

# How To Get Out Of Debt In 3 – 7 Years

## Including Your Car And Home Loan



... with  
just a  
little bit  
of magic!



An [InvestmentSuccessNow.com](http://InvestmentSuccessNow.com) special report:

# **How To Get Out Of Debt In 3 – 7 Years**

## **Including Your Car And Home Loan**

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# How To Get Out Of Debt In 3 – 7 Years

## DEBT

Debt is a real problem for many people. They can't seem to get ahead because most, if not all, of the money they earn is spent paying off debt. There is no mistake in the term **"drowning in debt"** as very often that is how a person feels when every month they are struggling to make ends meet and some months even falling short. It is a feeling of drowning.

*"I finally know what distinguishes man from other beasts: financial worries" – Jules Renard*

In recent years, when credit was "easily" available, new products came on the market sold as the answer to people's debt problems. People bought into the concept of **consolidating their loans** into one bigger loan, which would offer them a lower interest rate than the loans they were currently paying and thus saving them money every month.

This, by the way, makes great financial sense and can result in paying off debt even faster. **But** (and you would know there was a "but" coming) many people who go down the path of consolidating their debts into one big debt very quickly find themselves **in even more debt!** Why? Well, they haven't **"cured"** the habit of spending more than they earn.

So people get **despondent** and **frustrated** which very often results in them continuing in the cycle of building up more debt. Meanwhile they engage very often in the wishful thinking that "winning the Lottery" is their only path to the "rich" life they so desire.

It is an unfortunate fact that even when people strike it lucky in the lottery and win millions, in less than 5 years, nearly everyone is **back to square one** ... having spent all the winnings and being back in debt again!

Don't get me wrong, there is some debt that can be regarded as **"essential"** for your success. Going into debt may be a financially sound decision in order to build up assets that can build your

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wealth. This type of debt can be classified as **“good debt”** and the best way to explain it would be as debt that ends up **putting money into your pocket every month**.

The debt we are working on eliminating in 3 to 7 years is the **“bad debt”**; that drains your bank account every month and takes money out of your pocket. This may be debt that has been incurred to pay for clothes, a holiday and even your car and your home.

So, if you have found yourself in the position of having a lot of debt that is bogging you down and you feel that you never seem to be getting ahead ... the good news is that **you can!**

So, let's get into it ...

*“Some people see the future as something that will eventually roll along to them, just like a train pulling into a station. They wait hopefully for this train to bring them what they wish for ... But the future is not like this. Just as our present is the result of our past, so our future will be the result of our present. Every minute of every day we are weaving threads that will make the cloth of our future” – Anne Spencer Parry & Marjorie Pizer*

## THE 10% RULE

There is a little bit of magic needed to get started ...

That little piece of magic is called **“commitment”**.

The starting point is your commitment to eliminate your debt by adding extra income to your minimum monthly payments.

So, sincerely and steadfastly bind yourself to a financial obligation of ... adding extra income to your payments.

Ideally, you should add **10% of your gross income** to eliminate your debt. However, if you are not currently able to add that much, then aim to add at least 10% of the total of the minimum monthly payments. And, if that is currently difficult too, then at least add something now and COMMIT to increase it.

**REMEMBER:** The most important point is to **start**. You can always increase the amount in the future.

Hang on a minute! I hear the screams already! **“But I don’t have any extra money.”**  
Well, if that’s the case, I’ll make one suggestion to you ... and one only ...

## FIND IT!

If you can't, then **quit dreaming and hoping that your life is going to be any different** tomorrow or the month after or the year after or ever!

### **commitment**

*noun*

1. the trait of sincere and steadfast fixity of purpose; "a man of energy and commitment" [syn: committedness]
2. the act of binding yourself (intellectually or emotionally) to a course of action; "his long commitment to public service"; "they felt no loyalty to a losing team"
3. an engagement by contract involving financial obligation; "his business commitments took him to London"
4. a message that makes a pledge
5. the official act of consigning a person to confinement (as in a prison or mental hospital)

***“If money be not thy servant, it will be thy master” – English Proverb***

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Sorry to be frank with you and it's not meant to be hurtful. It's just the way it is.

Now, having cleared the decks, and if you still want to get out of debt in 3 – 7 years, and start to get ahead, then read on ...

So, let's go through **an example**:

If your (gross) monthly income is \$3,000 and your minimum monthly debt payments total \$1,200, you would now pay \$1,500 towards your repayments. That's the \$1,200 you were paying plus an extra \$300, which is 10% of your (gross) income.

Now comes a little bit more **magic** ... !

So that we can get the feeling of **"getting ahead"** and getting rid of debt as quickly as possible we are going to **strategically allocate** the whole of the extra 10% onto the debt we can eliminate the fastest. We'll show you how in a moment.

There is nothing like seeing quick results to encourage us to keep going!

So, let's go through this! There are **3 simple steps** to have you debt-free in 3 – 7 years.

