20 TIPS FOR GETTING OUT OF DEBT NOW!

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Getting out of debt now seems to be the national theme. Perhaps in your case this debt was not all related to unconscious overspending. There may be numerous reasons for accumulating your current debt including job loss, health issues, and major unexpected house/car/family emergencies.
Overall, the goal now is to get out of debt. The following tips will certainly help you make a significant dent in that debt load.

1. KNOW YOUR "WHY" FOR BEING DEBT FREE

- Get motivated on the primary reason you are ready to take action on eliminating debt – (sick of the stress, feel out of integrity with yourself, want a new home, vacation or car, determined to put the children through college).

2. FACE THE FACTS (See "Debt PayOff Record" Worksheet in *The Budget Kit*)

- Identify and list ALL the debts (medical, legal, family, credit card, department stores, student, wedding etc) – showing the total due, the interest rate, finance charge AND fees for late payments or over the limit charges (these can range from $15 to $35 each time and then will have interest charged on that amount as well, in the total balance due).
- Total up the debt. Total up the finance charges and fees. Really take these numbers in. Of course this is scary, but very important for creating an effective plan and moving you to a debt free life.

3. NEGOTIATE

- Call all your credit card companies and tell them about all the 6-month 0% card offers you're getting. Since you have been a long-standing card-holder, would they offer you a much lower rate?
- One woman recently had her interest rate lowered from 10.24% to 6.24% permanently. Three out of her four credit card companies were willing to lower their rates for her.
- Call and ask them to waive the late fee. If you are usually on top of your bills and just got behind, often the creditors will work with you on waiving the fees – but you have to ASK.
- Most importantly, LET ALL YOUR CREDITORS KNOW your situation rather than just not paying or being late so they can work with you. Cutting off communication with your creditor is one of the worst things you can do.

4. DO THE 0 PERCENT DANCE

- Use this option ONLY if you are very disciplined and on top of your paperwork. One late payment and the 0% prize is gone, and the highest rate will apply.
- Set your calendar to 2 months before the ending period and start making plans for paying this card off, arranging payments with the added finance charge, or rolling over the balance to the next 0% offer. Call the company and ask them to extend the time period for you or ask about any other promotions available.
- Remember, this is not a method for condoning more spending. Instead, this is one option to work with if you know you are disciplined and responsible.

5. START THE SHARE PERCENT DANCE PLAN (See "Debt Repayment Worksheet" in the *Budget Kit*)

- This plan will help you pay everyone equally based on your debt and amount of money available to pay the debt. It will gradually and methodically get you out of debt. Be sure to contact each creditor to work with you and diligently stick to the plan every month.
- Divide the total amount of debt by each individual debt to get a percent of the total debt. Then determine the total amount of money disposable for paying debts each month and multiply this amount by the percent for each debt. (You may have to read this again slowly – I know it can sound confusing without having a worksheet in front of you.)
- As each debt gets paid off, re-do the calculation so more is applied to everyone.

6. ASK FOR WHAT YOU WANT

- Life goes on – you still need hair cuts, dental work, therapy, vet care and other services.
- If you have been with someone for years, explain your temporary situation of a job loss, or reduced hours and ask if they will work with you. Many will lower their rates.
- One woman's hair dresser lowered the rate 30% and the therapist, 20%. Another woman put off going to the dentist until the dentist called and they negotiated a $5 a month payment.
- Make those monthly payments religiously. If you arranged to have payments lowered to $5 - $10 a month for the various services, keep paying on a regular basis. Do whatever you can to keep these payments up – have a yard sale, sell things on E-Bay or Craigslist or through local bulletin boards.

7. RETURN STUFF

- What household, electronic, auto, clothing item have you bought that you haven't really worn or used in the last few months? If the tags are still on, item still in the wrapper, take it back to the store. If you don't have the receipt, often you can still get a credit for that store.
- One woman actually returned a blazer with tags she had for years and never worn, to a large department store and was given a credit!
- The trick of course is to utilize that credit only when you truly need something.

8. SELL STUFF

- Is that extra car parked in your yard costing you license fees, insurance and maintenance costs?
- Is the current car a gas guzzler? Sell it and buy a more gas efficient vehicle.
- Do you have a wall full of CD's, books, videos, computer games never being used anymore? Take them to the resale stores, have a yard sale, go on the online auction sites or sell to friends.
- Are you paying storage fees for stuff you really don't need or use anymore? Sell the stuff, make money and save money.
- Be sure to apply all these extra funds to the debt payment.

9. USE YOUR TALENTS

- Find a way to bring more money in and apply it ALL to the debt.
- Work overtime, take on a part time job
- Offer your services for a fee:

    - help people with their computers,
    - assemble the boxed desk or toy,
    - help with home remodeling projects
    - paint or wall paper someone's home,
    - be a tutor,
    - teach at the community college
    - sell your unique Crafts. Beads
    - sing at weddings
    - be a photographer
    - help novices sell their stuff on EBay

10. PAY A MINIMUM OF $10 EXTRA VS. ONLY THE MINIMUM PAYMENT
(See "Chart A -Cost of Credit Card Purchases" in the *Budget Kit*)

- By making payments at least $10 over the required minimum on credit cards, you could save $1000s on interest payments.

