

Eight steps to reducing your debt

- 1) **Try to determine the source of the problem.** How did you get into this situation? Get God involved from the start by asking Him to reveal any spiritual shortcoming that may have contributed to your debt distress. Pray for humility, forgiveness, and the strength to overcome your areas of weakness.
- 2) **Find those who can encourage and support you.** If you are married, have a family discussion on the sacrifices that must be made and the purpose of those sacrifices. Try to establish a spirit of teamwork.
- 3) **Create a spending plan.** A crucial aspect of this plan is determining where you want your money to go.
- 4) **List all your debts.** This will help define the problem. List each of your loans, how much you owe, the minimum monthly payments, and the interest rate on each loan.
- 5) **Be ready for a lifestyle change.** Try to create a spending plan that has no more than 70% of your take-home income going to daily living expenses and the rest to giving, emergency savings, and debt reduction. This will probably represent a major change in spending patterns and perhaps even lifestyle. If your income will not allow you to develop a viable debt-reduction plan, you have three choices: increasing income, reducing lifestyle, or spending less on the present lifestyle.
- 6) **Consider one-time approaches to increase income for extra payments on loan balances.** Work some overtime, hold a garage sale, or sell stock. However, don't borrow money from your retirement plan.
- 7) **Adopt *laddered payments*.** Create a plan that allows you to make all of your *minimum* debt payments and still have funds left for debt reduction. Apply that monthly surplus to the minimum payment of your *smallest* loan. Keep doing this every month. Eventually you will retire that loan (one rung of the ladder) and be able to step up to the next smallest loan balance. This will give you the momentum of success that you can build on.
- 8) **Whatever you decide to do, do it today.**