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By Hanneh Bareham, Bankrate.com (via TNS).

Americans across the nation have undoubtedly felt the impact of inflation on their wallets over the last few months, amassing a record-breaking **\$1 trillion in credit card debt**. Not only that, but a recent **Bankrate survey** found that 47% of cardholders are carrying a balance month-to-month — the highest percentage since 2021.

For those struggling with debt, there are [debt relief options](#) available that can help

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It's no surprise that owing a large amount of money causes psychological strain, but did you know that it's ranked as one of the most stress-inducing life events?

According to a [Bankrate survey](#), 47% of respondents who reported that money has a negative impact on their mental health said that debt is their top area of concern.

According to [AIMS Public Health](#), people with debt are three times more likely to struggle with worry-induced depression, anxiety and stress. While debt doesn't discriminate, Bankrate's recent financial wellness survey found that over half of Gen Z respondents claim that financial concerns have a negative impact on their mental health.

Emotional relief

Eliminating debt is more than just a numbers game — it's an act of breaking free from difficult past experiences. That being said, when you become free from that debt from your life, you'll likely experience emotional liberation.

Dr. Gail Saltz, clinical associate professor of psychiatry at the New York Presbyterian Hospital Weill-Cornell School of Medicine, affirms the heavy toll that financial stress takes on mental and physical health.

“Ongoing financial stress translates to chronic stress, which can lead to depression, anxiety, high blood pressure, back pain, stomach ulcers, etc.,” Dr. Saltz says. “The point is, high stress causes cortisol release, which impacts the health of all organs including the brain.”

According to Dr. Saltz, paying off your debt removes the fear and stress associated with it. “While money does not make one exponentially happier after a baseline amount of reasonable well living, below that and certainly debt does detract from

happiness,” she says, adding that the closer one gets to the baseline reasonable living

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Chris Dlugozima, learning experience designer at Greenleaf Financial Wellness in New York, explained that after his clients paid off their debt, they experienced much more freedom.

“I had a client [who] came in to see me; he was devastated,” Dlugozima said in a previous interview with Bankrate. “His fiancée had found out about his financial situation. He wasn’t sure if the marriage was going to go through.”

Dlugozima said that he worked with the client to create a unique payment program that helped him steadily knock out debt. Several years later, the client reported being happily married.

“It’s not just about the money, but about how the money can get in the way of life’s other goals,” Dlugozima added.

Increased self-confidence

Debt tends to carry a uniformly negative stigma and can weaken self-esteem at its root.

“Real financial stress — it eats a person’s soul in a way that’s very different than other parts of our lives,” said Ryan Howell, professor of psychology at San Francisco State University and co-founder of Beyond the Purchase.

In fact, the shame associated with debt can drive people to mask their hardship in unhealthy ways. “You can still have the nice house, the nice things,” said Dlugozima. “But really, behind it, the financial walls are crumbling.”

Once debt is paid off, your self-confidence can make a fast turnaround. Some individuals even share their debt stories out of a renewed sense of confidence, according to Dlugozima. “You become more open about it because you’ve gotten through the other side,” said Dlugozima. “It’s empowering.”

The strength to avoid slipping back into debt

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“It is important to keep track of where your money is going once your monthly income increases. Lifestyle and debt cycles can be detrimental to having a healthy financial future,” Patterson says.

Improved relationships

According to a [2023 Bankrate survey](#), nearly a quarter (23%) of Americans are keeping a money-related secret from their romantic partner. Thirty-nine% reported being financially unfaithful and 30% of those interviewed said that they have kept a financial secret in the past.

Whether it be undisclosed debt, a hidden credit account or debt that you and your partner are both aware of and paying down together, one thing is certain, debt can be a major cause of stress in a relationship.

Fortunately, the relief that comes from resolving financial difficulties has the power to improve relationships once bogged down by money troubles. Those who work together to achieve a common goal, like chipping away at those student loans or paying down that credit card bill, will likely grow stronger and will have a greater ability to communicate honestly.

Other psychological effects of paying off debt

While there are many advantages to paying off debt, you might experience some challenges once you're on the other side, too.

An altered link between spending and happiness

Once you've felt the relief of debt payoff, your feelings between money and happiness can change. Purchasing a designer handbag out of your price range, for example, may

bring you immense short-term joy. Yet the happiness that you'll experience from a

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a new set of financial temptations. “Quite often after paying off debt, people tend to gravitate toward taking on more debt, or they will simply unconsciously spend the extra money that’s available,” says Patterson in a recent interview.

To fight off the urge to fall back into previous spending patterns, Patterson suggests setting aside the same monthly amount you owed during debt payoff into a [high-yield savings account](#) or taxable [brokerage account](#).

“Now, instead of paying interest to a bank or financial institution, they can begin growing assets for their retirement or a future purchase. Employers are typically able to automatically deposit a portion of your paycheck into a separate account, so you won’t even have to think about saving,” says Patterson.

The bottom line

Debt payoff can be a long, tedious journey, but the psychological rewards of doing so will benefit you in the long run. The most important thing to remember on this journey is that you have plenty of options and resources at your disposal.

Make sure you’re aware of every alternative repayment option, [debt payoff calculator](#) and financial tool (like a [balance transfer credit card](#) or a debt [consolidation loan](#)) at your fingertips. Once you know your options, stay consistent and remember the long-term goal at hand to set yourself up for steady financial footing in the future.

Key takeaways

- Over time, paying down debt has the potential to significantly improve your health and overall quality of life.
- No matter how small, any step toward becoming debt-free is a positive move in the right direction.

- Once you've paid off your debt, you will still face challenges, including fighting

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