

Strategies for Paying Off Debt

This program is made possible by a grant from the FINRA Investor Education Foundation through Smart Investing@your library®, a partnership with the American Library Association.

What will we discuss?

- Debt repayment methods.
- How do the repayment strategies affect your credit.
- Helpful tools or apps to use to track your progress and repay your debts.



Debt and Emotion



Strategies to Repay Your Debt



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Pay the Debts on Your Own

1. Stop using your credit cards.

- Cut them up! Freeze them! Lock them up!

2. Find out who you owe.

- Create a list. Pull your credit report.

3. Use cash to make purchases.

4. Create a spending plan.

- Budget! Where is your money going?

5. Do you need to increase your income?



Pay the Debts on Your Own

6. Sell things that you aren't using.

- Local Classifieds, Online Classifieds

7. Look for a part-time job.

8. Save something.

- Even quarters add up.

9. Don't add more debt.

10. Start paying your debt back.

11. Borrow finance books from the library.



Pay the Debt on Your Own

Snowball Method



Focus on paying off the debt with the smallest balance first.



When the smallest balance is paid off, roll that payment onto the debt with the next smallest balance.



Rewarding to see the results.
Look for extra cash to put towards debts.



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Snowball Method

- Order your debts with the smallest balance first.

Creditor	Balance	Minimum Payment	Interest Rate
Blue Card	\$1,200	\$35	15.99%
Red Card	\$1,500	\$45	12.99%
Gold Card	\$2,500	\$50	16.99%
Auto Loan	\$3,933	\$235	3.24%
Student Loan	\$11,500	\$140	6.99%

Power Pay: www.powerpay.org

Power Pay

Choose another repayment method: Lowest Balance First ▼ calculate

With Power Payments				Without Power Payments		
Creditor	# of payments	Total paid	Int Paid	# of payments	Total paid	Int Paid
Auto Loan	18	\$4030.11	\$97.11	18	\$4030.11	\$97.11
Red Card	24	\$1781.87	\$281.87	42	\$1870.81	\$370.81
Gold Card	30	\$3365.31	\$865.31	88	\$4377.04	\$1877.04
Blue Card	21	\$1460.29	\$260.29	47	\$1613.90	\$413.90
Student Loan	49	\$13820.18	\$2320.18	113	\$15692.22	\$4192.22
Payoff Time: 4 years 1 month Nov 2019 Total paid: \$24457.76 Total Interest: \$3824.76				Payoff Time: 9 years 5 months Mar 2025 Total paid: \$27584.08 Total Interest: \$6951.08		

PowerPay Benefits

Time Reduction: 5 years 4 months
 Amount Saved: \$3126.32
 Qualify for Loan: NA



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Power Pay-Snowball

Month	Blue Card	Red Card	Gold Card	Auto Loan	Student Loan
Nov 2015	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Dec 2015	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Jan 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Feb 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Mar 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Apr 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
May 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Jun 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Jul 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Aug 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Sep 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Oct 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Nov 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Dec 2016	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Jan 2017	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Feb 2017	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Mar 2017	\$35.00	\$45.00	\$50.00	\$235.00	\$140.00
Apr 2017	\$234.89	\$45.00	\$50.00	\$35.11	\$140.00
May 2017	\$270.00	\$45.00	\$50.00		\$140.00
Jun 2017	\$270.00	\$45.00	\$50.00		\$140.00
Jul 2017	\$90.40	\$224.60	\$50.00		\$140.00
Aug 2017		\$315.00	\$50.00		\$140.00
Sep 2017		\$315.00	\$50.00		\$140.00
Oct 2017		\$27.27	\$337.73		\$140.00
Nov 2017			\$365.00		\$140.00
Dec 2017			\$365.00		\$140.00
Jan 2018			\$365.00		\$140.00
Feb 2018			\$365.00		\$140.00
Mar 2018			\$365.00		\$140.00
Apr 2018			\$52.58		\$452.42
May 2018					\$505.00
Jun 2018					\$505.00
Jul 2018					\$505.00
Aug 2018					\$505.00
Sep 2018					\$505.00
Oct 2018					\$505.00
Nov 2018					\$505.00
Dec 2018					\$505.00
Jan 2019					\$505.00
Feb 2019					\$505.00
Mar 2019					\$505.00
Apr 2019					\$505.00
May 2019					\$505.00
Jun 2019					\$505.00
Jul 2019					\$505.00
Aug 2019					\$505.00
Sep 2019					\$555.00
Oct 2019					\$555.00
Nov 2019					\$117.76
TOTALS	\$1460.29	\$1781.87	\$3365.31	\$4030.11	\$13820.18



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Pay the Debt on Your Own

Avalanche



Focus on paying the debt with the highest interest rate.



