

## Is debt consolidation right for you?

If you currently have more than one loan with an outstanding balance, you may have wondered whether [debt-consolidation](#) would be right for you.

Debt-consolidation means combining some or all of your debts into a single loan. There are two basic reasons for debt consolidation &#8211; to reduce your monthly payments, or to reduce your interest charges. Whether debt consolidation is right for you depends on your situation, and whether lower payments or a lower interest rate will benefit you.

The most common reason for consolidating debt is to reduce the number and the amount of the payments that you make each month. Debt consolidation will usually lower the total amount of your monthly payments by replacing them with a single loan whose payments are stretched out over a longer period of time. It is easier to live within your budget once you have reduced the amount that you pay towards your debt each month. It is also easier to keep track of a single monthly payment.

The other reason for consolidating debt is to reduce your interest charges. Interest is the price that you pay to borrow money, and a lower interest rate will reduce the total amount that you will eventually repay. Assuming that you are able to move your balances to a credit card or other loan with a lower rate of interest, your debt will cost you less. Even if you are able to make your monthly payments on your outstanding loans now, but you can find interest rates that are lower than on your current loans, then consolidating your debt will save you money in the long run.

But what if you are able to make your monthly payments, and your interest rates are already low? Then debt consolidation probably has no benefits for you. You are better off paying your debts off as quickly possible, and if you can handle your current monthly payments then stretching out those payments does you no good. Also, it makes no sense to move your loan balances from a loan with a lower interest rate to one with a higher interest rate. If the interest rates on your debts are already low then there is no cost savings to be had by consolidating them.

### About the Author

Is [debt-consolidation](#) right for you? If you are having trouble making your monthly payments, or are paying too high a rate of interest, then you should consider debt-consolidation as the solution, for further details on getting your life and debt back on track, visit [debt-free.org.uk](#)

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