

Financial Thoughts

Small Steps You Can Take to Get Out of Debt

Your answer to peace in your finances is in declaring a war on the debt you've accumulated. Being in debt might feel like slavery, but you can be **FREE**. It takes a strategy; a plan. You can start accumulating and building instead. I'll show you how to do it, and I can also lead you step by step and develop a plan for you to do this. Be encouraged! You CAN do it!

KNOW the total amount of debt you have now. This may be the most important step in getting out of debt and financially free! Go to the stack, the pile, or the drawer where you keep the papers and total it all up. Don't just add all the numbers up, but write down who you owe, how much, the interest rate, how much you pay, and when.

TAXES. It's a challenging subject. No one wants to pay more taxes than they need to. Do you get a tax refund yearly? Is it, say, more than \$1,200? If so, that could be at least \$100 a month more in your own bank account to put toward getting free. If you are a W2 wage earner, consider modifying your W4 to get more of your money back in your account throughout the year to help pay down or pay off debt.

401K/403B. Your yet-untaxed retirement "nest egg" might be accumulating monthly. Is it? Review the statements for this last year to see how much you have gained. If your retirement is allocated to mutual funds, the gains may not be as much as you think. Have you ever taken a loss on these funds? If the interest you are paying on your debt is higher than what you are making on your retirement account (even with employer-matched funds), consider stopping retirement account payments for a time to focus on paying down the higher interest debts.

Insurance. Take a look at what you pay in casualty insurance (car, house, renters). What is your deductible? If it is low, consider changing to a higher deductible and saving more each month in premiums. Do you have a "whole life" (cash value) insurance policy? Consider replacing it with a lower-cost term plan that fits your needs. Life insurance is designed primarily to replace the income of a wage-earner if they die unexpectedly. In many states, you can also tap life insurance to pay medical and other bills in certain situations. I can give you cost estimates on term insurance for your specific situation.



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Stack the debt payments. Once you know your full debt details and which are the higher amounts and higher interest rates, plan to tackle the highest-rate debt first. Don't pay any extra on lower rate debt until you have the higher rates paid off. Stack the debt payments. That means once you have one debt paid off, use the same amount of money you were paying and "stack" it onto the other debt payments so they get paid off sooner. I have a way to do this for you in a comprehensive plan.

SELL things. What do you have that can be replaced in the future when you are free of debt? Do you have something of value you can sell (e.g., RV, boat, motorcycle)? Or something else of value that can be used to gather more debt-payoff power? I suggest having a garage or yard sale and sell as much as possible and use the cash to work your plan.

DROP accounts, services, and expenditures that ding you monthly for small (or large) amounts. Even seemingly small amounts can add up! Consider dropping streaming services, expensive mobile phone plans (I have some options here), even gym plans if necessary to pay off debt and work the plan. You can turn them back on when you are ready. This may be an inconvenience for a time, but look at the bigger picture of debt freedom!

Emergency Account. Once you have evaluated the above tactics and perhaps have started implementing a few of them, make sure you prioritize your own "Emergency Account" first before paying extra on debts. The Emergency Account will provide a way to handle lump sum needs when they arise (medical or dental bills, car breakdown, deductibles, etc.), instead of defaulting to high-interest credit. Depending on your specific needs (family size, income, other factors) this amount will vary. I estimate these amounts in the plans I put together for people. It is very helpful to have a third-party recommendation based on your specific needs.

Be encouraged! If you are reading these tactics and really want to be out of debt and living free, you can do it! All you need is a plan that incorporates the above items and is tailored for you.

The **good news** is, I will prepare a personalized financial plan for you at no cost! You can schedule an initial call with me here:

<https://scheduler.zoom.us/michael-chenevey/moneycoach-mikechenevey>

