

How to Manage Debt

Personal Debt Inventory

The first step to managing debt is to take an inventory of the debt you already have. Take a moment and list the current debts you have. This is personal and for your eyes only. Don't be embarrassed. Don't be ashamed. This is the first step in recognizing where you currently are in terms of your finances. It is important to assess just what you are facing in terms of payment and debts and to compare it to what you (and your spouse) are making.

What credit cards do I have?

Mastercard _____	Current Balance _____	Monthly Payment _____
Visa _____	Current Balance _____	Monthly Payment _____
Store _____	Current Balance _____	Monthly Payment _____
Store _____	Current Balance _____	Monthly Payment _____

What loans do I have?

Mortgage _____	Current Balance _____	Monthly Payment _____
Car Loan/Lease _____	Current Balance _____	Monthly Payment _____
Personal/Student Loan _____	Current Balance _____	Monthly Payment _____
Personal Loan _____	Current Balance _____	Monthly Payment _____

What other monthly debts I have?

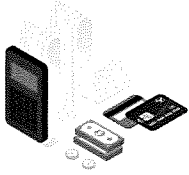
Utilities _____	Monthly Payment _____
Cell Phone _____	Monthly Payment _____
Cable/Internet _____	Monthly Payment _____
Other _____	Monthly Payment _____
Other _____	Monthly Payment _____

Total amount of debt you have each month _____

Current household income (include wages, support etc.) **Monthly Amount** _____

How do these two numbers compare? Does this surprise you? What can you do to manage your debt better?

We now have a place to start

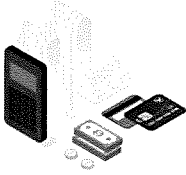


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Pros and Cons of Credit

Check whether the item is an Advantage or a Disadvantage of using credit.

		Advantage	Disadvantage
1.	By simply having a credit card available, a person is likely to spend 34% more than he or she might otherwise spend.	<input type="checkbox"/>	<input type="checkbox"/>
2.	Credit can allow you to take advantage of sales when you lack cash to make purchases.	<input type="checkbox"/>	<input type="checkbox"/>
3.	Credit can provide cash for emergencies, such as paying to repair a car.	<input type="checkbox"/>	<input type="checkbox"/>
4.	Credit can be used for an investment, such as a house.	<input type="checkbox"/>	<input type="checkbox"/>
5.	Credit is not free. Borrowers must pay extra for the use of borrowed money.	<input type="checkbox"/>	<input type="checkbox"/>
6.	When you are making credit payments, you don't have money for other things that come up.	<input type="checkbox"/>	<input type="checkbox"/>
7.	Debts can take months—even years—to repay.	<input type="checkbox"/>	<input type="checkbox"/>
8.	Excessive credit use and late payments will damage your credit history which may prevent you from getting insurance or even a job.	<input type="checkbox"/>	<input type="checkbox"/>
9.	Using a credit card helps with conflicts with merchants about defective merchandise because you can ask the credit card company to help with disputes.	<input type="checkbox"/>	<input type="checkbox"/>
10.	Often, a credit card is necessary to make purchases by telephone or over the Internet.	<input type="checkbox"/>	<input type="checkbox"/>
11.	Usually, a credit card is safe and more convenient than carrying cash.	<input type="checkbox"/>	<input type="checkbox"/>
12.	You can use the item—such as a car—before you have the cash to pay for it. The item could also be used for getting and commuting to a job.	<input type="checkbox"/>	<input type="checkbox"/>

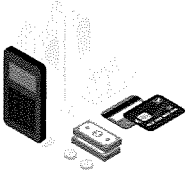


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Is Using Credit an Advantage or a Disadvantage?

Using credit has both advantages and disadvantages. Read each statement below. Decide if the statement describes an advantage or disadvantage of using credit.

	Advantage	Disadvantage
Credit is convenient. You do not need to carry a lot of money with you.	<input type="checkbox"/>	<input type="checkbox"/>
Credit usually costs more than paying cash. Interest and other charges may be added to the purchase price.	<input type="checkbox"/>	<input type="checkbox"/>
You may save money, because you can take advantage of sales.	<input type="checkbox"/>	<input type="checkbox"/>
Credit can help if you need money for emergencies, such as unemployment, illness, death, or property loss.	<input type="checkbox"/>	<input type="checkbox"/>
Credit is handy for making purchases through the mail, telephone, and Internet.	<input type="checkbox"/>	<input type="checkbox"/>
You may buy more than you can afford.	<input type="checkbox"/>	<input type="checkbox"/>
You can buy things that are needed now when you don't have enough money to pay for them.	<input type="checkbox"/>	<input type="checkbox"/>
Credit ties up future income. When you use credit, you owe money that must be paid back from future income.	<input type="checkbox"/>	<input type="checkbox"/>

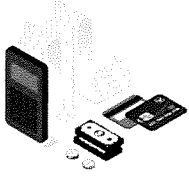


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Good Debt vs. Bad Debt

Let's identify the difference.

