ELIMINATING DEBT

Do you have money to make debt payments?

Yes

Can you pay more than the minimum payments?

Yes

Strategy: Debt Avalanche (highest rate)
- Put all extra payments toward the debt with the highest interest rate.
- The most efficient method, but you can lose momentum if it seems like it’s taking too long.
- Good option for those with strong discipline.

Strategy: Debt Snowball (smallest balance)
- Put all extra payments toward the debt with the lowest balance.
- Get an emotional boost by paying off one lender sooner.
- Good option if it’s going to take years to pay off balance, and you need to stay motivated.

Strategy: Debt Tsunami (emotional value)
- Prioritize any debt that has a high emotional value.

No

Strategy: Spending Plan
- How can you reduce expenses and increase monthly debt payments?

Yes, but...

Strategy: Debt Management Plan
- Debt Mgmt. company negotiates lower interest rates, and often lower minimums.
- Single monthly payment, but monthly fee and often a lot of paperwork to maintain.
- Alternative to bankruptcy.

No

Strategy: Settlement
- You may be able to negotiate with collectors to settle for a fraction of the total balance owed.
- Do not accept any offer that does not guarantee removal of the debt from your credit report.
- GET IT IN WRITING. You can sue if they don’t remove the debt from your report.

Strategy: Statute of Limitations
- In CA, unpaid debts drop off your credit report after 7 years from DLA.
- The clock starts when you miss the first payment.
- Be careful not to “restart the clock” by making a new payment.
- Consult a professional if your debts are more than 4 years past due.

If you’re in collections, but receive a one-time sum of money...

Strategy: Bankruptcy

If you have money to make extra payments, which lender do you target for elimination first?