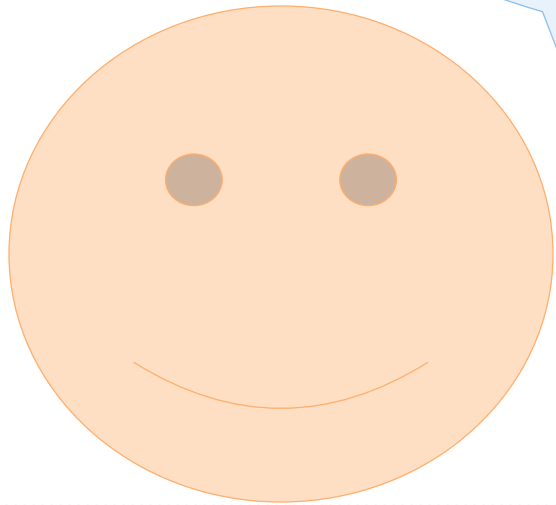


# Getting Out of Debt

Money Mojo-Session 4



**You *can* free  
yourself  
from debt.**



# Living in Debt – Culturally Encouraged

- ❖ Being in debt is incredibly common now.
- ❖ Many pay their credit card bills monthly the same as they do their utility bills.
- ❖ Finance companies and banks assure you they can fulfill your dreams now and you can pay for them later.
- ❖ But are you really fulfilling your dreams now, or do you feel as if you're always paying for it now? *That's the pinch of the debt trap you're feeling.*



# Self Test - Compulsive Spending



# Compulsive Spending: A Self-Test

1. Do I have a tendency to spend more than I earn?
2. Can I afford my regular daily purchases without borrowing money?
3. Am I able to make my monthly payments without difficulty, and perhaps pay a little more each time?
4. Do I have savings I could use to sustain myself for 3-6 months if I lost my job today?



# The Journey Into Freedom

If you really commit to being in control of your money, instead of letting it control you, you'll be able to enjoy the liberation of a debt free life before you know it.

Consider using some of the following strategies to help you get a handle on your debt and break free of its limitations.



# Making Peace with Money & Debt







# Making Peace with Debt

- ❖ Is Debt Good or Bad?
- ❖ We're usually led to believe that debt is bad
- ❖ It isn't a good idea to carry a lot of credit card debt, but there are times when debt can be a good thing.
- ❖ Debt is a problem that happens to nearly everyone at some point. Even wealthy people find themselves overextended by debt.



# Good Debt Possibilities

- ❖ A great investment opportunity.
- ❖ Starting or growing a business.
- ❖ Education.
- ❖ Using a lower interest rate loan to pay off higher interest rate credit cards.



- ❖ If you're going into debt just to pay your monthly bills or if you're running up credit card balances to buy a bunch of things you don't really need, this is considered "bad debt."
- ❖ But, if you're borrowing money for an investment, that can be considered "good debt."
- ❖ Debt can actually be helpful as long as you're using it to make a profit and come out ahead.

**Remember it is still Debt!**





# Step 1: Show Money You Respect It

- ❖ Make a list of all your income
- ❖ Make a list of all your expenses
- ❖ Make a list of all your debt balances



# Step 1: continue

- ❖ Start using the zero-base budgeting (*see resources in members area*)
- ❖ Start paying cash for everyday expenses like groceries, haircuts, entertainment etc. – eliminates over spending

