

# WINNING THE WAR ON DEBT



Your Guide To Total Debt Freedom

## Introduction

You may be wondering why I refer to paying off debt as fighting a war. It may seem a bit extreme to you but if you really think about it that is exactly what it is. Make no mistake; if you are in debt, you are at WAR. You are fighting for your financial freedom.

Debt has the ability to destroy you and your family. The pressure of debt has destroyed many lives. I read a news story several months ago that deeply saddened me. A father took the life of his wife and four children and committed suicide because he lost his job and couldn't pay his debts. Debt can destroy lives.

In my own life, I have had moments when I've just sat in the corner and cried because I just could not figure out how I was going to pay my debt and support my family. The stress of debt has held me hostage at a job I hated. It has stalked me in my own home through creditors calling for payment. It has nearly destroyed my marriage. Debt has caused thousands of middle class working families to be homeless, file bankruptcy and go into foreclosure.

If you do not believe that debt can destroy your life then debt already has the upper hand on you. You must understand that debt is a ruthless and vicious enemy that can destroy your life. Once you accept that, then you can begin to mentally prepare for the war that is about to take place.

## Chapter 1: Prepare For Battle

As you prepare to fight this battle you must properly arm yourself. Just as any soldier puts on his/her battle gear, you must do the same. The first piece of battle gear covers your head. You must have the right mental attitude to overcome debt. Bottom line is, if you don't think you can get out of debt then you won't. You may as well just close this book and go back to your corner and cry. The right attitude is the most important thing you can have in your war against debt. If you are unsure of your attitude, ask yourself now "Do I Really Want To Be Out Of Debt?" Then ask yourself "Why Do I Want To Get Out Of Debt?" It could be simply that you are sick and tired of working from pay check to pay check never having any money. Your why must be big enough to motivate you to move forward no matter how tough it gets.

As the first piece of battle gear covered your head, this piece of battle gear covers your heart. Any soldier entering into battle knows that they must cover their vital organs. Despite how beat down and abused you may feel right now, you must know and believe that You Can Get Out of Debt. Say it right now "I Can Get Out Of This Debt". Repeat this as many times as you need to until it is fixed in you heart. You must believe that no matter how bad your financial situation looks on paper you can find a way out; you can defeat and overcome debt; you can and will be debt free!

## Chapter 2: Know Where You Stand

Ok, now that you have your battle gear on it's time to get a plan of attack. You must attack your debt with quick and decisive blows. The first thing you will need to do is find out where you stand. You must know where you stand before you can determine where you need to go. This step should only take a few minutes but it is an extremely important first step. I call it taking a Financial Snap Shot.

First write down or enter into an Excel Spreadsheet your monthly income. Then list the following monthly expenses:

- Tithe or giving
- Child support or other required monthly payments
- Mortgage/Rent
- Average grocery bill
- Utilities
- Auto Loans
- Gas to and from work
- All other monthly bills

Refer to the example below:

### John (Family of 3) Financial Snapshot

Monthly Income	3700
Tithe/Giving	380
Mortgage	1000
Groceries	400
Utilities	250

Gas	240
Auto Loan	300
Auto Insurance	100
Visa	50
Master Card	100
Am Express	120
Childcare	450
Cable	80
Phone	50
Cell Phone	120
Total Bills	3640
Left	60

For most people, financial snapshots are somewhat surprising. Most people are totally oblivious of the amount of money they waste. Most people waste hundreds of dollars each month eating out, entertaining themselves, and shopping for nonessential items. I recall feeling quite upset with myself when I realized that I actually made enough money to pay my debts. The fact that I wasted a lot of money had just smacked me in the face. The sudden realization that YOU are the problem does not feel good.

In this case if John and his family rarely ate out, never took a vacation and never had any unexpected expenses, they could squeak by each month. This would be a very unrealistic expectation and would not help John and his family make any progress towards getting out of debt. John and his family like many other working families are just one emergency away from financial ruin.

Some may look at John's financial situation and say well, that's easy, he should just stop giving or tithing. We don't recommend that. Tithing and giving opens the doors for you to receive blessings. Good things come back to you when you are a giver. If you are in this kind of debt you need lots of good things to happen in your life so, keep giving if there is any way possible.

Your situation may be better or worse than John's but that doesn't matter. Now that you know where you stand, you can take action to change your situation.

### Chapter 3: Cut The Fat

Your next course of action is to decide what bills and expenses you can reduce or cut back. Here are some examples of what you could do to reduce your debt and other monthly expenses.

