

Debt and credit

Three debt payoff plans, and how to pick one

Snowball, avalanche or a mix of both: three ways to pay down debt, what each one gives you, and where to find honest help if you need more.

7-minute read • Updated October 2026 • Checked against its sources



The short version

- ✓ Carrying a balance is common: in 2025, 45% of cardholders did at least once. Start by listing what you owe and paying every minimum on time.
- ✓ Then aim all your extra money at one debt: the smallest (snowball), the costliest (avalanche), or one quick win and then the costliest.
- ✓ If the minimums are out of reach, a nonprofit credit counselor may help. Walk away from any debt relief company that wants fees up front.

From a nonprofit. Every volunteer adviser is a fiduciary, which means they must put your interests first. We never sell your information.

Rather talk it through?

A volunteer financial adviser can help with your situation, one-on-one, for free.



Point your phone's camera at the code, or go to:

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You have plenty of company

If you carry a balance on a credit card, you're far from alone. In 2025, 82% of adults had a credit card. Among cardholders, 45% carried a balance at least once in the past year.¹

45%

of credit cardholders carried a balance at least once in the past 12 months, 2025

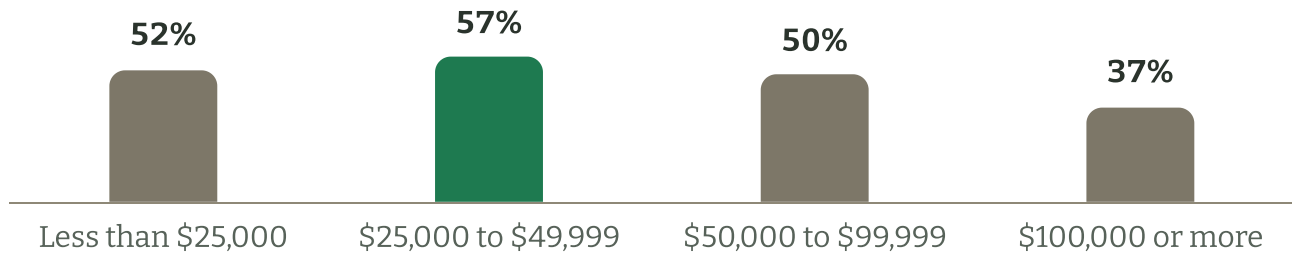
That's down from 57% in 2015.

Source: Federal Reserve Board, Economic Well-Being of U.S. Households in 2025 (May 2026)

It happens at every income. Among cardholders with a family income under \$100,000, half or more carried a balance. Among those with \$100,000 or more, 37% did. ¹

Half or more of cardholders with family incomes under \$100,000 carried a balance

Credit cardholders who carried a balance at least once in the prior 12 months, by family income, 2025



Among all cardholders, 45% carried a balance at least once.

Source: Federal Reserve Board, Economic Well-Being of U.S. Households in 2025 (May 2026)

Debt isn't a verdict on you. It's a problem you can make a plan for. This guide walks through that plan: list what you owe, keep up every minimum, then pick one of three ways to pay it down. The last section covers where to find honest help if you need more.

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Step one: list everything you owe

It's hard to plan around a number you haven't seen. The Consumer Financial Protection Bureau (CFPB) suggests a debt log: one line for each debt, so the whole picture sits in one place. ³ For each debt, write down:

- **Who you owe.** The card, lender, store or person.
- **The balance.** How much you still owe.
- **The interest rate.** The yearly rate, called the APR, shown on your statement.
- **The minimum payment and due date.** What you must pay each month, and when.

Your statements have most of this. Your credit report can fill in the gaps, like a balance or monthly payment you don't have handy. ³ You can get it free every week from each of the three credit bureaus at AnnualCreditReport.com. ⁶ Our guide to [your credit score](#) shows how.

Online: advisersgiveback.org/resources/your-credit-score-can-change/

Each card statement also shows how long it would take to pay off the balance with minimum payments alone. And it shows what you'd need to pay each month to clear it in three years. ⁴ Those two lines are a quick reality check.

**Try it this week**

Gather your latest statements and make your list, on paper or in a spreadsheet. Add up the minimums. That total is the floor of your plan: the amount you pay every month, no matter what.

3**Step two: keep every minimum paid**

Every plan rests on one rule. Pay at least the minimum on every debt, on time, every month. Extra money goes to your target only after that.

A missed payment costs more than a late fee. A payment more than 30 days late can show up on your credit report.³ If a card payment is more than 60 days late, the card company can raise the interest rate on the balance you already owe.⁵ And if you miss minimums for several months, your credit score may take a hit.⁷

If this has happened to you, you're not the only one. In 2024, 41% of cardholders paid only the minimum in some months. And 21% were charged a late fee at least once.² Setting up automatic payments for at least the minimum on each account is a simple guard. You can still pay more by hand. Keep an eye on your checking balance, so an automatic payment doesn't set off an overdraft fee.¹²

If the minimums are more than you can pay, don't wait. Call your lenders. Ask for a lower rate, or suggest a payment plan you can afford. You don't need to pay a company to make that call for you.⁷ Some creditors may agree to lower the minimum, waive fees, cut your rate or move your due date closer to payday.⁹

4**Step three: choose one of three plans**

Once every minimum is covered, the question is where the extra goes. Any extra counts, even \$20 a month. All three plans share one move: put all your extra money on one debt at a time. When that debt is paid off, add its whole payment to the next one on your list.³ What changes is the order.