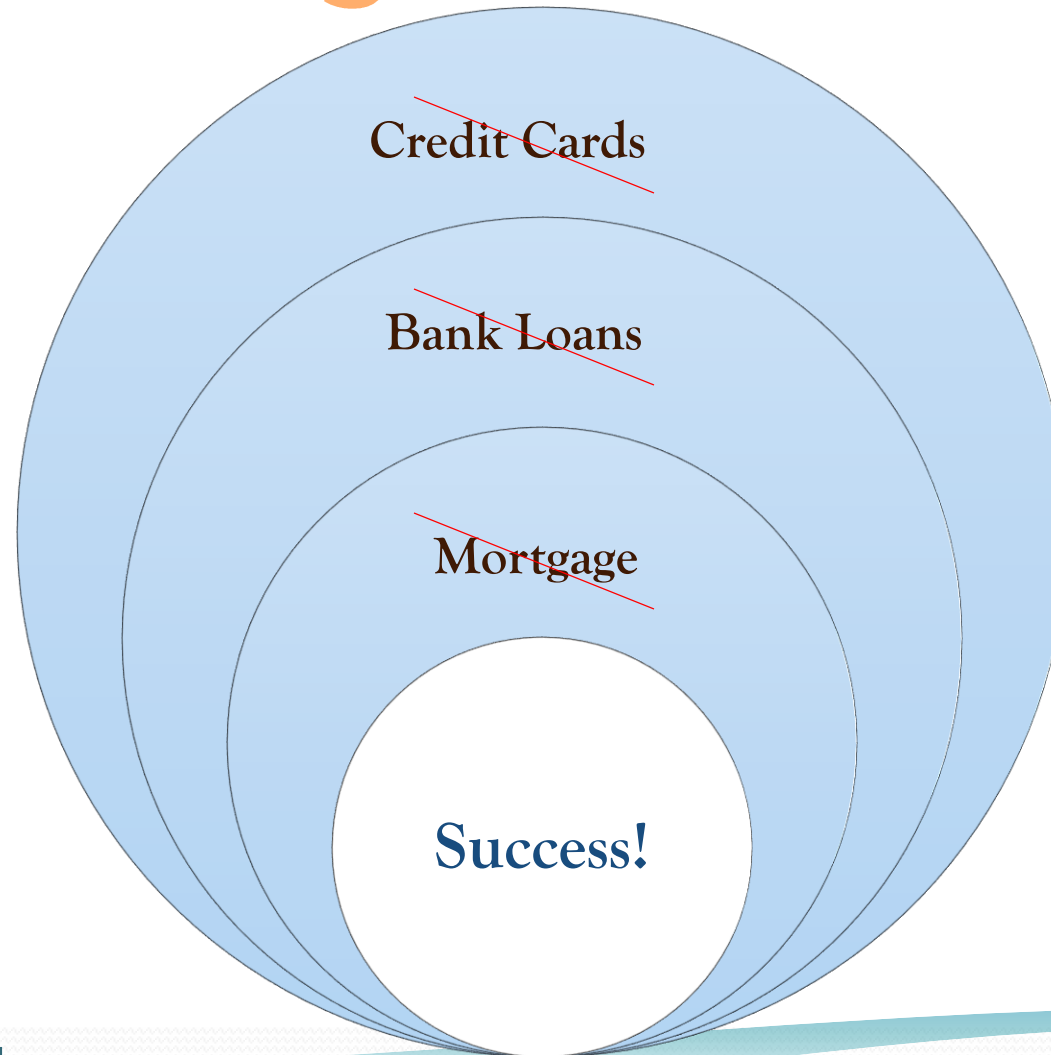


## Step 2: Emergency Fund

- ❖ Create a fund for \$1000 as fast as you can.
- ❖ Do this before paying off any debt.
- ❖ An emergency fund keeps you from digging a deeper hole.