Mathematically this usually saves the most money—depending on balances and interest rates.



Use the plan that motivates you.



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Avalanche Method

- Order your debts with the highest interest rate first.

Creditor	Balance	Minimum Payment	Interest Rate
Gold Card	\$2,500	\$50	16.99%
Blue Card	\$1,200	\$35	15.99%
Red Card	\$1,500	\$45	12.99%
Student Loan	\$11,500	\$140	6.99%
Auto Loan	\$3,933	\$235	3.24%

Avalanche Method

Choose another repayment method: Highest Interest First ▼

Creditor	With Power Payments			Without Power Payments		
	# of payments	Total paid	Int Paid	# of payments	Total paid	Int Paid
Auto Loan	18	\$4030.11	\$97.11	18	\$4030.11	\$97.11
Red Card	30	\$1829.75	\$329.75	42	\$1870.81	\$370.81
Gold Card	26	\$3225.18	\$725.18	88	\$4377.04	\$1877.04
Blue Card	28	\$1531.98	\$331.98	47	\$1613.90	\$413.90
Student Loan	49	\$13817.80	\$2317.80	113	\$15692.22	\$4192.22
Payoff Time: 4 years 1 month Nov 2019 Total paid: \$24434.82 Total Interest: \$3801.82			Payoff Time: 9 years 5 months Mar 2025 Total paid: \$27584.08 Total Interest: \$6951.08			

PowerPay Benefits

Time Reduction: 5 years 4 months
Amount Saved: \$3149.26
Qualify for Loan: NA



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Month	Gold Card	Blue Card	Red Card	Student Loan	Auto Loan
Nov 2015	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Dec 2015	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Jan 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Feb 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Mar 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Apr 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
May 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Jun 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Jul 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Aug 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Sep 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Oct 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Nov 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Dec 2016	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Jan 2017	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Feb 2017	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Mar 2017	\$50.00	\$35.00	\$45.00	\$140.00	\$235.00
Apr 2017	\$249.89	\$35.00	\$45.00	\$140.00	\$35.11
May 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Jun 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Jul 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Aug 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Sep 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Oct 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Nov 2017	\$285.00	\$35.00	\$45.00	\$140.00	
Dec 2017	\$130.29	\$189.71	\$45.00	\$140.00	
Jan 2018		\$320.00	\$45.00	\$140.00	
Feb 2018		\$147.27	\$217.73	\$140.00	
Mar 2018			\$365.00	\$140.00	
Apr 2018			\$32.02	\$472.98	
May 2018				\$505.00	
Jun 2018				\$505.00	
Jul 2018				\$505.00	
Aug 2018				\$505.00	
Sep 2018				\$505.00	
Oct 2018				\$505.00	
Nov 2018				\$505.00	
Dec 2018				\$505.00	
Jan 2019				\$505.00	
Feb 2019				\$505.00	
Mar 2019				\$505.00	
Apr 2019				\$505.00	
May 2019				\$505.00	
Jun 2019				\$505.00	
Jul 2019				\$505.00	
Aug 2019				\$505.00	
Sep 2019				\$555.00	
Oct 2019				\$555.00	
Nov 2019				\$94.82	
TOTALS	\$3225.18	\$1531.98	\$1829.75	\$13817.80	\$4030.11

Avalanche Method

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Time Reduction: 5 years 4 months
 Amount Saved: \$3149.26 ← Saves \$22.94
 Qualify for Loan: NA

Snowball Method

Choose another repayment method: Lowest Balance First ▼

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Potential Set-Backs to Paying on Your Own

