

GETTING OUT OF DEBT

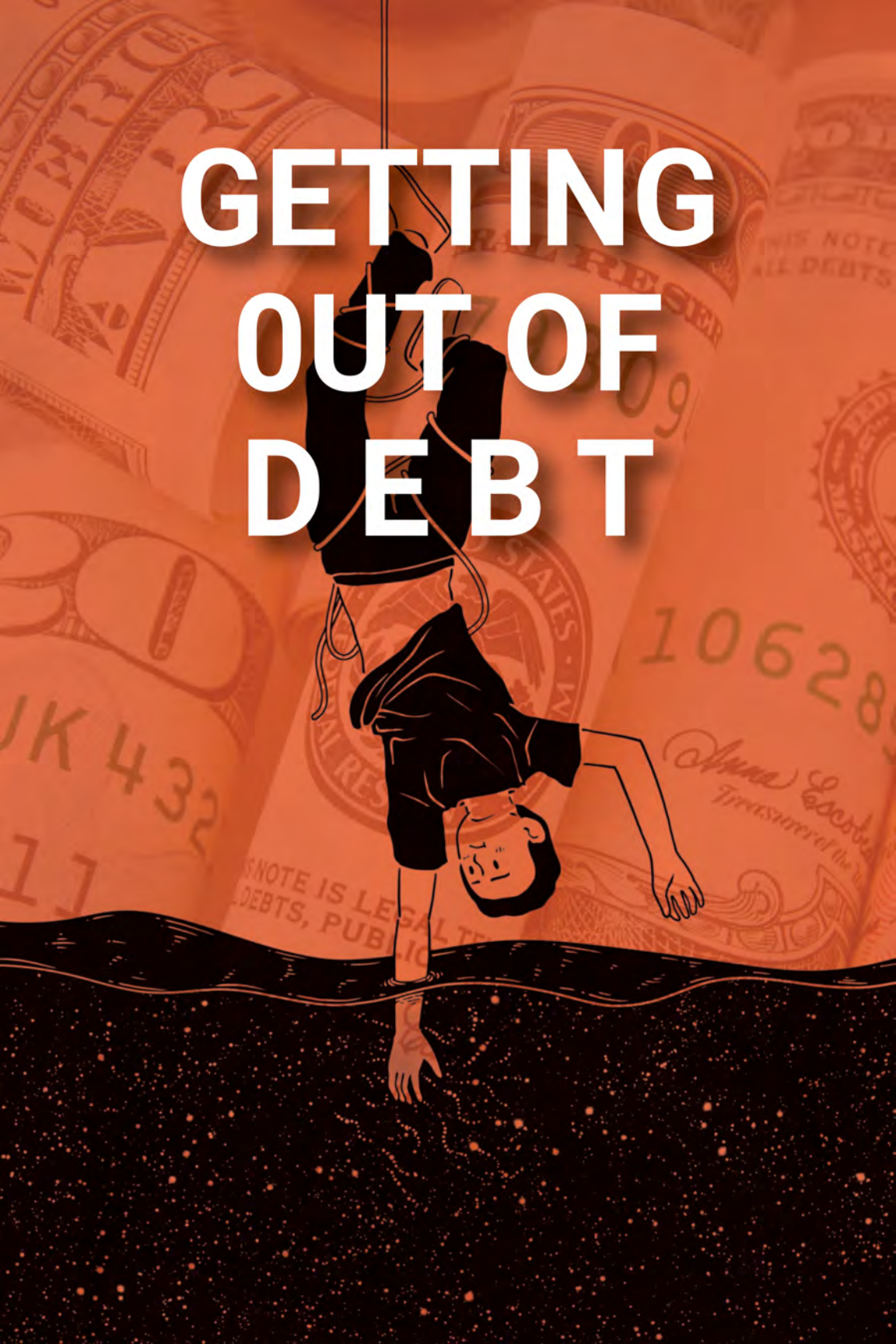


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*"I'm living so far beyond my income that we may
almost be said to be living apart."*

- E. E. Cummings

GETTING OUT OF DEBT

Do you feel like you're swimming in debt? Does the burden seem too huge and you think there's nothing you can do?

No matter how long you've been having challenges with money, or how tough your situation is, you can free yourself!

