

Step by Step Debt Elimination Program

What you will learn in this eCourse

1. Why personal "Consumer" debt is against the will of God and so destructive
2. Lack of prosperity pulls you away from God
3. How to create a Margin to start a Debt-Reduction Avalanche
4. "Step by Step Debt Elimination Plan of Action"

What could you accomplish for God, your family and friends being 100% debt free?
How would you glorify God with NO limits or constraints on your life?
What would it feel like to be completely debt free including your mortgage?

Poor "personal" financial management or lack of prosperity makes it extremely difficult to succeed in life or to carry out Gods will for our lives. Poor money management puts extreme stress on us, our family and friends. Ultimately it can drive you away from God. **Lamentations 3:17-18** says *"You have moved my soul far from peace; I have forgotten prosperity And I said My strength and my hope Have perished from the Lord."* As the scripture tells us, the lack of prosperity will drive us away from God, and our hope will then perish as we turn our back on God. This is solid proof that God's desire is for us to prosper and remain strong in His presence and hope.

It is very important that we take the responsibility to manage our finances no matter how much we have or do not have. It is not the amount that matters! It is the responsibility we have to God to be good stewards over the money that God puts into our hands. **Matthew 25:14-19** Jesus is telling us; *"that the kingdom of heaven is like...."* Jesus proceeds to tell the story of the three men which had received talents (money) from their master. The first man received five talents, the second man received two talents and the third man received just one talent each according to their own ability. Once the master returned he asked the three men to account for their management of the money which he had given them control over. **Matthew 25:20-22-** *"So he who had received the five talents came and brought five other talents....I have gained five more talents besides them."* His lord said to him *"Well done good and faithful servant..."* The example is repeated with the man who had received two talents as he gained two others besides the original two. The Lord told him *"...well done good and faithful servant."* Then when it came to the man that had received the one talent in **Matthew 25:24 -** *"Then he who had received the one talent came and said.... Verses 25-26- "And I was afraid and went and hid your talent in the ground. Look there you have what is yours. But the Lord answered and said to him, "You wicked and lazy servant... Jesus then goes on to say in verse 27- "So you ought to have deposited my money with the bankers and at my coming I would have received back my own with interest."*

This is a strong indication that God has put the responsibility on us to demonstrate sound financial stewardship and to gain increase in our finances for the kingdom of God. It is just as important to show us that it is not the amount that matters, it is the stewardship or management of what you have today, that matters. Proper management over \$1 is just as important as management over \$1 million.

This eCourse is devoted to helping you get out of debt far quicker than normal and to teach sound financial stewardship. The result will be that when we are asked to account for our management of our finances, we will here God say **“well done good and faithful servant.”**

It is without doubt God’s will for you is to prosper and live a debt free life. If you have not done so please go back and read the **“FREE Report-Declaring War on Debt”** before continuing with this program.

CREATING A "DEBT-REDUCTION AVALANCHE"

The first lesson in proper financial management is understanding the power of compounding interest that either works for you, or against you, when you are in debt.

Rule of 72:

The Rule of 72 provides a basic understanding of compounding interest and also teaches a very powerful lesson. If you will take 72 divided by the interest rate, it will tell you how long it takes a balance to double. Example: You invest \$5,000 at 12%. 72 divided by 12 = 6. That means that the \$5,000 investment will grow and double within 6 years. You invested \$5,000 at 12% in 2003 and in 2009 it will have grown to \$10,000.

Likewise, the compounding interest rates of **18%, 20%, & 22%** (which are charged on most credit cards) will grow so fast that you will never pay them off by sending the minimum payments each month.

You have to neutralize the power of compounding interest that works against you when you are in debt.

The following examples show the astronomical damage that high interest debt can do to your financial health.

1. A credit card balance of just **\$1,000** can cost you over **\$300,000**.
2. If you keep a credit card balance, just one **\$50** night out for a movie and a dinner can cost you over **\$15,000**.
3. A credit card balance of **\$10,000** at **21%** interest with a monthly payment of **\$175** would take you **30 years** to pay off. Yet, if you only increased your payment by **\$24** to **\$199** each month, it would only take **10 years** to pay it off. **The additional \$24 eliminated 20 years of payments.**

Think about an avalanche. An avalanche always begins with the smallest piece of falling debris. Yet that small piece of debris starts something that will begin to grow and gain momentum that will become very destructive to the things in its path.

