Smart Money Diva Training Series and Inner Circle Training Program

Training Call 4

June 7, 2012

Call Transcripts

Understanding and Eliminating Debt

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Welcome to the call everyone!   This is Maureen Campaiola and our call today is the forth call for our Money Breakthrough Inner Circle Training Members and the third Smart Money Diva Training Call in the Series.

We have a really great call in store today with lots of content so get ready to take lots of notes. This is part one of a two part call which will be next month. We have some handouts that will be sent to you via email by tomorrow, you may have gotten them already but if not you will get them tomorrow for sure. Inner Circle Members can find today's handouts in the Forum under Document Archive.

I ask and appreciate that you do not share this material with anyone. It's intended for you, the program participant and not for others who may need this help but haven't signed up for the program.

Our training today is ***Understanding and Eliminating Debt.***

Before we move into the content, and there's a lot of content to cover today I want to take care of some quick announcements first.

Our next call is for our Inner Circle Training Members only and is the open Q & A call. This call is scheduled for Tuesday, June19, 2012. This call is open to help you with any questions about any of the material we have covered to date or if you have a burning money question or issue that you would like to get coaching on. Our last call we didn't have any participants and therefore there isn't a link to that call for you to listen.

I highly recommend you come to these calls live because it is a fabulous way for you to get coaching from me personally. This type of coaching will really accelerate your learning and your progress as you move through the program and begin to dig deeper and deeper into your financial situation. So please come to the call live if you can. This is a great benefit to you as an Inner Circle Training Member. I really want to be able to help you in any way possible but if you don't come to the Q & A call I can't do that so please try to be there or if you can't but have a question send me the question and I will record the answer and send you all the link.

Another benefit for the Inner Circle Members is the video training clips I will be sending you during the month. It will cover some additional, deeper information for you to consider as you contemplate what you've learned.

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For some reason we are having real difficulty getting these videos to post on the site. I'm not sure we are going to be able to add them to the site and may need to send them to you if we can…we'll figure this out.

One last benefit for Inner Circle Members is a special private coaching rate that I've created just for you. If at any time you feel you would like to speak with me privately for a money breakthrough session just email my assistant Lisa she will set up a time to speak with you at the rate I've created just for members. You can email her at Lisa@BreakThroughYourMoneyBS.com.

Our next training call is Thursday, July 5, 2012 at 7PM **Healing Shame and Deprivation: Understanding Wants Vs Needs**

You've heard me say before that money isn't a set in and forget it relationship. What you will be learning here tonight is just the next step in your money training. I want you to think about it like the layers of an onion. We've been peeling the layers, right? As you peel away each layer you go deeper and deeper with your evolution; you move closer and closer toward the core of the issue. That's what happened for me and it will happen for you too if you continue to do the work and consciously think about your money differently. The video clips and training will help you do just that - do deeper.

How's it going with your money journal? Are you reflecting and writing in your journal? I hope so. You may have a lot to journal about after tonight's call on understanding debt. Debt is a heavy subject one that certainly will raise some issues for you. Use your journal to write down your thoughts and feeling about the debt you have and how it feels to get rid of it. More on this later in the call.

Finally, you will be sent the downloadable transcript of this call along with the MP3 file for your records. This way you can refer to them whenever you feel you need a refresher or just want to look something up.

Ok, let's get started with our content!

I've helped a lot of people get out of debt. Before I started my coaching business and got myself out of an enormous amount of debt, I helped other people get out of debt, including my friends, and former boyfriend. I have

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quite a track record with this topic. I'm totally self-taught as to how to do it. It has worked very well over and over again. That's what I'm going to teach you over the next two sessions, how to get out of debt.

There is no way you can convince me someone can't get out of debt. I've had lots of people try to tell me they can't get out of debt but I know that's not true. So if you feel this way, that your debt is too big, that it's too hard, that you won't be successful you need to change that up first and foremost. You need to come from a place of strength and energy that it IS possible to get out of debt. If you feel along the way that it's not I want you to hear my voice in your head telling you, "Yes, you can get out of debt! Just keep going, it is possible." Ok? Promise me you will think of me when you get discouraged by your debt.

Debt is ________ you fill in the blank because for most of us we can conjure up all sorts of ways to fill in the blank. But one thing I know for sure is that all money issues are self worth issues. Debt issues are also self worth issues. If you understand this it's easier to work through them.

Each person can have their own particular variety or flavor of why they've created debt, how they created debt, how often they've done it, how much, and all of the other story behind it. But, underneath it all, these are self-worth issues.