#### **Spend less on food:**

- Use coupons
- Shop sales
- Grocery shop with a list and stick to it
- Cook at home instead of eating out
- Cook from scratch rather than eating premade dinners
- Take your lunch to work
- Make your own coffee
- Buy reusable water bottles and filtered pitcher rather than bottled spring water

### **Cut your transportation costs:**

- Avoid unnecessary driving
- Run all errands in a single trip
- Carpool
- Work from home if you can

### **Reduce what you spend on clothes:**

- Forget about designer labels
- Buy trend-proof clothes
- Wear layers in the winter instead of buying new sweaters
- Don't forget sales racks, thrift, and consignment
- Launder your clothes appropriately to get longer wear
- Avoid dry clean only labels

### **Reduce entertainment cost:**

- Cancel movie subscriptions like Netflix or Blockbuster
- Exchange movies with friends instead of renting
- Catch movies on cable instead of going out
- Books: Use the library instead of buying new books
- Music: Purchase a song or two through Amazon or iTunes instead of purchasing an entire album
- Have game night with family and friends

### **Reduce living expenses:**

- Move to an apartment with lower rent
- Refinance your mortgage for a lower interest rate
- Get a roommate (or two)

### **Do it yourself:**

- Wash your own car
- Mow your own lawn
- Paint your own nails
- Get a low maintenance hair style and do your own hair

### **Lower utility bills:**

- Turn off lights you're not using.
- Unplug gadgets like your cell phone charger and microwaves. They suck energy and generate heat as long as they're attached to a power source.
- Use blankets in the winter rather than adjusting the thermometer
- Clean the dryer lint trap after each load to improve dryer efficiency
- Insulate behind electrical outlets and switches
- Install storm doors to prevent energy loss
- Install motion sensors inside and outside
- Program your thermostat
- Change your bulbs. Swap your incandescent bulbs for compact fluorescents.
- Water the grass less
- Because the refrigerator is one of the biggest energy-users in the home, a refrigerator should be operated at maximum efficiency. This means opening the door only briefly and adjusting the "Cold" control according to the manufacturer's directions.

### **Reduce other bills:**

- Cancel premium channel subscriptions
- Go basic

- Shop you car insurance around you may be able to find a lower rate
- Get rid of pay-per-view and movies on demand
- Ask for a promotional rate
- Get rid of you home phone and use your cell phone as your primary phone
- Try Voice Over IP(VOIP), it's usually much cheaper than standard phone service
- Bundle your phone with your cable and internet
- Get the right minute plan for your cell phone
- Turn off unnecessary features, even if you have to talk or text less
- Stick with the pre-installed ringtones and applications instead of downloading new ones

As you are working your way through this process of trying to reduce your bills and expenses, don't get frustrated and give up. This process may take you a few days or even a few weeks depending on your situation. Once you have completed this step you will find that it was well worth the effort.

Here are the results of John's efforts:

#### John's New Financial Snapshot

Monthly Income	3700
Tithe/Giving	380
Mortgage	1000
Groceries	370

Utilities	240
Gas	230
Auto Loan	300
Auto Insurance	90
Visa	50
Master Card	100
Am Express	120
Childcare	450
Cable	0
Phone	0
Cell Phone	120
Total Bills	3450
Left	250

Not too shabby. John was able to save an extra \$190 by just cutting back and reevaluating a few things.

#### Chapter 4: Budget Is Not A Dirty Word

For the first 35 years of my life I either did not know what a budget was or laughed whenever I heard the word. When I tell you that developing and sticking to a budget was one of the most important things I ever did for my finances I really mean it. It is simply amazing how simply tracking and holding yourself accountable for what you spend can force you to spend less. A budget also allows you the ability to direct your money with confidence towards paying off a bill.

All you will need to do is add a few things to your financial snapshot and you will have a budget. Go to

[www.debtdumper.org](http://www.debtdumper.org) to download a free weekly or monthly budget spreadsheet.

See the example below:

	Budget	Actual
Monthly Income	3700	
Tithe/Giving	380	
Mortgage	1000	
Groceries	370	
Utilities	240	
Gas	230	
Auto Loan	300	
Auto Insurance	90	
Visa	50	
Master Card	100	
Am Express	120	
Childcare	450	
Cable	0	
Phone	0	
Cell Phone	120	
Mad Money	50	
Emergency Fund	100	
Debt Dump Fund	100	
Total	3700	
Left	0	

As you can see, we added in a budget amount for Mad Money, Emergency Fund and Debt Dump Fund.

Mad money is the money you allow yourself for small indulgences such as eating out or entertainment. Remember, the more you can reduce the amount you spent, the more you will have to direct towards debt freedom.

Emergency fund is the money that you set aside for emergency use only. You should define what you consider an emergency: unexpected major car repairs, medical emergencies, and urgent home repairs. The emergency fund allows you to stabilize your finances to prevent emergencies from totally destroying your budget. You should try to build the emergency fund to \$1000. Once it reaches that point, take the money you are putting towards the emergency fund each month and add it to your debt dump funds. If an emergency arises and causes you to use your emergency fund then start back building it up again until it reaches the \$1000 mark.

