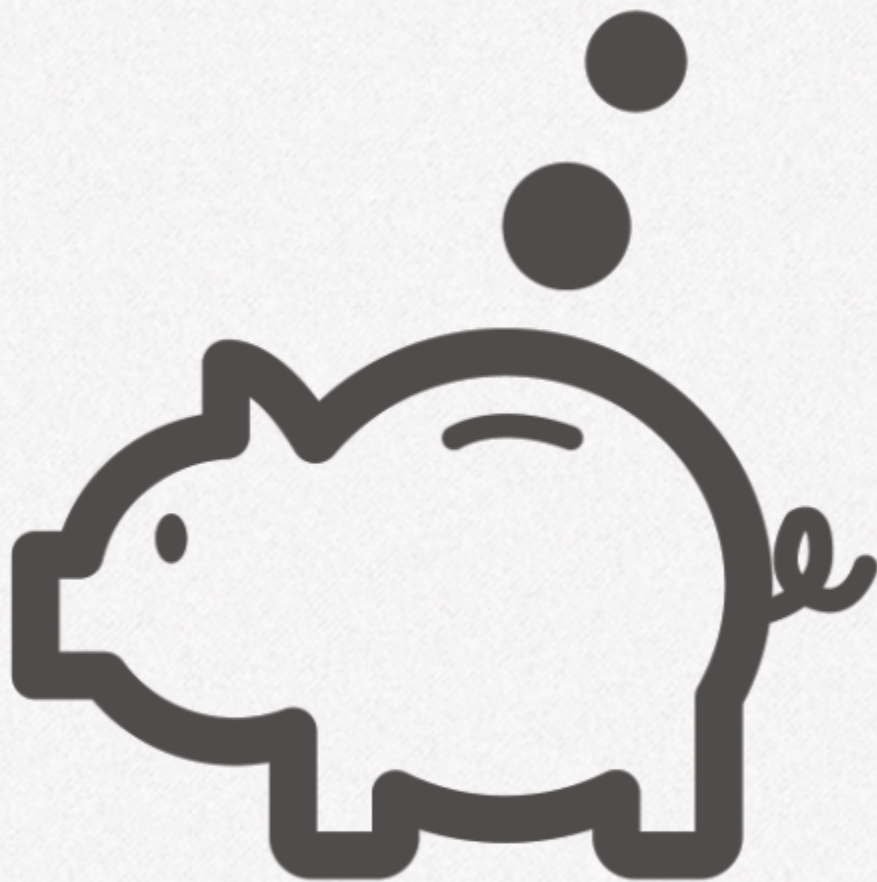


**HOW YOU CAN
PAY OFF \$20,000**



**IN CREDIT CARD
DEBT IN 5 YEARS**

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How Will Your Life Change?

How large is your credit card debt? If you're anything like the average household, that number is probably bigger than you would like.

For those with credit card debt, the average debt is almost \$16,000 per household. The total credit card debt in the United States is approaching \$800 billion!

These somber statistics point toward an even sadder reality: ***too many people - maybe even you - feel like a slave to their debt.*** Credit card debt can be crushing to your soul and your family's finances.

Imagine for a moment what it would be like to be rid of your debt...

When you're free of credit card debt, these are some of the advantages you can expect to enjoy:

- ➡ **You can keep hundreds or even thousands of additional dollars in your pocket every month.** It's like getting a raise without having to do any additional work. Imagine not having to make all of those payments each month.
- ➡ **You can retire sooner.** At the rate many people are racking up debt, they'll never be able to retire. However, if you don't have to spend all your money on interest, you'll be able to stop working

sooner and really enjoy your retirement.

- ➔ **You'll enjoy far greater ease in paying your other bills every month.** You'll no longer have to choose which bills to pay. You'll be able to easily pay all of them and still have some money left over.
- ➔ **Your credit will improve.** A large portion of your credit score is based upon how much of your credit you're using. This is referred to as your utilization ratio. By paying down your debt, your ratio will decrease and your credit score will increase.
- ➔ Increasing your credit score will make it less expensive to borrow money in the future when you need to. You'll get better rates the next time you finance the purchase of a car or house.
- ➔ **You'll sleep better at night, too!** Debt not only weighs on your finances, it weighs on your peace of mind, too. Get rid of that debt and you'll be sleeping like a baby. Never underestimate the value of being able to sleep at night.
- ➔ **What else?** Think about the many ways your life would change if you were debt-free. More vacations? Trips abroad? Starting your own business? Building a substantial investment portfolio? ***Go back to that image as often as you can, it will help you to follow through on your debt reduction efforts.***

While paying off your debt can feel intimidating at first, consider the end result. In this report, you'll discover how you can pay off \$20,000 of credit

card debt in 5 years. If you have more or less debt, you can easily adjust the numbers and timeframe to fit your unique situation.

