

The Oil Drum: Campfire

Discussions about Energy and Our Future

Should you pay down debt?

Posted by [Gail the Actuary](#) on March 7, 2010 - 10:56am in [The Oil Drum: Campfire](#)
Topic: [Economics/Finance](#)

A few weeks ago we mentioned the possibility in a future Campfire of discussing paying down debt. I know some readers often talk about paying down debt as being a priority. I personally have been more iffy on the subject--maybe for some people, in some situations, but maybe not for others in other situations. What do you think?

We know debt is not is not very sustainable under peak oil, so some changes are likely ahead--but we really don't know what they are, or how they will work out. Also, we don't know whether there will be inflation, deflation, or just difficulty buying things that are even partially imported, or made using imported goods.

I can think of a number of categories of debt:

1. Mortgage loans, which are close to being paid off, and with a little effort can be owned free and clear.
2. Mortgage loans, loans for much smaller value than house is worth, but nowhere near being paid off.
3. Mortgage loans, loans for more than the value of the house.
4. Auto loans.
5. Student loans.
6. Credit card debt.
7. Business debt.

The one category I can see a strong argument for paying off the loan ahead of time is the first category above--paying off a mortgage, when you can own the house free and clear. It is not quite as clear in the other categories.

One issue in paying off debt is whether this will this leave you short of cash if an emergency comes up. Also, what will happen if you need to move suddenly, and can't sell the house?

Regarding student loans, I understand that there has been some recent legislation that cuts back payments (perhaps only on some loans, I don't know) if you don't have adequate income. This may have a bearing on loan repayment as well.

What is your view on paying off loans, given the many unknowns of the situation?



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