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## **Preface :**

Debt can make your life better or/and can tear your life apart. Most people always take the positive part of having debts without taking in consideration how debts can ruin our life and also how easy we can get rid of our debts by following simple steps.

There are no hidden secrets behind becoming debt free and there is no magic involved at all. A very simple concept and an easy calculation can make your life better. Believe the unbelievable, one word can change your life: "Interest"!

Becoming debt free works on a few simple principles. Payoff the debts first on which you will be paying huge interest, allocate an extra payment each month to accelerate your debt payments. Use monthly payments from a paid-off debt to pay another un-paid debt. A clear explanation is provided in this e-book.

This e-book has been written out of the experience gained during many years in this field. It has been written with the special concerns of people who cannot afford to limit their debts or become debt free

People from teenagers to adults should find the e-book valuable. If we learn, we can avoid having debts. Couple of hours reading this e-book will help you save couple of hundreds and thousand of dollars.

Do not waste your time asking on how to become debt free! Read this e-book now!

Drowning in bills? Get your life back with this e-book. However bad your debt are, there is a solution.

The most important thing is to educate yourself on how to calculate interest.

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## Section I: Introduction on Debts

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### Chapter 1: What Exactly is Debt?

Debt is simply the money you owe; it is an amount of money or other property that is owed by one person, organization or company. It is not the credit you owe as credit turn into debts. Getting into debt is very easy and maybe it is fun for some people as it might impress them. As a first look, people are happy, they can buy without having cash, and they can afford to get a car even without having the budget etc. but they missed the best part, they will live and drive this car for 12 years to make payments and pay huge interests for what already impressed them!

Who never heard of cholesterol? Much like cholesterol, where there is a good and bad cholesterol, debts comes in two versions. Good and bad debts. Debts can make your life easier or ruin your life but however bad your debt problems, there is a solution. People and businesses who know how to handle debts and how to manage their credits can take advantage of debts while people especially young who does not have a big knowledge in debt management and creating debt reduction plans are always in troubles.

Debts can also be classified as temporary or chronic debts.

In most cases, there are very good reasons to take on debt. For example, students take loans which are a good thing but we insist that you must know how to handle and pay off your debts after graduation.

Also taking debts for setting up a business is good but it depends how the structure is going to be setup. You must have a clear plan, and know how much money you would need and the most

important, how to pay it back. In such cases, debt is a part of the business success.

If you can afford to pay cash and limit the risk of taking debts, do it! Do not hesitate to pay by cash when you have the money.

The problem is when you borrow money but do not use it productively. More clearly, debts are good when you invest it and NOT simply spend it. Taking debts simply to spend it is the bad thing ever. Debts must be under control. You must know very well how to pay back your debts. Create plans, especially rapid reduction plan. This e-book will show you how to proceed with managing your debts and become debt free in half the time.

## **Chapter 2: Why do people get into debt?**

Let's take a simple example; you do not have enough money and you want to live, you need food, clothes... this is life! Serious reasons can be related to circumstances changes, you lost your job, health problems and you cannot afford to pay for the treatments etc.

There are hundreds of reasons to get into debt. But most people do not use debts to their advantage.

People suffer lot of troubles with debts mainly because it is easy to borrow. Also people are sometimes fooled. For example some credit cards do not offer interest rate for a limited time but when that period is over, logically speaking you end up paying double the main rate.

Another very frequent reason about falling into debts, people especially young, pretend or believe that they are managing their debts in the good way by paying the minimum amount every month without recognizing that paying the minimum leads to years and years to pay off a small amount that can be paid in few months.

Thus, the aim of this e-book is to show how to manage and create a debt reduction plan and become debt free.

Take this advice, do not ignore debts, it will only get much worse, and not versus.

### **Chapter 3: How to avoid debts.**

Unfortunately, and based on studies, people do not deal very well and take debt seriously, this leads to huge bills and debts accumulation and long term interest payments.

Take the following few advices to avoid debts:

- If you have credit card debts, which is in most cases the biggest source and the most serious of debts accumulation especially for students and newly graduates people, you must pay off as quickly as possible to avoid long term debts. Take this advice seriously, because ignoring or delaying any payment can become a nightmare and eat you alive.
- Learn and learn how to calculate interest, this e-book will explain step by step how to perform these calculations.



- ALWAYS check the interest rate. You must ASK first, you must receive clarifications before choosing a credit card. Always assume that you have the lowest interest rates.
- Having multiple cards is like owning multiple weapons and you will risk injuring yourself. Keep one or maximum two credit cards with you. This way you can handle your debts easily
- Educate yourself on how credit cards calculate interest. Then, check the interest rate on your credit cards.
- Know what you want to pay! Never use your card for something you cannot pay for with cash. When you have a checking account and have a debit card, use it. This card is very useful for small items rather than even paying interest for small items. Credit cards make paying money easy. They also make going into debt easy
- Always have a plan to pay back your debts. If you need to buy something, think first "how can I pay it back?"

## **Section II: Guide to Getting Rid of Your Debts**

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Are you drowning in debt? Or would you just like to be free of the debts you have?

This e-book helps you summarize your debts and create a Debt Reduction Plan that will show you how to pay off all your debts much sooner than you would by paying only the minimums.

