

How to Get Out of Debt Fast!

As the economy worsens, more and more people are struggling with debt. Whether you have old debt from student loans and medical bills, or newer debt that you've taken on just to make ends meet, it's important that you eliminate it as soon as possible. When times get tough, the people who brace themselves, pay off old debts, and avoid taking on new ones are the ones who succeed.

Financial success depends on assets, not liabilities. To meet your financial goals, you'll need to begin paying off your liabilities and building assets. By setting a goal to get out of debt, you're well on your way to achieving the financial success you dream of.

If your goal is to rise to the occasion and come out of this recession stronger than ever financially, you're in the right place. This report will teach you about the dangers of debt, how to adjust your mindset to get rid of debt, and how to become debt free. You'll learn tips for paying off your bills and credit cards, tips for paying off student loans, and tips to help you stay out of debt forever.

The Debt Myth

Debt is seductive. It lures you in with promises - buy now, pay later. No money down. Interest free for 12 months. However, the lie is soon exposed, and you're left with less money than ever. What appeared to be an affordable purchase quickly increases in price. Interest compounds, over the limit fees or late fees are attached, and before long you owe far more than the original amount you borrowed.

We're a generation of borrowers - our economy has been dependent on the idea of buy now, pay later for quite some time. However, the effects of this lifestyle are becoming more and more obvious. Banks are collapsing, businesses are going bankrupt, and families are unable to pay for basic needs like housing and food.

Perhaps our grandparents and great grandparents had the right idea - save up for large purchases in cash. If your grandfather wanted a car, chances are he didn't finance it. Instead, he worked hard, saved up the money, and paid for it in full at the time of purchase. By applying these simple guidelines to

major purchases, you can avoid the debt trap and end up only paying for the purchase itself - avoiding finance charges, late charges, bank fees, and over the limit fees.

Problems in Going into Debt

Many people who take on debt don't think about what will happen if they're unable to repay it. Before you sign on the dotted line, take into account what will happen if you're injured or ill, or if you lose your job. If you don't have enough income coming in, it can be difficult to keep up with your debt obligations. And when you can't, creditors quickly turn ugly. Gone are the smiling faces and the offers to give you special deals - in their place are service charges, over the limit fees, overdraft charges, and collection calls. When it comes to credit, things can get very bad, very fast.

Credit card fees are one big problem with going into debt. If your balance goes over the limit, or if you're even one day late with your payment, fees are quickly tacked on to your balance. Often, these fees can be as much or more than your minimum payment each month, making it extremely difficult to ever get ahead. After all, if the payments you can afford barely cover the fees the bank is charging you each month, you'll never make any head way towards paying off the principle of the loan. Your credit card company not only knows this, it's counting on it.

Another major issue with going into debt is interest. Many credit cards compound interest daily, so the longer you hold the debt, the more money you owe. Another common tactic is to suck you in with a low interest rate - possibly even 0% - which goes up the first time you're late or over the limit. This means that while you signed on for a low introductory rate, you may quickly find yourself paying 18-25% interest on your purchases. Be sure to check the fine print before you sign on the dotted line for a credit card account - you may be unpleasantly surprised at what you learn.

If your debt goes into collections, other problems quickly develop. First, your credit score is affected, which can impact future purchases. For example, negative marks on your credit report may make it difficult to purchase a house or car in the future. That's nothing, however, compared to the emotional toll that collections calls can take. If your debt is sold to a collections agency, be prepared to be called multiple times per day until it is paid off. Each creditor will call 5-8 times every day - often from an unlisted

number. These calls can be annoying, demoralizing, and downright harassing. If at all possible, pay off your debts before they go to collections. If this is impossible due to limited funds, learn your rights. Don't be afraid to hang up on rude callers or ask that they not call you at work. Learn what they can and cannot do, and be sure to be firm with the collectors about what you can afford to pay.

Unfortunately, if you're reading this report, you're probably already experiencing some of the above problems. If you're tired of paying bank fees, dealing with harassing calls, and struggling to make ends meet, you're in luck. This report will teach you how to get out of debt - and stay out of debt for good!

Getting Rid of Debt: Mindset is Key

When you have quite a bit of debt, it's easy to get overwhelmed. If your debt has gone to collections or you have overdue payments, you may be receiving multiple phone calls per day from people demanding money. You may find that you don't have the money to do things with your friend when you'd like, or to buy the things you want. If you have a severe income problem, you may even have trouble affording basic necessities. No wonder you're overwhelmed!

However, mindset is the key to breaking debt's stronghold on your life. If you don't believe you CAN get out of debt, there's no reason to work to do so. Motivation is extremely important - set a goal of being out of debt by a certain date, and begin to work towards that goal with everything you have. Before you know it, you'll start to see some improvement in your situation.