Culturally Encouraged Spending

These days, almost everyone has debt. Owing money seems like an inevitable part of adulthood. But most of our grandparents didn't have debt like we do. In fact, some of them may have never owed on anything besides a house. How is it, then, that debt can feel unavoidable?

One of the reasons is that *being in debt is incredibly common now*. Many of us don't even pay much attention to it anymore. Our credit card bills get paid right along with electricity and transportation.

Banks call people every day to tell them that their financial dreams can be fulfilled right away. They promise that all you have to do to get the money is to sign a little piece of paper.

Finance companies run advertisements claiming that you can have this new toy, or that shiny gadget, right now, with no money down.

We're encouraged to want everything and to demand it immediately. Just by signing your name, you can have a top-notch computer, a home remodel, and a new car. And if you don't buy these things, you may feel like you haven't made as much of your life as your neighbor or friend.

It's no wonder that many of us consider credit cards and loans as normal and even *necessary*. Keeping up with the Joneses has never been so expensive!

Compulsive Spending: A Self-Test

In a society where debt is normal, how can you tell if you're having financial issues? How do you know when to start being careful with your money so any debt you do have doesn't become overwhelming?

"If you had your life to live over again - you'd need more money."

- Construction Digest

Here are four questions to ask yourself:

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?

These questions might seem a little bleak, but if you answer them honestly, you'll be able to quickly assess your financial situation. What's more, if you do this exercise regularly, you'll be able to spot trouble when it's still far away.

The Journey To Freedom

In this report, we'll cover effective ways to become debt free. In the process, you'll also learn tips on staying out of debt by handling your money more successfully.

This process will require dedication and a bit of time. But *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.

*"Man is the only animal whose desires increase as they are fed;
the only animal that is never satisfied."*

- Henry George

DEBT CONSOLIDATION

Debt consolidation can be especially useful when you have many small debts and it's tough to manage them all.

As the name suggests, *debt consolidation will allow you to aggregate all of your debts*. With this method, you take out one larger loan and pay all of the other balances with it.

Of course, you still end up with a loan that you have to pay off, but in many cases the interest rates on consolidation loans are lower than your credit card interest rates. This means you'll not only have just one loan to worry about, you'll also need to pay back less over time.

Before you go looking for a debt consolidator, though, here are some things you should know:

1. A debt consolidator knows that if you're taking a loan to consolidate your debt, you've most likely been unable to make a few instalment

payments already. This could mean that your credit score has gone down and you're less eligible for low-interest loans.

2. They'll promise you that your interest rates will be lower, which will lower your monthly payments. Also, they'll assure you that they'll do all of the paperwork for you.
 - ▶ **None of this is free.** The consolidator will always charge a fee. A consolidator's fee will vary from company to company, but it's usually about ten percent of your monthly payment (for instance: if you pay \$350 a month, the fee will be \$35).
3. After the consolidation agency receives the payment, they pass it on to the creditor and get anywhere between ten to fifteen percent back, because the creditor will usually reduce the amount of debt that the consolidator has to pay.

Use these tips to protect yourself when considering debt consolidation:

1. **Read the fine print.** Ensure that you've thoroughly looked into hidden fees, costs, processes, and anything else before you sign any papers.
2. **Research the company.** Check out the Better Business Bureau (<http://www.bbb.org/>) to see what they say about the consolidation agency. *Not all agencies are reputable*, and you don't want to get burned on top of being in debt.

3. **Find out what your interest rates will be** if the consolidator takes over your debt.

- ▶ Ask if your interest stays static for the duration of your business with the agency. Sometimes changes that are out of your control can change your interest rates on some consolidation loans.
- ▶ *Missed or late payments may cause your interest rates to skyrocket.*
- ▶ Sometimes consolidation companies will promise really low interest rates for the first few months only to increase them later on. Knowing your expected interest rates for the duration of the contract will save you trouble and worry.

"Spare no expense to save money on this one."

- Samuel Goldwyn

REFINANCING

Another great way to quickly take care of your small debts is **refinancing**.

You can refinance many things, such as cars, furniture, or anything valuable that you own. But *the most common form of refinancing is refinancing your mortgage*. This is where you pay off your current mortgage loan and take a new one, often with lower interest rates as your home gains value over the years.

