

POWERFUL DEBT REDUCTION STRATEGIES



Presented by
Cindy Morus
[Pay Debt Quickly](#)

- Average credit card debt per bankcard user nationally rose 4.81 percent from the previous quarter to \$1,694. The largest state average was in Alaska at \$2,342 followed by Tennessee at \$2,046 and Alabama at \$1,996. The lowest average credit card debt was in Iowa at \$1,272.
- The steepest increases in average credit card debt over the previous quarter occurred in Florida (6.84 percent), Nevada (5.98 percent) and California (5.95 percent). Alaska actually experienced a drop in its average credit card debt (-2.01 percent) while Nebraska and District of Columbia's debt edged up slightly by 0.32 percent and 1.68 percent, respectively.
- Credit card loan delinquency (the percentage of bankcard users 90 or more days past due) hit a national average of 1.36 percent in the fourth quarter, up 32.04 percent over the previous period. It was highest in Nevada at 1.95 percent, followed closely by Mississippi at 1.89 percent. The lowest level of bankcard user delinquency rates were found in Utah (0.87 percent), North Dakota (0.92 percent) and Montana (0.92 percent).

TransUnion (4th Quarter 2007)

Important: You DO NOT have to live with your debt forever. This guide is a starting point for your debt reduction strategy. For even more help to reduce and eliminate your debt years faster, visit [Pay Debt Quickly](#)

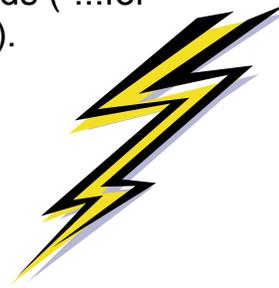
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DEBT

THE CURSE OF OUR TIMES

Everywhere we go, we see powerful invitations to spend money that we may not have. Commercials let us know that Cash isn't OK (we might slow down the line), that the good life happens when you use credit cards ("...for everything else, there's MasterCard").

**TAKE BACK YOUR
POWER!**



Here are the steps to seize control of your debt once and for all.

Where am I Now?
How do I Create a Debt Payoff Plan?
Paying the Minimums...or not?
What about Savings?
Can I get Better Rates or Terms?
Where can I Get More Help?

THE 3 MOST DANGEROUS WORDS IN THE ENGLISH LANGUAGE

“I know that”

Much of what you're going to read here, you might already know or have heard of. But if you're still struggling, now is the time to take your power back from the creditors and actually follow the steps!

Just reading or knowing is not enough.

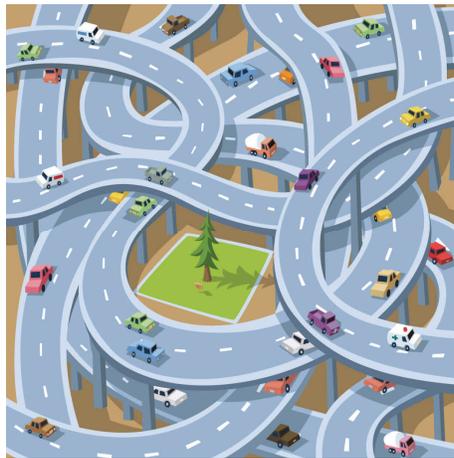
**Action is
required!**



Note: Stop reading now, if you're not planning to take action.

WHERE ARE YOU NOW?

We've all heard the analogy of trip planning — how will you get where you want to go without a plan? The same holds true for getting out of debt.



You'll want to know where you're starting from so you can create a plan to get where you want to go.

"It's stunning how many people are afraid to take this step," says Michael McAuliffe, president of Family Credit Counseling Service.

"The majority of people I speak with, when we sit down and add up their debt, have no idea how much they owe," he says. "I have people say, 'No that can't be right, add it up again.'

"It's no mistake, it's how much you owe, and they're absolutely shocked."

Answer these Questions

| | | |
|----------|----------|---|
| Y | N | I can currently pay the minimums on all my credit cards |
| Y | N | I can “make it” through the month without using my credit cards |
| Y | N | I can pay more than the required minimums without using my credit cards |

What Information is Needed?

You'll need to get all your credit card statements and complete the following worksheet to find out where you are.

| Creditor Name and Account Number | Type of Debt* | Interest Rate | Present Balance | Minimum payment required by creditor |
|----------------------------------|---------------|---------------|-----------------|--------------------------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total of Balances and Payments: | | | | |

*Credit Card = C, Auto = A, School = S, Home Equity Line of Credit = H,
Personal/Family Loan = P, Medical = M, Business = B

What Now?

Were you surprised at the totals? If so, it is really better to know than to be in a “money fog”. If you weren’t surprised, good for you!

If you are able to make the payments, that’s great. If not, you have two choices: **increase your income or decrease your expenses.**

In either case, go through your expenses and see if you can reduce them so you’ll have more to use for paying off your debt.

