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CHECKS AND BALANCES TV®
with MATTHEW J. RETTICK

10 STEPS TO BECOMING DEBT FREE FOREVER!

The time has come. You're sick and tired of being a slave to your lenders. You want to break the shackles of debt once and for all and start living for you, not living to pay your debts to "them." But where do you start?

Living in debt can be exhausting. It's a constant struggle to pay bills each month only to find too little month at the end of the money – and another "excuse" to use credit accounts to get by. It's an unsustainable way to live, and needs to come to an end. But the only way to end the cycle is to take action and wage your own personal WAR ON DEBT! Here are my ten proven steps to exchanging all that red ink for black.

Step #1: Get real with your situation

If you have high-interest debt, you have a problem. Not only are you paying interest on the money borrowed, but after just one month of not paying a credit card in full, you begin to pay interest on interest. This is known as compounding interest, and it can be very costly. For example, say you have $5,000 in credit card debt. If your interest rate was 15.9% and your minimum payment $200, it would take you 10 years and 7 months to pay back that debt paying just the minimum payment. And, what's worse is you would be paying nearly 50% more, $2,374 more to be exact, than the original $5,000 debt in interest, for a grand total of $7,874. Commit to stop making more debt, and start paying down on what you currently owe.

Step #2: Face the facts

How much money do you really owe to lenders? Get clear with yourself by making a comprehensive list of each of the credit accounts you have, the amount of money owed to each, the current interest rate and your minimum payment. This will help you get a snap shot of the work that lies ahead of you. Be sure to include all of your bank issued credit cards, furniture loans, retail store credit cards, gas cards, home equity, car loans, boat loans, student loans, mortgage and any other debt that you may owe. Be comprehensive, and most of all be honest. The only way to get ahead is to get clear on where you are now. Use this chart as a starting point:

Account Name	Amount Owed	Interest Rate	Minimum Payment
Credit Card 1	$5,000	15.9%	$200/mo.

Step #3: Negotiate to reduce your bills

Call each and every one of your lenders and ask what your options are for a reduction of the interest rate, or in some cases, even the debt amount. Don't be afraid – the answer will always be no if you never ask, but sometimes it will be "yes" if you do. A conversation with the creditor may go something like this:

> *You: My name is __________, I'm a credit card holder of yours and I'm calling to see what my options are for reducing my interest rate with your firm. (If you always pay on time, have been a cardholder for a long period of time or have good credit and the ability to open another credit account, now would be a good time to say so.)*
>
> *Creditor: Hi ______. I see that you are a long-time cardholder – we'd be happy to reduce your interest rate.*

It really could be that easy. However, if the creditor says no, you may want to continue the conversation like this:

> *Creditor: Hi _______. I see that you are a long-time cardholder, but unfortunately we are unable to lower your interest rate at this time.*
>
> *You: Well then you realize that I will be forced to take my business to another company that offers a more competitive rate. Are you sure you can't do anything?*
>
> *Creditor: Let me discuss it with my supervisor.*

If the creditor comes back and still says no, ask to speak to the supervisor yourself and state your case again. If you still do not succeed, hang up and begin looking at offers from other companies. A few days later, call your credit card back and speak to a different customer service rep and try again. If they still say "no", consider making that change to another credit card company.

If you do make a change, see what type of "special promotion" another credit card company may offer to new customers. You may be able to get a low introductory interest rate, which would help to reduce the interest on an account while you work to pay the principal down. If you have multiple high-interest accounts, see if you can consolidate to the new account, as long as the post-promotional interest rate is at least the same, if not lower.

Step #4: Prioritize your debt.

Now that you know what you owe and to which creditors, the minimum payment for each account and the (hopefully) reduced interest rate, prioritize your debts in the order you will pay them off. The account with the highest interest rate should be at the top of your list, and for homeowners, your mortgage will be last on the list. (Even if it's not the lowest interest, this account is typically the debt you want to tackle once all other debts are paid off.) Name this list **War on Debt!** Keep this list somewhere that you can see it on a regular basis, like on your refrigerator or in your closet. Guard this document like you would a treasure map – once you get through all of the various challenges, there will be treasure in the form of financial freedom from creditors waiting for you at the end.

Step #5: Create a monthly budget to determine what exactly you're spending, and where.