- 
- Unexpected expenses
 - New debt

- 
- Decrease in income from job loss
 - Changes in living arrangements

- 
- Lack of discipline
 - Failure to change spending habits

Help from Third Parties: Do Your Homework

- Save and Invest:
<http://www.saveandinvest.org/military/credit-and-debt>
- Consumer Financial Protecting Bureau
 - <http://www.consumerfinance.gov/>
- Google Search: Reviews and complaints for company.
- Rip off Report: www.ripoffreport.com
- Better Business Bureau <https://www.bbb.org/>
- State Bar Association Website: <https://www.utahbar.org/>
- Contact your Attorney General's office:
 - www.usa.gov
- Federal Trade Commission: www.ftc.gov
 - Search debt relief or credit counseling



Debt Management Plans

Work with a certified credit counseling agency who contacts your creditors to lower your interest rates and set up a payment plan to pay off your accounts in 3-5 years. You make one monthly payment to the credit counseling agency and they divide the payment up and send it to your creditors.

It is NOT a settlement or consolidation.

Requires credit counseling

Legitimate credit counseling agencies are affiliated with AICCA, NFCC, ACCPros

Accounts must be closed on the program.

Individual States regulate the allowable fees.



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Questions to ask about DMPs

- Do all creditors work with DMPs?
- Can anyone use a DMP?
- How will I know if this is a good choice for me?
- How much does a DMP cost?
- What monthly fees do I have to pay?
- Can I still use my credit cards on a DMP?
- Will a DMP hurt my credit score?
- How long will it take to pay off the debt?

Potential Downside of a DMP



- Cost of setting up the plan.
- Lowering your average account age on your credit report when the accounts have to be closed.



- New debt that needs to be added to the plan.
- Time length 3-5 years.



- Failure to change habits.



Consolidation or Balance Transfer

Combine all debts into one payment.

May be easier to handle just one payment.

Lower monthly payments and possibly interest.

Could extend repayment period.

Avoid making unsecured debts secured.

Risky to add another loan.


Watch for loan origination fees.

Paying debt with debt.



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Types of Consolidation Loans

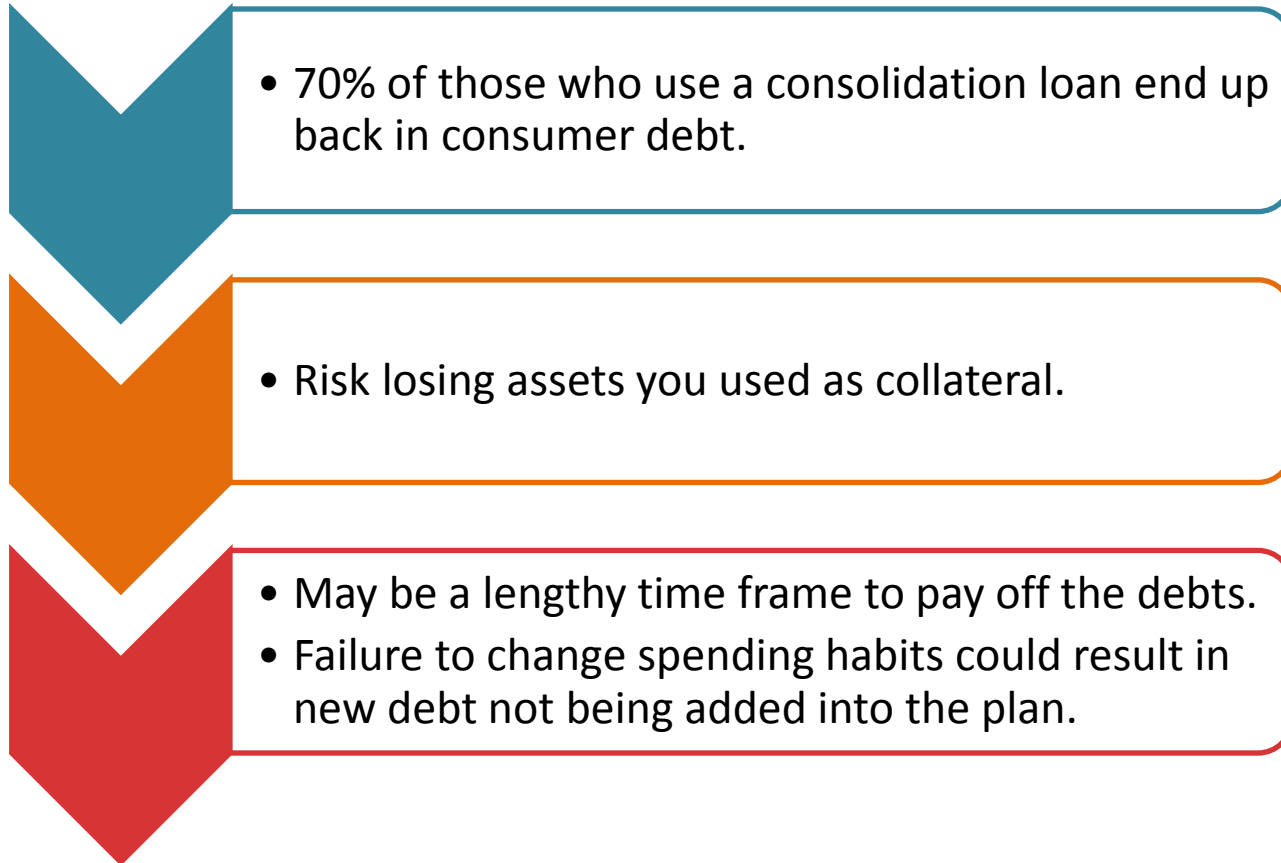
- 
- Peer to Peer (P2P) Loans or Lending Circles
 - Low interest or 0% credit cards