If you decide to refinance your mortgage and you get a good interest rate, you'll have money to quickly and easily take care of your credit card debts and other small loans. As with debt consolidation, *you can also pay just one loan instead of many*.

When considering refinancing, you'll want to make your decisions from an informed perspective. You should fully understand your financial situation before you make any big decisions like extending or changing your mortgage.

What to Know Before You Refinance

1. **Small debts, like credit cards, are usually not secured.** This means that if you can't or don't make your payments, your creditor has no way of forcing you to pay. Even though your credit score will suffer, they can't garnish your wages or repossess your belongings.
2. **Your mortgage loan is secured.** So if you're not able to make your payments on time, you might end up losing your home.
 - ▶ To avoid that situation, make sure that, if you refinance, you're still able to make your monthly payments in a timely fashion. This requires some planning and thinking ahead.
3. **Talk to the right people.** You might be a very trusting person, but not everyone, especially in the financial world, has your best interest at heart all of the time.
4. **Ensure that your refinancing company:**
 - ▶ Understands the market
 - ▶ Is able to find the lowest rates, best payment schedules, and understand your specific situation
 - ▶ Truly wants what's best for you
5. **Consider the ramifications of rolling your debts into your mortgage loan.** When you refinance, you may have the option of

rolling your current debts into your mortgage loan. Know that there are fees related to transferring your debts to the mortgage loan, like paying interest on those debts for the duration of the loan.

- ▶ For example, let's say that you have a few thousand dollars of credit card debt, and you know you can pay it off within 2 or 3 years. Even if your interest rate is 10-15%, you'll still end up paying less than the fees involved in getting that debt transferred under your mortgage loan.
- ▶ In other words, *unless your other debts are really substantial, you may be better off staying away from including them in your mortgage refinancing.*

Any good loan company helping you refinance your home will help you understand which option is best for you. However, it's important to realize that those companies are *not* financial or debt advisers. *If you need budget assistance, it's best to talk to financial professionals about managing your money.*

"Everybody likes a kidder, but nobody lends him money."

- Arthur Miller

CUTTING DOWN YOUR EXPENSES

The very best thing you can do to get out of debt is to reduce your expenses to realize more funds for paying off your debt.

Living more frugally can enable you to cut years off the time it takes you to pay off your debt, plus thousands of dollars off your total debt when you take interest into consideration!

Try these ways to cut down on your current expenses:

1. **Stay out of restaurants.** An average restaurant meal will cost you \$10-\$30 per person, but the same meal prepared at home will often be less than \$5. Multiply that out over a year and you can save hundreds!
2. **Consider trading down your car** for one with a low payment or no payment.
 - ▶ You can get a nicer one when you're out of debt and have some money saved again. That \$200-\$300 could go a long way toward paying off your debt!
3. **Drink the coffee at work** instead of grabbing one on your way in. Make specialty coffee a treat instead of a daily occurrence.

4. **Make one night a week meatless.** For a family of four, you can save \$3-\$10 a week doing this. Over a year, that could add up to more than \$500.
5. **Set a budget** for birthdays, holidays, and special occasions, and stick to it.
 - ▶ Agree with your family on a truly reasonable amount. Many of us go into debt every December and don't get it paid off for months or even years!

*"A human being has a natural desire to have more of
a good thing than he needs."*
- Mark Twain

Slash Your Grocery Bill

In any household, food is a huge part of the budget. If you become more conservative about how you shop for food, you'll see your monthly expenses plummet.

1. **More costs less.** If you buy a wholesale case of 30 cans of corn for instance, you'll pay less per can than you would if you bought just three cans. Buying in bulk is almost always cheaper. You can do this with flour, rice, beans, canned goods, and many others.

- ▶ If you buy the right type of food, it'll last for months or even years.
 - ▶ Check out “wholesale to the public” stores like Costco and Sam's Club. Sometimes these kinds of places even offer coupons to their members, who can then get already discounted groceries for even cheaper.
2. **Buy the “no name” brand.** We all know that the food advertised on TV is generally more expensive, but there is usually a store brand or generic alternative for pretty much anything you want.
3. **Buy only what you need.** Let's be honest with ourselves here. People don't need peanut butter cookies to survive. People don't need soda pop to live. And we definitely don't need potato chips.
- ▶ We want those foods because they're tasty and they've been heavily advertised to us. But you don't have to succumb to advertising. Remember: buying things you didn't need is possibly what got you into debt.
 - ▶ In this situation, you can educate yourself on what exactly you want to buy to meet your basic needs. Deprivation isn't necessary, but thoughtful purchasing is.

