

## Debt Busters Plan

### RULES

#### #1 DO NOT Get into any further debt

#### #2 Make the minimum payment every month or more

Loans	balance	rate	Min Payment	# of payments to payoff	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Next year Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20
Dept #1	\$80		\$35	3	\$35	\$35	\$12																	
Personal	\$900		\$108	9	\$108	\$108	\$131	\$143	\$143	\$143	\$140													
Student	\$1740		\$134	14	\$134	\$134	\$134	\$134	\$134	\$134	\$137	\$277	\$277	\$250										
Visa #1	\$3500		\$112	35	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$139	\$389	\$389	\$389	\$389	\$389	\$389	\$389	\$350		
Doctor	\$9200		\$230	46	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$230	\$269	\$619	\$619
			\$619		\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619	\$619

#### Steps:

- Repent (repenting is not only asking God to forgive you of your sin, but you must turn from it and commit to not going into debt anymore)
- Commit to Getting Out of Debt
- Then you must determine exactly how much you owe and the exact nature of your debts.
  - We are talking about unsecured debt—anything that you owe but that would not be subject to repossession if you stopped paying—such as credit card balances, personal loans, payments you are making to the dentist or doctor.
- Make a list of all the unsecured debts, outlining the current balance, minimum payment, interest rate, and number of payments required to pay the amount in full.
- Next, arrange these debts in order of the number of months required to pay in full, with the shortest payoff first on the list.
- ignore declining minimum monthly payments and make the same total payment every month until you are 100% out of debt.

#### See Chart Above:

- The debt placed first on the list has a balance of \$80. With a minimum payment of \$35, it will take just a bit longer than two months to pay it off, which is less than any of other debts.
- Next, add up the total of the current minimum monthly payments. This is an important number, so write it down, embed it in your brain, tattoo it on your forehead, paint it on your walls, teach it to your children!
  - This number for the Examples is \$619 each month.
  - And now...it's commitment time. The total of your minimum monthly payments—is the amount of money you must commit to pay toward your Debt Busters Plan until all of your debts are paid.
  - This is not at all out of line, and I don't think that you will find it at all out of line, because it is the amount you have to pay every month anyway (assuming you don't skip payments).
  - *At this time I am not asking you to pay any more than you are required to pay. This is the minimum amount you must devote to your Debt Busters Plan regardless if this is the minimum amount according to the creditors or not. (Remember, they want you to pay less every month so you can keep paying forever.)*
- This is what happens: You continue to pay the same amount each month, even as your debts go down.
- When you pay off one debt, you don't reduce the amount you're paying toward debt busters—you apply what you were paying on the first debt to the next debt and so on until all debts are paid off.

#### This is how it works:

The total of minimum monthly payments in the first month is \$619. This is the amount committed to pay every month until debt-free, regardless of anything creditors may say about lower payments.

In Month 1, make all of the minimum monthly payments for a total of \$619.

In Month 2, do the same thing.

In Month 3, make committed payments just as did in the past two months—except now the payment to Department Store #1 is only \$12 because that is the total outstanding balance.

**Wow!** The first zero balance. So what happens to the \$23 they didn't have to send to Department Store #1 because of the zero balance?

That \$23 is included with the regular payment to Personal Loan (the next debt in line), increasing its payment from \$108 to \$131.

In Month 4, the \$35 payment that used to go to Department Store #1 is now added to Personal Loan's payment so it becomes \$143.

The total amount paid in Month 4 is still \$619 even though the number of debts has been reduced.

This additional payment (technically prepayment of the principal) is what will get that Personal Loan paid in just seven months, including interest.

The total amount paid in Months 5-7 is still \$619.

Now add the Personal Loan of \$143 to the student loan in month 8, to reach a zero balance by Month 10, so now we have three debts completely paid off.

And on it goes. Always pay the minimum (or more) of \$619 every month, always taking the old payments and adding them to the payment of the next debt until they are 100 percent debt-free.

This is just a simple debt busters plan, but without it, it could be another 3-4 more years to pay off the debts, provided that a payment was never missed and no new debt was acquired.

## Debt Busters Plan

**Step 1: You Must Repent!** Repent simply means to turn around, to go in a different direction. You must repent from acquiring debt, and commit to not incurring new debts. IF you don't complete this first step, the plan will not work.

**Step 2: You must pay the same amount every month until all of your unsecured debts are paid in full.** From this moment on, you must adopt the total of your current minimum monthly payments as your regular monthly obligation, like your house or car payment. It will not change from month to month. It's big, it's ugly, and it's not going to disappear. Just Accept it!

**Step 3: List your debts in order according to the number of months left.** For example, a debt to a department store of \$80 total with a minimum monthly payment of \$40 has about two months left (the total paid will be slightly higher than the \$80 because of the interest).

That one goes at the top of your list. Then if the next debt will take nine months to pay off, that's listed next; then the fourteenth month debt and so on.

**Step 4: From here on out, ignore declining minimum monthly payments.** The minimum payment in the first month of your plan is the amount you will pay until your total debt is wiped out, regardless of whether the creditor shows a lower amount due on your statement.

Don't succumb to the temptation to reduce your payments as your debts are reduced.

**Step 5: As one debt is paid off, apply its monthly payment to the next debt.** No matter how many debts you have paid off, you must commit to pay the same total amount every month until every debt is paid off.