Keep an open mind and your end goal in sight. It will be here before you know it!

Get Your Information Together

You can't get to a destination without knowing your starting point. In this case, the starting point is gathering and examining your information. So gather all of those credit card statements or log onto your accounts, and let's get started!

We'll use the following accounts in our example:

- ➡ **Card #1:** \$10,872 at 14%
- ➡ **Card #2:** \$ 2,112 at 18%
- ➡ **Card #3:** \$ 7,007 at 21%

1. **It might be a little painful, but look at all of your most recent credit card statements and locate the following on each statement:**

- ➡ **Your total balance.** This is the total amount you owe. If you could write one big check to eliminate that debt, this is the amount you

would have to pay. This will most likely be referred to as "New Balance" on your bill.

- ➡ **Your interest rate.** What you're really interested in here is your "Annual Percentage Rate" or APR. Obviously, the lower it is, the better off you are.
- ➡ **Your last Finance Charge.** This is the dollar amount of the interest that is owed based on your balance. It also includes any fees that may have been added to your account.

2. **Calculate the amount of interest you're paying each month, based on your current balance.** To do this, simply multiply your "New Balance" by the "APR" and then divide by 12. For example: For card #1, the calculation is **$\$10,872 \times 14\% \div 12 = \126.84**

- ➡ In our example, you would be paying \$126.84 each month in interest. So this is the minimum amount you would need to pay just to prevent your debt from getting any larger.
- ➡ In effect, you would keep the same outstanding balance until the end of time if you only paid this amount each month. It's only the amount of your payment beyond this amount that actually reduces your debt.

3. **Complete #2 for all of your credit cards and then add them together.** This is the total amount of interest you're paying each

month. This amount doesn't count towards eliminating the overall balance. This is merely where you break even! Our example:

➡ **Card #1:** $\$10,872 \times 14\% \div 12 = \126.84

➡ **Card #2:** $\$2,112 \times 18\% \div 12 = \31.68

➡ **Card #3:** $\$7,007 \times 21\% \div 12 = \122.62

➡ **Total = \$281.14**

4. **Add all of your "New Balances" to get a total amount of debt.** This is the total amount of your credit card debt: the amount you would need to wipe out your debt today.

So if you owed \$10,872, \$2,121, and \$7,007, like in our example, your total debt would be \$20,000.

5. **To determine a monthly amount that would pay your debt off in five years, first divide the total in #4 by 5 to get a yearly amount.** In our example: $\$20,000 \div 5 = \$4,000$. Keep in mind, this \$4,000 is *in addition to* the total interest that you calculated in step #3.

➡ If you wish to use a different period of time, simply substitute that value for the number '5' above.

➡ In our example, for each month, it would be $\$4,000 \div 12 = \333.33 that you would have to apply to your debt to get it paid off in 5 years.

➡ ***This is the amount that has to be paid above and beyond the interest payments every month to make any progress.*** This is the

amount that is actually paying down the principal of your debt.

Make a Plan

Now that you have your numbers, it's time to make an effective plan that will work for you to pay down this debt. While there are numerous options available, we're going to look at three: The Even Plan, The Snowball, and The Smart Plan.

The Even Plan

With the even plan, you will pay an even amount to each of your credit cards in addition to the interest that you owe.

Looking at our example:

The total amount that needs to be paid in addition to the interest each month is **\$333.33**.

Since we have 3 credit cards in this example: **$\$333.33 \div 3 = \111.11**

For our example, the payments would then be:

- ➔ **Card #1:** \$126.84 (for interest) + \$111.11 (for principal) = **\$237.95**
- ➔ **Card #2:** \$31.68 (for interest) + \$111.11 (for principal) = **\$142.79**
- ➔ **Card # 3:** \$122.62 (for interest) + \$111.11 (for principal) = **\$233.73**

These payments would simply be made for the next year. At the end of each year, you can recalculate your payments because the total amount of interest will decrease each year as your balances decrease.

The best thing to do would be to keep paying as much as you can. You would actually get done in less than 5 years since a greater portion of your payment will be going to the non-interest portion of your debt.

Obviously, not all your cards will be paid off at the same time. The one with the lowest balance will be paid off first. At that point, that payment could be divided and applied evenly among the remaining cards. To be paid off on our time schedule, this is what you would have to do.