*"Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery" – Charles Dickens (David Copperfield)*

## STEP 1 - ORGANISE YOUR DEBTS

Pull together **all your debts** into one pile. This will include all your credit and charge cards, car loans, personal loans, mortgages etc.

*“Don’t let life discourage you; everyone who got where he is had to begin where he was” – Richard L. Evans*

Make sure you have **everything**. This is not the time to ignore the small loan from your parents. You need to do this for ALL of your debt. Denial can be tempting (as it is a short-term pain easer) but it is a long-term pain creator. So, be complete here or you will be wasting your time.

In order to help you to go through this process we have included a **form** that you can use to collect all the information you need and to work out the order in which to strategically pay off your debts – it’s at the end of this report.

So, fill in the first three columns of the form:

- **Debt Name** – the company/person that you owe the money to
- **Balance** – the current amount that you owe
- **Monthly payment** - the current minimum monthly payment for that debt

### The Plan in Action:

The best way to show you how the plan works is to introduce you to our sample couple: Tom and Carol. This is their situation: They are both 45 years old, married with 2 children. They make a good living but they are deeply in debt and are struggling to get by every month. They have no idea how they will ever be able to get ahead financially and achieve their long-term goals of being able to pay for their children’s education and fund their own retirement.

They have no emergency reserves to redirect towards paying off their debt and no savings. The drain of their debt repayments has meant that they have little or no money left for savings,

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investment, or paying off their debt. Very often they get by day-by-day on credit adding to the debt that they already have.

Their situation is so bleak that many financial advisers would recommend **bankruptcy** as their best solution.

So let's take a look at their situation and work out the plan with Tom and Carol.

Step 1. Organise Your Debts:

Tom and Carol have pulled together all their debt details into one place and are ready to enter the details into the Form.

They have a home loan of \$100,000, two car loans of \$17,000 and \$9,000, Visa of \$6,000, MasterCard of \$4,500, Myer \$1,500 and a Personal Loan of \$8,000.

So they now complete the first three columns of the form with the relevant details including the minimum monthly payment for each debt.

<b>Debt Name</b>	<b>Balance</b>	<b>Monthly Payment</b>	<b>Pay-off Ratio</b>	<b>Pay-off Priority</b>
Home loan	\$100,000	\$1,000		
Car loan 1	\$17,000	\$600		
Car loan 2	\$9,000	\$350		
Visa	\$6,000	\$300		
Master Card	\$4,500	\$250		
Myer	\$1,500	\$100		
Personal Loan	\$8,000	\$300		
<b>Total</b>	\$146,000	\$2,900/month		

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As we can see they have a total debt balance of \$146,000 and must find a minimum of \$2,900 every month to cover their debt repayments.

Good! Now let's move on to step 2 ...

*“If we are to achieve a victorious standard of living today we must look for the opportunity in every difficulty instead of being paralysed at the thought of the difficulty in every opportunity” – Walter E. Cole*

## STEP 2 – STRATEGICALLY ALLOCATE YOUR MONEY

Having filled in the first 3 columns of the form, now calculate the **pay-off ratio**.

Simply take the **current balance** and **divide it by the minimum monthly payment** to give the **pay-off ratio**.

*“Let no feeling of discouragement prey upon you, and in the end you are sure to succeed” – Abraham Lincoln*

So, a balance of \$17,000 and a minimum monthly payment of \$600 would give a pay-off ratio of:

$$\text{\$17,000} \div \text{\$600} = 28.3$$

Do this for each of your debts and put the pay-off ratio into column 4.

Then, work out the **pay-off priority**. This is the order that you will clear each debt.

Find the **lowest pay-off ratio in column 4**, and this **becomes pay-off priority 1**. The **next lowest pay-off ratio becomes pay-off priority 2**. etc.

Let's return to Tom and Carol ...

Tom and Carol calculate the Pay-off Ratio for each debt by dividing the balance for each debt by the minimum monthly payment required for it.

Now Tom and Carol need to work out the Pay-off Priority starting with the debt with the lowest Pay-off Ratio:

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<b>Debt Name</b>	<b>Balance</b>	<b>Monthly Payment</b>	<b>Pay-off Ratio</b>	<b>Pay-off Priority</b>
Home loan	\$100,000	\$1,000	100	7
Car loan 1	\$17,000	\$600	28.3	6
Car loan 2	\$9,000	\$350	25.7	4
Visa	\$6,000	\$300	20	3
Master Card	\$4,500	\$250	18	2
Myer	\$1,500	\$100	15	1
Personal Loan	\$8,000	\$300	26.7	5
<b>Total</b>	\$146,000	\$2,900/month		

Tom and Carol have now determined the sequence that they will pay off their debts based on the Pay-off Priority which, in their case, is the Myer debt, followed by the MasterCard, followed by the Visa etc.

