

Debt Elimination Plan

"Owe no one anything except to love one another, for he who loves another has fulfilled the law." (Romans 13:8, NKJV)

Instructions

After we've begun to recover financially through the implementation of our Monthly Expense Planning and we actually have *profit* at the end of the month to invest, our first order of business is to invest it in our Emergency Fund. As soon as our Emergency Fund is fully funded (\$1500-\$2000), we turn our investment strategy towards our Debt Elimination Plan. Remember, a renegotiated interest rate will greatly help in the effectiveness of the plan. Also, as we outlined in chapter 7 of the book *Financial Exodus*, we have to renounce credit. We no longer use credit cards to finance purchases. *If we can't pay for it, we don't but it!*

In the debt elimination plan, we take the credit card with the smallest unpaid balance and apply all of our monthly profit towards it until it is paid off. The others we just pay the minimum. As we get one paid, we roll what we were paying on the first one on top of what we've been paying on the second one until it is paid off. We continue this "rollover" process until they are all paid off. By the time we rollover onto the last one the amount of the monthly payment becomes substantial and it can be quickly knocked out. The timeline for debt elimination should be three to five years. Below is an example:

Creditor	Out. Balance	Min. Monthly Payment*	Monthly Profits Dedicated to Debt Reduction	Months to Payoff**
Visa	\$1535	\$23.03	\$500.00	3
Mastercard	\$2240	\$33.60	\$523.03	4
Discover	\$3300	\$49.50	\$556.63	5
American Express	\$4500	\$67.50	\$606.13	5
Dillard's	\$5200	\$78.00	\$673.63	5
TOTAL	\$16,775	\$251.63		22

* Minimum Monthly Payment excludes interest portion of payment. This minimum is paid on the account principle until the account preceding it is paid off. Then the \$500 + the accumulated minimum payments that are rolled over into it are started.

**Months to payoff is calculated from the start date of direct application of monthly profits + accumulated minimum payments to each account individually.