This is exactly what a debt-reduction avalanche will do. Starting with only the smallest extra payment each month called “**Margin**”, you will begin to grow and gain momentum. One by one you will begin to destroy the debt in your path until you are **DEBT FREE!**

You may be saying to your self “I can not even pay the minimum payments how can I find extra money”? **You can!** Continue reading through this report as I will address this shortly.

Let’s look at this example!

Creditor	Balance	Interest Rate	Current payment	Time in debt
Mortgage	\$119,000.00	6.38%	\$769.38	27 years
Car Loan	\$4,610.90	12.15%	\$568.31	1 year
Personal Loan	\$3,832.29	6.00%	\$296.00	1 year
Other Credit Cards (8)	\$19,061.57	various	\$683.00	8 years
TOTAL	\$146,504.76	n/a	\$2,316.69	27 years

In this example the consumer is under **serious financial stress** and does not have an extra hundred dollars to begin the debt-reduction avalanche. However, by only using a margin of **\$55** per month, here is what happens. As the chart shows, they are currently spending **\$2,316.69** to service their debt and will be in debt for **27 years**. Now by following the program and adding only **\$55**, they are now spending **\$2,371.69** and will be completely **OUT OF DEBT** in only **SIX years & EIGHT months!**

Using the system of finding “MARGIN”, and then adding it to the current payments, you will gain momentum by rolling the additional margin down to the next debt in line. Doing this each time a debt is paid off is the very key to the system. This discipline can be maximized by following a **specific payoff order**. You must identify a specific payoff order to maximize the debt reduction avalanche. We will help you identify the specific payoff order to allow you to accelerate the payoff time table. But before that you must find margin to begin with.

Consider this example

1. A couple mortgages a house that costs \$150,000 and has a 30-year mortgage at 8% interest. This results in a \$1,100 monthly principal and interest payment.
2. They also owe \$3,600 on their credit card which charges a 21% interest rate. They are paying \$72 a month and, if they don't charge any more, they will pay off the card in 10 years.
3. Furthermore they owe \$5,000 for a furniture loan. It is a 5-year loan at 13% and a \$111 monthly payment.
4. Then they also owe \$16,000 on a car. It is a 5-year loan at 9% and a \$332 monthly payment.

The following chart summarizes the above example.

	Years 1 to 5	Years 6 to 10	Years 11 to 30
Mortgage	\$1,100.00	\$1,100.00	\$1,100.00
Credit Card	\$72.00	\$72.00	PAID OFF
Furniture Loan	\$111.00	PAID OFF	PAID OFF
Car Loan	\$332.00	PAID OFF	PAID OFF
TOTAL	\$1,615.00	\$1,172.00	\$1,100.00

This person is going to be in debt for 30 years according to their current situation and spending pattern.

The chart below is an example of the **Debt-Reduction Avalanche** that was created by increasing your credit card payment by **\$263** a month. In this example the credit card is paid off in just **ONE** year instead of **TEN!**

Once the credit card is paid off, you then gain momentum by rolling the \$335 (\$72 original payment plus the increase of \$263) credit card payment down on the \$111 furniture payment.

By rolling the \$335 credit card payment and adding it to the \$111 furniture loan payment, this \$446 payment would pay off the furniture loan in just **ONE** more year instead of **FOUR**.

You continue to gain momentum by rolling the \$446 payment down and adding it to the \$332 car payment. So in year three you are making a \$778 payment on the car loan. This would pay off your car in just **ONE** more year instead of **THREE** more.

At this point the only debt you have left is your mortgage. You really gain momentum by adding the \$778 payment to the mortgage payment of \$1,100. In year four you are paying \$1,878 on the mortgage. This would pay off your mortgage in **JUST SIX** more years instead of **TWENTY SEVEN** years!

Did you understand that now instead of taking 27 years to pay off your debt, you have paid everything, including your mortgage in just over EIGHT years!

	Year 1	Year 2	Year 3	Year 4 thru 9
Mortgage	\$1100.00	\$1100.00	\$1100.00	\$1,878.00
Credit Card	\$335.00	PAID OFF	PAID OFF	PAID OFF
Furniture Loan	\$111.00	\$446.00	PAID OFF	PAID OFF
Car Loan	\$332.00	\$332.00	\$778.00	PAID OFF
TOTAL	\$1,878.00	\$1,878.00	\$1,878.00	\$1,878.00

Again, you may be saying to yourself that you do not have an extra \$263 per month to start the debt avalanche. I disagree so I will address that in just a minute.

The big question is?
How much money called “margin” can you apply towards the debt reduction avalanche or where will the margin come from to begin the debt-reduction avalanche?

