



MoneySmart Online Course #7

Getting Out of Debt, and Staying Out!

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Notes for MoneySmart Online Course #7

Getting Out of Debt, and Staying Out!

If being in debt hasn't already damaged the quality of your life, I promise you, it's going to. And that if you don't solve this problem, the damage is only gonna get worse. probably a lot worse. And that someday you'll deeply regret letting that happen.

If you're in a really bad place: lost your job, huge medical bills and such, and especially if you believe you might have to file for bankruptcy, your next step should probably be to find a credit counselor through one of the following non-profit agencies: the National Foundation of Credit Counseling. <https://www.nfcc.org/> or the Association of Independent Consumer Credit Counseling Agencies <http://fcaa.org/>

The truth is that for most people eliminating debt isn't about knowing how; it's about being motivated enough to make it happen. So before we get into how to solve this I will remind you again of some of the damage debt can cause in your life.

QUALITY OF LIFE.. People in debt, on average, spend the days of their lives far less happy than those without debt.. stress, relationship problems, health problems.. flat out just not being as happy as they should be.. these things are a **lot** more common and usually a lot more damaging.

LOSS OF OPPORTUNITY.. People in debt are far less able to take advantage of opportunities for job, career and lifestyle changes, and will probably never get to live the life they wish to live.. never achieve the greatest opportunity of all.. financial freedom.

The good news, however, is that anyone genuinely ready to get rid of their debt can make it happen. Over a million people do it every year, and if you're like most people you probably already make enough money. The

only valid exceptions to this are things like loss of your job, being hit with huge medical bills, or having a large family depending on you, and you are the only breadwinner.

So now let's get on to how to do it. How to go about getting out of debt, once and for all.

And as always, time is either your best friend or your worst enemy and you always want it's power working for you, not against you, so you need to start now, right now. Do not buy into the idea that something will happen in the future to solve this. Even those that end up making a lot more money usually just take on more debt yet. The bottom line is that there is only one good path to take. to begin solving this problem. **Now.**

The three most critical steps of all, are to **make an unbreakable commitment to end this problem, to spend smarter, and to have a plan for how you'll spend your money and follow it.**

Spending smarter is covered in courses 1, 4 and 6, creating your plans in courses 2 and 4.

In addition to these 3 key things there are a number of other smaller things you also need to do:

Talk things through. If you share your life with another, you both need to sit down and talk things through, as both of you need to buy into whatever plan you're going to follow.

Make a list of all your debts.. the remaining balance, the interest rate and the minimum payment required, then keep track of the remaining balance as you go.

Immediately stop all borrowing . No more borrowing, other than for a true emergency, such as a job loss or large unexpected medical bills. If necessary, take it one day at a time. No borrowing today. Then do the same again tomorrow. Not one penny, not for any reason. The minute you stop taking on new debt you are absolutely on your way.

Cut up every credit card and every department store charge card. No exceptions! Use only a debit Visa or MasterCard tied to your checking account for your non-cash purchases. For your cash purchases, take a pre-set amount of money from the bank every week or every two weeks.

Make no new purchases of any significance until your debt is eliminated.

Write down every single expenditure every day for thirty days. It only takes two or three minutes a day and the results can be quite amazing. Well before the month is up, your mistakes, problems, and most importantly, the solutions, should start becoming clear.

Create and follow your spending and saving plans

Save at least one month's worth of emergency money before paying down your debt beyond your minimum monthly payments

Call to get lower prices. Use what you'll learn in course #1- How to get a better price or better deal on almost anything.

If you carry a lot of debt, consider taking a temporary part-time second job and use 100% of that money for debt reduction. If there are any non-working adult members in the family, they should also consider working full or part-time unless the cost of childcare exceeds the amount they can earn. Adding to your income, even temporarily, can be a very powerful thing when it comes to debt elimination, as it really accelerates the process.