After reading this section, you will be able to reduce or/and eliminate your debts in as little time and/or with as little interest payment as possible. Believe it or not, you will succeed to let the dream come true.

This section will be followed with real-life examples, on how to reduce debt for a given payment.

Keep in mind one word: "Interest".

Interest is a magical tool, interest makes you rich or poor. Creditors always use it to their advantage. Remember! It can also work in your favor if you really followed this guide. Let the interest be working FOR YOU instead of AGAINST YOU.

However, getting out of debt and becoming debt free will require patience, commitment, and consistency. The most important part of this step is to restructure the way you pay bills and set priorities.

We know very well that everyone is excited about getting a fresh start especially upon graduation, and unfortunately in most cases this start is at the same time the beginning of debts!

You will accumulate loans, credit card bills, and miscellaneous expenses and costs. These debts you are building will unfortunately stay with you a very long time if you do not know how to manage and get rid of them in the shortest time by paying the least interests. Debts and interest charges can eat you alive!

The first advice to become debt free is to pay attention on how you are spending your money, the second advice is to summarize your debts and get a debt reduction plan.

## Chapter 4: Summarize your debts

Do you realize that if you owe \$5,600 on a credit card with a 18% interest rate, and you only make \$100 payment each month that you will owe on this account for 124 months and pay a total of \$6,708.54 in principle and and paying % 54.5031 of interest for the payment?

Real examples are usually the best tool to demonstrate a theory. Let's take few examples:

You have 3 debts:

- **Home Loan**
- **Credit Card**
- **Car Loan**

Home loan has an amount of \$36.000 with %14 of interest rate, \$3500 for the credit card with %18 of interest and \$21.000 for the car loan with %10 of interest.

Most people unfortunately, do not summarize their debts correctly. They simply follow the debt period/time and payoff their debts without having a clear status of what is really happening behind the scene.

This e-book is not written to simply explain theories; you will learn how to calculate your debts and how to recreate a payment plan to avoid huge interest rates and hence cutting down your debts and/or becoming debt free.

As an advice, take your calculator, have a paper and do at the same time these examples and you will notice how drastically you can cut down your interests and save time and money!

Let's summarize these debts:

	Home Loan	Credit Card	Car Loan
Amount:	\$36,000	\$3,500	\$21,000
Interest:	14%	18%	10%
Monthly	\$500	\$100	\$250

Summary for your current debts:

- \$60.500 is the total amount of the debts we have. ( $\$36.000 + \$3500 + \$21.000$ )
- 12.8% is the interest rate we are paying. (Weighted average for 14%, 18% and 10%)
- \$850 is your current monthly payment. ( $\$500 + \$100 + \$250$ )
- \$647.50 is the amount of interest you are paying each month. ( $\$60.500 \times 12.842\% / 12$ )
- 76.1% is the percent of your monthly payments on all your debts.

If you continue to make the current minimum payments on all your debts, you will be in debt for:

**13 years and 2 months**

During this time you will pay a total of \$59,766.10 in interest which is 98.7% of your current debt!

Can you imagine this huge number! 98.7% of interest!!!

This is the current debt status; this is the nightmare if you do not follow a debt free plan. Shocking numbers!

Name	Amount	Interest	Payment	Interest Paid	% of interest
Home Loan	\$36,000	%14	\$500	\$42,996.48	119%
C r e d i t Card	\$3,500	%18	\$100	\$1500.05	43%
Car Loan	\$21,000	%10	\$250	\$15,269.57	73%

? Your Home loan needs 13 years and 2 months to be paid off

? Your Car loan needs 12 years and 2 months to be paid off.

? Your Credit card needs 4 years and 3 months to be paid off.

Total: \$60.500

Interest: \$59.766.10

Can you imagine paying interest approximately the same amount of owe? Unbelievable!

You will be paying for this \$120.266, by simply recreating a repayment plan (following steps of Chapter 5), you will save this money! And save time too! And make life easier and let the dream come true!

If you were to pay off your debts by paying either the minimum amount or the payment amount of a 15 year amortization, you would have to pay a total of \$59,766.10 in interest and would not pay off your debts for 13 years and 2 months.

## **Chapter 5: Create a Debt Free/Reduction Plan**

The secret to repaying debts quickly and saving on interest charges is to continue to pay the same amount each month until all debts are repaid. As one debt is paid off, apply that payment amount to another debt.

To move forward with the same example, the current monthly payment is \$850. If you pay an additional \$180 each month that's mean **\$1030** of total monthly payment, your debts will be repaid in 7 years and 10 months and you will avoid **\$23.617** in interest charges.

As you noticed, by simply allocating \$180 you save \$23.617 meaning if you allocate more monthly payment you will save more and more!

If you follow your Debt Free/Reduction Plan, you will save \$23,617.86 in interest which is equivalent to 39.5% and have your debts paid off in 7 years and 10 months and not 13 years and 2 months.