"Step by Step Debt Elimination Plan of Action"

**DECLARE WAR ON DEBT
GET ORGANIZED
BE A TITHER & A SOWER
THE BUDGETING PROCESS
ESTABLISH A SPENDING LIMIT
A 2-DAY COOLING OFF LAW
MARGIN / DEBT-REDUCTION AVALANCHE PAYMENT**

For the next 12 months, if you will faithfully follow what I am about to teach, you will join the ranks of some of the rarest and most blessed people on earth.

After just 12 months you will cultivate the discipline that is needed to live a debt free life. This discipline will allow you to cut your time in debt by over Two-Thirds! Many who have had 25 to 30 years remaining in debt will be **100% DEBT FREE** in just 6 to 10 years by successfully following the program.

The "Step by Step Debt Elimination Plan of Action" consist of the following 7 essential rules. Everyone can follow these 7 essential rules. Make a firm commitment to establish this program and follow it for at least one year. This is not a complicated program. Everyone can begin, follow and complete the program. It simply requires you to be fully committed to improving your life.

This is not a pipe dream. It is very achievable by everyone and anyone that will do above average planning and then work their plan. **People do not plan to fail they just fail to plan.**

You are going to have to make some changes if you want change!

My father-in-law changed my life by making this statement to me many years ago. He said; ***"If you want to see the future and are not willing to change, then look at the past."***

Think about that. What do you want your future to be?

Do you want a future of debt and shortage or a future of prosperity and abundance? If you are not willing to make changes in your money management, your future will be exactly as your past or current situation.

I believe by faith that you are ready to lay hold of the promises of God and live a DEBT FREE life. This will bring glory to God by walking in total life prosperity in all that you do!

For the sake of simplicity, I will write as if you are married. If you are not married, simply ignore the things that obviously don't apply to you.

DECLAR WAR ON DEBT

The first thing you must do is make up your mind that you desire, I mean truly desire, to be DEBT FREE! The fact of the matter is we do exactly what we want to do. If you want to be out of debt bad enough, you will be willing to do whatever it takes to become debt free – NO EXCUSES!

Before you go any further you must read the FREE Report “Declaring War on Debt” You can download it from the web-site at www.wcocministries.org. In this report you will build yourself up and begin the personal preparation that this program requires. In this report you will see that God’s desire is for you to live a debt free life of prosperity and increase.

You are about to go to war!

Revelation 17:14 – *“These will make war with the Lamb, and the Lamb will overcome them, for He is Lord of lords and King of kings and those who are with Him are called, chosen, and faithful.”* ...those who are with the Lamb... that is you and I, will overcome as scripture declares. We will overcome! Before anyone goes into war they must properly prepare and have a game plan. The United States would never just take off and go to war without a through review of the situation and formulate a solid war plan. The planning stage is more important than the war itself, proper planning ensures victory as improper planning will bring defeat.

GET ORGANIZED

God requires planning and organization before He can get involved supernaturally. We see this in **Luke 9:10-17** where Jesus fed the five thousand with a two piece fish dinner. You know the story, right? The disciples came to Jesus saying we have over five thousand people that have not eaten and are hungry. Yet all we have are five loaves of bread and two pieces of fish.

. **Luke 9:14** – *“For there were about five thousand men. Then He said to His disciples, ‘Make them sit down in groups of fifty.’* The first thing Jesus told his disciples was to get the group organized. Listen, if your debt is larger than your paycheck. That would be equally comparable to this example, as the number of hungry people was far greater than the food they had.

Does your problem seem to be larger than your resources?

Then you must get organized and establish a plan!

Weekly Family Meetings

Every successful project must begin with proper planning. This program will have an effect on the entire family and most likely it will require everyone to make some adjustments. It is only appropriate to include them in the planning process.

Studies show that 85% of divorced couples in America claim that the root cause of the problems in their marriage came from financial stress. As a pastor, I can validate the statistics all too often. Stress is also one of the leading causes of health problems in America. This is why WCOC is dedicated to winning the war on debt!

The weekly family meeting allows everyone to sit down for about 15 minutes and discuss the key issues of their family. I strongly recommend that you make this a top priority.

