

How to Become Debt Free (Including Your House and Cars) in 3 to 7 Years!

Today we're going to tackle what for most people has become one of their biggest problems...DEBT. At no other time in history has there been such a tremendous financial burden placed on the average family. I know because I was there. Just a few short years ago I was deeply in debt. We owned over twenty thousand dollars on charge cards. Our monthly auto lease was \$625, our truck payment was almost \$500. I owed over \$215,000 on my home. I made good money but I was deeply in debt. It just didn't seem like I could ever get out of debt. It seemed like just as I started to make a dent in the charge card balance another expense would come up. It was frustrating and depressing. I felt like I could never pay off all my debt (unless a big windfall like the lottery came in). I was like most people. Heavily in debt with no light at the end of the tunnel. I felt as if I would be in debt forever. We were like most families who have thousands, if not tens of thousands of dollars in consumer debt. The monthly payments just keep increasing and increasing. To mist it doesn't seem like the debt will ever go away. And you know what? For most people the debt will never go away. The average family will continue to make monthly payments until the day they die.

I knew that things had to change. I sat down with my wife Shari and we set up a plan to pay off all the debt. For us, it took just over 4 years to be completely debt free. I can't tell you how good it feels to go to bed at night without having to worry about bills. Our only monthly expenses are utilities and insurance. All the rest of the money is ours to spend as we want. The freedom is fantastic. To have unshackled ourselves from the bondage of debt is enlightening. You too will soon be debt-free.

Before I show you how to become completely debt free in 3 to 7 years let's discuss why do people become so deep in debt? There are three major reasons:

1. "Madison Avenue" Advertising
2. Banks and other Lenders
3. Financial Advisors

You need to understand that it is the mission of these three institutions is to keep you in perpetual debt. I call it perpetual bondage and slavery. Because that is what most people have become SLAVES to their debt. So how do they do it? How have they made most people in the free world their slaves?

The “Madison Avenue” Advertisers

The “Madison Avenue” Advertisers job is to make you want and need everything that was ever made. The impact advertising has had on the world is tremendous. We have become voracious consumers. Many people live by the motto of “Charge It”. Buy it now and pay it back with small monthly payments. New TV, New Stereo, New Bigger Car, New House, etc., etc. Consume, consume, consume. Spend, spend, spend. Everybody seems to want bigger and better things. And you know what, I do to. I like nice things, in fact I own many nice things. I too enjoy buying and owning nice things. The difference between what I do and what the average person does is that I live debt-free and I only buy what can pay for in cash. I don’t fall for the easy monthly payment propaganda.

Banks and Lenders

The banks and Lenders of the world are not your friends. Let me make this clear...I’m not saying that your banker or the teller at the bank is an evil person. However, I am saying that the main objective of the lending industry is to separate you from as much of your hard earned money as possible. They want you to be a slave to them for eternity. They want to suck money from you (in small monthly payments) until the day you die. They want to put you in perpetual, permanent never ending bondage. You are a slave. Nothing more than an indentured servant if you owe money to anybody for anything.

Do you know how charge cards work? They are designed to have a very small monthly payment. Do you know why? It’s so you will never pay it off. They want you to pay interest for as long as possible. In fact, the average credit card takes 15 to 20 years to pay off if you only make the minimum payment. That means you spend up to four times more than what you actually paid. Let me give you an example. Let’s say you purchase a new living room set for \$2,500. The minimum monthly payment is just \$44.44 per month with an interest rate of 21% (quite normal for a furniture store.) At \$44.44 per month it would take you **TWENTY YEARS** to pay for that living room furniture. In twenty years what would the furniture be worth? If you still had it, maybe a couple of hundred dollars. But how much did you really pay for the furniture? No, not \$2,500. You ended up paying the furniture company \$10,665.86. This is how they get you, monthly payments.

Let's look at the auto industry. Did you know that the President of General Motors recently stated that General Motors is not in the automobile business, but in the lending business? The only reason they make cars is so that they can lend (or lease) money. Let me give you an example of just how expensive those low monthly payments are. Let's

take a woman age 25. She leases a new car for \$400 a month. The car salesman was so helpful. He explained how with a lease program she could get a brand new car every two years. Do you know what the car company is going to make off this lady? Assuming she keeps driving to age 65, she will spend \$592,011.98 on cars she will never own. You do the math: \$400 per month for 40 years with an auto inflation index of 5%. Just imagine over half a million dollars in small monthly car payments. I'm telling you, lenders are not your friends. Don't believe them. They are nothing more than a salesperson who has been trained by their company to part you from your hard earned income and place you in perpetual bondage.