4. **Make a list.** Make a shopping list in advance and stick to it.

- ▶ Avoid shopping when you're hungry, as your hunger will tempt you to buy all kinds of things that aren't on your list!
- ▶ Big stores have a way of tempting you into buying things only because they look nice or are cheap. If you have a list, you won't get distracted. You'll save money *and* time.

"Advertising may be described as the science of arresting the human intelligence long enough to get money from it."

- Stephen Leacock

GOVERNMENT AID

But what if you barely make enough to cover the necessities? What if you've already trimmed back on expenses? In this case, there are government aid programs that can sometimes help with food, utilities, or housing expenses to free up some money to pay off debts.

If you'd like the government to help you with your bills, though, you're going to have to fulfil certain conditions. The criteria you'll need to meet will vary depending on the type of assistance you need.

For instance, if you want help with your electricity bill, you first need to be a registered resident of the state where you're applying. Then, your income level should be lower than what's specified by the government.

If you meet those criteria, you need to call a toll-free number and you'll be informed exactly what to do and where to go.

Because there are many attempts each year to abuse the system, each applicant must go through the applicable agency's specific screening processes. Apart from helping you to pay electricity bills, the government can also help you with your rent, food, and other expenses.

The main thing is that *if you need help financially, you'll want to find out who can help you and what they can do for you*. For that, it's best to do some research.

You might also consider going to various churches in your community. Churches are there to help, and if you really need help, they won't let you go hungry.

These online resources can help you in your research:

- ▶ <http://www.benefits.gov> - This is a U.S. government site that will tell you how to apply and what conditions to meet when applying for grants and benefits.

- ▶ <http://www.ssa.gov/pubs/10100.html> - Another government site that deals mostly with food stamps and making sure you have food on the table.
- ▶ <http://www.modestneeds.org/> - This awesome charity organization helps people avoid poverty. Keep in mind that they only help those who are already employed.
- ▶ <http://www.NeedHelpPayingBills.com> - As the name suggests, they can help you pay your bills.
- ▶ <http://www.lds.org> - This is a church. If you need help, financial or otherwise, you can talk to a local minister and they'll do all they can to help you.

Sometimes, it can be hard to ask for help. It's important to realize, though, that you won't always need to rely on others to help you make ends meet.

As you learn effective money management skills, you'll get better and better at taking care of yourself and your family without outside help.

QUICK CASH GENERATORS

In this chapter we'll talk about some quick ways to come up with more money. Some of these may seem like they'd only make a small dent in your debt, but every penny counts!

Try getting a second job. You may have to work hard for a while, but a second income could really whittle down your debt. There's nothing more rewarding than being able to take care of your own needs effectively, even if you have to work double time.

Although you might not want to consider two jobs a long term solution, *six months of a second job will generate a lot of income!* If it's honest work, even if it's hard and not very well paid, you'll be pleased with yourself for putting forth the effort.

Provide Services

Consider performing services to make extra money to become debt free:

1. **Baby sit.** There's usually a need for a good baby sitter in almost any community. If you have even just a little experience with children and price your time reasonably, you'll find plenty of work.

2. **Clean houses.** People in the workforce often put in long hours. Many are willing to pay someone to ensure that they can come home to a clean house when they do get time to rest.
3. **Mow lawns and tend gardens.** Although you may remember doing this for money as a teenager, it's not just for kids anymore.
 - ▶ Much like cleaning houses, this is a service often purchased by working people who appreciate the efficiency and detail-orientation an adult can bring to the task.
 - ▶ Landscaping and lawn maintenance can be financially very lucrative!
 - ▶ Working outside, you get to enjoy nature, a perk that might not be available at your 9-to-5.
4. **Deliver pizzas.** Pizza delivery drivers often get tips. Although the wages themselves are low, the tip point can bring your hourly pay up substantially. Plus, you can usually do this at night, which is great if you work another job during the day.
5. **Wait tables.** Perhaps you did this in college. If so, you'll remember how good the money can be. Like pizza delivery, serving is a job that will net you the most cash in the evenings and on weekends.