1. Begin with a prayer... asking God to be a part of your discussion
2. If you have children, discuss each child and if anything significant has happened in the past week that impacted his or her life.
3. Give each other permission to openly discuss their own personal needs and concerns, **without** having to fear reprisal from their spouse.
4. Review your goals and desires and discuss the things you and your spouse are really passionate about. This will help you to find the emotional strength to endure for 12 months.
5. Discuss your personal finances. This will include every aspect of the "Step by Step Debt Elimination Plan of Action"

The first few meetings you may feel awkward. However, you will become more and more comfortable during these meetings over time and they will become highly productive. Schedule the meeting each week. Pick a day and time for your weekly family meeting just like you would with any other important event. **Don't let anything other than a crisis take its place.**

Team work is the key! **T**ogether **E**veryone **A**chieves **M**ore. There is no "I" in team. If you aren't married, I still recommend that you sit down every week and think about these same things. Instead of talking with your spouse, you'll just have to talk to yourself. Say "self" Some of the best conversations you can have are with yourself and you may find it interesting.

When you get to your personal finances, openly and honestly discuss your family finances using the information that will follow. Learn what strengths and weaknesses each of you have and how they impact your financial wellness.

We simply **CANNOT let our foolish pride** stop us from achieving such wonderful things for ourselves and our families. Pride stops many from gaining the promises of God. **Proverbs 11:2** – *"When pride comes, then comes shame; But with the humble is wisdom."* Humble yourselves before God and one another. If your spouse is better skilled than you are at something that needs to be done, put the emphasis on getting it done as effectively as possible -- not on WHO gets credit.

BE A TITHER & A SOWER

The most important rule for your family is to become tithers and sowers. The Bible tells us that by tithing we are in full covenant with God. It is the will of God that we bring our tithe unto Him. It is also important to note what the tithe is. The tithe is a tenth of all your increase which belongs to God. **Leviticus 27:32**- *"And concerning the tithe of the herd or the flocks, of whatever passes under the rod, the tenth one shall be holy to the Lord."* A tenth of your increase from whatever source is holy unto the Lord. Jesus confirms this in the New Testament in **Luke 11:42**- *"But woe to you Pharisees! For you tithe mint and rue and all manner of herbs, and pass by justice and the love of God. These you ought to have done, without leaving the others undone."* Jesus says you ought to have tithed, but also do

not leave out living according to the love of God. If you want God to work on your behalf, you can not be taking what He has declared Holy unto Him.

There are plenty of tithing scriptures for additional reference. One of which is found in Malachi **3:10** where God says: *“Bring all the tithes into the storehouse and there my be food in My house And try me now in this, Says the Lord of host. If I will not open for you the windows of heaven and pour out such a blessing that there will not be room enough to receive it.”* When you are a tither, it brings you into a covenant with God that opens up His favor and blessing to be upon you.

Becoming a Sower

Sowing is a Biblical principle of law. The principle of law produces a guaranteed outcome without respect of person. Take the law of gravity as an example if anyone, no matter who you are, goes to the top of a tall building and jumps off, the law of gravity will bring you crashing down to earth, guaranteed.

In the book of Genesis when God established His principles of law we find the following scripture. **Genesis 8:22-** *“While the earth remains, seedtime and harvest, cold and heat, winter and summer, and day and night shall not cease.”* Seedtime and harvest shall not cease.

Moving to the New Testament in **Galatians 6:7-** *“Do not be deceived God is not mocked; for whatever a man sows that he will also reap.”* **WHATEVER** you sow that you will reap. Become both a tither and a sower of financial seed into the kingdom of God and you will then reap a financial harvest. **Let me say it like this:** Get involved in supporting God with your finances and God will get involved in supporting you with your finances. It is a principle of law!

THE BUDGETING PROCESS

To see the change which you desire in your finance you have to understand the importance of budgeting. The budgeting process will shine the light on certain areas that will lead you to a debt free and prosperous life. Budgeting does not have to be a stressful or unpleasant process. It can actually be a fun process that brings security to your life. All you need to do is keep your eyes on your goals.

Any project or goal has significance. Establishing a family budget must have a sound, practical, common sense approach to be successful. I have seen many so called budget programs that do not make any practical or common sense at all. Your budget has to be one of practicality.

The first thing you must calculate is your starting point. To reach a destination you must know where you are starting first. When you have identified your starting point you can then figure out the best road to take that leads to the desired destination.

I think it is fair to say that the vast majority of people have never established a budget. During your first weekly family meeting you will want to identify who will be the one to control and manage the budget (balancing the check book, paying bills and setting spending limits). Again do not let pride stop you from doing what needs to be done. If your spouse is best at these types of things, let them take over with the understanding you will need to help from time to time.

THREE STEP BUDGET PROCESS

Step one; you will need the "Family Budget Form" which we have provided for you at www.wcocomministires.org. This form will establish where you are **currently** spending your money and how you currently are handling your finances. This will be called your **preliminary budget**.

