



Six Steps to a Debt Free Life

Get out of debt quickly, using the money you already have!

<http://www.TheAbundantLifeProject.com>

<http://www.TheAbundancePrinciple.com>

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So you want to be DEBT-FREE?

What a wonderful dream it is! Debt-free! Eliminating your debt load might mean something different to you than it does do me. However, in order to succeed in eliminating our debt fast, ALL of us must have the necessary motivation. That motivation comes by having dreams, by knowing how it will change our lives. Therefore, before we progress through our discussion of becoming debt-free, we must first define what it means to become debt-free.

In the section to the right, there are spaces provided for you to list all of the things you would do, if you did not have your present debt load ... if you had more spendable cash flow each month. In these spaces, you should list the things that you've always wanted, or wanted to do, yet you've never had the fiscal means to make them a reality. If you haven't already, you may want to establish some goals for where you want to be in 5, 6, 7, or even 10 years. Let your imagination run wild. Don't hold back. You'll need this list in the future to keep you on track while you are eliminating your debt load. So, take your time, explore your wishes, desires, and dreams! If you need more space, feel free to use the space above, or a separate sheet of paper. Do it now.

Now that you've just defined how being debt-free will affect your life, you should hang on to this list and refer to it often. Your goal in a few SHORT years is to achieve this level of financial independence.

Financial Goals
1.
2.
3.
4.
5.
6.
7.
8.
9.
10.

But I'm SO Deep in Debt!



Most people are! In fact, the one thing that stands in the way of financial independence is debt. But more specifically, it's the interest from that debt.

The *American Dream* is to OWN a home, not to OWE ON a home forever. However, most people never experience what it means to live in a debt-free house. In fact, many of us don't know how to really *own* anything, separate from an associated monthly payment.

Americans are literally addicted to credit. We are seduced by slick marketing that promises an endless array of low interest rates and delayed payment plans. All in an effort to "help us get the things we want and need." We have grown accustomed to instant gratification provided by instant credit. In the process, we have become slaves to our creditors and our families suffer.

Currently, half of all marriages in the United States fail. Approximately 80% of those report financial difficulties as the leading cause of the breakup.

The average American is losing 20% of his/her gross annual income to mortgage interest! Twenty percent! However, after paying on a thirty-year mortgage for 10 years, s/he will still owe 88% of the original loan amount. For instance, if you buy a house for \$83,000 and finance it over 30 years, as most people do, you will pay over \$220,000 for that \$83,000 house. In the beginning of the mortgage, the principal is being reduced by a whopping \$50 each month, while the remaining \$560 is used just to pay the interest, ***\$560 per month in interest alone!*** Let's put this more into perspective: In 10 years, you will have paid just over \$73,000 on that \$83,000 house. Yet, you will still owe over \$73,000 on the balance of the mortgage! What's more is that the FDIC and the General Accounting Office (GAO) recently confirmed that nearly 1 out of 2 mortgages are miscalculated, costing homeowners between 8 and 10 billion dollars annually. This figure represents only home mortgages. We haven't even talked about credit cards and auto loans yet!

If you have a \$2,000 balance on a credit card that charges 18% interest, and you just pay the minimum balance until the debt is clear, you will have paid the debt ***four times over!*** And still, it will take you over 20 years to pay it off!



In 1970, one average income could support a family of four. In 1990, it took two average incomes. These days, it requires three average incomes just maintain our current lifestyle. In the future, if you want to be financially independent, you will need more income, and less debt! If you want to become debt-free, you must begin to practice some specific strategies that will accelerate reduction in your debt immediately. **Debt consolidation** programs alone are not the answer. In most cases, the positive affect on cash flow causes most people to *incur more debt!*

So, what should I do?

Easy! You have to eliminate all debt! *But how do I do that? It takes every cent I bring home to make the payments and still stick a little in savings.* There's the key! People who are in debt, and hope to become debt-free should stop saving and start paying off debt! That's right! Stop putting money in your 1.5% savings account, and start applying it to your 18% credit cards, your 8% mortgage, your 10% car payments, and etc. It doesn't take a rocket scientist to see that you'll be money ahead!

Here's the Plan!

