

Top Ten Ways to Get Out of Debt

by Harvey Bernard

- 1) **Write down your debt-freedom rewards.** – List what you would really like to do when you are debt-free. Choose one idea from the list (maybe the vacation you've always wanted) and give yourself that reward – paying cash, of course – once you have reached your debt-freedom goal. Give yourself other smaller rewards as you reach intermediate debt-freedom goals along the way.
- 2) **Think long-term, not short-term.** – Put up pictures of your debt-freedom goals around the house. Use every trick you can so you remember to focus on your long-term debt-freedom rewards, not the immediate gratification that today's credit culture encourages.
- 3) **Track where your money goes.** – Most people don't know how much they spend. If you don't know where your money goes, you'll spend too much without realizing it. Keep a record of your spending, all of it. This includes checks, credit cards and cash. Put it into categories that make sense to you.
- 4) **Spend less than you earn.** – Make sure your spending is no greater than your earnings. Ideally, you will set your limit at 80% of your net earnings. Then you can use 10% of your income as extra loan payments to become totally debt-free and you can give 10% to your church (or charities).
- 5) **Set maximum spending limits for each spending category.** – Then stick to it. If your income goes down, know which categories you will reduce to make up the difference so you keep your spending less than you earn.
- 6) **Commit yourself to adding no new debt.** – You can't get out of debt if you keep adding more. Cut up your credit cards and stop using them. The only possible exception to this rule is for an honest-to-goodness true emergency. Be very clear and honest with yourself about what really is and is not a real emergency. Use a debit card if you need plastic.
- 7) **Form a support group to help you.** – You are in debt partly because society trained you that way. Merchants and lenders want you to continue using credit because it benefits them. Overcome those forces working against you. Be accountable to the others in your group and support each other so all can succeed together where you might each fail separately.
- 8) **Don't buy so much stuff.** – Stop believing that you need all that stuff you buy. Most of it just clutters up your life anyway. Then you have to store it, move it, try to sell it, or give it away. All of that takes time, wastes money, and keeps you from having what you really want.
- 9) **Don't receive a large income tax refund.** – Set up your tax withholding so that you only pay in what you will owe. Don't give the government an interest-free loan with your money. Don't think of a large refund as a big windfall. Instead use that money each month through the year for extra payments on your debts.
- 10) **Keep working toward the goal of earning interest, not paying it.** – Understand the true power of compound interest. Real-life numbers illustrating this power are truly staggering. To be financially successful, you must receive interest. If you continue paying interest instead, you will be a slave to creditors forever. You will work for them forever and make them wealthy instead of you.

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