Have you ever seen the movie the Blob? It came out in 1958 and at first it wasn't very scary but as the movie progresses you see the devastation and fear the blob evokes. It takes over everything, suffocating anything and anyone in its way until the whole town is gone.

It's relentless.

That's what debt is like. At first it's rather benign. But over time it becomes more and more over taking, seeping into every aspect of our lives and controlling every aspect of our lives.

Debt weighs you down; it drains your energy, your resources, your peace of mind and ultimately the quality of your life. Until you are ready to get rid of your credit cards – either by tearing them up, freezing them or any other means - and start paying down your debt, you will have a really hard time getting to the next level of financial independence.

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I don't want to sound negative here but it's almost impossible to get to that next level if you are not willing to stop using credit cards.

When I was in debt many years ago, I ripped them up. My credit was bad at this point and I was maxed out on most of my cards. I knew I wouldn't be offered a credit card for a long time. But I also knew if I didn't get rid of them AND close the accounts I would be tempted to use them again.

So that's what I did and I encourage you all to do the same. It's a hard step to take but I know you can do it. You just need to muster up the courage to get out the scissors and start cutting.

The goal here is for you all to feel at peace with your debt. I don't want you to be in a position to disregard the debt or to be in denial about the debt but to be at peace with it. That's an important distinction one that I will help you with later on in the call.

If you're not at peace then what are you likely experiencing? It may be guilt, shame, regret, remorse and recrimination. Recrimination is a terrible feeling. It's basically where somebody is blaming and being terrible to themselves. If you do that, it's not a place where you can make good choices from. You want to be at peace about this so you can make good choices.

The last point I want to make before we get into the reasons that most people accumulate debt is this: your debt represents the past. The PAST! It represents all of your old beliefs, values, thinking and actions. And this is good – no great!

You're in a position right now through this course and the previous work we have been doing together to change all that. You are changing your beliefs, values, thinking and actions today! You're re-forecasting your financial future and you have the power to do that. That's what's so awesome about this work and the work you are doing. You should be super excited about that…its your opportunity to unhook yourself from your past and step into a whole new future with new ways of thinking, acting and believing.

So let's talk about the reasons most people get into debt. I've got 8 reasons and of course their maybe more than that, but these are probably for the most common reasons and ones you probably can relate to.

1. One of the reasons that I brainstormed for why people create debt is that they create it to keep up with others. Everybody else is getting the new toy, better clothing, the fancy shoes or whatever it is. They want to keep up with others. They want status.

2. They're afraid to say no. I've lived through this one myself in the past, and I'll share a little about that later today. That's usually an issue of the need of love. They want to feel good in some way that they're not otherwise feeling. Typically, that's an issue of love or value.

3. Very often people will create debt because they feel helpless. They feel like they're a victim of fate. In other words, they feel like things just kind of happened to them. I've heard this many times. People will say, "I didn't want to create this debt, but _____," and it doesn't even matter what comes out of their mouth after that. As soon as I hear that I know they feel helpless.

   When I hear, "I didn't want to create this debt," or "I hate being in debt, but _____," I can tell you that that is somebody who is giving up their power. They are feeling as if they have no choice and it is being done to them. This is a form of victim, and this one is very common.

   That's the need of value. Bad luck or blaming others is the same thing. They say, "My husband lost his job," this happened and that happened. It's victim and powerlessness. These things were being done to them. It's usually an issue of value.

4. Sometimes people create debt because they're in total denial of what their situation is. They just don't want to see it. This one can typically be from issues of love or security. It sounds kind of backward. You'd wonder why it would be security because they're creating all this debt, which is a very insecure situation to create. They're so afraid and actually want security. Emotionally, they are not able to really look at and create that in a positive, productive way for themselves. They actually end up manifesting the very thing they fear the most, which is to not have any money.

5. People will often create debt because they feel they deserve it. I hear this one a lot as well. They say, "I'm going to go buy this new whatever because I deserve it. I'm worth it." That's usually a question of value.

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6. It might be enabling others. This may be where they're buying gifts or taking money. This often happens with children, by the way. Parents will often get into debt on behalf of their children. It can even be helping friends.

   For example, I know somebody who is not in this program who is always living hand to mouth, paycheck to paycheck. She has always made great money but never has any money. She is loaning money she never really expects to get back to a friend of hers. She has done this a couple of times already. Technically, it's a loan, but she has no expectation to get it back. She is biting her nails, worried about running out of money in the next two to four weeks.

   That's usually about wanting to be loved. It could also be about value as well.

7. Next, it's just habit. People get in the habit, familiar and comfortable with having debt. This becomes a normal part of their life. I said "comfortable." It doesn't mean that they like it.