Here is a detailed summary for the payments with the new \$1030 monthly payments:

(Tip: you can copy this table into excel sheet and do a sum for the interest and compare it to the results mentioned above)

Month	Name	Balance \$	Interest paid \$	Monthly payment \$
1-Jan	Credit card	3500	52.5	280
1-Jan	Car Loan	21000	175	250
1-Jan	Home Loan	36000	420	500
2-Jan	Credit card	3272.5	49.09	280
2-Jan	Car Loan	20925	174.38	250
2-Jan	Home Loan	35920	419.07	500
3-Jan	Credit card	3041.59	45.62	280
3-Jan	Car Loan	20849.38	173.74	250
3-Jan	Home Loan	35839.07	418.12	500
4-Jan	Credit card	2807.21	42.11	280
4-Jan	Car Loan	20773.12	173.11	250
4-Jan	Home Loan	35757.19	417.17	500
5-Jan	Credit card	2569.32	38.54	280
5-Jan	Car Loan	20696.23	172.47	250
5-Jan	Home Loan	35674.36	416.2	500
6-Jan	Credit card	2327.86	34.92	280
6-Jan	Car Loan	20618.7	171.82	250
6-Jan	Home Loan	35590.56	415.22	500
7-Jan	Credit card	2082.78	31.24	280
7-Jan	Car Loan	20540.52	171.17	250



7-Jan	Home Loan	35505.78	414.23	500
8-Jan	Credit card	1834.02	27.51	280
8-Jan	Car Loan	20461.69	170.51	250
8-Jan	Home Loan	35420.01	413.23	500
9-Jan	Credit card	1581.53	23.72	280
9-Jan	Car Loan	20382.2	169.85	250
9-Jan	Home Loan	35333.24	412.22	500
10-Jan	Credit card	1325.25	19.88	280
10-Jan	Car Loan	20302.05	169.18	250
10-Jan	Home Loan	35245.46	411.2	500
11-Jan	Credit card	1065.13	15.98	280
11-Jan	Car Loan	20221.23	168.51	250
11-Jan	Home Loan	35156.66	410.16	500
12-Jan	Credit card	801.11	12.02	280
12-Jan	Car Loan	20139.74	167.83	250
12-Jan	Home Loan	35066.82	409.11	500
13-Feb	Credit card	533.13	8	280
13-Feb	Car Loan	20057.57	167.15	250
13-Feb	Home Loan	34975.93	408.05	500
14-Feb	Credit card	261.13	3.92	265.05
14-Feb	Car Loan	19974.72	166.46	264.95
14-Feb	Home Loan	34883.98	406.98	500
15-Feb	Credit card	0	0	0
15-Feb	Car Loan	19876.23	165.64	530
15-Feb	Home Loan	34790.96	405.89	500
16-Feb	Credit card	0	0	0
16-Feb	Car Loan	19511.87	162.6	530
16-Feb	Home Loan	34696.85	404.8	500
17-Feb	Credit card	0	0	0
17-Feb	Car Loan	19144.47	159.54	530
17-Feb	Home Loan	34601.65	403.69	500
18-Feb	Credit card	0	0	0
18-Feb	Car Loan	18774.01	156.45	530
18-Feb	Home Loan	34505.34	402.56	500
19-Feb	Credit card	0	0	0

19-Feb	Car Loan	18400.46	153.34	530
19-Feb	Home Loan	34407.9	401.43	500
20-Feb	Credit card	0	0	0
20-Feb	Car Loan	18023.8	150.2	530
20-Feb	Home Loan	34309.33	400.28	500
21-Feb	Credit card	0	0	0
21-Feb	Car Loan	17644	147.03	530
21-Feb	Home Loan	34209.61	399.11	500
22-Feb	Credit card	0	0	0
22-Feb	Car Loan	17261.03	143.84	530
22-Feb	Home Loan	34108.72	397.94	500
23-Feb	Credit card	0	0	0
23-Feb	Car Loan	16874.87	140.62	530
23-Feb	Home Loan	34006.66	396.74	500
24-Feb	Credit card	0	0	0
24-Feb	Car Loan	16485.49	137.38	530
24-Feb	Home Loan	33903.4	395.54	500
25-Mar	Credit card	0	0	0
25-Mar	Car Loan	16092.87	134.11	530
25-Mar	Home Loan	33798.94	394.32	500
26-Mar	Credit card	0	0	0
26-Mar	Car Loan	15696.98	130.81	530
26-Mar	Home Loan	33693.26	393.09	500
27-Mar	Credit card	0	0	0
27-Mar	Car Loan	15297.79	127.48	530
27-Mar	Home Loan	33586.35	391.84	500
28-Mar	Credit card	0	0	0
28-Mar	Car Loan	14895.27	124.13	530
28-Mar	Home Loan	33478.19	390.58	500
29-Mar	Credit card	0	0	0
29-Mar	Car Loan	14489.4	120.75	530
29-Mar	Home Loan	33368.77	389.3	500
30-Mar	Credit card	0	0	0
30-Mar	Car Loan	14080.15	117.33	530
30-Mar	Home Loan	33258.07	388.01	500