- Example: $2000 balance, 19.8%, 2% Min.Payment = $40/month payment = $7636 in extra interest in 42 years!
- One way to think of this is “Will you be paying off Christmas of 2005 in 2047?”
- Add .25/day (less than $10/month) to the monthly payment for savings of $4916 in interest and 28 years.

11. GET PROFESSIONAL HELP – BEWARE OF SCAMS

- If you are asked for a steep fee or “donation”, given only about twenty minutes of “counseling” time, or feel a sense of pressure in the conversation– flee!
- Reputable non-profit Consumer Credit Counseling Services (CCCS) who are members of National Foundation for Credit Counseling NFCC), will spend more time with you to assess your situation and charge only a nominal monthly fee ($10-$30) -and sometimes no fee - for arranging reduced interest rates, eliminated fees and your debt repayment to your creditors.

12. HAVE WINDFALL SAVVY

- Utilize your windfalls like financial birthday or holiday gifts, tax refunds, insurance settlements, rebates, bonus, and raise at work for reducing debt.
- Avoid the temptation to splurge this extra money and apply all small and large windfall money to debt.
- Okay, keep out a very small amount for a little treat if you must.

13. KNOCK DOWN STUDENT DEBT

- According to Education Department, 39 percent of student borrowers will be paying 8 percent of their take home pay to college debt.
- Under the Stafford loan program, if you borrowed more than $8334 and make timely payments on your first 24 months, you may earn a credit equivalent to the 3 percent origination fee you paid to secure the loan.
- Most private lenders will reward you with a 2 percent interest rate reduction if you are timely on the first 4 years of payments.
- Authorize an automatic monthly deduction from your checking or savings account and you can get a ¼ percentage point interest rate reduction for public and private lenders. (Example: 10 year $17,000 loan, at 8.25% = $8,021 extra in interest. Authorize automatic withdrawals and interest will be reduced to $6,265 – a savings of $1756)
- When you start working, pay more than the monthly due on the debt.
- Example: Borrowed $80,000 and pay back debt in 10 years with 7% interest. Payments would be $928.87/month plus $31,464 in interest. Add

$250 to each monthly payment and pay off the loan 2 years and 9 months early and save $9,322.61 in interest fees.

14. EXPLORE CONSOLIDATION LOANS

- Do this only if you have a number of different debts in high interest rates and can get a much lower rate for all your debt.
- Be aware that at least 70% of people who consolidate their debt end up getting in debt on their cards once again. The key is making changes in your thinking and your lifestyle.
- If you decide to use your home equity for this loan, keep in mind you have put your home on the line. Are those past clothes, gifts, lattes worth worrying about keeping your house?

15. BANK THE CHANGE

- Dump all daily change in a jar and add a dollar.
- If you quit smoking, apply the same amount of money to the jar as you used to with smoking.
- If you used a coupon and saved money, put the savings in the jar.
- Each month or two apply this extra cash to a debt.
- Take out a very small amount for a little reward for yourself.

16. DO THE OBVIOUS

- Stop using all credit cards. (People spend 30% more when using cards then if they used cash).
- Start using only cash or check – money you actually have, see and feel.
- Remember that getting into debt is a “no-brainer”.
- Getting out of debt takes smarts, patience, determination, discipline and willingness to change.

17. CHANGE YOUR HABITS

- Eliminate some of your expensive habits and replace with a creative inexpensive habit to meet the same needs:

    - daily lattes
    - browsing aimlessly in stores
    - daily lunches out
    - “big gulps” drinks
    - extra hair, cosmetic, toiletry products when you already have a drawer full of them along with shelves of unused magazines, books, and CDs.

- Shop at less expensive stores including the thrift stores (try the upscale neighborhood resale shops for some fun and reasonable prices).

- Scale back on the “nice to have wants” and focus on needs.

18. PAY ATTENTION

- Pay attention to all your spending and be conscious all the time of your choices and actions.
- Notice how small amounts are adding up – even the small .50 items.
- Become more conscious of your language and your thoughts. Do you focus continually on the debt or on solutions? Are you constantly talking about “always being broke”?

19. BE HUMBLE

- Talk to your family about help –moving back home, help with the children, help with a debt – something.
- Talk to your friends and explain that finances are challenging right now. You really want to spend time with them, but in a way that will not cost you money at this time.

20. PRAY and DREAM

- By now you have probably heard and read enough about studies that have been done on the power of prayer and on visualizing your goals. Don’t overlook these powerful tools you always have at your disposal.

Most importantly, know that all these changes will ultimately give you total financial ***peace*** of mind, which will be so much more satisfying than a ***piece*** of furniture.

Judy Lawrence is a Budget Coach and Counselor in Silicon Valley. Her best-selling book, The Budget Kit: Common Cents Money Management 4th Edition, sold over 350,000 copies. If you would like a 30-minute free phone consultation, sign up for the free e-course or free newsletter, or just find out more about her services, teleseminars and books, you can reach her at www.moneytracker.com or judy@moneytracker.com or 1-800-283-4380 (1-800-Budget-0) or 408-747-9589.