Meet Your Basic Needs First

Take some time and sit down with your finances. Develop a bare bones budget, based on what you need to survive. These figures should include things like your rent or mortgage, basic utility bills, food, gasoline, and a car payment if you have one. Do not include extra items like cell phone packages, cable TV, or other expensive luxuries - this budget is made up of the essentials that you need for survival. If you're lucky, you'll have enough to meet all your needs, with some extra money left over. If you don't have enough to meet your basic needs, it's time to find some ways to increase

your income. We'll cover some ideas for doing this in an Appendix to this book - for now, just note that you need to increase what you're earning.

If you have enough to pay all your bills, with a bit left over, you're better off than a lot of people. While it may not seem like it, you're actually quite rich, and it's important to keep this in mind. If you budget your money carefully, you can meet your needs and begin climbing out of debt, slowly but surely. The key is to keep an attitude of abundance - to spend time being grateful for what you have. Take a few minutes each day to write down three things you're thankful for in your financial life - simple things like having the money to pay the electricity bill or to buy your kid's a special cereal at the grocery store. When you're drowning in debt, it's easy to forget to be thankful for the small things. This gratitude journal will help you remember your blessings and help you to keep the right mindset.

Set Some Goals

Goal setting is another key to a debt-free mindset. Spend some time looking over your bills and expenses, and set a few goals to work towards. These can be things like getting current on your utility bills, beginning a savings plan, or taking action to achieve one of the steps in the plan I'll be presenting to get out of debt. Set a clear, concise goal that you can work towards, and then add a date you plan to reach it by. The date provides a sense of urgency, and is an extremely important part of the goal setting process.

Once you've set a date, mark it on your calendar! Then, working backwards, set a few smaller goals leading up to your large goal. These short term goals will help you stay focused as you work, helping you to keep your eye on the prize. You might even add a small (inexpensive) reward for achieving each small goal, with a bigger reward for achieving the larger goal. Doing so will help make getting out of debt fun, and allow you to focus on just how much you're achieving.

The Role of Discipline

Discipline, as you may have gathered, is extremely important in this process. While you're chipping away at your debt, you'll need to stay motivated and maintain the discipline you'll need to spend your money on the right things. It helps to keep your focus, imagining how good it will feel to be rid of the stress of debt forever. A disciplined individual is far more likely to get out

debt, because they are willing to work hard and to make the necessary sacrifices to do so. Without discipline, money is spent willy-nilly, and you end the month with no idea where your money has gone. If you are disciplined, however, you'll be able to make payments in full, put money towards debt, and begin to watch your balances decrease each month - a motivating experience! Motivation and discipline really do go hand in hand as you work to pay off your debt.

Getting Rid of Debt- A Step by Step Plan

If you're going to get out of debt, it's absolutely essential that you have a plan. Without careful planning, it's difficult to make any sort of productive effort to pay off your debt. By making a plan, sticking to the plan, and carrying it out to completion, you're sure to make a sizable dent in the debt you're currently carrying.

Step One: Assess the Situation

The first step to getting out of debt is to figure out where you currently stand. This means you'll need to sit down and take stock of your current situation. This step can be one of the most difficult ones to take, but it is also the most important. After all, if you don't know where you are, it's hard to get to where you're going!

Gather up your bills, your bank account information, any credit card or loan statements, your checkbook, and any other financial paperwork. If you haven't been opening your mail because of the stress, simply gather the unopened envelopes and sort them by date.

Next, open any unopened mail. Find the most current bill for each account you're carrying.

Make a list of everyone you owe money to, including all the above debts, utility bills, loans from friends and family, etc. You may want to group them into categories - one section for credit cards, one section for medical bills, etc.

When you're finished making this list, you'll have a decent idea of the total amount you owe.

Step Two: Play Catch Up

Take a look at your list of debts, and figure out which items are absolutely essential. These will be the same items you listed in your bare -bones budget earlier in this book. Are these bills current, or do you owe back balances? Are your utilities, mortgage, and car payments caught up, or are you in danger of losing your shelter or transportation?

If anything is in danger of being shut off, call and negotiate. Explain to the company that you've fallen on hard times, and give them the amount of a payment that you CAN make. These companies are often willing to work with you to help you set up a payment plan to get current.

Remember that "extra" money you had when you budgeted before? The money you've been spending on non essentials? This is the money that you'll be putting towards getting those debts current. If you didn't have any money left over after budgeting for basics, you'll need to use one of the ideas in the Appendix to generate some extra income - this will help you get caught up with your current bills.

Step Three: Save, Save, Save

While it may seem counterproductive to save money when you still have bills over your head, it actually makes quite a bit of sense. After all, where did the majority of your debt come from? Chances are, it built up slowly as you paid for unexpected expenses - car repairs, medical bills, travel. By setting aside a small amount in savings, you can reduce your need to rely on credit.