31-Mar	Credit card	0	0	0
31-Mar	Car Loan	13667.48	113.9	530
31-Mar	Home Loan	33146.08	386.7	500
32 - 3	Credit card	0	0	0
32 - 3	Car Loan	13251.38	110.43	530
32 - 3	Home Loan	33032.78	385.38	500
33 - 3	Credit card	0	0	0
33 - 3	Car Loan	12831.81	106.93	530
33 - 3	Home Loan	32918.16	384.05	500
34 - 3	Credit card	0	0	0
34 - 3	Car Loan	12408.74	103.41	530
34 - 3	Home Loan	32802.21	382.69	500
35 - 3	Credit card	0	0	0
35 - 3	Car Loan	11982.15	99.85	530
35 - 3	Home Loan	32684.9	381.32	500
36 - 3	Credit card	0	0	0
36 - 3	Car Loan	11552	96.27	530
36 - 3	Home Loan	32566.22	379.94	500
37 - 4	Credit card	0	0	0
37 - 4	Car Loan	11118.27	92.65	530
37 - 4	Home Loan	32446.16	378.54	500
38 - 4	Credit card	0	0	0
38 - 4	Car Loan	10680.92	89.01	530
38 - 4	Home Loan	32324.7	377.12	500
39 - 4	Credit card	0	0	0
39 - 4	Car Loan	10239.93	85.33	530
39 - 4	Home Loan	32201.82	375.69	500
40 - 4	Credit card	0	0	0
40 - 4	Car Loan	9795.26	81.63	530
40 - 4	Home Loan	32077.51	374.24	500
41 - 4	Credit card	0	0	0
41 - 4	Car Loan	9346.89	77.89	530
41 - 4	Home Loan	31951.75	372.77	500
42 - 4	Credit card	0	0	0
42 - 4	Car Loan	8894.78	74.12	530

42 - 4	Home Loan	31824.52	371.29	500
43 - 4	Credit card	0	0	0
43 - 4	Car Loan	8438.9	70.32	530
43 - 4	Home Loan	31695.81	369.78	500
44 - 4	Credit card	0	0	0
44 - 4	Car Loan	7979.22	66.49	530
44 - 4	Home Loan	31565.59	368.27	500
45 - 4	Credit card	0	0	0
45 - 4	Car Loan	7515.71	62.63	530
45 - 4	Home Loan	31433.86	366.73	500
46 - 4	Credit card	0	0	0
46 - 4	Car Loan	7048.34	58.74	530
46 - 4	Home Loan	31300.59	365.17	500
47 - 4	Credit card	0	0	0
47 - 4	Car Loan	6577.08	54.81	530
47 - 4	Home Loan	31165.76	363.6	500
48 - 4	Credit card	0	0	0
48 - 4	Car Loan	6101.89	50.85	530
48 - 4	Home Loan	31029.36	362.01	500
49 - 5	Credit card	0	0	0
49 - 5	Car Loan	5622.74	46.86	530
49 - 5	Home Loan	30891.37	360.4	500
50 - 5	Credit card	0	0	0
50 - 5	Car Loan	5139.6	42.83	530
50 - 5	Home Loan	30751.77	358.77	500
51 - 5	Credit card	0	0	0
51 - 5	Car Loan	4652.43	38.77	530
51 - 5	Home Loan	30610.54	357.12	500
52 - 5	Credit card	0	0	0
52 - 5	Car Loan	4161.2	34.68	530
52 - 5	Home Loan	30467.66	355.46	500
53 - 5	Credit card	0	0	0
53 - 5	Car Loan	3665.88	30.55	530
53 - 5	Home Loan	30323.12	353.77	500
54 - 5	Credit card	0	0	0

54 - 5	Car Loan	3166.43	26.39	530
54 - 5	Home Loan	30176.89	352.06	500
55 - 5	Credit card	0	0	0
55 - 5	Car Loan	2662.82	22.19	530
55 - 5	Home Loan	30028.95	350.34	500
56 - 5	Credit card	0	0	0
56 - 5	Car Loan	2155.01	17.96	530
56 - 5	Home Loan	29879.29	348.59	500
57 - 5	Credit card	0	0	0
57 - 5	Car Loan	1642.97	13.69	530
57 - 5	Home Loan	29727.88	346.83	500
58 - 5	Credit card	0	0	0
58 - 5	Car Loan	1126.66	9.39	530
58 - 5	Home Loan	29574.71	345.04	500
59 - 5	Credit card	0	0	0
59 - 5	Car Loan	606.05	5.05	530
59 - 5	Home Loan	29419.75	343.23	500
60 - 5	Credit card	0	0	0
60 - 5	Car Loan	81.1	0.68	81.78
60 - 5	Home Loan	29262.98	341.4	948.22
61 - 6	Credit card	0	0	0
61 - 6	Car Loan	0	0	0
61 - 6	Home Loan	28656.16	334.32	1030
62 - 6	Credit card	0	0	0
62 - 6	Car Loan	0	0	0
62 - 6	Home Loan	27960.48	326.21	1030
63 - 6	Credit card	0	0	0
63 - 6	Car Loan	0	0	0
63 - 6	Home Loan	27256.69	317.99	1030
64 - 6	Credit card	0	0	0
64 - 6	Car Loan	0	0	0
64 - 6	Home Loan	26544.68	309.69	1030
65 - 6	Credit card	0	0	0
65 - 6	Car Loan	0	0	0
65 - 6	Home Loan	25824.37	301.28	1030

