

The 35 Most Useful Tips to Becoming Debt-Free

1. **Make an inventory of all your debts.** Grab a notepad and all your bills, and write down all balances, monthly payments, interest rate, and a running total of all your balances. You need to know exactly how much you owe. While you are writing all this down, also write down the phone numbers of all institutions. Update it monthly as you pay off debt, and watch the overall amount go down slowly. It's very motivational.
2. **Cut up your credit cards, and keep only one in case of an emergency.** Hide this credit card so you don't get tempted to use it.
3. **Build up an emergency fund first.** Challenge yourself to save, say, \$500. This will be your emergency fund. Once you have saved \$500, make it a goal to have \$1000 saved. AND DO NOT touch it unless it's an emergency. It will give you great peace of mind to know that you have some money saved.
4. **Call all banks/credit card companies, and ask them to lower your interest rate.** If you ask nicely, they will work with you. Tell them your situation (lost job, unexpected expenses, etc) and that you want to pay them back but you need some help. You can literally save thousands of dollars with a 10 minute phone call. Depending on your situation and the type of loan you have, you may also ask if they would accept a revised monthly payment. Do it, you'll be amazed at what you can get if you ask nicely.
5. **If your credit card payments are still too high for you right now, you may want to consider using a credit counselor.** WARNING: Many times, all a credit counselor will do will be to consolidate all your credit cards into one monthly payment which will be lower than your regular payments combined. Many won't have your best interest in mind. I know because I went to work for one believing I would be helping people left and right, but that was not what the owner of the company had in mind. I resigned on my first day! Choose a reputable company, and make sure there are no upfront fees (unless it's very reasonable, like \$50-\$100 max) and the monthly charge does not exceed \$75. If you are concerned about your FICO score, this may not be a good option since it will show negatively on your credit report, although it wouldn't be as bad as a bankruptcy. Only exercise this option if you're really in dire straits.
6. **This may sound obvious, but STOP using your credit cards!** If you want to get out of a hole, you need to stop digging.
7. **Avoid eating out.** Eat more at home. You can eat healthier and save a LOT of money.
8. **Make sure you DO NOT touch the emergency fund for any reason. And don't you EVER make a credit card payment with this money.** Pretend it doesn't exist.
9. **Plan ahead for future expenses so they don't catch you off-guard.** Be prepared whenever possible.

The 35 Most Useful Tips to Becoming Debt-Free

10. **You may not like this, but you do need to make a budget** – Write down all your expenses, like all your house bills, credit card bills, childcare, school, gas, phone bills, etc. You need to know where your money is going.
11. **Once you know where your money is going, look for money that can be saved.** Do you really need that satellite radio subscription? How about cancelling some channels from your cable TV? Do you ever go to the gym? Cancel all unnecessary expenses.
12. **Read financial books and magazines.** The public library is full of great resources, and best of all, they are free.
13. **Persist, Persist, Persist – Don't give up.** Getting out of debt is not easy, but always keep your mind on your goal: to become debt-free. You CAN and WILL get out of debt – if you are committed. **Commit yourself to become debt-free, no matter what.**
14. **Seriously, once again: stop spending!** You will need to make many sacrifices and learn to live without the latest gadgets for however long it takes. But it will pay off big time. Nothing compares to the feeling of freedom you experience when you send the last payment on your last credit card.
15. **Be patient.** Debt reduction is a long, slow process. Depending on the method you use, you may not see a significant progress at first, but it will happen.
16. **The puck stops here: Stop borrowing money – *no matter what!*** From now on, if you cannot pay cash, it means you cannot afford to buy it right now. No more credit cards, no more loans of any kind (including car loans). To become debt-free, stop adding to your debt. You will be glad you did once your accounts are paid off. You will look back and feel proud of yourself!
17. **Make it a habit to pay yourself 10% first.** If at the beginning you cannot afford to set aside 10% of your income, start with 5% or 3%, but start with something!. Every time you get paid, put money aside and do not touch it for any reason. This is, of course, after you have built the emergency fund we mentioned in #3 (with at least \$1000).
18. **Always, ALWAYS, focus on the end result.** Focus on your goal, not on your problems. Imagine where you will be in 5 years. Now imagine where you will be in 10 years. How do you feel as you look back to today? How does it feel to be debt-free? How is your life different, now that you are debt-free? How does it feel to have all that money saved? Breathe the way you'd be breathing when you are finally debt-free. Enjoy it for a few minutes, and repeat this exercise at least twice a day, every day. DO THIS, it is incredibly powerful. It can change your life.

