Snowball Vs Avalanche – Which is Right for You?

You’ve learnt about the snowball debt method, but did you know there’s a snowball avalanche method too?

Both have their pros and cons and can help you to become debt free. However, as they work in totally different ways, it’s important to look at which one is most likely going to work for you.

Here, you’ll learn about the avalanche debt reduction method and how it compares to the snowball technique.

What is the debt avalanche method?

The debt avalanche method works differently to the debt snowball method. Instead of focusing on the smallest debt, it requires you to focus on paying off the debt with the highest interest rate first.

While paying off the highest interest rate, you’ll continue to make the minimum repayments on your other debts. So, say you have debts with 9%, 7%, 5.2% and 3%, you’ll start by focusing on the 9% interest rate loan.

Once that one has been cleared, you’ll move on to the 7% interest loan. So, it’s not about how much you owe in total, it’s about eliminating the high interest loans first.

Which method saves you the most money?

If you’re looking to save the most money while paying off your debts, the avalanche method will work better. This is because, by eliminating the highest interest loan first, you’ll end up paying less back in the long term.

However, there are some instances where the snowball method could save you more money. It’s best to use an online calculator tool to determine exactly how much you could save. You’ll find comparison debt snowball and avalanche calculators which can help to make your decision much easier.

Which will get you out of debt faster?

This really depends upon a number of factors. If you find it easy to stick to things and stay focused in the long-term, the avalanche method could help you to eliminate your debt quicker. However, it will also depend upon how many debts you actually have and how much the debts are.

If the highest interest loan is also the largest loan you have, it’s going to take a significant amount of time to pay it off. So, you’ll save money, but it will feel like it’s taking longer to eliminate your debts as the smaller ones won’t be going down.

With the snowball debt method, you see much faster progress and the smaller debts get paid off quickly. This can make it feel like you’re getting out of debt faster and it also helps to keep up motivation levels.

Choosing the best method to fit you

So, which method is right for you? Well, it helps to take into account the following:

* The amount of debts you actually owe
* Your motivation levels
* Whether you care more about fast results or saving money

If you have lots of debts, the snowball method is likely going to suit you better than the avalanche method. This is because it delivers consistent results which can help to keep you motivated. With the avalanche method, you’ll typically be clearing the debt much slower than you would with the snowball method, so if you have lots of debts this could prove problematic.

Speaking of motivation, if you do struggle to maintain it, the snowball method is again going to prove more effective than the avalanche method. It really comes down to whether you care more about seeing fast results or whether you’re more concerned with saving money over a longer period of time.

So, in order to decide which method is right for you, it helps to keep the above information in mind. As you can see, there are benefits to both methods and the end result is the same – you’ll enjoy being debt free. You just need to ensure that you are following the right path to get you there.