Follow these six easy steps if you want to get a handle on your debt quickly:

1. Determine a set amount that you can contribute toward your payoff plan each month. (We'll call this the "Payoff Accelerator.") Hopefully, you can contribute between \$400 - \$500 each month to the effort of paying down your debt. However, you should at least plan on paying 10% of your net income to debt reduction. Remember, the only way to achieve a debt-free lifestyle is to eliminate ALL debt. Pay now or REALLY pay later! Don't be discouraged if you can only scrape together \$100, \$50, or even \$20 per month to apply toward your debt. It may just take a little longer than average. That's better than being doomed to a life deep in debt!

2. Prioritize your debt reduction strategy. You should list all of your debts on a sheet of paper along with their current payoff balances and required monthly payments. For each debt, divide the



balance by the required monthly payment to give you a numerical factor. (This factor has no direct numerical relevance. It will be used to rank your debts in order as to which debts should be paid off first, second, third, and etc.) You should now list all of your debts in order, starting with the lowest factor and ending with the highest factor. This will be the order in which you will begin accelerating your payoff in order to ultimately eliminate your debt.

3. Each month you should apply the “Payoff Accelerator” (PA) to the regular monthly payment of the first debt, in addition to the regular monthly payment. If your PA is \$200 per month, you should add this amount to the regular monthly payment of your first debt, **EACH AND EVERY MONTH!** You will continue this until debt number one is paid in full. For instance, let’s say Debt #1 in your payoff strategy is a credit card debt in the amount of \$3,000. Your minimum monthly payment is \$15 per month, and your payoff accelerator is \$200. You’ll immediately begin paying \$215 per month on the credit card debt, until that debt is completely eliminated. It will take you approximately 15 months to completely eliminate this debt.

4. At this point you should add the original PA and the monthly payment amount of debt number one (the debt you just paid off) to get the adjusted Payoff Accelerator amount. You will now have the original PA, plus the monthly payment amount of debt number one to use as an accelerator for paying off debt number two (\$215 per month in the example used above). Continue this until Debt #2 has been completely eliminated.

5. Repeat steps 3 & 4 until ALL debt is clear. After each debt is paid off, you should continue to add the amount of your monthly payment to the PA in order to maximize your payoff potential. After each debt is paid, your PA will increase by the amount of the previously paid debt’s monthly payment.

6. After ALL debt is clear, you should take the PA (which is no longer needed to payoff debt) and invest it wisely. For most people this can be accomplished through the use of a number of mutual funds. The best way to invest in the stock market is through mutual fund investing. By investing a set amount regularly (called dollar cost averaging), you are able to buy more shares



when the market is down, and fewer shares when the market is up. This allows you to invest for higher than average returns, while minimizing risks without trying to time the market. In just a matter of time, you will be on your way to a healthy retirement. Consult with a financial planner to find out more about stock market and/or mutual fund investing.

But how long will it take?

For the average person, freedom from debt is usually accomplished in as little as 5 years. (That's better than the normal 30 years isn't it?) However, if your debt is excessive in relation to your income, you may find this time period to be a little longer. For most people (even those with tremendous debt loads) becoming debt-free can happen within 5-7 years. This is provided, of course, that plans are made and discipline is practiced.

To learn more about the Abundant Life Project,TM you may visit our website at www.AbundantLifeProject.com. Or, to order a copy of *The Abundance Principle*, go to www.TheAbundancePrinciple.com. There, you'll find information about the Project and the *The Abundance Principle*. In addition, you'll find materials, tools and resources to help you begin living The Abundant Life now!

The Abundant Life ProjectTM transforms the lives of individuals, families, and organizations by helping people develop an active faith.

It is the goal of the Abundant Life ProjectTM to cultivate hope and healing around the world. The Abundant Life ProjectTM fulfills its mission through publishing, speaking and coaching.



Debt Elimination Plan

(Example)

Debt Name	Current Balance	Monthly Payment	Priority Factor	New Monthly Payment	Priority Ranking
Car Payment	\$25,000	\$675	37	\$925	1
Credit Card	\$3,700	\$25	148	\$1125	3
Bank Loan	\$12,500	\$175	71	\$1100	2
Home Loan	\$175,000	\$1050	166	\$2175	4

Payoff Accelerator: **\$250**