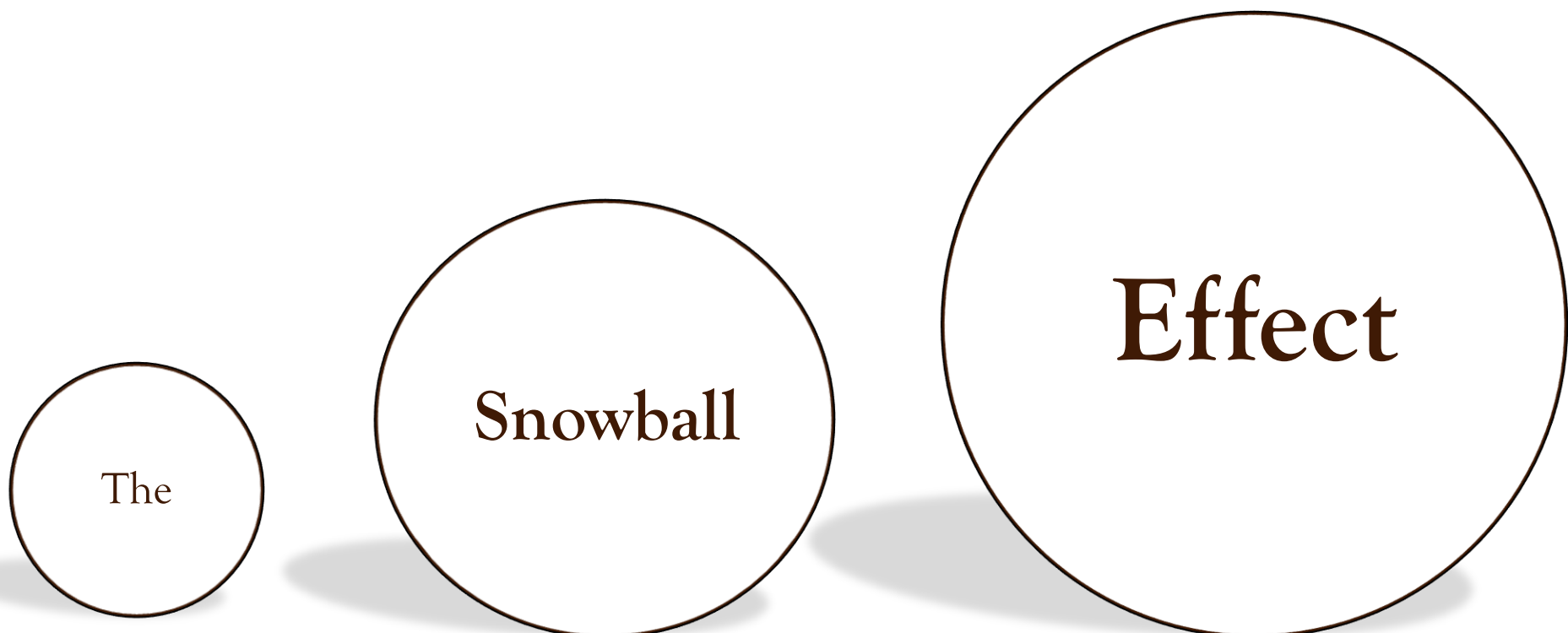
# Step 3: Getting Out of Debt





While your mountain of debt may be daunting, it's possible to get to the top and clear your financial name!





The

Snowball

Effect



# The Snowball Effect

- ❖ Eliminate Small Balances First
- ❖ Pick the credit card or bill with a low balance, pay it off first ... don't worry about the interest rate
- ❖ Then reroute the money for that card's payment to pay off the next lower balance card/bill



# The Snowball Effect

Card 1

- Pay off Card #1 or Lowest Balance
- Celebrate!

Card 2

- Double payments  
(Pay total for Card 1 + Card 2)
- When balance = 0, Celebrate!

Card 3

- Triple payments  
(Pay total for Card 1 + Card 2 + Card 3)
- When balance = 0, Celebrate!

