

## # 2 – Fund Reserves and Pay Debt at Equal Rate

When we are deep in the cycle of debt, we can not conceive of any ways to stop. It just seems impossible, overwhelming and unattainable. And as long as you have no reserves, you're right; there is little way to stop using credit. Because cars will always break, plumbing will need to be fixed, and dental emergencies will happen. The only way to stop the debt cycle is to increase the options you have when you have a financial "emergency."

The sweet spot is to match the amount of money you are paying on all debt other than a mortgage and put it into reserves. If you're paying \$150 to your credit cards every month, put \$150 in your reserves account every month. If you're paying \$1,000 to your credit cards every month, put \$1,000 in your reserves account every month.

I can hear many of you screaming: "How can I do that?!?!? I can barely make my \$1,000 payment!" Here is the truth: If you've managed to rack up the amount of debt that requires \$1,000 payments, then you need the kind of reserves that requires building \$1,000 at a time.

If you can't do both, then its time to head back to Chapter 2 and start, continue or rework your spending and earning plan. Find a way to do both. If you absolutely have no more room to shave your expenses or earn more money, then it's time to consider extreme options. Consider paying only one half of your minimum payments and using the other one half to fund your reserves.

Is this extreme? Yes. Will it cause problems with your credit score? Probably. Is there any other way? There's a section later in this chapter that addresses credit solutions. There are, however, no easy answers. To overcome serious or enduring debt issues, extreme measures must be taken.