disadvantage is that creditors do not have to agree to participate in your Debt Management Plan or lower your interest rates. This would still allow some of your creditors to communicate with you and take legal actions against you and still charge you interest and other fees regardless of payment efforts. Also, any settlement agreed upon between your Debt Management Company and your creditors will show on your credit report.

Keep in mind that this is your decision so it is important for you to be comfortable with it. Ask around, see if any of your friends have worked with a [Debt Management Company](#) or know anyone who has. Remember, your Debt Management Company will get you started but it is up to you to finish it. Hopefully you will learn how to make educated financial decisions, which will keep you on a debt free path.

## About the Author

*Debt management plan* is designed by debt consolidation and [debt settlement](#) specialists to help those individuals that have piled on a fair bit of debt to relieve the burden of multiple bills and to allow them to focus on budgeting and managing their lives. EZ [bad credit debt consolidation](#) plan can help anyone even with poor credit.

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