How about real estate. This is the biggest rip off of all. You are told to take out a thirty year loan. The reason, smaller payments. They tell you this knowing full well that the average family moves before seven years have passed. Did you know that in seven years, on a one hundred thousand thirty year mortgage you would owe ninety seven thousand dollars. That's Highway Robbery. Over seven years you would have paid \$61,636.22 (assuming an 8%) and yet you would have only reduced your debt by \$3,000. Great deal, for the bank. Would you do that to a friend? Well your friend the lender did it to you. What's more is you then sell the house and go right out and buy another one with an even bigger thirty year mortgage. **SLAVERY**. Plan and simple, slavery. You are a slave to the lender.

Financial Advisors

We've touched on this before, but let me just remind you that the average financial advisor is nothing more than a salesman in a nice suit. In most cases they are flat broke and in debt (those monthly payments). And my experience having worked in the industry for several years that most planners do not follow their own advice. Also, to a large degree the advice they are giving is the same advice that they have been regurgitating for the last seventy to eighty years. Let me dispel the myths in regards to debt. Never, under no circumstances is consumption debt good. Never.

I know that advisors make the argument that a home mortgage is a good thing because you get a tax break. However, that is a complete crock. The average American family is in the 28% tax bracket. That means for every one dollar paid in interest you receive a twenty eight cent deduction. The advisors are crazy you didn't just save twenty eight cents...you lost seventy two cents. If you think that's good deal then send me all the dollars you have and I'll send you back twenty eight cents in return.

Another thing I strongly disagree with is the idea that the first thing you should do is build up an emergency reserve fund of 3-6 months of expenses. This is disastrous advice. By taking what little money you have to invest and placing it into an interest bearing account paying 5% you are losing big time. Why? Because you have debt that is costing you

much more. The first thing you should do is pay off your debt. Then, you can build up an emergency fund. And think about it, if you don't have any debt, how much of an emergency reserve fund will you need. I know some people are saying what if something happens and I don't have an emergency reserve fund. Simple. Save one charge card (with low interest and no annual fee) for emergencies. Only use it in a true emergency (and not a sale at Macy's is not an emergency).

Remember, many advisors (especially those on commission) will not give you advice that is in your best interest (see the chapter on Life Insurance). Be financially competent and decide what is best for your financial life, not your advisors.

The Debt -Free Plan

The Debt-Free Plan is extremely simple and easy to implement. All that it takes is two steps.

Step One

Never use consumer credit. Never use charge cards if you can't pay the balance off in full when the bill comes. If you can't pay cash for it, you don't need it. Cut up your charge cards and throw them all away. (I rarely pay cash, rather I use an American Express Card which I pay off in full each month and a No-Fee Visa card that I use at places that do not take American Express. However, I always pay the Visa card off in full each month. I never carry a balance. These cards give me frequent flyer miles and a record for tax purposes. So while I rarely use actual cash, I am in essence using the modern version of cash). If you are in debt and unwilling to destroy your charge cards

then you are doomed. You are nothing more than a Level One Investor. You must end the cycle now! Go ahead and take your charge cards out and put them in front of you. Think about all the problems they have caused you. Think about the debt. The monthly payments. The pain. The slavery. The bondage. Now cut them up. Go on., do it NOW. Stop reading and cut those cards up NOW. I'm not kidding. I mean it. Get a pair of scissors or a knife and end the madness. Become the master and stop being the Slave. Cut up those damn credit cards and take the first step towards a debt-free life.

Step Two

Step Two is to add 10% to your minimum payments. For example, if your monthly payments total \$2,000. You would pay \$2,200 (an increase of 10%). However, we are not going to just add 10% to each bill. Rather, we are going to strategically place the extra 10% on the bill we can eliminate the fastest.

Let me give you a real life scenario of how this works. This is the financial situation (see attached Calculating Bill Pay-Off Order form) of Stan and Barbara who are 40 years old. They are a married couple with two young children. Although they make a good living (combined income of \$64,000) they are deeply in debt with no idea how they will ever be able to meet their long-term financial goals of paying for the children's education and early retirement.

Currently, they have consumer debt totaling \$14,600 (the United States national average for those families with credit card debt is just over\$14,000). The minimum monthly payments are \$790. They owe \$15,000 on two cars with monthly payments of \$565. They have a first and second mortgage totaling \$120,000 with monthly payments of \$1,320.

Truly, there financial situation is bleak. They have no emergency reserve account and almost no savings. The drain of minimum monthly payments has put them in the situation where they have not money left for savings, investment, or paying off their debt.

However, using the techniques they learned in the earlier chapters they have been able to come up with the extra 10% to add per month to their minimum monthly payments. For them, their debt reduction will be accelerated by \$268 per month.