Nobody likes accountability, but it's the only way to get you from where you are today – in debt – to where you want to be – debt free! Make a budget of how you spend your money each month. You likely have "needs" such as shelter, transportation, food, medical, childcare and utilities. You likely have "wants" such as cable TV and other entertainment-related expenses, personal grooming expenses, fancy dinners and/or designer clothes. And you probably have "splurges" in the form of a vacations or even a daily Starbucks. The trick here is to write it all down, and then determine how each and every expense is classified. What you have at the end of this budget is considered your "discretionary income." Determine how much of this you can put to your debts.

Step #6: Save money where you can.

Once you have your budget determined, chances are good that you can cut back a little in certain areas. Most households can cut up to 15 percent from their monthly expenses without sacrificing the quality of their life. So decide what you can live without, and what you can substitute for a lower priced alternative.

Perhaps you make your coffee or lunch to take with you to work, or limit nights out from once a week to once a month. That expanded cable can be replaced with basic, and that Sunday steak night can become a burger night, at least temporarily. Maybe you can make a commitment to not to purchase any new clothes until a certain amount of debt has been paid off, or perhaps you cut back on a favorite hobby until you're closer to your financial goals. The more money you can free up now, the faster you can pay down your debts, and the sooner you can gain financial freedom from creditors.

Step #7: Turn that found money into a monthly payment.

Now you have identified your available discretionary income and additional "found money" that you can put towards your debts. But that's not all. Up until now, you've lived with debt and were at least making your monthly minimum payments. On your road to becoming debt free, you will continue doing just that. However, you will now take that available discretionary income and other "found money" and apply that amount to the minimum payment, and begin paying down the first debt on your list.

For example, say you have an additional $200 in discretionary income that you can put towards your debt, and you found another $500 per month by making cutbacks. If your minimum payment is $200, you should pay $900 to that account each month ($200 minimum payment, $200 discretionary income, $500 found money) until it's paid off. In our example from before – on a $5,000 debt with a 15.9% interest – it will take just 6 months to pay off that debt, instead of the 10 years and 7 months it would take if just making minimum payments.

Step #8: Repeat #7, until all credit accounts are paid.

Congratulations! You've successfully made it through the first hurdle and are well on your way to becoming financially free from creditors. Now, do it again! But this time – apply more! If you were paying $900 a month to debt #1, and debt #2 had a minimum payment of $100 that you were continuing to pay while paying off the first debt, pay $1,000 per month to the next debt until it is gone too! Once that's paid off, apply that amount to the minimum payment on debt #3 until it's paid off, and continue this cycle until all of your high interest debts are paid. This is called a snowball effect, as soon enough that monthly payment gets bigger and bigger and is able to wipe out debt at record pace. Once all of your high interest debts are paid off, start paying down the car loan, followed by any student loans until the only debt remaining is that of your mortgage.

Step #9: Put the mortgage on fast track.

True financial freedom from creditors comes when not a single dollar is owed to any business, person or bank – and that includes your mortgage. Even in today's low interest environment, the interest paid on a mortgage over 30 years can be nearly as much as the principal.

For example, say you bought a $300,000 house. After putting 20% down, you finance $240,000 at 4.5% interest rate. After 30 years, you would have paid a total of $550,276.11, with $197,776.11 paid in interest over the life of the mortgage. That's just 40,000 less than the actual loan – just in interest!

If you want to pay that mortgage faster (and avoid paying such a large amount in interest) you could start by changing your mortgage payments from monthly to semi-monthly. In this example, you would pay just $164,334.88 in interest – that's $33,442 less in interest just for paying half the mortgage payment at two different times during the month! And if you pre-pay your mortgage, you can shave years and even more interest off the loan too. Start by paying an extra mortgage payment a couple times a year. This alone can turn a 30-year mortgage into a 22-year mortgage, saving you tens of thousands in interest.

Step #10: Become your own bank.

Now that you're financially free from creditors, become your own bank. Put the money that you were using to pay down your debt into an interest bearing or equity account. Financial freedom comes with knowing that you have the money to live your life on your terms. Save your money so you can pay cash for your next car, vacation or even a house. Save for a rainy day and a bright retirement. A little bit of money adds up fast! By saving now, you can be prepared financially for anything that life may bring your way, and you will NEVER EVER EVER have to be a slave to a lender again!

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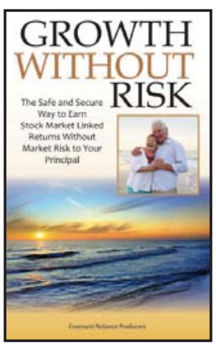

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