Stop Using your Credit Cards

In order to get out of debt you **MUST** stop using your credit cards. Yes, I repeat, **STOP** using your credit cards.

Why?

Did you know that new purchases on cards with balances are charged interest from the day of the charge?

No grace period.

That means that your balances are going to continue to increase.

As long as you use your credit cards, it’s hard to know if you are living within your means (preferably “below your means”).



When you stop using your credit cards, you immediately start reducing your balances with every payment you make. And that's what this is all about, isn't it?



HOW DO I CREATE A DEBT PAYOFF PLAN?

There are two ways to pay off your debt

High to Low Interest Rates.

Pay off the card with the highest interest rate first. This is the cheapest and fastest method

Big to Small Balances.

Pay off the card with the smallest balance first so you have satisfaction in getting a debt or credit card paid off quickly.

Which should you use? It's a matter of preference and style. Choose the one you'll be able to stick to. And you can pay off a small balance card first for the boost it gives you and then switch to paying the highest interest rate card.

Put it in Writing

Now take a minute and write your goals down. This will make a big difference in actually achieving debt freedom.

How much will I pay on my debts every month? This includes the required amount and the extra money you've found in reducing your expenses or increasing your income.

PAYING THE MINIMUMS...OR NOT?

"What the heck is a minimum payment anyway? My auto loan and mortgage don't have minimum payments - I pay the same amount every month until it's done!"

Ah, you're starting to see the big picture now!

Credit cards don't have "fixed" payments because the balance changes every month depending on how much you've paid and how much you've charged (another reason to stop charging on the cards).

Credit card payments are a percentage of your balance - usually 2-4% (read the fine print on your cards). So, if your balance drops because you made a payment (and didn't charge anything new), the new balance is lower and so the payment is lower, too.

Let's look at an example:

| Minimum Payments Schedule | | | | |
|----------------------------------|------------------------|----------------------|-----------------------|--------------------------|
| Month | Minimum Payment | Interest Paid | Principal Paid | Remaining Balance |
| 1 | \$40.00 | \$15.00 | \$25.00 | \$975.00 |
| 2 | \$39.00 | \$14.63 | \$24.38 | \$950.63 |
| 3 | \$38.03 | \$14.26 | \$23.77 | \$926.86 |
| 4 | \$37.07 | \$13.90 | \$23.17 | \$903.69 |
| 5 | \$36.15 | \$13.56 | \$22.59 | \$881.10 |
| 6 | \$35.24 | \$13.22 | \$22.03 | \$859.07 |
| 7 | \$34.36 | \$12.89 | \$21.48 | \$837.59 |
| 8 | \$33.50 | \$12.56 | \$20.94 | \$816.65 |
| 9 | \$32.67 | \$12.25 | \$20.42 | \$796.24 |
| 10 | \$31.85 | \$11.94 | \$19.91 | \$776.33 |

Source: BankRate.com

Notice how the payments are decreasing every month.

OK, you can probably see that this isn't getting you anywhere fast. Is there a better way?

You betcha!

Americans are in \$1.98 trillion of debt - that's more than \$18,000 per household ~ Federal Reserve

Converting Minimum Payments to “Fixed” Payments

If you are able to make all the minimum payments on your cards, then keep paying that same amount every month. What you’ve done is to convert your minimum (and decreasing) payments to fixed payments just like your car loan and home mortgage.

Let’s see what that looks like:

| Fixed Payment Schedule | | | | |
|------------------------|---------------|---------------|----------------|-------------------|
| Month | Fixed Payment | Interest Paid | Principal Paid | Remaining Balance |
| 1 | \$40.00 | \$15.00 | \$25.00 | \$975.00 |
| 2 | \$40.00 | \$14.63 | \$25.38 | \$949.63 |
| 3 | \$40.00 | \$14.24 | \$25.76 | \$923.87 |
| 4 | \$40.00 | \$13.86 | \$26.14 | \$897.73 |
| 5 | \$40.00 | \$13.47 | \$26.53 | \$871.19 |
| 6 | \$40.00 | \$13.07 | \$26.93 | \$844.26 |
| 7 | \$40.00 | \$12.66 | \$27.34 | \$816.93 |
| 8 | \$40.00 | \$12.25 | \$27.75 | \$789.18 |
| 9 | \$40.00 | \$11.84 | \$28.16 | \$761.02 |
| 10 | \$40.00 | \$11.42 | \$28.58 | \$732.43 |

Source: [Pay Debt Quickly.com](http://PayDebtQuickly.com)

Just by keeping your payments fixed, you’ll owe \$43.90 less in 10 months!

