Stress Relief 101: Trading bad debt for smart debt

Taken a browse through the self-help section of your local bookstore lately? What you'll find is an incredible selection of books on stress management. It's a growth industry: it seems that many Canadians are looking for stress relief.

Well, here's a guaranteed stress-buster for some homeowners: Roll up your debt. That's right: use your home equity to trade bad debt for smart debt – and give yourself some financial breathing room each month. You can save money too.

In many households, money is a leading cause of stress (second only to a sick family member). If too much debt has slowed your monthly cash flow to a trickle, it's time to talk to a mortgage planner. The right re-financing package can help put an end to the monthly squeeze of too much credit card debt or too many loans.

There's no question that the individual debt load of Canadians is growing. The good news is that individual wealth has been growing too. Not surprisingly, the biggest factor in the upswing of personal wealth has been the rising market value of real estate. How does that influence the debt picture? With all the attractive mortgage options now available, that extra equity gives homeowners the opportunity to consolidate their other debts: including credit cards and other high-interest unsecured loans. The combination of low mortgage rates and high housing valuations are creating an environment for smart debt: low-interest manageable debt secured against your home.

There's no way to know how long these low rates will last, but Canadians are refinancing in record numbers to take advantage of what has been an historic opportunity.

Independent mortgage planners – who have access to more than 50 different lenders, including most of the major banks, have become specialists in helping Canadians restructure debt. In addition to offering access to a broad range of mortgage options, these experienced planners provide credit advice and debt management tips that can help save thousands of dollars.

Mortgage planners agree that homeowners are recognizing that they need to get smart about debt. Canadians pay a shocking amount of money on their high-interest debt, whether it's credit cards, unsecured loans, or tax bills. It all adds up. Run late on a payment – or run short on the minimum amount – and your credit rating can be affected. But if you have equity in your home, there's no good reason to be carrying high-interest, unsecured debt.

The benefits of rolling up your debt are immediate and long-lasting: improved cash flow, fewer payments, a brighter credit picture, and potentially big savings on your overall interest costs. For Canadian homeowners who have been juggling payments to several lenders, the best stress relief is often just the simplicity: one lower-interest payment to a single lender.

Home equity debt consolidation is a golden opportunity. Aside from the debt stress relief and interest savings, restructured debt also gives homeowners a fresh start at responsible financial housekeeping: sensible spending and saving habits. If you recognize that your new financial comfort is secured by the value of your home, you'll want to maintain that ease by living within your means. If you've been out of your financial comfort zone, it's time to get back in.

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