1. The snowball: smallest balance first

Aim your extra money at the debt with the smallest balance. You clear a debt sooner, and that early win can keep you going. The trade-off: if your bigger debts carry higher rates, you may pay more interest overall.³

2. The avalanche: highest rate first

Aim your extra money at the debt with the highest interest rate. Your most expensive debt goes first, so you pay less interest. The trade-off: if that debt is large, it can feel like nothing is moving for a while.³

3. The mix: one quick win, then the highest rate

Pay off one small debt first, for an early win. Then switch to the avalanche and aim at your highest rate. You get a quick boost, then your extra money works to keep interest down.

Quick wins may matter more than they seem. One study followed nearly 6,000 people working to get out of credit card debt through a debt settlement program. Those who closed out more of their accounts were more likely to go on to clear all their debt. What predicted success was the share of accounts they closed, not the dollar size of those accounts.⁸

So there's no single right answer. The avalanche saves the most money. The snowball can keep you motivated. Our guide to [choosing between the snowball and the avalanche](#) compares them side by side, with a tool that races them on your own numbers.

Online: advisersgiveback.org/resources/snowball-or-avalanche/

*Getting out of debt is about consistency, not perfection.
Every payment is a step forward, whichever plan you choose.*

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Step four: let the plan run itself

A plan works best when you don't have to decide again every month. A few habits help:

- **Automate the extra.** Schedule your extra payment to your target for the day after payday.
- **Roll payments forward.** When a debt is paid off, move its whole payment to the next one right away, before it drifts into spending.
- **Pause new charges.** Try not to add to the balances you're paying down.
- **Keep a small cushion.** Without one, a surprise bill can land right back on a card. In 2025, 15% of adults said they'd cover a \$400 surprise by putting it on a card and paying it off over time.¹ Even a small emergency fund helps. Our guide to [building an emergency fund](#) shows how to start.

Online: advisersgiveback.org/resources/not-if-but-when/

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When you need more help

Sometimes a payoff plan isn't enough on its own. That's not a failure. There are real options, and a few traps to avoid.

Consolidation rolls several debts into one. A balance transfer moves card debt to a card with a low promotional rate. A consolidation loan pays off several debts with one new loan. Either can lower your cost, but read the fine print. Promotional rates end, and balance transfers usually carry a fee. A lower monthly payment may just mean paying for longer, and paying more overall. A home equity loan puts your home at risk if you

can't repay it. And if the debt grew because more was going out than coming in, a new loan won't fix that on its own. If missed payments have hurt your credit score, you probably won't get the low rates. And be wary of consolidation ads, which may really come from debt settlement companies.⁹

Credit counseling can help you build a budget and make a plan to pay down debt. Most credit counseling groups are nonprofits, though some charge fees for their services.¹⁰ A counselor may suggest a debt management plan. You make one monthly payment to the counseling group, and it pays your creditors, who may agree to lower your rates or waive fees. These plans can take 48 months or more, and you may have to stop using credit until you finish.⁷

The Federal Trade Commission (FTC) suggests looking for counseling through credit unions, universities, Cooperative Extension offices and military financial counselors. The Justice Department's U.S. Trustee Program lists agencies approved for pre-bankruptcy counseling, though it doesn't endorse any of them.^{7 10} Being a nonprofit doesn't guarantee that a group is affordable or legitimate, so check it out first.⁷ Get any fees in writing. Go elsewhere if a counselor pushes a debt management plan before looking closely at your finances.¹⁰

Bankruptcy is generally seen as a last resort, because it stays on your credit report for 10 years. Still, it might offer a fresh start if you're in financial trouble.⁷ A bankruptcy attorney may be able to explain your options, and some will talk with you the first time for free.¹¹



Red flags in debt relief offers

Debt settlement companies say they can get your debts reduced. Most will tell you to stop paying your creditors. That can bring late fees, collection calls, lawsuits and a lower credit score, and it may leave you deeper in debt.¹¹

Walk away from any company that charges fees before it settles a debt, guarantees your debt will go away, tells you to stop talking to your creditors, or touts a new government program to bail out credit card debt. And debt that's forgiven may count as taxable income.¹¹

If you're weighing debt, savings and other goals all at once, it helps to talk it through. A volunteer adviser can help you see the whole picture and choose a plan you can keep, one-on-one and for free.

Questions to bring to your adviser

A volunteer adviser is ready when you are.

A volunteer adviser can look at your numbers with you and help you decide what to do first.

go.advisersgiveback.org/start



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Updated October 2026. This guide is general information, not advice for your situation. We check every number against its source; if something has changed, tell us at advisersgiveback.org/contact. Read it online, with its calculators and videos, at advisersgiveback.org/resources/three-debt-payoff-plans/. Advisers Give Back is a 501(c)(3) nonprofit (EIN 84-4685390), and we never sell your information.