*“Formal education will make you a living; self-education will make you a fortune” – Jim Rohn*

## STEP 3 – PAY OFF YOUR DEBTS

Start with the debt that was given the number 1 pay-off priority. **For that debt**, pay your current minimum monthly payment **plus** the additional 10% of your (gross) monthly income.

*“Be like a postage stamp –  
Stick to one thing until you  
get there” – Josh Billings*

For **ALL other debts**, make the minimum monthly payments only. And it goes without saying, (doesn't it?) **don't incur any new “bad” debts** in the interim.

Then, once the first debt is paid off, use the **FULL amount** that you were paying towards the first debt and **add it to the minimum payment on the second debt** until that is paid off.

Continue this until all the debts are paid off.

So, back to Tom and Carol ...

For the time being Tom and Carol are not able to apply 10% of their (gross) income to the Plan. Instead, they start by adding 10% of the minimum monthly payments, which is \$290 a month.

Following the Pay-Off Priority, Tom and Carol will start with paying off the Myer card. So, they will make monthly payments of \$390 (\$100 minimum payment plus the extra \$290) every month until the Myer card is fully paid off.

They continue to make the minimum payments on all the other debts and do not incur any more debt.

Now Tom and Carol are in a position to work out **how long it is going to take for them to be debt-free**.

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Starting with their Myer debt, when they divide the balance of the Myer card by their new monthly payment, they see that it will only take about 4 more payments to pay off the debt completely.

Once the Myer debt is completely paid off, Tom and Carol will use the \$390 to add to the MasterCard payment. So they will be paying a total of  $\$250 + \$390 = \$640$  per month off the \$4,500 total balance. **So in only 7 months, this debt will be paid off.**

In only 11 months, Tom and Carol will have eliminated 2 of their debts and can start to see real progress towards getting rid of their debts and moving towards achieving their financial goals.

Next will be the Visa debt at \$6,000 at \$300 per month. They repeat the process adding the \$640 to the \$300 making a monthly repayment of \$940. This will take approximately 6 months to pay off. **So in just  $11 + 6 = 17$  months they have cleared 3 debts.**

The next debt to be hit is the Car loan 2 with a balance of \$9,000. At \$350 plus an extra \$940 per month (= \$1,290), this loan will be fully repaid in about 7 more months. 7 months plus 17 months is 24 months or 2 years to clear the first 4 debts. (Actually it will be sooner as the \$9,000 will have been reduced due to repayments that have been made over this period, so the plan is conservative.)

The next debt is the Personal Loan at \$8,000. Again, this is cleared quickly – in only about 5 months by making repayments of  $\$300 + \$1,290 = \$1,590$ . **5 months + 24 months = 29 months and 5 loans so far.**

*“Nothing in the world can take the place of Persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan ‘Press On’ has solved and always will solve the problems of the human race.” – Calvin Coolidge*

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The next debt is Car loan 1 with a balance of \$17,000.  $\$600 + \$1,590$  is \$2,190 per month total into  $\$17,000 = 8$  months approximately.  $8 \text{ months} + 29 \text{ months} = 37$  months so far.

The last debt is the Home loan of \$100,000. \$1,000 per month + \$2,190 gives a total of \$3,190 into \$100,000 which is about 31 months.  $31 \text{ months} + 37 \text{ months} = 68$  months or 5 years and 8 months.

In doing all these sums we know that we have ignored **interest charges** and we have also ignored the minimum payments being made while paying off higher priority debts. These will (to some extent) cancel each other out. It is much more important to **focus on clearing the debt** than to focus on calculating to the last decimal place, when exactly the debt will have been cleared.

So, in about 5 or 6 years, Tom and Carol are **totally debt free**. They went from a potential bankruptcy to eliminating their “bad” debt and now have **\$3,190 per month to put towards their investment plan**.

Please note:

This method focuses on clearing debt as fast as possible. You could calculate a different pay-off priority that used the interest rate on each loan to put them into an order of paying off the most expensive loan first. However, you will be much more likely to remain committed to the plan when you see your debts being regularly cleared to zero every few months. So, for that reason, ignore the interest rate and focus on clearing debts quickly!

*“O money, money, money, I'm not necessarily one of those who think thee holy, but I often stop to wonder how thou canst go out so fast when thou comest in so slowly. – Ogden Nash*

# How To Get Out Of Debt In 3 – 7 Years

If, like Tom and Carol, you have been struggling to get ahead, due to the burden of debt, and see little or no hope in achieving your goals, then we hope that we have shown you a way that is easy to understand, simple to implement and very effective to eliminate your debt in 3 – 7 years so that you can set yourself free and take you towards living the life you so richly deserve.

For more information or to contact us about learning to invest and make money, please visit us at [www.InvestmentSuccessNow.com](http://www.InvestmentSuccessNow.com).

All the very best!

Liz Pugh  
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*“If a man empties his purse into his head, no one can take it away from him. An investment in knowledge always pays the best dividend” – Benjamin Franklin*