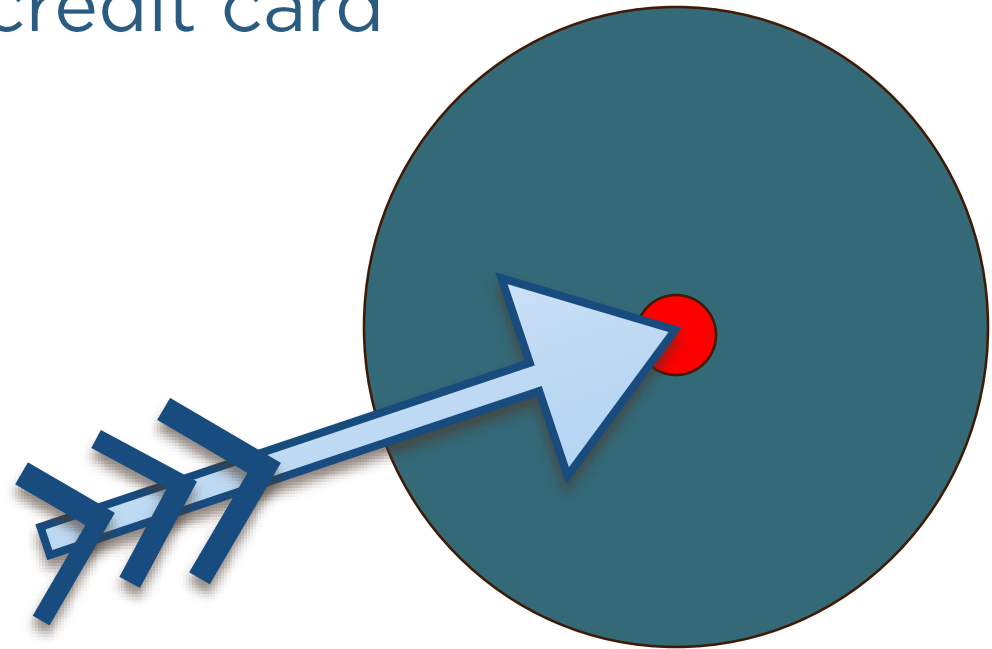




**Celebrate!!!**

# When to Make High Interest Cards a Priority

If your lowest balance is the same as a high interest rate card balance, pay the credit card first.



## Step 4: Avoid Skipping Payments

Skipping payments will lead to many extra fees and harassment by debt collectors!



# Ideas for Creating & Finding Extra Money for Emergency Fund and Pay Off Debt





# Idea #1: Debt Consolidation

Not only can you take advantage of a better interest rate, but you can also eliminate several of your monthly bills!



# Debt Consolidation

- ❖ Getting a loan from the bank to pay off your credit cards can lower your interest rate.
- ❖ *Debt consolidation* is one more way you can get out of debt without using any more money than you started with.



# Tips when considering debt consolidation:

**Read the fine print.**

- Check into hidden costs.
- Know what you're signing.

**Research the company.**

- Not all agencies are reputable.
- Check out the Better Business Bureau.

**Find out about your interest rates.**

- Will interest rates stay the same?
- Missed/late payments may trigger rising rates.



# Debt Consolidation Traps

- ❖ Using credit cards again because there is no balance!
- ❖ Put them in deposit box – hide them
- ❖ Not using the payment difference to pay off debt
- ❖ Consolidating all debt – including lower interest rate into a higher interest loan.



# Idea # 2: Refinancing

- ❖ You can quickly take care of small debts by refinancing.
- ❖ Many things can be refinanced: cars, furniture, or other valuable items. However, refinancing a mortgage is the most common.
- ❖ A refinanced mortgage occurs when your current mortgage loan is paid off and you take on a new loan, often with lower interest rates as your home accrues value over time.
- ❖ Roll debts into your new mortgage or acquire a lower mortgage payment, leaving funds for paying off your debts.



# Know before you refinance:

1.

- Small debts, like credit cards, are usually not secured.

2.

- Your mortgage loan *is* secured – with your house.

3.

- Talk to the right people. Ensure your refinancer truly wants what's best for you.

4.

- Consider ramifications of rolling your debts into your mortgage loan.



The Goal is lower  
interest rates!!!!



# Idea # 3: Cutting Your Expenses to Free Up Funds for Debt Payments





**Stay out of  
restaurants.**

**Consider  
trading down  
your car.**

**Drink the  
coffee at  
work.**

**Make one night  
a week  
meatless.**

**Set a budget and  
stick to it.**

**Eliminate Cable**



# Slash Your Grocery Bill

More costs less. Buying in bulk is cheaper.

Buy the “no-name” brand. Store brands are less expensive.

Purchase only what you need. Do you really need cookies and chips?

Make a list. Stick to it.