   They may go around saying, "I wish I didn't have all this debt," but they're comfortable with their discomfort. They're used to having debts. We all know that what we surround ourselves with, we get accustomed to and start to create and recreate over and over again.

8. The last reason that's prevalent, certainly in the United States, is that we actually don't have very many positive role models for living debt free. Most of the role models we have for being debt free are people who scrimp and save and live in what can appear to be a very diminished capacity. They don't look like they live very nicely and are always tight-fisted and worrying about spending a dollar.

   We have a lot of role models for people being in debt. We are bombarded by the media about debt. Part of the news, books, TV and everything is impressing upon us that everybody has debt. Debt is bad, but everybody has it. Go out and buy these things to create more debt.

   It's really screwed up. How's that for a technical phrase? We want to start creating some positive role models about being debt free.

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Ok, so those are some of the reasons that I brainstormed that people get themselves into debt.

Now I want to discuss with you the three steps to eliminating debt. We are going to cover the first step tonight and our training call in July is going to cover Steps 2 and 3.

But just so you know what the steps are Step 1 is to get out of denial. Step 2 is to create your debt power payoff plan and Step 3 is to live free.

I'm going to take you through the first step.

Step 1: Get out of Denial

The first step in getting out of debt is that you need to face the music, take ownership of what you've created, and get out of denial.

We all have a self worth account. You're either making deposits to your self worth account or you're making withdrawals. You're either putting something in or taking something out.

So you're either adding to or increasing your self-worth, or you are decreasing and diminishing your self-worth. Debt is typically a withdrawal from your self worth account. Debt damages our self worth so therefore it's a withdrawal from out self worth account.

Let me share some examples of some of the ways people make deposits to their self worth account. Creating income doesn't matter how much it is if you are creating income it's a deposit into your self worth account. Saving money and paying off debts are deposits.

Here's the neat thing about this example – you don't have to be debt free in that moment for it to be a deposit. It's the mere action of paying down your debt on a regular basis that makes this a deposit to your self worth account.

Living debt free means paying cash for things or if something is put on a credit card it's paid off in full when the bill comes in. None of it is rolled over to another month – it's paid in full. That's what I do and I've done this for many years. I don't recommend anyone who is just in the early stages of living debt free to do this. You want to stay away from credit cards until you have gained the skills and control to not use them irresponsibly. It took me several years before I was able to start using credit cards again responsibly. Until that day, I paid cash for everything.

Increasing your income and making more money is another deposit into the self worth account.

Making more money is more deposits into your self-worth account. It feels good to make money. It feels good for a lot of reasons that are all valid, spiritually oriented and have to do with living a fully integrated, authentic life. A couple of other ways you make deposits in your self-worth account are by investing for your retirement or in education or training.

What are some of the ways you make withdrawals from your self-worth account? You do that by creating debt or giving money to others before you are debt-free yourself. Let me say that one again. You are giving money to others before you are debt-free yourself. You make withdrawals by having no savings. The absence of savings is not neutral to your self-worth account. It's actually a withdrawal from your account.

So are spending more than you make and making less than your potential. Who can say exactly what our potential is? I think you all know if you're making less than you can be or are capable of. That's a withdrawal from your self-worth account because it means someone is not taking action, stretching, growing, or asking for more. They're not in a place of increase. Also, there's not taking action to create and keep more money. These are withdrawals from your self-worth account.

The basic cycle that happens with debt is pretty much this. We all have needs. We will get those needs met. That's the way human beings are designed, to get their needs met. We have an underlying emotional need that is not being met. We self-medicate by spending money on a credit card and not paying for it at the end of the month. It often feels great at the time of the purchase. There is excitement and exhilaration. We think, "I deserve it." There's a little rebelliousness there. Whatever it is, that's the emotion they're feeling at the time of the purchase.

This kind of feeling good is a false self-worth deposit. It feels like, "I'm adding to my self-worth because I'm making myself feel good." This is a false deposit. It is not a real deposit. I just thought of something. This is actually like bouncing a check.

This is like bouncing a check with your self-worth account. You can tell that you're bouncing a check with your self-worth account because when the credit card comes in and cannot be paid in full, how does a person feel?

They feel bad. They feel guilt and shame and think, “Gee, that was a mistake.” They’re hard on themselves.

Whatever they go through, they don’t feel good. That’s how you know that the purchase was like bouncing a check with their self-worth account. That feeling of guilt and shame about the debt is a withdrawal from the self-worth account. They’re feeling bad about themselves, and then they go out and spend more money to try to feel better, and the cycle starts all over again.