66 - 6	Credit card	0	0	0
66 - 6	Car Loan	0	0	0
66 - 6	Home Loan	25095.65	292.78	1030
67 - 6	Credit card	0	0	0
67 - 6	Car Loan	0	0	0
67 - 6	Home Loan	24358.43	284.18	1030
68 - 6	Credit card	0	0	0
68 - 6	Car Loan	0	0	0
68 - 6	Home Loan	23612.61	275.48	1030
69 - 6	Credit card	0	0	0
69 - 6	Car Loan	0	0	0
69 - 6	Home Loan	22858.09	266.68	1030
70 - 6	Credit card	0	0	0
70 - 6	Car Loan	0	0	0
70 - 6	Home Loan	22094.77	257.77	1030
71 - 6	Credit card	0	0	0
71 - 6	Car Loan	0	0	0
71 - 6	Home Loan	21322.54	248.76	1030
72 - 6	Credit card	0	0	0
72 - 6	Car Loan	0	0	0
72 - 6	Home Loan	20541.3	239.65	1030
73 - 7	Credit card	0	0	0
73 - 7	Car Loan	0	0	0
73 - 7	Home Loan	19750.95	230.43	1030
74 - 7	Credit card	0	0	0
74 - 7	Car Loan	0	0	0
74 - 7	Home Loan	18951.38	221.1	1030
75 - 7	Credit card	0	0	0
75 - 7	Car Loan	0	0	0
75 - 7	Home Loan	18142.48	211.66	1030
76 - 7	Credit card	0	0	0
76 - 7	Car Loan	0	0	0
76 - 7	Home Loan	17324.14	202.11	1030
77 - 7	Credit card	0	0	0
77 - 7	Car Loan	0	0	0

77 - 7	Home Loan	16496.25	192.46	1030
78 - 7	Credit card	0	0	0
78 - 7	Car Loan	0	0	0
78 - 7	Home Loan	15658.71	182.68	1030
79 - 7	Credit card	0	0	0
79 - 7	Car Loan	0	0	0
79 - 7	Home Loan	14811.39	172.8	1030
80 - 7	Credit card	0	0	0
80 - 7	Car Loan	0	0	0
80 - 7	Home Loan	13954.19	162.8	1030
81 - 7	Credit card	0	0	0
81 - 7	Car Loan	0	0	0
81 - 7	Home Loan	13086.99	152.68	1030
82 - 7	Credit card	0	0	0
82 - 7	Car Loan	0	0	0
82 - 7	Home Loan	12209.67	142.45	1030
83 - 7	Credit card	0	0	0
83 - 7	Car Loan	0	0	0
83 - 7	Home Loan	11322.12	132.09	1030
84 - 7	Credit card	0	0	0
84 - 7	Car Loan	0	0	0
84 - 7	Home Loan	10424.21	121.62	1030
85 - 8	Credit card	0	0	0
85 - 8	Car Loan	0	0	0
85 - 8	Home Loan	9515.83	111.02	1030
86 - 8	Credit card	0	0	0
86 - 8	Car Loan	0	0	0
86 - 8	Home Loan	8596.85	100.3	1030
87 - 8	Credit card	0	0	0
87 - 8	Car Loan	0	0	0
87 - 8	Home Loan	7667.15	89.45	1030
88 - 8	Credit card	0	0	0
88 - 8	Car Loan	0	0	0
88 - 8	Home Loan	6726.6	78.48	1030
89 - 8	Credit card	0	0	0

89 - 8	Car Loan	0	0	0
89 - 8	Home Loan	5775.08	67.38	1030
90 - 8	Credit card	0	0	0
90 - 8	Car Loan	0	0	0
90 - 8	Home Loan	4812.46	56.15	1030
91 - 8	Credit card	0	0	0
91 - 8	Car Loan	0	0	0
91 - 8	Home Loan	3838.61	44.78	1030
92 - 8	Credit card	0	0	0
92 - 8	Car Loan	0	0	0
92 - 8	Home Loan	2853.39	33.29	1030
93 - 8	Credit card	0	0	0
93 - 8	Car Loan	0	0	0
93 - 8	Home Loan	1856.68	21.66	1030
94 - 8	Credit card	0	0	0
94 - 8	Car Loan	0	0	0
94 - 8	Home Loan	848.34	9.9	858.24

There is a very important note to take in consideration. If for example you have a debt of \$5600 with 3% of interest, you will not pay 3% each month, this amount decrease accordantly. The following table will explain step by step how to calculate the monthly interest rate.

**Debts to pay:**

Amount: \$5600

Monthly Payment: \$680

Interest rate: 3%



Month	Balance	Monthly Payment	Interest*	How to calculate new balance
January	\$5600	\$680	\$14	$(\$5600 - \$680) + \$14 =$ \$4934
The new balance for the next month is \$4934				
February	\$4934	\$680	\$12.34	$(\$4934 - \$680) + \$12.34 =$ \$4266.34
The new balance for the next month is \$4266.34				
March	\$4266.34	\$680	\$10.67	$(\$4266.34 - \$680) +$ $\$10.67 = \$3597.01$
The new balance for the next month is \$3597.01				
April	\$3597.01	\$680	\$8.99	$(\$3597.01 - \$680) +$ $\$8.99 = \$2926$
The new balance for the next month is \$2926				
May	\$2926	\$680	\$7.32	$(\$2926 - \$680) + \$7.32$ $= \$2253.32$
The new balance for the next month is \$2253.32				
June	\$2253.32	\$680	\$5.63	$(\$2253.32 - \$680) +$ $\$5.63 = \$1578.95$
The new balance for the next month is \$1578.95				
July	\$1578.95	\$680	\$3.95	$(\$1578.95 - \$680)$ $+\$3.95 = \$902.90$
The new balance for the next month is \$902.90				
August	\$902.90	\$680	\$2.26	$(\$902.90 - \$680) +$ $\$2.26 = \$225.16$
The new balance for the next month is \$225.16				
September	\$225.16	\$680	\$0.56	