Your goal for this step is to save \$500 in your savings account, and \$150 in your checking account. The savings money is for a rainy day - money that you don't touch unless you have an urgent, unexpected expense.

The money in your checking account is invisible protection. Put it in your account, then delete the number from your balance. When living paycheck to paycheck, it's incredibly easy to overdraw your bank account. This money is for you to keep in your account as invisible protection from overdraft fees - if you get down to the wire and have budgeted every cent you have, you won't have to worry about bouncing a check or paying an expensive fee.

Step Four: Start Paying Down Debt

Congratulations - you've made it to step four, and are officially ready to start making a dent in your debts. Let's go back to that list you made in Step One.

If you have any debts in collections, you'll want to set your sights on them first. While the damage has already been done to your credit report, there's no need to continue being harassed every day. Pick one creditor to work with, and start sending them any extra money you have each month, while continuing to make the minimum payments on your other debts. Once they're paid off, put the money you were paying THEM together with your extra money and apply it to the next debt that's in collections. You'll be using this process for all your debts, starting with the ones that are overdue.

After you've worked through any debts in collections, or if you have no debts in collections, begin paying off credit cards and loans in a similar fashion. Start with the debt with the highest interest rates, and work through them one at a time. As you pay off each debt, you'll notice that your payment amount gets larger and larger, allowing you to pick up speed quickly.

When you've eliminated consumer debt, you can begin paying extra on your mortgage or car payment, slowly reducing the amount you owe on these large debts. However, at this point, the majority of your stressful debt should have been eliminated.

Through this process, it's extremely important to reward yourself as you meet each small goal. This can be as simple as a special dessert with dinner or as elaborate as a meal out - your primary goal is to maintain your motivation. Pick something you really enjoy, and use this time to reward yourself for a job well done. You deserve it!

Managing Your Bills Without Incurring New Debt

One of the most important parts of paying off debt is setting up a budget. A budget allows you to keep control of your finances - to ensure that you aren't spending more each month than you're earning. Learning to live below your means - to spend less than you earn - is a crucial part of freedom from debt.

While you're trying to pay off debt, you may have to cut some expenses. Sit down with a month's worth of purchases and deposits, and spend some time figuring out where your money is going. Are you spending money on things you could make at home? Are you spending more money that you have on services that you can't afford? Are there ways you could spend less money or do things cheaper? Can you reduce the amount you're spending on subscription services or utilities? Each of these cost reductions may seem small, but they may all add up to quite a bit of money saved each month.

To design your budget, you first have to track your spending and income. Spend a month writing down every penny that comes in and every penny that goes out. At the end of the month, break your spending log up by category. This will allow you to develop a starting point for your budget, an opportunity to know what you're currently spending. You might start with categories like food, gasoline, utilities, mortgage/rent, etc.

Once you know what you're spending in various areas, you can begin to cut costs. Set specific amounts for each category each month. Set aside money for paying off debt, as well. If necessary, pull out cash for each category and keep it in envelopes - when the cash is gone, stop spending money in that category.

A crucial part of avoiding taking on new debt is to start living within your means. This may be difficult at first, but is absolutely essential to your success. If you really want to be free of debt, you'll cut your expenses and start living on less money than you bring in. This will allow you to start putting money in savings, paying off debt, and living the way that you'd like.

Paying Off Bad Debt

Bad debt is, put simply, old debt that you owe. This may be debt you'd lost track of, debts that have gone to collections, old bank accounts, etc. If you want to improve your credit score, or make a large purchase like a house or a car, it's essential that you clean up your report and get rid of these debts.

First, get a copy of your credit report. Using your report, you should be able to list all of your old debt. List these debts in order from smallest to largest.

Next, set aside money in your budget to pay off bad debt. As you reach an amount that's close to the total of your lowest debt, call the creditor or collection agency to negotiate. Be aware going into the phone call that collectors are often willing to negotiate on the balance due, and may be willing to take partial payments or settle on a lower total amount.

Once you've reached an agreement, ask the creditor to send you a copy in writing. Don't make a payment over the phone - this gives you no record of the actual agreement you've reached. Instead, wait to receive proper documentation. Once you receive it, send a money order or cashier's check to cover the debt. Don't send a personal check, as this may give the collectors access to your banking information.

Once you've paid off one debt, move on to the next largest debt on your list. Work through the list one at a time until you've paid off all the debts you owe.

Free at Last

Once you've paid off your current credit card debt and all your old, bad debt, you can begin to relax and enjoy yourself. Re-work your budget to include savings for items like future cars, a house payment, etc. Develop smaller funds to handle irregular expenses like car repairs, larger purchases, holiday gifts, etc.

Make a resolution to avoid debt at all costs in the future. You've lived through this mess once - you never want to go back. Stick to your budget, live within your means, and enjoy your new found freedom - you've earned it!