Type of Debt	Good	Bad
1. Mortgage	<input type="checkbox"/>	<input type="checkbox"/>
2. Credit card	<input type="checkbox"/>	<input type="checkbox"/>
3. Cash advance	<input type="checkbox"/>	<input type="checkbox"/>
4. Education	<input type="checkbox"/>	<input type="checkbox"/>
5. Vehicle	<input type="checkbox"/>	<input type="checkbox"/>
6. Payday Loan	<input type="checkbox"/>	<input type="checkbox"/>
7. Investing	<input type="checkbox"/>	<input type="checkbox"/>
8. Consumer debt	<input type="checkbox"/>	<input type="checkbox"/>
9. Real estate	<input type="checkbox"/>	<input type="checkbox"/>
10. Business ownership	<input type="checkbox"/>	<input type="checkbox"/>



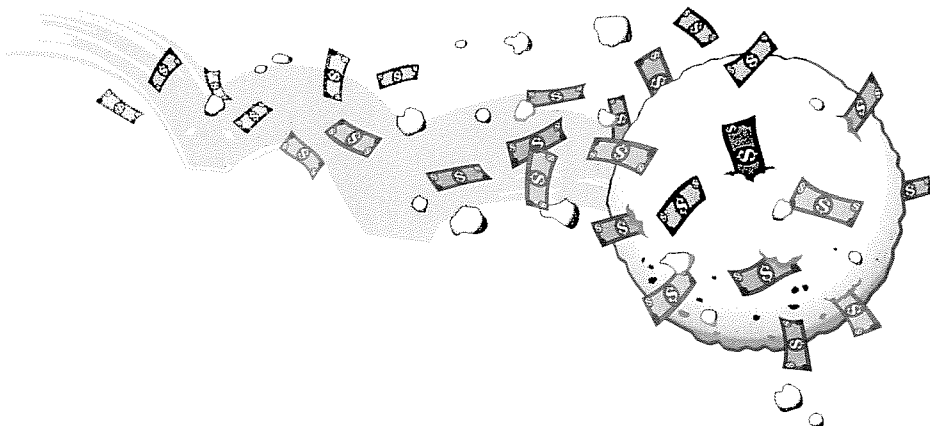
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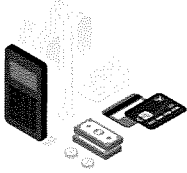
The Debt Snowball

List your debts in descending order with the smallest payoff or balance first. Do not be concerned with interest rates or terms unless two debts have similar payoffs, then list the higher interest rate debt first. Paying the little debts off first shows you quick feedback and you are more likely to stay with the plan.

Redo this sheet each time you pay off a debt so you can see how close you are getting to freedom. Keep the old sheets to wallpaper the bathroom in your new debt-free house. The “New Payment” is found by adding all the payments on the debts listed above that item to the payment you are working on, so you have compounding payments which will get you out of debt very quickly. “Payments Remaining” is the number of payments remaining when you get down the snowball to that item. Cumulative Payments is the total payments needed, including the snowball, to payoff that item. In other words this is your running total for “Payments Remaining.”

Item	Total Payoff	Minimum Payment	New Payment	Payments Remaining	Cumulative Payments
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____





How to Manage Debt

Creating Your Own Spending Plan

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

My income this month

Paychecks (salary after taxes, benefits, and check cashing fees)	\$
Other income (after taxes) for example: child support	
Total monthly income	\$

My expenses this month

HOUSING

Rent or mortgage	\$
Renter's insurance or homeowner's insurance	
Utilities (like electricity and gas)	
Internet, cable, phone	
Other housing expenses (like property taxes)	

FOOD

Groceries and household supplies	\$
Meals out	
Other food expenses	

TRANSPORTATION

Public transportation and taxis	\$
Gas for car	
Parking and tolls	
Car maintenance (like oil changes)	
Car insurance	
Car loan	
Other transportation expenses	

My expenses this month

HEALTH

Medicine	\$
Health insurance	
Other health expenses (like doctors' appointments and eyeglasses)	

PERSONAL AND FAMILY

Child care	\$
Child support	
Money given or sent to family	
Clothing and shoes	
Laundry	
Donations	
Entertainment (like movies and amusement parks)	
Other personal or family expenses (like beauty care)	

FINANCE

Fees for cashier's checks and money transfers	\$
Prepaid cards and phone cards	
Bank or credit card fees	
Other fees	

OTHER

School costs (like supplies, tuition, student loans)	\$
Other payments (like credit cards and savings)	
Other expenses this month	

Total monthly expenses

\$

\$	–	\$	=	\$
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Income

Expenses

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.