So, what's the difference?

| | |
|-------------------------------|------------------------------|
| Balance | \$1,000 |
| Interest Rate | 18% |
| <i>Minimum</i> Payment | \$40 |
| # of months to Payoff | 87 (over 7 years) |
| Total Payments | \$1,515.63 (over 50% higher) |

| | |
|------------------------------|------------------------|
| Balance | \$1,000 |
| Interest Rate | 18% |
| <i>Fixed</i> Payment | \$40 |
| # of months to Payoff | 32 (55 months shorter) |
| Total Payments | \$1,262.79 |

Source: [Pay Debt Quickly.com](http://PayDebtQuickly.com)

Starting to see the plan?

Now instantly create your own plan (including Monthly Payment Plans, Monthly Balances and more) with the [PDQ Pay Debt Quickly kit](#). You'll also be able to make changes to your plan easily if you can pay more on your credit cards, see what happens if you change the order and much more with the PDQ kit.

What should I do when one card is Paid Off?

Celebrate!!!!!!

And then take the payment you were making on the “paid off” card and pay it to the next card.

The original amount of your total minimum payments will stay the same until you are debt free.

As a card is paid off, that payment is added to the next card and so on.

WHAT ABOUT SAVINGS?

Ah, good question! **Answer:** Yes, Yes, Yes!

I know, you’re probably asking how you can save at the same time, right? Imagine this...

You’ve been paying your debt down faithfully every month for 6 months. You’re feeling really good about your plan to become debt free and you can see that you’re really making progress.

In comes your spouse, “Honey, the car is making a funny noise!”

“Aaargh!” you say to yourself, “We’ll have to use our CREDIT CARDS.”

Now imagine that you had some savings set aside...

You've been paying your debt down faithfully every month for 6 months. You're feeling really good about your plan to become debt free and you can see that you're really making progress.

In comes your spouse, "Honey, the car is making a funny noise!"

"Aaah!" you say to yourself, "We can use our SAVINGS!"

A completely different scenario, right!

This is why I haven't told you to make big payments on your credit cards - just paying the same amount (fixed payments) to your cards every month.

I have seen so many people make big payments on their credit cards and then run short at the end of the month or have an "emergency".

If you had extra money after reviewing your income and expenses, put it into savings until you have \$1,000, then put 1/2 of the extra toward your debt and add the other 1/2 to your debt payments.

No More Emergencies!!! No More Panic!!!

The [PDQ Pay Debt Quickly](#) kit can show you how much faster you'll be debt free when you can make extra payments!

CAN I GET BETTER RATES OR TERMS?

Just ask!

Your creditors may reduce your interest rates, remove late or over limit fees or agree to different repayment terms. All you have to do is ask. Don't worry, they're used to these types of requests and many have plans in place to help you.

Here are some options depending on the type of debt.

Credit Cards

- Call your creditors and ask them to lower your interest rate, remove fees or change the due date. If they say "no", ask them when you would be able to have the changes made or ask for a supervisor (nicely).
- Ask if they have a hardship plan that would lower the interest rates or minimum payments for a period of time (will probably affect your credit rating).

Student Loans

- *Postpone payment (called deferment)
- *Temporary reduction in payments (called forbearance)

Mortgages

- *Call your mortgage company to see about loan modifications or extending the term of your mortgage to cover missed payments.

**Only do these in true emergencies because the interest will continue to accrue.*

The [Pay Debt Quickly System](#) even has scripts you can use to negotiate with your creditors to save hundreds or even thousands on interest and fees.

Lowering your interest rates can have a dramatic effect on how quickly you can become debt free. Let's go back to our original example and we'll keep the original minimum payment of \$40, too.

| | |
|------------------------------|------------------------------------|
| Balance | \$1,000 |
| Interest Rate | 6% |
| Fixed Payment | \$40 |
| # of months to Payoff | 27 (60 months shorter) |
| Total Payments | \$1,070.94 (a savings of \$444.69) |

It's certainly worth a try. And don't forget that if you are turned down, you can call back later - they may have a special going on or just a different representative.

WHERE CAN I GET MORE HELP

Don't feel bad if you don't want to tackle this on your own or if you get stuck down the road. Don't let yourself stall out or get frustrated or just plain quit. There are resources out there.

Cindy Morus can help you figure this all out, create your plan and coach you through it. She'll also help you with budgeting and savings.

[PDQ Pay Debt Quickly](#) kit will let you create plans and run different scenarios to see how quickly you can be debt free.

Consumer Credit Counselors, Debt Counselors and Debt Negotiators are also possibilities and require that you check them out thoroughly first through the Better Business Bureau, etc. Above all, if your "gut" tells you they aren't right for you, listen.

If you're struggling with your debt, get help sooner rather than later. I've had many people come to me for help when they're just in too deep and the only alternative is bankruptcy. Don't let that happen to you and your family.

SUMMARY

There is life after debt and you'll be surprised at how good it feels.

Just putting a plan together and getting started will make a big difference.

So, get your information together, convert your minimum payments to fixed payments and create a debt payoff plan!

To your success and a long, debt free life!

Cindy

insanity in·san·i·ty (ĩn-sān'ĩ-tē) noun -
doing the same thing over and over
again, expecting different results.