The Snowball

With The Snowball, ***you'll feel like you're making more progress.*** You'll pay off the card with the smallest balance quickly. When that card is paid off, you move on to the next card. You'll see why it's called 'The Snowball' in a minute. Let's look at our example:

- ➡ **Card #1:** \$10,872 at 14%
- ➡ **Card #2:** \$ 2,112 at 18%
- ➡ **Card #3:** \$ 7,007 at 21%

In this case, you would pay the minimum each month on card #3 and card #1; all the additional funds that you calculated to put toward your debt payment would be applied towards card #2.

Then, when card #2 is paid off, the minimum would be paid on card #1 and the rest would be applied towards card #3.

Eventually, of course, all the money would be applied to card #1.

The snowball effect comes from the fact that after you pay off the first card, the interest payment on that card can then be applied to the next, and so on. It's like a snowball rolling down a hill, gaining size. As each card is paid off, the amount applied to the next card increases, even though you're still paying the same amount out of your pocket.

The Snowball Method allows for a feeling of momentum and accomplishment that can be lacking from the other two options. If you have a hard time sticking to a plan in the long-term, The Snowball is for you.

The Smart Plan

The Smart Plan is smart ***because it will result in the least amount of interest being paid to the credit card companies.*** The Smart Plan is very similar to the Snowball Method, only you don't necessarily start with the smallest debt; rather, you start with the debt that has the highest interest rate.

By first targeting the debt with the highest interest rate, you shorten the time in which you're paying that high interest rate. If this also happens to be the one with the highest balance, though, it can take awhile to get it paid off. This will require patience and will power.

Note that this is not the debt with the highest interest *payment*, which is a function of both the interest rate and the balance. We're looking for the debt with the *highest interest percentage rate*.

- ➡ **Card #1:** \$10,872 at 14%
- ➡ **Card #2:** \$ 2,112 at 18%
- ➡ **Card #3:** \$ 7,007 at 21%

In our example, we would start with card #3. The others would get the minimum payment. When card #3 is paid off, card #2 would be next. Card #1 would be last.

As you can see, this really is the same as the snowball method. The only difference is the ordering of the accounts. ***By focusing on the highest interest rate card first, you'll spend less money eliminating your debt.***

The Smart Plan really is the smart way to do it, but it is more important to pick a plan that you can stick to until your debt is gone. For many people, the Snowball Method will be the easiest to follow.

Keep in mind that following nearly any plan is much better than failing to follow the best plan.

Where Can I Get the Money to Pay Down My Debt?

Although it may seem daunting to come up with the funds to make these additional debt payments, ***you might be surprised how easy it is*** when you consider both adding some additional income and eliminating wasteful spending on things that don't even matter to you.

Look through the ideas in this chapter to spark your imagination.

Consider an Additional Source of Income

While no one wants to get a second job, the process of eliminating your credit card debt can go much faster if you have a second source of income. Even just an extra 200 dollars a month can have a huge impact. \$200 a month over 5 years is \$12,000! Don't discount the power of a few dollars over a period of time.

Contemplate these options:

1. **Part-time job.** Consider jobs that you might actually enjoy. If you have a valuable skill, you might be able to find something that pays you quite well for your time.
2. **Tutor.** Are you good with children? Tutoring jobs can pay well for the amount of time you have to invest. Just a couple of hours a week can

make a huge difference. Look at [Craigslist.org](https://www.craigslist.org) or post your own ad there.

3. **Freelance work.** Freelancing can be a great option if you can stay busy. The pay can also be quite good. Check out sites like www.freelance.com and www.upwork.com for work and ideas. Certainly someone is looking for someone just like you!
4. **Craigslist.org.** There are people that make a great living from buying and reselling things on Craig's List. You never know what you'll find there. Look at the help wanted sections and see what services people need. You also might find someone selling something really cheap that you can buy and resell to someone else.
5. **Sell some stuff.** This isn't a viable long-term solution, but it can get you started. Sell that junk that's in the attic, basement and garage. Those old baseball cards, comic books, and antiques might even be worth a fortune.
 - ➡ It's a good idea to get rid of the stuff you don't use anyway; eliminating the clutter from your life will always make you feel better.
6. **Fiverr.com.** This is a website that will allow you to post a product or service for \$5. In the end, you really only get \$4 since the website keeps \$1. Some people actually make a full-time living from selling 'gigs' on Fiverr.

➡ Think of a service you can provide that other people either can't do or don't like to do. Just be sure that you can do it quickly; spending an hour or more to earn \$4 isn't smart or effective.

7. **Think. *If you think about the things that people can't do themselves or don't like to do, you'll come up with something.*** For example, someone would be ecstatic to have you cut their grass or shovel snow from their driveway. Consider activities that people complain about and find a solution.
8. **Look into a temporary service.** While many of the jobs are unskilled, there are frequently professional positions as well. You might even land a permanent position that you like. Apply to every 'temp' agency you can find and see what they have available.