The Debt Dump fund is used to make extra payments on your debt. Arrange your bills from lowest to highest balance. Start with the bill that has the lowest balance and use the money in the Debt Dump fund to make extra payments on this bill. Any extra money you make should be added to the Debt Dump fund.

For example:

John owed Visa \$2000, Mastercard \$4500 and American Express \$6000, Auto Loan 12,000, Mortgage \$120,000. Visa has the lowest balance so John would start with Visa. Each month, John would make his regular payment of \$50 plus \$100 from the Debt Dump fund.

## Chapter 5 – Cash Is King

Why do you think every store and restaurant takes credit and debit cards? It is a proven fact that people spend more when they charge purchases on credit and debit cards. I have proven this to myself many times. I have tried my budget using cash only for a week and debit card only for a week. Each time, I spent more when I used the debit card. One specific time really sticks in my mind. I ran in the store to pick up one item, some gum. I got to the counter and started to pay the .60 cent for the gum. I didn't have any cash on me. I said, "I can't put .60 cents on my debit card. What else do I need?" I grabbed a few other things at the counter, some hand sanitizer, lip chap, etc... until my bill totaled \$6.00, an acceptable amount to put on the debit card. When I left the store, I realized that I could have spent .60 cents but because I didn't want to put .60 on my debt card, I spent \$6.00. I realized how ridiculous that was and decided from then on, I would either pay in cash or not make the purchase.

The best way to ensure that you stick to your budget is to use cash. Cash is King! Use cash for your mad money and grocery money. Using cash helps you control your spending. When the cash is gone spending is done. No need to worry about overdrawing your account or running up credit card bills.

## Chapter 6: Increase Your Income

I know this is easy enough to say but not always that easy to do. I am sure you have heard and seen all kinds of get rich schemes on the internet and elsewhere. Bottom line is even if you can wade through all the scams and find a legitimate home business; it takes a lot of work, time, effort and energy to earn money with any business.

With that being said, increasing your income is an essential part of winning the war on debt. Extra cash can quickly jump start your efforts to get out of debt. The most obvious thing you can do to increase your income is to sell some stuff. Clean out the attic or basement. Get rid of large luxury items like extra cars, motorcycles or boats. Most people have several televisions; consider getting rid of one of them. Consider getting together with a few friends and having a garage sale or put an ad in your local newspaper or on eBay. Get radical about it. If you haven't used it in the last six months then sell it. You can even volunteer to help some else move or clean out their attic if they will agree to let you have the things they don't want.

Consider babysitting for family and friends especially if you or your spouse is not working. Many people are looking for lower cost child care. Set your prices below the local child care providers and spread the word to your friends and family members.

If you have a desirable special skill like playing an instrument, programming computers or designing web sites consider offering lessons or classes.

If you are good at and enjoy cleaning, organizing, repairing computers, mowing lawns, baking, washing cars, repairing appliances etc....offer your services for a price. Word of mouth advertising is one of the most effective marketing strategies. Let family members, friends, church members and coworkers know the services you offer.

Take a look at part time jobs like office cleaning, delivery, cashier, bookkeeping, security, receptionist etc...

Also, look at contract or temporary jobs. Contact your local temp agency and see what they have. You can also check Career Builder, Monster Jobs and your local newspaper for this kind of work.

Earning extra money allows you to attack your debt with quick and decisive blows. Remember, any extra money you earn should go into your Debt Dump fund. Resist the temptation to blow the money on a vacation or shopping spree.

Look at partnering up with people that have the same focus. You never want to fight a war alone. When the battle gets tough you want to have people around you that can provide some support and wisdom. The Debt Dumper Club was designed to provide that support system for you and others that desire to win the war on debt. The Debt Dumper Club has committed to share any income earned

from its website with its members to help them pay off their debts. You can find the Debt Dumper Club at <http://www.debtdumper.org>. You can also follow us on twitter at <http://twitter.com/DebtDumperClub>.

Bottom line is, you deserve to live a life free from debt. Now that you have declared war on debt and have decided to fight for your financial future, debt doesn't stand a chance.

We have allowed ourselves to get into debt because of our desire to be immediately gratified. We don't want to wait on anything. We want the house, the car, the boat, the designer clothes and shoes and we want it now.

Make a promise to yourself that once you get out of debt, you will not go back in. Make a habit of saving for what you want. Yes, you may take you a bit longer to get it but at least when you get it; you will own it rather than it owning you.

You can get out of debt. Start now. Take quick and decisive blows until your debt has been defeated.