The 35 Most Useful Tips to Becoming Debt-Free

19. **Take another hard look your expenses** and eliminate the unnecessary. Especially, subscriptions you can live without. Remember, this is a temporary sacrifice so you can enjoy a debt-free life!
20. **Avoid high interest at all cost.** Did you call the bank and asked for a lower interest? Can you move the balance to another credit card with a lower interest? High interest will hurt you more than you realize, so get rid of your high-interest debts first.
21. **Think about wealth rather than debt.** If you think “I’m going to get out of debt” you will keep thinking about debt. But when you think “My financial situation is improving every month,” you are in the right mindset.
22. **Extra cash.** ANY cash you get your hands on (bonuses, raise, tax return, etc) use it to pay down your debts. Remember, focus on being debt-free and how it will feel like.
23. **Repeat this several times a day: Being in debt is being in financial slavery.** Do you want to be a slave to banks for the rest of your life? Or are you willing to make the sacrifices needed in order to enjoy a debt-free life?
24. **Educate yourself:** talk to people who got out of debt, and ask for advice. What did they do that you can also do to get out of debt faster?
25. **One good option: Pay off your smallest debt first** to get the momentum going. Some people go by the rule to pay the highest interest ones off first, but others like the rush from paying a card off completely and closing it. It’s a great motivation to continue.
26. **Be willing to make sacrifices.** Did you pay off your car? Resist the temptation to buy another one. Since you don’t have that car payment anymore, use that money to pay down your debt even faster. Remember, avoid assuming new loans as much as possible!
27. **Cut out the card at the end of this report, and put it in your wallet.** The card reads: Do I REALLY need this? Read it every time you are about to make a purchase.
28. **See yourself as completely debt free.** FREEDOM! What is that going to feel like. Imagine it vividly so you have something to look forward to.
29. **Make more money.** Look for ways to make money on the side. Can you do computer work for others? Maybe deliver pizza at night? A part time job? Any extra money you can make will make a HUGE difference in your financial life. Even if you do it for a few months.
30. **Watch this!** If you haven’t already, watch the PBS documentary about credit card companies (The Secret History of the Credit Cards, at <http://www.pbs.org/wgbh/pages/frontline/shows/credit/>) In fact, watch it with your

The 35 Most Useful Tips to Becoming Debt-Free

spouse or your friends. It will change the way you feel about credit cards forever.

31. **Always pay your bills immediately:** As soon as you receive your bills, pay them. Even better, sign up for automatic payment to avoid unnecessary late fees and interest rate hikes!
32. **Look around your house:** What can you sell that you no longer need? Exercise equipment, TV set, etc. Remember, any extra money you can make will make a HUGE difference in your finances if you use it to pay down your debts.
33. **As you pay off your credit cards, always close your newest accounts first and leave open the older ones.** One of the components of FICO score calculations is the length of your credit history, which is negatively affected each time you open a new account. **By closing these newer cards you are effectively making the average age of your credit history older.**
34. **Get mad, REALLY mad about debt** (in a good sense). Make it a PRIORITY to become debt-free. You deserve it. You can do it.
35. **Study all these tips. Read books on becoming debt free, like “Get Out Of Debt 101” (available at www.getoutofdebt101.com), and study them and put them into practice.** Focus on the positive, not on the negative. Focus on the end result (becoming debt-free), not on your particular situation (no money, lots of bills, etc). You can, and WILL, get out of debt if you practice all these tips. Good luck!

Cut out this picture and carry it in your wallet. Every time you are going to buy something, read it first!



Remember, you CAN and WILL get out of debt if you are persistent and don't give up. Focus on what you do want, NOT on what you do not want. Always! Let me repeat it: Focus on what you do want, NOT on what you do not want