

Snowball vs. Avalanche: What's the best way to pay off your debt?

If you're struggling with debt, it's likely that you have a variety of debts to worry about. Secured debts, unsecured debts. High interest, low interest. Fixed, variable. All kinds of different debts with different terms.

Once you've made the decision to tackle that debt head-on, however, you need to decide how you're going to prioritize your payments. It makes a bigger difference than you might think.

The two most common debt prioritization philosophies are *snowball* and *avalanche*.

WHAT'S THE SNOWBALL APPROACH?

In cartoons you'll often see one character stand at the top of a snowy hill and make a little snowball and then set the snowball rolling down the hill. As the ball rolls, it picks up more snow, getting larger and larger the farther it travels down the hill.

The snowball effect in debt repayment is similar. You start small and get bigger.

Essentially, you make minimum required payments on all of your debts except whichever debt has the lowest balance. You throw all of your debt-repaying might at that smallest debt until it's paid off. Then you move on to the next smallest balance.

As you pick off these smaller debts, one-by-one, the amount you would have paid towards them is freed up, allowing you to make larger and larger payments against your new smallest balance.

The snowball approach provides a definite sense of momentum, which is really key – especially if you've got a long road ahead.

WHAT'S THE AVALANCHE APPROACH?

The avalanche approach isn't, unfortunately, the sudden and unexpected obliteration of all your debts. Avalanche payments are about making the biggest long-term impact. So instead of focusing all of your extra debt-paying funds on the account with the lowest balance, you focus on the account with the *highest interest rate*.

Since your monthly interest charges are a large part of what makes debt quite so oppressive, it makes sense to attack the larger interest rates. By bringing those balances down quickly, you save money over the course of your debt repayment.

The avalanche approach may save you money over the long haul, however, you do lose some of the positive feelings you get when those little debts hit a zero balance.

WHICH IS BEST FOR ME?

For help determining which approach might work best for you, try a couple of online calculators:

- [Unbury.me](#) has a nice, simple interface with color-coded graphs to help you compare and contrast the two payoff methods.
- The [Snowball Calculator](#) at [WhatstheCost.com](#) isn't quite as pretty, but it offers additional data fields for a slightly more accurate payoff estimate.

Ultimately, you have to weigh your goals against your own reasonable expectations for yourself. As stated before, the avalanche approach might save you more money in the end, but the total number of debts might not move for a long time. If you struggle to stay motivated in the face of slow results, the snowball approach might work better for you.

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