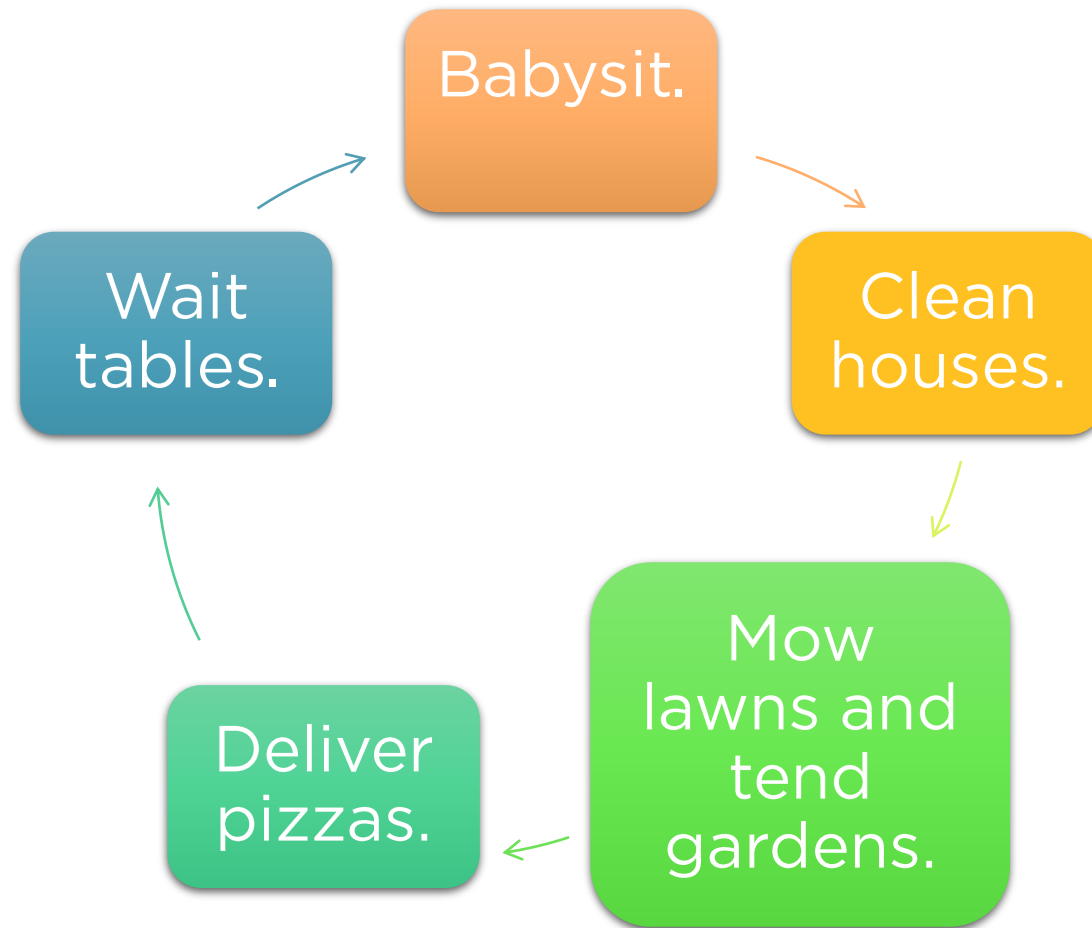


# Idea #4: Bring In Extra Cash to Pay Off Debts

- ❖ Try getting a second job. Six months of a second job can pay off quite a bit of debt!
- ❖ Provide a service for a fee.
- ❖ Have a garage sale to make extra money.
- ❖ Sell some items on eBay.



# Services for Quick Extra Income Generators



# Have a Garage Sale to Make Extra Money

Garage sales are simple and quick.

Avoid pricing too high.

Be prepared to haggle. Know your limits.



# Sell Some Items on EBay

If you have items that won't sell for their best prices at your garage sale, set up a free account at [eBay.com](http://eBay.com). List your items for free.

If you need money quickly, it might be a good ideal to sell even some non-essentials you use infrequently.

Regardless of what you're selling, though, eBay is a great place to earn cash while getting rid of pretty much anything.

Other options are Craigs list... [nextdoor.com](http://nextdoor.com), Facebook marketplace.



# Idea #5 : Use Windfalls to Lower Your Debt

Any extra cash you plow into your debt will be *multiplied* when you think of all the money in interest charges it will save you.



# Self-Reflection Questions:

- ❖ Which credit card or loan balance is costing me the most in interest charges?
- ❖ Can I pay off some of these loans early without penalty?
- ❖ How much am I spending in interest every month?
- ❖ How can I cut my expenses to speed up debt repayment?
- ❖ Can I move some of my balances to a lower interest loan?





# Freedom From Financial Bondage



With no debt, you have more options.

Freedom from debt can protect your health.

Emergencies happen.  
Be financially prepared.



# Action Tips:

- ❖ Make a written plan for paying off your debts and then follow your plan.
- ❖ Use Zero-based budgeting
- ❖ Consolidate as much of your debt as possible for lower interest rates.
- ❖ Cut expenses
- ❖ Pay off the low balances first.
- ❖ When a balance is paid off, reroute that money towards another balance.



**Living debt free is  
incredibly empowering!  
Try it – You'll like it!**