Financial Summary

Consumer Debt
\$ 14,600 Balance
\$ 790 Monthly Minimum

Automobile Loans
\$ 15,000 Balance
\$ 565 Monthly Minimum

Mortgages
\$ 149,600 Balance
\$ 1,320 Monthly Minimum

Debt Totals
\$ 149,600 Balance
\$ 2,675 Monthly Minimum

But don't despair, by following the Debt-Free Program this family will be completely debt free in just five years. And at retirement (age 65), doing nothing in this entire book other than this they will be multi-millionaire's. Let me take you step by step through the process. Refer to the Calculating Bill Pay-Off Order Form. There are two in your book. The first one is filled out, showing Stan and Barbara's situation. The second is bland to fill out for yourself.

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So let's get started.

Calculating Bill Pay-Off Order Form

The first thing you need to do is gather up all your bills together. Then, fill out the Calculating Bill Pay-Off Order Form in the following manner:

Column One - List the lender or the name of debt

Column Two - Write in the entire balance owed.

Column Three - Put down your minimum monthly payment.

Column Four - Divide the total balance owed by the monthly payment and put the answer in the fourth column.

Column Five - The Pay-Off Priority is determined by starting with the lowest division answer from column four. These numbers are used to determine what order you should go about paying off your bills. The lower the answer the higher the priority. Number each one of your bills starting with 1, 2, 3, etc. until the Pay- Off Priority has been determined for all your debts.

For example, with Stan and Barbara, their ninth debt (Levitz Furniture) had the lowest Division Answer thus it is given the number one Pay-Off Priority. The first debt (Visa) is given the number two Pay-Off Priority, the fourth debt (Sears) is given the number three Pay-Off Priority, and so on.

Note: I recommend you do not overly concern yourself with which account has the highest interest rate. This system so quickly accelerates bill pay off that you will not be paying enough months of interest for it to make a significant difference.

The key is momentum. By being able to see the bills completely eliminated (forever) it becomes so much easier to stick with the system. In many cases you won't be in a position to change the interest rates you are now paying (due to poor credit). However, if you can qualify for charge cards that offer significantly lower rates you should apply for them and transfer your higher interest balances.

Remember though, this is not to establish more credit, but rather to lower the interest paid. If you do get new lower rate cards make sure to cancel your old cards (and cut them up) once the balances are paid off. Don't leave yourself open to future temptation. Remember, you become deeply in debt for a reason. No control! So don't have a bunch of paid off old cards laying around to go back into action. The results will be disastrous.

Column Six - Shows the Pay-Off Date. I will demonstrate how this is calculated using Stan and Barbara's Calculating Bill Pay-Off Order Form.

Stan and Barbara Bill Pay-Off in Action

It's January 1, 1996. In looking at their Calculating Bill Pay-Off Form Stan and Barbara are able to determine that their first pay-off priority is the Wells Fargo (Auto) payment of \$ 300. What Stan and Barbara did was to add the entire debt eliminator investment of \$ 268. By paying \$ 568 they are able to completely eliminate the payment on the second car by May (just five and a half months)!

Next, they look at their Calculating Bill Pay-Off form and determine that ABC Visa is the next priority. They take the entire \$568 (What's left after paying off the car) and add to the existing ABC Visa minimum payment of \$ 300. This gives them \$ 868 a month to vaporize that Visa debt! Now, over the last five months they have been paying the normal \$ 300 minimum payment to Visa (**and not charging anymore**). Because of this the balance owed has been reduced to approximately \$ 3,600. This means that the ABC Visa will be completely paid off in just four months.

Imagine their elation at paying off their second car and charge card that they normally would have been paying on for life in just nine months. Next, they go after paying off the Sears bill (pay-off priority number three). At this point the balance is down (from making the minimum monthly payments) to \$ 675. So, they pay it off in one month. And apply the extra \$ 263 ($\$ 868 + \$ 70 - \$ 675$) to the Bank One Visa (pay-off priority number four).

I think you get the idea.

All consumer debt and automobile debt is paid in full in just under twenty-one months!
The house is paid off less than four years later!

This means that this family (previously in debt up to their eye balls) is completely debt-free in five and half years! What's even more exciting is that they now have \$2,943 (the \$2,675 original minimum payments + the \$268 debt eliminator investment) to begin investing with. The money is then invested for the next twenty years.

At then percent (easily obtainable in an equity mutual fund such as the Vanguard Index 500) they would have \$ 2,234,822. They would be multi-millionaires! At sixteen percent (available government guaranteed from tax certificates) they would have \$ 5,080,917. At 25% (easily obtainable for a Level5 Investor) they would have \$ 19,774,351.

All of that from a couple whose life was in financial ruin. With no hope.

To determine how long it will take you to become Debt-Free look at the simple Debt-Elimination Time Calculator. Simply find your total amount of debt and the total monthly payment you are going to pay. Then determine how many years it will take for you to become Debt Free. Using this strategy most families are able to become completely Debt Free (including the house and cars) in 3 to 7 years. This is a very simple, realistic plan. It has worked for thousands of people. Put it to work for you.