Remember, a few small changes can go a long way. If you really want to see some progress toward getting rid of debt, *spend a few extra hours a week doing paid work and apply those funds toward reducing your debt.* You'll be amazed at the results!

"Stubbornness is also determination. It's simply a matter of shifting from "won't power" to "will power."
- Peter McWilliams

Garage Sales

This is another "source of income" for you. You may have a lot of items around the house that just collect dust. So get rid of these never-used items and make yourself some extra money! The easiest way to do this is to have a garage sale.

Some tips to keep in mind:

1. **Garage sales are simple.** All you have to do is put up a sign that tells people that you are having a garage sale. Then put your sellable items out in your back yard and have people come look at them.
2. **Avoid pricing too high.** If you do, you won't sell anything. On the other hand, your items shouldn't be given away either.

3. **Be prepared.** People that frequent garage sales often like to haggle, so prepare your case in advance for anything you think is worth more than a few dollars. With that, and a winning smile, you'll command great prices.

If you want to organize a garage sale, it's a good idea to tell people why you're doing this. *Your neighbors will want to help you out; they're people you've known for years.* Some of them may even donate items of their own for you to sell.

"Advertising is a valuable economic factor because it is the cheapest way of selling goods, especially if the goods are worthless."
- Sinclair Lewis

eBay

If you can't have a garage sale, or have items that won't fetch appropriate prices in the garage sale venue, try setting up a free account at [ebay.com](https://www.ebay.com). eBay will let you list your items for free, and chances are you'll reach a lot of potential buyers.

As you probably remember, we've mentioned previously that you should sell things that you know you won't be using, but if you need money

quickly, it might be a good idea to sell even some non-essentials you use infrequently.

After all, most of the things you do around the house can be accomplished using your hands and a few simple tools. So if you're really in need of quick cash, maybe you could select for sale a few of the "luxury" items you have around?

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

*"Money is like a sixth sense without which you cannot
make a complete use of the other five."*

- W. Somerset Maugham

DEBT: THE FINAL FRONTIER

If you're like most people, you spent most of your young years learning how to control various aspects of your life.

When you were little, you practiced moving your body in productive ways. As you grew, you learned to manage your emotions and to cultivate relationships. In adulthood, you worked on skills you'd need to get a job that supported you well.

All of these are crucial life skills, and worthy of focused effort. Now that you've mastered them, though, you have other tasks at hand, many of which have to do with money. Ask yourself: have you spent as much time learning to manage your finances?

"For a long time it had seemed to me that life was about to begin – real life. But there was always some obstacle in the way. Something to be got through first, some unfinished business, time still to be served, a debt to be paid. Then life would begin. At last, it dawned on me that these obstacles were my life."
- Fr. Alfred D'Souza

FREEDOM FROM FINANCIAL BONDAGE

When your debts are finally paid off and you have a few months' expenses in the bank, you can cut up your credit cards. This will keep you spending less than you make, which is a crucial money management skill.

If you do this, not only will you never see debt again, but *you'll watch your savings grow*. Our grandparents knew that they needed a safety net for possible future financial shortfalls. And we need that security too.

Consider the following:

1. **Emergencies happen.** You never know when the car might break down or a family member may need medical treatment. But if you have money set aside just for this purpose, you can sleep easy, knowing that you'll be taken care of.
2. **Freedom from debt can protect your health.** Spending less than you make will require self discipline and some practice but it will be more than worth it. *You'll not only be debt free, but you'll also have less stress.*
3. **With no debt, you have more options.** When you're no longer in arrears, you can select any job that supports your chosen lifestyle.

Careers that once seemed closed to you may now be open. Or, you can quit your job and travel the world, working as you go.

As you tackle your debt, keep in mind the four important questions mentioned in the introduction to this book. Those questions will help you stay out of debt, and will make it possible to manage your financial situation well.

Living debt free is incredibly empowering. Use the tips and techniques in this report and start getting out of debt, today. You can do it!

"If you would be wealthy, think of saving as well as getting."

- Benjamin Franklin