\* Interest calculation

$\$5600 \times 3\% = \$168/12 \text{ months} = \$14$  as interest for the 1<sup>st</sup> month

$\$4934 \text{ (new balance)} \times 3\% = \$148.08/12 \text{ months} = \$12.34$  as interest for the 2<sup>nd</sup> month

$\$4266.34 \times 3\% = \$127.99/12 \text{ months} = \$10.67$  as interest for the 3<sup>rd</sup> month

$\$3597.01 \times 3\% = \$107.91/12 \text{ months} = \$8.99$  as interest for the 4<sup>th</sup> month

$\$2926 \times 3\% = \$87.78/12 \text{ months} = \$7.32$  as interest for the 5<sup>th</sup> month

$\$2253.32 \times 3\% = \$67.60/12 \text{ months} = \$5.63$  as interest for the 6<sup>th</sup> month

$\$1578.95 \times 3\% = \$47.37/12 \text{ months} = \$3.95$  as interest for the 7<sup>th</sup> month

$\$902.90 \times 3\% = \$27.09/12 \text{ months} = \$2.26$  as interest for the 8<sup>th</sup> month

$\$225.16 \times 3\% = \$6.76/12 \text{ months} = \$0.56$  as interest for the last month

So each month the interest decreases depending on the new balance.

Now that you have completed these examples, you will be able to easily calculate and manage your debts and know exactly how much you will pay and the time to payoff all your debts and the most important how to re-create a debt reduction plan and save money and time!

## Chapter 6: Steps Towards Being Debt Free

There is always a way to get out of debts especially if you organize your money and know how to and when to pay.

If you follow the steps below, you can help yourself by 90% to become debt free.

1- KNOW what you owe.

You must know and identify clearly what you owe; the best way is to create a debt list with details for example:

Name/Item	Amount	Interest rate	M o n t h l y Payment
Credit card	\$5600	3%	\$680
...	...	...	...

And identify which payment has the highest rate thus allocate the highest priority to it.

2- Avoid creating new Debts. When you are already in debt, do NOT create a new debt. Try your best to create savings strategies for the expenses that you do not pay monthly, for example some bills are paid quarterly. Even though, this bill is paid quarterly, keep aside the amount aside each month.

3- Decrease your expenses by developing a clear strategy and try to increase your income.

4- Do not always use your credit card.

5- Always create a list of items you plan to purchase and know the amount you are planning to spend.

6 - As soon as you develop a plan with your monthly income and expenses, you can set the good amount for paying your debts. Remember, as we discussed previously, adding an extra amount to your monthly debts payment can decrease the interest payment and save time. When you have money with you, and you really do not need them as an advice add this amount to your monthly payments.

7- Being debt free is not only, a way to manage your money, but also a negotiation part. Try to find the alternate with a lower rate. Use negotiations, pretend to your current creditor that you've got lower rates with another one; this might help reducing rates to keep you as a customer.

8- Think before you buy! Sometimes you buy for an item and later on identify that you do not really need it at the moment. Think well before planning to buy. Ask yourself "do I really need this item?"

9- As we mentioned in Chapter 1, we have good and bad debts, stay away from bad debt. Stay away from:

- High interest credit cards
- High interest items
- Big mortgage

10- Do not buy a brand new car when you cannot afford to pay it. As an advice get a used one and keep it for many years.

11- Be smart and reasonable.

Those are some steps toward being debt free, but getting out of debt is challenging but for sure it can be done especially with dedication and perseverance.

When you are asked to decrease your expenses, cancel your credit cards, develop a plan, etc... you are changing the way you live, and especially the way you think. Following the steps mentioned above is not a rule to follow, you must change the way you think to be convinced with that.

Saving one dollar every day or any very small amount of money can be useful for a rainy day or to help in your debts.

Always pay off the smallest bills at first, this way you will save some money and add it to the highest bill. This work in most cases when you have for example 5 bills. You pay the small then allocate an extra payment from the saved amount into the higher bill.

Again and again, we repeat the same messages, keep your credit card for emergencies, do not carry the card with you, and have cash in your pocket unless you really and urgently need it. Get out of troubles, and put your credit card at home. Hide it somewhere out of your eyes.

Take this into consideration; the credit card business is very competitive. When you always make your payments on time, call and ask to lower your interests, this is a right for you.

Nowadays, everyone carries a mobile phone or a PDA (Personal digital assistant) or a pocket pc. Carry them with you all the time, and record your purchases whether by writing a note or downloading a free or paid financial management software, it wont cost you more then 30 bucks. If you are only using notes, write down the amount and what it was for. That way you can really see how much you are frittering away each month. This is the best way, to keep records of your financial life in your pocket every time and everywhere.