Spend Less

Cutting down your spending might appeal even less to you than generating a second income, but it won't use up any of your valuable time. Plus, being more economical with your hard-earned money is like getting a raise since you'll have more money left over at the end of each month.

Spending less can have the same effect as getting a second job. If you eliminate \$200 of expenses, that's \$200 you can apply to your debt.

What if you did both – earned another \$200/month and saved \$200/month? An extra \$400/month can wipe out a lot of debt quickly. That's

\$24,000 over 5 years. Imagine the possibilities!

These strategies can save you money:

1. **Carpool.** Find a co-worker that lives nearby and take turns driving to work. If you normally drive 25 miles each way, you're spending approximately \$1,750 a year on gasoline. You could save half of that by finding one carpooling buddy.
2. **Take your lunch.** Consider how much it costs to eat out. Even fast food can easily set you back \$1,500 a year. You'll save gas and time by eating at your desk, too.
3. **Get rid of cable television.** Many highly successful people don't even own a television. Not only will you save a ton, but you'll also create a more interesting life for yourself with the extra free time.
4. **Rent movies.** Going to the movies is expensive. It's \$7+ per person in addition to the cost of the snacks (which can total more than the ticket). Rent a movie and make your own popcorn. You can even talk during the movie if you feel like it.
5. **Brew your own coffee.** Hitting Starbucks once a day, five days a week is about \$1,250 each year. You'll save a bundle if you make it yourself.

Although these techniques can save you a lot of money that you can then apply towards your credit card debt, they might not appeal to you. **Reflect on your own lifestyle** and determine ways you can cut down on your

spending that you feel you would be able to stick to. You might even find that you waste a lot of money on some things you wouldn't even miss.

Additional Tips

Incorporating these additional strategies into your debt reduction plan will make eliminating your debts go a lot faster.

1. **Get a lower interest rate.** In many cases, if you call up the credit card company and ask for a lower rate, you can get it. They're frequently willing to give you a break on the interest rate if they think it will keep you from moving your balance to another credit card company. Receiving less of your money is more appealing than receiving none.
2. **Shop around for 0% APR rates on balance transfers.** Every dollar you pay on interest just goes to interest – not your balance. If you can find one of these deals, ***then all of your payment will go towards eliminating your debt.***
3. **Find a better card.** Even if you can't find a card with a 0% APR transfer, you still might be able to find a card with a lower interest rate than what you're paying now.
4. **Pay on time.** Most people don't know this, but credit card companies make more money from late fees than they do from interest. Also, ***many of the great deals you get on balance transfers are cancelled***

the instant you have a late payment. The normal interest rate for that card will then be applied to your entire balance. So don't be late!

5. **Avoid creating new debt.** Don't create a bigger hill to climb by piling on more debt. Leave the credit cards in your wallet. A better idea is to keep one card and cancel the others. Why give yourself the temptation? It would be like going on a diet and keeping all the cookies and chips within reach. ***Control yourself if you want to free yourself.***
6. **Track your progress.** It's easy to get discouraged along the way if you don't take the time to check your progress. Each month, sit down and take a look at where you stand. Recalculate all your numbers and enjoy the progress you're making.
 - ➡ You'll be excited when you notice that the rate of improvement is always increasing. The amount of debt that you pay down during month #10 will be greater than the amount during month #2.

You Can Do This!

There are few greater gifts you can give yourself and your family than eliminating your credit card debt. ***All you really need is a plan and the determination to follow through on it.***

Choose one of the three plans and really make an effort to stay with it. If you have a hard time sticking with things in general, the Snowball Method

was made for you. It won't take long at all to pay off the first card, and things will just accelerate from there.

Many spectacular things in the world are accomplished by taking simple actions consistently. It doesn't take a complex plan or an incredible amount of effort to greatly improve your life. The fact is intelligent, consistent action is enough to have a dramatic impact.

It's not unlike being on a diet: a quarter of a pound of weight loss each day might seem meaningless in the short-term, but that's 90 pounds over the course of a year. 90 pounds is far more than most people need to lose, so nearly everyone could reach their weight goal in less than a year. Yet how many people have been overweight for years and years?

Consistent progress – even if that progress is small – is powerful.

Eliminating your credit card debt can take some time, but the benefits are plenty. No longer will you be spending your hard-earned money on interest!

Imagine having all that extra cash each month to spend as you please. Maybe you'd invest the money and increase your income even further. Consider all the things you haven't able to afford in the past: vacations, a nicer car, a larger house, college tuition, and the list goes on.

Get a handle on your debt today. ***It's one decision you'll be proud of!***

THANK YOU