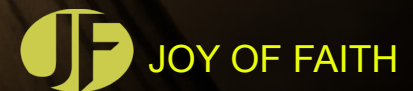




ESCAPING DEBT PT. 2

The Debt Snowball Plan

The Financial Health Series
Pastor Robert D. Cook



For the Lord your God will bless you just as He promised you. You shall lend to many nations, but **you shall not borrow...**

- Deut. 15:6 NKJ

5 Principles to Becoming Debt Free

- Stop Borrowing.
- Spend Less Than Earned.
- Decrease Expenses.
- Increase Income.
- Pay Off Debt.



6 Ways to Pay Off Debt

- Pay more than the minimum.
- Draw cash from your savings account.
- *Borrow against your life insurance.
- Get a home equity loan.
- *Borrow from your 401(k).
- Renegotiate terms with your creditors.

* You are in effect borrowing from yourself to avoid the cost of higher interest on your current loans.

The Debt Snowball



Start it rolling in your favor.

Make a List of All Debts



Be diligent to **know**
the **state** of your
flocks, and attend to
your herds. - Prov. 27:23

Step #1

List the Lender, Balance, Interest Rate and Monthly Minimum

| Debt | Balance | Interest Rate % | Minimum monthly Repayment |
|---------------|-------------|-----------------|---------------------------|
| Store Card | \$ 2,000.00 | 24.5 | \$ 63.00 |
| Credit Card 1 | \$ 1,340.00 | 18.6 | \$ 33.00 |
| Credit Card 2 | \$ 7,600.00 | 16.5 | \$ 195.00 |
| Car Loan | \$12,800.00 | 14.23 | \$ 320.00 |
| Personal Loan | \$ 4,300.00 | 13.05 | \$ 100.00 |
| Total | \$28,040.00 | | \$ 711.00 |

Step #2

Calculate the Total of All Minimum Payments Due



Pay at least this amount until all debt is paid in full.

Step #3

The Debt Snowball is Effective



Like any wet snowball, the debt snowball increases in **power and size** as it rolls.

Application

- Order your debts from lowest balance to highest.
- Pay the minimum payment on all debts except the one with the lowest balance.
- Throw every penny at the debt with the lowest balance.
- When that debt is gone, do not alter the monthly amount used to pay debts, but throw all you can at the debt with the next-lowest balance.

The hand of the diligent will rule, while the slothful will be put to forced labor.

– Prov. 12:24



Financial Health Ahead





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