So it would be better to carry your PDA or small notebook rather then your credit card(s). When you need to buy something take a look at your notes, and see your total debt or purchases and the budget that you can really work with. You do not really need to buy an item or whatever product unless you really cannot live without it. In most cases, you spend money for something with less priority while you can save this money for something with higher priority or to pay existing debts.

Always make a monthly budget for yourself, if possible do it weekly or even daily; being financially organized is the key to success. You must include details in your budget. Add foods, bills, entertainment, transportation, shopping, miscellaneous and other and this way you will see how much you really need to spend and which is higher in priority... If you can make changes to your way of life and save some money, do so. Use that money to pay back debts and in the meantime you should stop adding to your borrowing by surviving only on cash or debit cards

Are you a student? An employee? Bring everything with you to school/university or to work. Have your lunch, snacks and even your drink. It is better then buying from machine. You will save even with small amount but you are SAVING.

For example, you can save between 1 and 3 dollars every day if you avoid using machines, this way you have around 60 dollars each month saved.

Instead of saying that something only costs one dollar, say if I don't buy it that is one dollar that I can put away for a rainy day or put toward debt.

Look at your monthly income based on the net amount. Deduct taxes, health plans, social security etc... and you will have the net income.

If you are in debt, it is a given that you are spending more money than you make. You are in the red. There is no way to play games with yourself about it.

Live within your means. If you can't afford to pay cash, you can't afford to have it. Pay off highest interest debts first.

Usually, when you have less free time, you spend less money on nights out or shopping. When you are in debt, do not go out for shopping or for entertainment until you are managing your financial life the good way. Find something beneficial to do with your rather than going to the mall. This way, you're reducing your debt, and most importantly, not adding more to your debt. If you cannot keep up, you may enter a debt consolidation program. Do not ever work with private firms or lawyers with these issues. There are plenty of non-profit agencies who are glad and ready to help you anytime by negotiating maybe a lower interest rates or by plans on improving you financial situation.

Even though you do not like to have an third party agency help you get our of trouble, remember it is 100% better than bankruptcy and you will have a debt-free date to look forward to.

Take this advice from someone who work in the credit card industry; pay your bill every single month, whether you have a due payment or not. Look at how much you're late and over limit fees are. You could be racking up with monthly fees which are added to your principal balance and are then charged interest on the next month.

If you're a real shopaholic, go to the thrift stores. They are often charity run and often don't take credit cards, so you have to pay cash. Keep you living within your means and you can find great stuff there. Go to the well-heeled neighborhoods early for the best stuff. You can get great items if you keep your eyes open. Would you rather have a big credit card bill you can't pay or a few scuffs on furniture or appliances that has lots of life left?

It's a real high to find the things you need and still stay out of debt.

Be honest with yourself, this way you are on the road to freedom. Ask yourself how this happen to me and why it happen.

You will need to really assess all the debts.

Look at all your statements. Cut up and cancel all the cards and accounts, except the one with the highest remaining credit available.



You should keep one account open for an emergency; we are not saying that you must live without a credit card.

To get rid of the debt stress, you will have to give up many things you consider needs. Believe it you can live without new clothes for awhile, without buying the latest smart phone, the cable TV, the higher bandwidth internet connection, and much more, believe it or not. You have to face the responsibility and the consequences.

Luxury items and things you want will be more valuable to you, when you really can afford them with cash up front, or using credit in a wise way.

If you are an employee, be willing to work overtime, get a part-time home job or something similar, there is plenty of websites that offer home job opportunities. Get a better income will help you to get out of debt. When you are free, take an hour just to think and think, try to have new fresh idea that might help you in improving your income and/or reducing your expenses. Search and search, for example you can buy the same item with 30% less price from a different store.

Do not be fooled with brand name, a xyz mouse for your computer will work the same than a xyz2 mouse. It is a mouse! Why do you need to spend double the price for a brand name!

When you have the same item with different brand names and both of them have a 2 years guarantees. In such situation, do not look for the brand name, look for the cheapest. There are thousands of tricks and ways to save! Always search and save!

If you can buy directly from the factory do it, stores are buying from resellers and resellers from the factory so the fees are double or triple sometimes.

When your debts are high and your monthly income is not enough to cover the payments, there are ways to solve your debt problem. But the road to financial recovery takes a total commitment. You must decide you want to be debt-free. You have to discipline yourself to take the necessary action to pay back your debts. Only you can determine if you are willing to make the necessary sacrifices to achieve this goal.

Finally, it is inadvisable to take out new loans to pay off old ones. So-called consolidation loans are often offered at very high interest rates, quite often all they do is saddle people with new debts they can ill afford.

**Take home message:**

- 1- Stop all your credit card and keep only one for emergencies. Always use cash instead. And for the one you keep, be sure to choose one with the lowest interest rate and best credit facilities. If you search you find. If you are a student, look for student plans with zero monthly fees and very low interests and also a low renewal fee.
- 2- Cancel all of your credit lines and request a lower interest rate on the debt you have left.
- 3- If you have multiple credit cards, transfer the debts to the card with the lowest interest rate or get a debt-consolidation loan from a bank at a very lower rate.

