

Debt

Simply put, debt is money that you owe and are expected to pay back.

The most important thing to remember before creating a debt payoff plan: organize your debt by interest rate; highest to lowest. Do not worry about the balance. You want to focus on what is costing you the most. This is why we focus on INTEREST RATE when it comes to debt.

CREDIT LINES Credit Cards, Equity Lines of Credit

Debt	Interest Rate	Balance	Min Payment
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$

TOTAL

\$

\$

LOANS Education, Home, Auto, Personal

Debt	Interest Rate	Balance
	%	\$
	%	\$
	%	\$
	%	\$
	%	\$
	%	\$
	%	\$

TOTAL

\$

Worksheet A : Step 6!

This number will VARY each month.
 Keep a close eye on your debts.

You already paid the monthly payment. Nothing from this area goes to Worksheet A.

It is important to understand your debt so you can organize how to pay it off correctly.

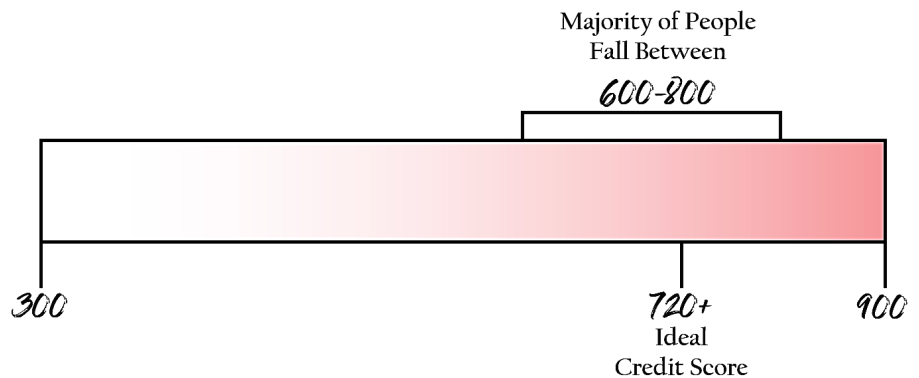
NO EXTRA PAYMENTS should be made until you know what your surplus will be.

Reminder

Credit Score

Credit Scoring can seem difficult to understand. The more you monitor your activity, the more sense it will make for you. We recommend using one of the free credit score websites, such as CreditKarma to monitor your score on a monthly basis.

Your score:



Tips

PAYMENT HISTORY Making payments on time is one of the key factors of your credit score. The more payments over 7 years you make the better. The later you are on payments also will subtract additional points as well. Example: if you are 30 days late vs 60 days late. The 60 days late will subtract off more points than the 30 days later payment.

CREDIT UTILIZATION Ideally you want your utilization to be under 30%. If your total credit lines equal to \$50,000, you want to be less than \$15,000 of credit usage. This is just a rule of thumb. Preferably, we want to be paying off our credit cards each month if possible.

DEROGATORY MARKS Derogatory marks are good to avoid because they can stay on your report for 7-10 years. These are accounts that go into debt collections. One way to avoid this happening if you are having a hard time paying your bills, is call the debtor and ask about a payment plan. Many companies, especially medical bills, will allow this without any interest as long as you pay on time.

CREDIT AGE Lenders typically like to see that you have experience using credit responsibly. The longer your average account age the better. This is why closing accounts doesn't help your score. Closing and opening accounts will bring your average down and hurt your credit score.

TOTAL NUMBER OF ACCOUNTS Lenders typically like to see that you've used a variety of accounts responsibly. They like to see different types of accounts (like loans and credit cards) but also the sheer number of accounts. In this case, they even look at closed accounts in the last few years. 10+ accounts is the number to shoot for here.

HARD INQUIRIES Hard inquiries from things like credit applications, can stay on your report for up to 2 years, but their effects tend to fade over time. They are temporary, but you do not want too many at once. You are allowed 2 per every 2 years without getting dinged on your score.