The Pros and Cons of Snowballing Your Debt

Now you know what the snowball debt method is, let’s look at some of the pros and cons.

While it is dubbed as the most effective way to get yourself out of debt, like everything, there are still a few downsides you need to be aware of. By comparing the pros and cons below, you’ll be able to make a much better decision about whether the snowball method is right for you.

The pros

Let’s start with the pros of snowballing your debt:

Fast results - The first benefit is that you’ll start to see results really quickly. This is key to why the method works.

Obviously, you’ll want to get out of debt as quickly as possible. So, when you start seeing fast results, it shows you that you could be debt-free much sooner than you thought you would be. If you’re looking for the fastest way out of debt, this is definitely a method to consider.

Psychological benefits – Another pro of this method is the fact it makes you feel good. As you blast your way through your debts, you’ll start to feel much happier, more in control and a lot less stressed.

You’ll find it easy to stick to – When you’re in a lot of debt, it’s easy to give up. However, with the snowball method, your motivation is consistently high as you see results pretty quickly. So, if you’re looking for a debt reduction method you can stick to, the snowball method is the perfect option.

It changes your behavior – Perhaps one of the biggest benefits of snowballing your debt, is that it doesn’t just get you out of money troubles, but it also changes your behavior. You’ll start to develop much healthier spending habits, helping you to stay on track even once your debts have been paid off.

These are some pretty compelling benefits, but before you decide whether or not it’s right for you, let’s take a look at some of the cons of the snowball debt method.

The cons

Although the snowball method definitely has a lot of advantages, it’s not without its potential drawbacks. They include:

It may be difficult to acquire credit in future - If you follow the debt snowball method strictly, its founder Dave Ramsey, recommends closing down your credit card accounts once they’ve been paid off. While this will stop you from falling victim to the same debt trap, it could make it more difficult to generate the credit you need in the future.

This is because, the fewer credit cards and loans you have, the worse your credit score becomes. It doesn’t sound logical does it, but provided you are making more than the minimum repayments, it builds up your borrowing history, showing lenders you can be trusted to pay the money back.

You could end up paying more overall – As the smallest debt is targeted first, if your largest debt has a high interest rate, you could end up paying a lot more back over time. So, it may not make financial sense to follow this method until the higher debts have been significantly lowered.

These are the main two cons to be aware of. For most debts, the snowball method does work well. However, if you do have higher debts with a high interest rate, you may want to consider a different method until you can get them down.

As you can see, there’s definitely more pros to the snowball method than there is cons. However, it’s still best to consider both the advantages and the disadvantages of the method before deciding whether it’s right for you.