- 
- Home Equity Loan or Line of Credit
 - Unsecured Personal Bank Loans

- 
- Student Loan Consolidation
 - Family Members or Friends



What Can Go Wrong with Consolidation?



Bankruptcy

Helps consumers eliminate their debts or repay them under the protection of bankruptcy court.

With Chapter 7 the debts are eliminated or discharged.

Usually known as straight bankruptcy.

You must liquidate all your assets except for automobiles, work-related tools, and basic furnishings.

Some property may be sold by a court official or turned over to a creditor.

Chapter 7 bankruptcy stays on your credit report 10 years.



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Bankruptcy

Chapter 13

Ch. 13 is used if there is a steady income.

Set up a payment plan with the court to pay back debts.

Can keep a mortgaged house or car, that may be lost with a Chapter 7.

Payment plan is for 3-5 years rather than surrendering property.

After the payment plan is completed you receive a discharge on your debts.

Chapter 13 stays on your credit report 7 years.



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The Bankruptcy Process


1. Find an attorney you trust.
2. Prepare the documentation. (Petition and Schedules)
3. Take the required credit counseling class.
4. File for bankruptcy.
5. Go to your bankruptcy hearing.
6. Take the second part of the counseling.
7. Wait for the discharge of your debts.


Should I Pursue Bankruptcy?

- Are you unsure how much you actually owe?
- Is your debt too high for a debt management plan?
- Do you use credit cards to pay for necessities.
- Do you avoid dealing with your creditors and loans?
- Are you behind on payments?
- Do creditors call you?
- Are you only making the minimum payments?
- What other options do you have?

Things to Consider

- 
- 16% of bankruptcy filers are repeat filers. **CHANGE YOUR HABITS!**

- 
- It can be difficult to get life insurance, a home, and a job.

- 
- Not all debts are forgiven. Child support, alimony, fines, taxes, and some student loan obligations.
 - **SPEAK WITH A CREDIT COUNSELOR for FREE!!!!**



Debt Settlement

Company negotiates with your creditors to “settle” or pay a portion of your debts.

Usually for profit companies.

Settlement companies tell you to stop making your payments.

You deposit money for 36 months before your debts are settled.

Creditors **DO NOT** have to agree to the terms.

Interest and fees continue to accrue.


Negative impact on credit when you stop making payments.

Subject to legal action from creditor.




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Beware of these Settlement Claims and Practices.