Step two; Create the new or actual budget you will follow. It is **VERY** important to have the preliminary budget finished from step one prior to creating the **ACTUAL** Budget.

Step three; Stewardship of the budget or budget management. This is where you will be monitoring how your monthly income and monthly expenditures match up with the actual budget you created in step two.

To ensure a sound plan, you will need to take **CORRECTIVE** action if your actual numbers are not as good as or better than your established budget. At times you may need to modify your actual budget if you find that the numbers were unrealistic in a particular area. One of the biggest reason people fail to complete a program is when their actual numbers do not line up with the budget or when they feel like it is not working. They just quit. **DO NOT** let this happen! Just make an adjustment if needed and continue the course. Stay focused, remembering the goal and the blessings that will come from reaching debt freedom.

This accounting must be done before you can launch a proper plan of attack. This is not a secular approach to your situation but it is required by God. **Luke 14:28** – *"For which of you, intending to build a tower, does not sit down first and count the cost, whether he has enough to finish it..."* If you really intend to follow Gods instruction and live a life debt free, you must first sit down and count the cost to reach the finish.

STEP ONE: Print out a blank "Family Budget Form" to use for this step.
Prior to the actual budget planning, establish a preliminary budget.

1. Record everything you and your spouse spend over the next 30 – 60 days, 30 days minimum. You both must keep a very accurate daily diary of every expense.

Record **EVERY** single **DIME**. Not just the electronic transactions or checks but even your out-of-pocket cash expenditures, as well.

There was a guy that was spending \$2 a day at local convenience stores. He was a salesman that traveled around town every day calling on clients. He spent a lot of time in his car and would buy several "Big Gulps" every day. It added up to about **\$60** a month. This will not show up on the check or credit card statement; however, it was costing a staggering amount of "Future" money. Just this budget cut alone can be the money needed to start your debt-reduction avalanche. Remember the **\$55** used in the example above? The \$55 cut the time in debt from **27 years down to 6 years 8 months**.

Start tracking right away. Keep a daily diary, do not wait for your monthly statements to arrive because it will not only delay the process, but it will not be an accurate account of your expenses.

2. Establish an accurate income picture. If you are an employee, list your GROSS income as well as all your deductions.

List your GROSS income and itemize your deductions. Then list your NET or take home income for one month. If you are contributing to a retirement account through payroll deduction you will later list that on your budget form. This also is true for other itemized deductions such as medical insurance deductions etc.

3. Next make a list of any items you pay quarterly, yearly etc. Any expenses you pay less frequently than monthly like car insurance, property taxes, ad valorem, vacations etc.

Your property taxes may be paid in your mortgage payment if so do not worry about listing them on a separate line item on the budget form

Since you are establishing a monthly budget, if you pay your car insurance every three months, divide your three-month payment by three and this is your monthly expense for car insurance. You need to always be prepared for these expenses when they come due.

4. Using the information you have established in the first 3 Steps you can create your "Preliminary" budget. This is not the real or actual budget you will live by. It only shows where your money has been going. It also will shine the light on some areas that you have potential waste. This is where you can identify the "MARGIN" which can be used to start your debt avalanche

The form may need to be personalized. If so, just use some whiteout and change a line or two if needed. The form that is provided is just a starting point; feel free to modify the form to reflect your expenses etc.

As you will notice on the form, your budget should be divided into logical sections. Add up all the expenses in each section and show a subtotal for each section along with a total for each line item. This break down will allow you to identify areas that need adjusting.

The second section will be for **Contributions (Tithing, Sowing etc):**

You will be able to track your tithing, sowing / ministry offering and other charity giving which builds up your faith while expecting to receive your harvest from the seed you have planted in the kingdom of God

Section three is for Home Expenses:

This includes - Mortgage or Rent, Real Estate Taxes (unless escrowed in your mortgage payment). Homeowners or Renters Insurance, Electricity, Phone, Water, Garbage, Water, Cable & Satellite TV, Home repairs, Furniture, Decorating, etc.

Section four is for Food:

This includes - Groceries, Eating Out, Snacks and Drinks (like big gulps or vending machines etc).

Section five is for Clothing Expense:

This includes – Dry Cleaning, Accessories, Outer Wear, Footwear, Uniforms, Etc.

Next section is for Medical Expenses:

This includes - Medical Insurance Payments (even if they are deducted from your payroll), Dentist, Optician, Glasses, Any out of Pocket Doctor or Medical Bills, Medication (includes all medications even nonprescription over the counter medication).

Next section is for Transportation:

This includes – Automobile Payments, Automobile Insurance (monthly expense), Gasoline and Maintenance etc.