CALCULATING BILL PAY-OFF ORDER

Write down each debt in column 1, it's total balance in column 2, the bill's monthly payment in column 3, then divide the total balance by the monthly payment, putting the answer in 4. Prioritise pay-off starting with lowest division answer as the first bill to pay off and so on.

<i>1</i> <i>NAME OF DEBT</i>	<i>2</i> <i>TOTAL BALANCE</i>	<i>3</i> <i>MONTHLY PAYMENT</i>	<i>4</i> <i>DIVISION ANSWER</i>	<i>5</i> <i>PAY-OFF PRIORITY</i>	<i>6</i> <i>PAY-OFF DATE</i>
<i>ABC Visa</i>	<i>\$ 5,000</i>	<i>\$ 300</i>	<i>16.67</i>	<i>2</i>	<i>Sept '96</i>
<i>Bank One Visa</i>	<i>\$ 3,000</i>	<i>\$ 150</i>	<i>20</i>	<i>4</i>	<i>Nov '96</i>
<i>Master Card</i>	<i>\$ 2,000</i>	<i>\$ 100</i>	<i>20</i>	<i>5</i>	<i>Dec '96</i>
<i>Sears</i>	<i>\$ 1,200</i>	<i>\$ 70</i>	<i>17.14</i>	<i>3</i>	<i>Oct '96</i>
<i>Waeds</i>	<i>\$ 1,000</i>	<i>\$ 50</i>	<i>20</i>	<i>6</i>	<i>Jan '97</i>
<i>Furniture One</i>	<i>\$ 1,000</i>	<i>\$ 50</i>	<i>20</i>	<i>7</i>	<i>Feb '97</i>
<i>JC Penney</i>	<i>\$ 800</i>	<i>\$ 40</i>	<i>20</i>	<i>8</i>	<i>Feb '97</i>
<i>Maru's Hardware</i>	<i>\$ 600</i>	<i>\$ 30</i>	<i>20</i>	<i>9</i>	<i>March '97</i>
<i>Wells Fargo (Auto)</i>	<i>\$ 3,000</i>	<i>\$ 300</i>	<i>10</i>	<i>1</i>	<i>May '96</i>
<i>B of A (Auto)</i>	<i>\$ 12,000</i>	<i>\$ 265</i>	<i>44.78</i>	<i>10</i>	<i>Sept '97</i>
<i>Continental (House)</i>	<i>\$ 100,000</i>	<i>\$ 1,000</i>	<i>100</i>	<i>12</i>	<i>June 2001</i>
<i>Finance One (House)</i>	<i>\$ 20,000</i>	<i>\$ 320</i>	<i>62.50</i>	<i>11</i>	<i>Nov '97</i>

Debt - Elimination Time Calculator

Total Debt Amount	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years
1,000	88	46	32	25	21	19	17
3,000	264	138	97	76	64	56	50
5,000	440	231	164	127	106	93	83
7,000	615	323	226	178	149	130	116
10,000	879	461	323	254	212	185	166
15,000	1,319	692	484	380	319	278	249
20,000	1,758	923	645	507	425	371	332
30,000	2,637	1,384	968	761	637	556	498
40,000	3,517	1,846	1,291	1,015	850	741	664
50,000	4,396	2,307	1,613	1,268	1,062	926	830
75,000	6,591	3,461	2,420	1,902	1,594	1,389	1,245
100,000	8,792	4,614	3,227	2,536	2,125	1,853	1,660
125,000	10,989	5,768	4,034	3,170	2,656	2,316	2,075
150,000	13,187	6,922	4,840	3,804	3,187	2,779	2,490
200,000	17,583	9,229	6,453	5,073	4,249	3,705	3,320
250,000	21,979	11,536	8,067	6,341	5,312	4,631	4,150
300,000	26,375	13,843	9,680	7,609	6,374	5,558	4,980

[-----Total Monthly Payment Amount-----]

Wealth-Building/Retirement Calculator

Monthly Investment Amount	5 Years	10 Years	15 Years
500	39,041 - 312/mo	103,276 - 826/mo	208,962 - 1,672/mo
1,000	78,082 - 625/mo	206,552 - 552/mo	417,924 - 3,343/mo
2,000	156,165 - 1,249/mo	413,104 - 3,305/mo	835,849 - 6,687/mo
3,000	234,247 - 1,874/mo	619,656 - 4,957/mo	1,253,772 - 10,030/mo
5,000	390,412 - 3,123/mo	1,032,760 - 8,262/mo	2,089,621 - 16,717/mo
7,500	585,618 - 4,685/mo	1,549,140 - 12,393/mo	3,134,431 - 25,075/mo

Example: If you invest 7,500 each month, for 15 years, you'll have \$ 3,134,431 in total principal - and you'll be able to retire at an income of \$ 25,075 per month for the rest of your life without putting another penny in. Based on an average of 10% Return On Investment.