- 4- Use cash! And buy what you really need only!
- 5- Pay off the debts with the highest interest rate first.
- 6- Add an extra payment on the next debt by taking the payment you made on the first debt and adding it to the current debt.
- 7- Always have you notepad or PDA with you and invest in personal finance software to track your spending. Search the web and you will find great software for competitive prices. Also invest in debt-reduction software, it will help you calculate and create a debt reduction plan.
- 8- If you have investments that are paying lower percent then the credit card interest rate, cash out your investments and pay off your debt.
- 9- Use consumer credit agencies to arrange repayment of debt. Many are free.

## Chapter 7: Help yourself out

Here are few tips that should help:

- Bear in mind that you can solve your problems by simply contacting the people you owe money and get their advice.
- Do not ever ignore the problem. This won't solve your debts.
- Do not panic, there is a solution for everything in this life.
- Create a priority list by taking into consideration the higher interest rates.
- Always have a REALISTIC budget.
- Keep all your bills and letters and everything related to your debts. Do not throw them away. You need them.
- As mentioned before, think before you buy!
- When you take a credit or loan, know the TOTAL COST and NOT the monthly payment only. Do not be fooled with the low monthly payment, know the total cost and the exact interest rate.
- Use the advices and calculations of this e-book, when you know how to compare the standard repayment schedule and the debt reduction plan, you are on the road to success.

- Don't be fooled by those companies pretending to help you get rid of your debts for a small amount of money; this amount logically speaking is added to your total debts. You can do the management yourself very easily.

### **Section III: Conclusion**

Last but not least, we have described the most important steps and advice for a debt free living but for sure, this is not enough, you should always think in a convenient way, especially for larger purchases.

You do not need too many credit cards; one major card with least annual fee or even without annual fees is the best thing to pay your bills at the end of the month efficiently.

Use cash for everyday purchases (low purchases between \$10 and \$50). According to studies, when stores allowed customers to use their credit card, the average sale increased significantly. No comment! This is very bad, because you will be paying interest even for foods and drinks! This is not acceptable.

Credit card is not always a magical card in your pocket; unfortunately it turns to a weapon easily.

Do not turn into a machine, take responsibility. You can maintain a good lifestyle without drowning into debts. Take the time to create a realistic budget.

Do you know that the credit card industry now derives 35% of its revenues from fees!!! If you have one credit card, only use it to charge things that you can pay for at the end of the month and can avoid paying those interests, which can result in you paying double or triple for your purchases and having less money to spend on other things.

When you're just starting out on your own, Write down your goals then set up a Budget! Sit down and look at your expenses and your income. Be realistic. Don't be foolish. Some of the things that most people want are things I'm going to cover anyway

Even with good debt you want to think twice before taking it on.

## **My Advice**

SAVE and PAY CASH

PAY it in FULL with CASH

It is so much fun to hand over cash and know that it is PAID for  
in FULL

SAVE and pay as MUCH DOWN as possible.  
Shop around for the lowest cost FIXED RATE interest mortgage  
loans!

*Richard Dean*

# Bonus !



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## **Stop Using Your Credit Cards By Hiding Them!**

Put them somewhere where they will not tempt you. You may consider keeping at least one card for emergency purposes. Additionally, with poor credit, you may find it more difficult to get a credit card in the future. If you keep at least one account open, then you won't have to worry about applying. One tip, put your credit cards in a zip lock bag, put the zip lock in a container of water and place the container in your freezer. Not only will the cards not be tampered with, you won't be able to use them on impulse!

## **Check Your Credit Card Statements for Any Errors**

Believe it or not, up to 40% of all credit reports have errors in them. If you find that your credit report shows something that is not true, you need to write to them with all the details. Be sure to use certified mail so that you can keep track of who you wrote to, when you wrote, and who received the mail on the credit bureau's end. Then ask the credit bureau to send a corrected report to anyone who has requested a report on you in the last 6 months.

## **Take a Look at Yourself in the Mirror and Ask Yourself...**

Are you true to yourself? Taking a good hard look at your financial situation, particularly if it isn't good, can be very difficult. Yet, to get out debt you have to fully understand what the situation is.

## **Find Omissions**

By law, you are allowed to add information to your report that you believe will help your rating. This might be additional information about a repayment of a loan, good credit you have with companies that do not report to the credit bureau, or salary increases.

## **Devise a Plan**

Whether you determine to pay your bills down little at a time, take a second job, go to credit counseling, or file bankruptcy, you need to make a plan and stick to it. In order for your credit to be improved, you have to have a plan and then take action!

## **Don't Run From Creditors and Talk with Them**

Creditors want their money. They do not want you to default (quit paying). In fact, most creditors will work with you to get a reduced payment schedule. If you can keep them from reporting you to the credit bureau, then it won't hurt your credit. The catch here is this: be sure to stick to the new negotiated plan - they won't renegotiate if you fail to comply.

## **Have Patience**

Have you ever heard the saying 'time heals all wounds'? It also heals your credit. After 7 years, most items will be dropped. This is good news if you are working to correct your credit. As each year passes, more and more bad items will drop off and more and more good items will be included. Eventually, the disease will be cured.