Next section is for Other Debt Payment or Loans:

This includes – Personal Loans, Student Loans, (In home expense), Etc. Remember your mortgage and auto payments are listed in other sections of your budget form.

Next section is for Savings, Investments, & Insurance:

This includes – Personal Savings Account, Investments Accounts, 401K, All Retirement Plans (show your monthly contribution), Life Insurance Payments or any other investment payments. List only your monthly payment amount, not cash values. If you pay quarterly then divide by three and list your monthly cost.

Additional Notes:

Note 1:

On the form you will notice a place under Other Debt Payments or Loans for Credit Cards **DO NOT** use it to show your credit card payments, if you understand what you read below in Note 2. The reason is a credit card statement will disguise where you are spending your money. You need to divide your credit card payment using the information found in note 2. You need to be able to identify exactly where your money is being spent so you can get a better grip on it.

Note 2:

This is the only part that can be somewhat complicated. You need to allocate your credit card charges this will tell you what percentage of your monthly payment is going to pay for what type of expense.

Start with your current credit card balance and estimate (it does not have to be exact) how much money was charged for each budgeted line item. See the following example.

Example: Total credit card bill for the month was \$2,000. It breaks down like this; \$300 for clothes, \$500 for auto repair, \$500 for a digital camera and \$700 for a vacation. Your actual monthly payment is \$100 a month.

Now divide \$300 by the total bill \$2,000 and it will tell you that your clothing expense is responsible for 15.00% of this month's payment. Then multiply the payment of \$100 by .1500 and you get your monthly expense for clothing to add to your budget form which is \$15. The vacation is responsible for \$35 the auto repair and camera are responsible for \$25 each.

You then would list the \$15 to any other clothing expenses you have. Once you get to the digital camera you will notice that there is no place for this on your budget form. So in this case add a line under the **other debt payments and loans** section title it Digital Camera and list the \$25 expense in this section.

If you have an understanding of this process then use it because it gives you an accurate picture of your monthly expenses. However, if you do not feel comfortable with that level of detail or the formula, then do not worry about it. Just enter your credit card payments on the line for credit cards.

Always remember that a budget is to be an accurate picture of what you have taken in each month and what has been paid out each month. It **MUST** balance. All the income that comes in gets spent, even if you spend some on savings or investments.

Regular investments into a mutual fund or a deposit into a savings account is a payment, expenditure or expense in your budget.

The preliminary budget you have completed tells you how good or bad you are currently doing. It is key to carefully examine each section and line item and identify things that appear wasteful or things that are not a reasonable or practical expense.

The following is a list of common areas that budget cuts can be found or where you can improve on and create margin:

Groceries: Most people will allow too much junk food into the grocery basket. Junk food is not only unhealthy but it is also very expensive. Become a smarter shopper. Buy store brands and watch prices between competing products. This can save a lot of money.

Eating Out too Much: Eating out is easy and fun but it can destroy a budget!

Recreation and Entertainment: Pay attention to monitor yourself where recreation and entertainment is concerned. This can cost you more than you would ever think.

Consider this example. You and your wife go out and spend \$50 cash on entertainment, instead of sending that \$50 to your credit card company. The value of that \$50 spent on entertainment instead of paying down your credit card at 21% is **\$2,263** in just 20 years. **That SHOULD WAKE YOU UP!**

PLEASE UNDERSTAND THIS!

Most folks always carry a balance on their credit card every month. Many folks do not even realize that by paying the minimum payment which the credit card company has calculated, you will be in debt to them for over 20 or 30 years. If it takes over 30 years that \$50 will have cost you **\$15,224**. Do you see the incredible power of compounding interest? I hope whatever you spent that \$50 for was really special.

Key Point - Many budgets are destroyed by folks who carelessly sell their futures for things they won't even remember a few weeks later.

Your life is more important and your dreams more substantial than to just throw it all away carelessly. If what you want to spend the \$50 on something that really is special and warranted, then spend the money and enjoy your life. Just make every dollar count.

Consumer Debt: As you read in the "Free Report Declaring War on Debt", consumer debt in America is out of control. Most Americans are being held captive, feeling the bondage and are weighted down by the oppressive interest charges of creditors. It all comes from spending money they have not earned yet. Statistics prove that the average American spends \$1.20 for every \$1 they earn. This is why Americans have accumulated a 4.5 Trillion dollar consumer debt balance in principle and projected interest charges. This does not even include mortgages.