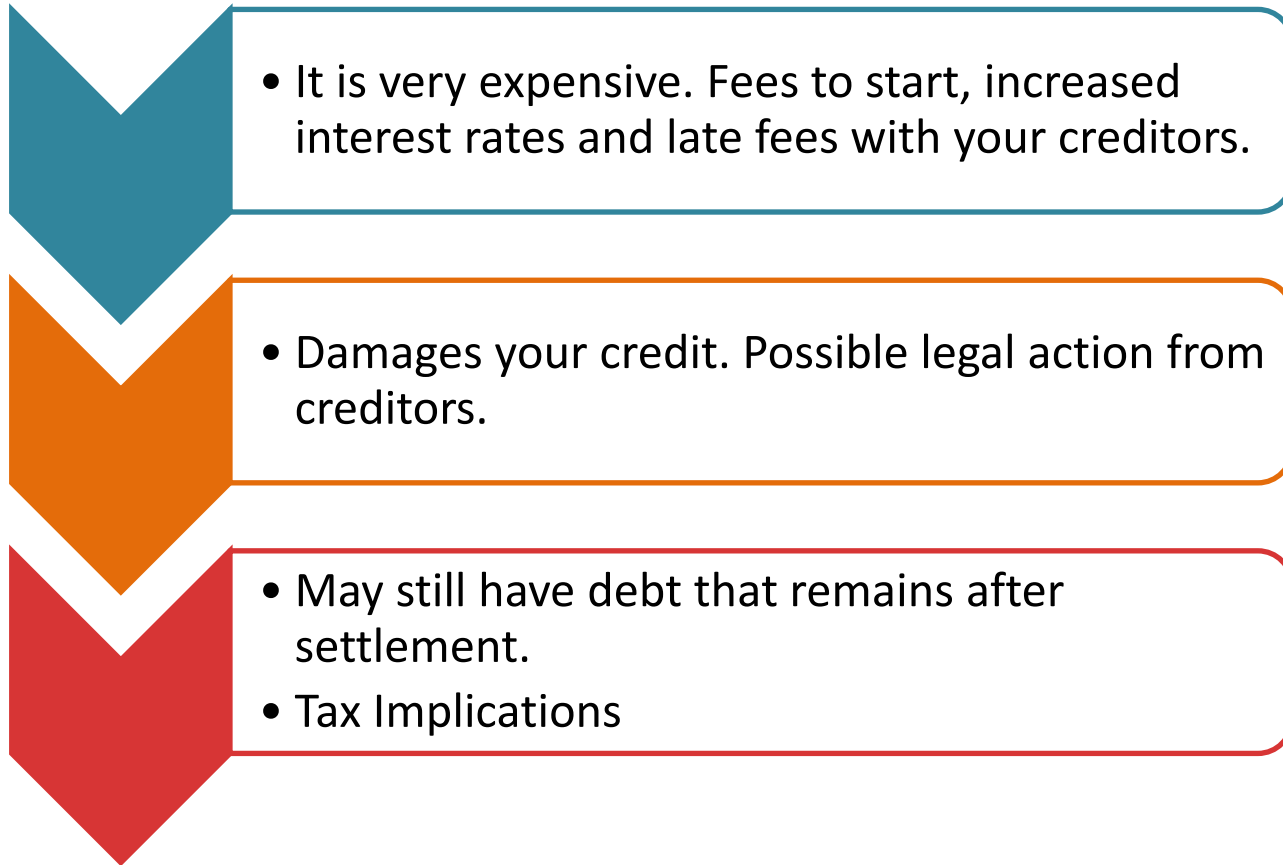
- 
- Guarantee that they can make the debt go away. Guarantee that the unsecured debt is paid for pennies on the dollar.

- 
- Charging fees and upfront costs before the debts are cleared.

- 
- Telling you to stop paying your bills and they don't speak to your creditors.
 - Telling you they can stop debt collections and law suits.



