

Debt Snowball VS Debt Avalanche Method When Repaying Student Loans

Roughly 70% of U.S. college graduates have student loan debt. When it comes to repaying student loan debt quicker, you have to consider what is the best way to attack it. There are several debt repayment methods – the debt snowball method, the debt avalanche method and the debt snowflake method. Let's take a closer look to see how each of these works and determine which is right for you.

Debt Snowball vs Debt Avalanche

Both the debt snowball method and the debt avalanche method require you to list all of your debts (student loans). For each debt, you'll need to know the total amount owed, the [interest rate](#) and the minimum monthly payment.

Both methods will involve making the minimum required payment on all of your loans except for one, where you'll pay anything you can above the minimum payment. What separates the debt snowball method from the debt avalanche method is the loan you choose to pay extra on.

Debt Avalanche

With [the debt avalanche method](#), you work on eliminating the debt (the student loan) with the highest interest rate first. You will pay minimum payments on all other student loans, and pay anything extra towards the loan with the highest interest rate. Once that loan is paid off, you apply any extra money to the loan or debt with the next highest interest rate.

For example, say these are your loan amounts:

- \$4,500 at 6%
- \$2,500 at 4.5%
- \$2,000 at 5%
- \$5,000 at 3%

With the debt avalanche method, you will pay minimum payments on your \$2,500, \$2,000, and \$5,000 student loans. You'll put any extra money you have towards paying off the \$4,500 student loan, since that is the highest interest. Once you have completely paid off the \$4,500 student loan, you will then focus all extra money on the \$2,000 student loan, then the \$2,500 student loan and finally the \$5,000 student loan.

Debt Snowball

The debt snowball method, made popular by financial expert Dave Ramsey, is very different. With the debt snowball method, you will work on eliminating the smallest student loan first. You pay anything extra on the lowest amount owed first. Once that loan is paid off, you apply any extra money to the next highest balance.

With our same loans as above, with the debt snowball method, you would ignore the interest rates and first pay down the \$2,000 student loan, since that is the smallest. Then you would focus on the \$2,500 student loan, then the \$4,500 student loan and finally the \$5,000 student loan.

Which is Better – Debt Avalanche or Debt Snowball

Debt avalanche is, black and white, the best way to pay off debt, since it saves money by reducing the amount of interest paid. You will pay less money overall and pay off your debt quicker.

So why even consider the debt snowball method?

The answer is because for many people, money and debt is more than just dollars and cents. It's psychological, emotional and behavioral. While the debt snowball method takes more time and means you will pay more in interest, it has helped some people stay motivated. The quick wins and satisfaction of eliminating a student loan balance could keep those who struggle with debt repayment on the right track.

But, the debt snowball method is less effective with student loans, since student loans tend to have larger balances, meaning that there really aren't any "quick wins."

Ultimately, the best debt repayment plan is the one you stick to. You can also do a combination of both. The hardest part for people usually isn't selecting a strategy but finding the extra money to put towards your debt. You can do this by saving money wherever you can and finding [ways to make extra money](#). Trim your budget by temporarily eliminating things you don't need until your financial goals are achieved.

Debt Snowflake

The Debt Snowflake method can be used in conjunction with both the debt avalanche and the debt snowball methods. With the debt snowflake method, you take small amounts of money to apply to your debt on a daily or weekly basis.

Say you were planning on spending \$10 on lunch today, but your boss ended up springing for lunch for the entire office, you can now take that \$10 to apply towards debt instead. Here are some other examples of "snowflakes" you could apply to your debt:

- Use a cash-back app for groceries, like Ibotta, and put an extra \$10 per month towards your debt.
- Use a round-up app, like ChangEd, to gather and apply your spare change to repaying your student loans.
- Take online surveys, like on [Survey Junkie](#), and put \$20 per month extra towards your student loan debt.
- If you were planning on going to the movies with friends, but decided to stay home and save the money, put whatever you were going to spend towards your student loans.

Using These Debt Repayment Methods with Student Loans

It might be easier to decide which debt repayment strategy is best for you if you were paying off credit cards and a car loan. But student loans can complicate things a bit. You need to consider more than just the total amount owed and the interest rate. Here's what you should think about:

Extra Payments: Making extra or specific payments can be trickier than if you were paying down credit card debt. If you do want to make extra payments towards one of your student loans, you may need to specifically request this with your lender. You may need to specify how you want your payment allocated.

Refinancing Student Loans: Before you make a game plan, you may want to consider [refinancing student loans](#). This could potentially lower your interest rate, thus saving you money and lowering your monthly payment. But, refinancing your student loans will prevent you from using the debt avalanche, debt snowball and debt snowflake methods for paying down one loan quicker.

Think carefully about refinancing federal loans, though, as you will lose many of the benefits that come along with it. You may opt to only refinance private loans instead, if you think you will take advantage of loan forgiveness or income-driven repayment plans down the road.

Paying Off Your Loans When You Shouldn't: Yes, there are actually situations where [you shouldn't pay off your student loans](#). These include if you're working toward forgiveness or your part of a loan repayment assistance program.

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