Keep in mind that it does not have to be a high interest rate. If your debt, loans, credit cards, etc are high enough, then even a good interest rate will begin to destroy your financial stability.

Insurance Coverage's: Studies show that most Americans do not really know what types of insurance plans they have. Many have not properly reviewed their insurance needs and could be over paying with the wrong types of coverage. I recommend finding a professional to help you review all of your insurance policies from property and casualty coverage to your life and health plans. In many cases you can update your policies while spending less money.

STEP TWO: Print out a new blank budget form and make 12 copies, one for each month of the next year.

Creating your actual budget.

It is now time to create your actual budget. This is going to be the one you agree to and live by. You will just do one at a time...one month at a time. The budget will become more and more precise as you get a few months into it. The nice thing is you will begin to see immediate results. Remember make budget cuts based on what you learned in your preliminary budget that you feel are reasonable then make the decision to stick to it.

STEP THREE:

Monitoring, adjusting and maintaining your budget

On a daily, weekly and monthly budget, monitor your numbers. This is critical for the first six months to a year. It will keep you from slipping back into old spending habits. **A true budget that will be successful has to be one that is flexible and changes as circumstances change.**

If you find yourself slipping by monitoring your finances every month, you will have an early warning sign to keep you from getting into serious trouble.

The primary purpose for establishing a budget is to take control of your personal finances instead of you finances taking control of you.

You should have found some extra money (**MARGIN**) as a result of establishing your budget. If not, you need to go back and take a closer look and be honest with yourself.

Through your "Step by Step Debt Elimination Plan of Action" you have been able to identify **margin**. Now to effectively use the margin you have found, we need to determine which debt to pay off first. This will be the debt that you apply your Margin or your first Debt-Reduction Avalanche payment.

If you would like us to help you identify a proper payoff order, fill out the **CONSUMER DATA SHEET** (which can be found at www.wcocomministires.org) This will allow us to show where to target the first debt avalanche payment and outline a progression all the way to the last debt which needs to be paid off.

Print out the form and completely fill it out and submit it to WCOC. We will in turn provide you with an illustration that provides the payoff order that will lead you to your debt

freedom and financial security. This is a very important step that will maximize your efforts and pay off your debt in the **FASTEST or SHORTEST** amount of time!

If you wish to not fill out the consumer data sheet and get WCOC assistance you can use the following rules of thumb. Below is a chart that shows you a sample of a person's various debts.

You can use this as a guide to create your own Payoff Order. Although it may not be the exact payoff order, our formula it will provide you with a starting point and something to work from.

First, List everyone who you owe.

Second, list the amount or balance owed. This does NOT include future interest. This means what you would have to write them a check for TODAY to pay it off.

Third, list the monthly payments for each.

Fourth, divide the amount owed by the payment and place the answer in the "Cash Flow Factor" column. The greater this number is, the less negative impact it is having on your cash flow.

Fifth, list the interest rate for each debt.

IMPORTANT NOTICE: If you have leased anything, then treat the lease just like a loan. Use 12% for the assumed interest rate if it is an automobile. Use 18% for all other leases.

Sixth, determine which debt you will pay off first.

In most cases you will want to pay off the highest interest rate debt first, but not always. In the table below, notice that I show putting a 21% debt ahead of a 22% debt. The rates are extremely close to each other and because the Sears debt is small, it can be paid off quickly.

That creates excitement and builds momentum in your debt elimination mission.

Only pay off the lower interest debt ahead of a higher interest debt if the lower interest rate debt is small and can be paid off in just a few short months.

Another exception is if the interest rates are very close to the same. In this case, put the one with the lowest Cash Flow Factor ahead of the other. You would not want to do this if it was a larger debt.

There are other factors that go into the formula which provides the optimum payoff order. If you submit your consumer data sheet to WCOC, we will be able to use this formula to provide you with the correct payoff order. By using this payoff order it will maximize the system and accelerate your debt reduction avalanche.

The program REQUIRES the following discipline:

Let assume you start with a **\$25** margin that can go towards your \$50 "Sears" payment. You begin to pay \$75 monthly until you have paid that account off. After paying off the first debt in the payoff order, in this case "Sears", you will then proceed by rolling that monthly

payment into the #2 debt in the payoff order "Merchant Bank Visa Payment" This will make your monthly payment \$165 per month until the Visa account is paid off.

Just follow this process until each debt is paid off. It is very exciting as you see each debt removed from your list. Each debt that is paid off builds momentum as your debt avalanche payment grows larger.

You will gain more peace of mind than you can even imagine.