Things to Consider about Settlement



Helpful Tools to Repay your Debts

Websites

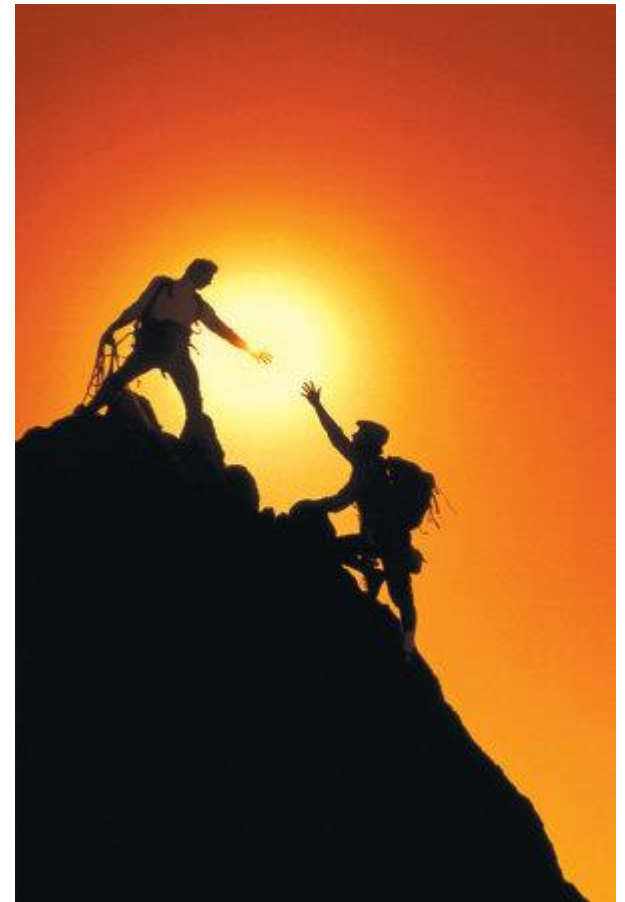
- FINRA Tools <http://www.finra.org/investors/tools>
- PowerPay www.powerpay.org
- CNN Money <http://money.cnn.com/calculator/pf/debt-free/>
- Bankrate <http://www.bankrate.com/calculators>

Apps

- PowerPay in the App store
- There are many free apps. Just remember to do your research and read reviews. Be careful who you trust with your full account numbers.

Find Inspiration

- Personal Finance Videos on YouTube
- Blogs
- Find a “Goal Friend”
- Financial Counselor
- Create a Vision Board



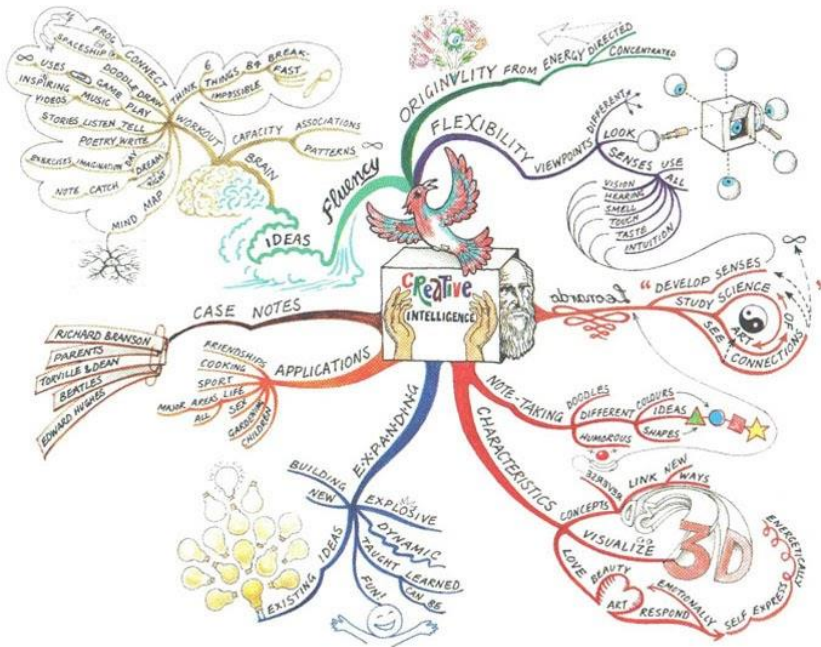
Sample Vision Boards

Where are you now?

Where do you want to be?

What is your plan for getting there?

Focus on how you want to feel



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You Can Do It!

- Review your options.
- Do your homework.
- Review your goals.
- Be Patient.



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Helpful Websites

- Federal Trade Commission:
<http://www.consumer.ftc.gov/articles/0150-coping-debt>
- FINRA's Save and Invest Website:
<http://www.saveandinvest.org/military/credit-and-debt>
- Consumer Financial Protection Bureau:
<http://www.consumerfinance.gov/>
- Call 2-1-1 and ask for a list of free financial counselors in your area.

Thank you!

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