Name Description of Debt	Amount Owed	Payments/ #Payments remaining	Cash Flow Factor	Interest Rate	Pay off Order
ABC Bank 1987 Ford truck	\$5,000	\$195.00/16	25.64	10.5%	5
Merchant Bank Visa Card	\$3,000	\$90.00/?	33.33	22%	2
Sears Washer/Dryer	\$750	\$50.00/?	15	21%	1
1st Bank of Troy Master Card	\$1,500	\$75.00/?	20	18.5%	3
1st Mortgage Corp Home mortgage	\$100,000	\$733.33/325	136.36	8%	6
G. F. Leasing Company Computer lease	\$2,900	\$100.00/36	29	18%	4

Your Mortgage should be the last "personal" debt that you pay off. However, if the currently available interest rates are more than 2% less than your existing mortgage, you should talk with your banker or loan officer about the **possibility** of refinancing your home loan.

Make **CERTAIN** you ask the loan officer to explain the pluses and minuses associated with refinancing. It is not always a good option.

If you are paying PMI:

Many of you maybe paying PMI (Private Mortgage Insurance), Private Mortgage Insurance is required if your down-payment does not give you a minimum of 20% equity in your home.

It is possible that you have gained 20% equity in your home since your purchase or are very close due to the appreciation in your home since your mortgage was first written.

There are very few states that require lending institutions to notify the homeowners when they have reached 20% equity. Even if you live in a state that does require it, only the mortgage company can base the equity level on the original loan amount, not on the appreciated value.

This means they wouldn't know if and how much your home had appreciated in value, so you could pay many years of expensive PMI charges that you **should not** have been paid.

Think about this. If you eliminated just a \$100 PMI charge per month and applied it to the principle in a \$100,000 8% mortgage financed originally for 30 years now would only take you 20 years to pay off. **TEN years earlier!**

Consider this:

If you have ample money to pay your mortgage in two payments, $\frac{1}{2}$ of the payment every two weeks, you will save a significant amount of interest. Leaving the money sitting in a checking or savings account will not reward you compared to paying down the principle every two weeks.

ESTABLISHING A SPENDING LIMIT

Establish a spending limit at your weekly family meetings. Every one must agree not to exceed the spending limit without agreement from their spouse. This is a very important part of the program. Be fair and realistic about this. For some families it might be okay to set a limit of \$500, while for others it maybe only \$5. Whatever you decide is okay, just follow the rule.

This provides a safety net for your budget. You are agreeing to honor this bond and to never make a purchase that exceeds the limit that you and your spouse agreed on, unless you discuss it and both agree to make an exception.

However, the spending limit can never be exceeded, even if you have your spouse's agreement when there is no way to fit the purchase into your budget.

If you both agree to make a purchase for a special occasion that might use up the next four months of your budget in a certain area, then that is okay. Just make certain that if you do this with your spouse's agreement go ahead and mark it down on your budget form for the next four months so you will not forget that you have already spent that money.

NOTE: Keep in mind that if either of you buy twelve non-budgeted things that together exceed the limit, that is just as much of a violation as the one who buys one thing that exceeds the limit.

ESTABLISH A 2-DAY COOLING OFF LAW

Establish a 2-day cooling off law in your home. If either of you want to exceed the spending limit and your spouse has approved, STILL restrain yourself for **2 days** before spending the money. Frequently the urge to make the purchase will pass and you will have one less item lying around your house or garage.

MARGIN / DEBT-REDUCTION AVALANCHE PAYMENT

Eliminating all your debts as fast as possible requires that you not only "Trigger" the avalanche with the avalanche payment by locating margin... but also, each time you payoff a debt, you must take the monthly payment being used for the old debt and add it to the payment for the next debt that you want to payoff. Do everything you can to keep adding money to your avalanche payment. Do not break the momentum of the avalanche by not rolling the margin into the next debt. Stay focused on the ultimate goal. **It is worth it!**

DEBT- FREE LIVING offers you a quality of life worthy of YOUR very BEST effort.
*If you will begin and follow this plan you will forever change your life and perhaps
the lives of your children and many generations to come!*

*Please give us your updates as you start the program and work through it and
certainly let us know once you have achieved debt freedom -Glory is Gods!*

Thank you to the partners that support this ministry!

This ministry is possible because of the many people that support this ministry. If you would like to sow seed into Gods work through this ministry, or would like to hook up with us in our mission become a partner of WCOC, contact us. We will win the war on debt around the world!

Please send your partnership request or gift to:

World Christian Outreach Center (WCOC)

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Phone #: 770-622-1965

Email: wcoc@cfaith.com

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