There’s only one solution here. It’s very simple and can be one of the toughest things anyone has ever done in their lives because no one can do it for them. The solution is to stop making withdrawals from their self-worth account and start making deposits.

Let me give you an exercise. We’re in this first step of getting out of denial, facing facts and facing the music. It’s a very simple, powerful exercise.

I want you to pull out the last 90 days of credit card statements. Pull out every credit card statement for the last 90 days. If you haven’t been using your credit cards recently and you’re just showing a balance without any itemized detail then I want you to go back even farther and pull those statements. You need to have statements that have itemized purchases on them. You want three months of all these cards’ itemized detail.

What I want you to do now is to go through these itemized transactions and put a plus sign or a minus sign next to each transaction based on whether it’s a deposit to or a withdrawal from your self-worth account.

This will take you about 15 minutes or so to do this exercise. Then, you’re going to add up all the plusses and write that number down and add up all the minuses and write that number down. You will then have what I call an HC moment which stands for Holy Crap! It’s going to be a Holy Crap moment.

I want you to then go to your journal and ask yourself this question; did the transactions add to your self-worth account or diminish it?

For most people who are carrying debt, guess which column is going to be bigger? The minuses column is going to be bigger by a lot.

Now I have some tips and a hint here. You can tell if a transaction is a deposit or withdrawal by asking whether you feel guilt, shame or regret or are defensive. Some of you will get some defensiveness. You’ll say to

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yourself, "I really needed that. I worked hard. I had done this and that, so I deserved and needed it."

With these kinds of emotions, we already can tell this is a withdrawal. This is not a deposit to your self-worth.

Let me clarify something here. I really thought long and hard about this. Most of these transactions will be categorized as a withdrawal. They'll have a minus sign next to them. There is an exception. I believe the exception is training and education. It can make sense to invest via credit card in training and education.

That doesn't mean that's permission to go rack up credit card debt investing in a lot of training and education that never gets implemented. There is no return on that investment and no fruit to show for that.

If there's a training and education line item transaction on the credit card statement, the way to decide if that's a deposit or withdrawal is very simple. Is this something you are in the process of or have already implemented? Are you implementing what you're learning? Have a written-out agreement with yourself to pay it off by a certain date.

If you don't have those things, this is not a deposit. This is a withdrawal. It's a withdrawal when things are not implemented and put to work for you. It's a withdrawal if there's not a plan to pay it off.

Let me give you a personal example. I've invested, for a number of years, in high-end coaching programs. I have invested a little over $50,000 in the last two years. That's a lot of money.

The first time I invested in a high-end coaching program, it wasn't like I had the money lying around and made a frivolous purchase. That would have been a withdrawal from my self-worth account. It wasn't a withdrawal.

It was a deposit because I made a decision in making that purchase. First of all, I made an agreement with myself as to when I was going to pay it off. I had no idea how I was going to pay it off. That was the whole point of signing up for the program, to learn how to do things better, different and bigger and all that kind of thing.

I was learning things that would help me make more money. I didn't know the exact how, but I made a decision. It was one of those decisions where

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you burn the bridge behind you, never going back, that I would pay that money off within a certain time period.

For me, I set the goal at one year. I actually paid it off in about 15 weeks. It so kicked my butt. I don't like debt. I don't carry debt, and I did borrow money to do that program. I dislike debt so much and it kicked my butt in such a big way that in 15 weeks, I had launched something that paid it back and more. It was awesome.

If somebody had asked me two months prior to that how you can go out and create fix figures in the next 15 weeks, I would have said, "I don't know." I wouldn't have been that motivated. I had a big motivator here.

With the second exercise that is part of Step 1, getting out of denial, first, you will do this, if you are carrying debt, and then you will do this next exercise.

You're going to list all of their debts. There is a form in the forum for you that I've created. You can grab and download your copy from the link.

Very simply, what you're going to do is list who the money is owed to, the amount that is owed, the interest percentage rate, and the minimum payment required. The last column is something called your "freedom payment." I'll explain what this is in Step 2. For now all you need to be concerned with is documenting all your debt on this chart.

Here's the key thing with this chart. Let's say somebody has balances on five credit cards. They're going to pull out their statements and fill out five line items on this form, one line item for each of those credit card debts. They're going to fill in the information I listed for you. Here's the secret. You're going to start from the lowest amount owed. Let's say you have a credit card with $800.

That's the lowest balance. It's not the lowest interest rate. I don't care what the interest rate is. I care about the lowest balance. The next balance is one that has $1,800 on it. After that, there's the $2,500, and then whatever it is.

The $800 one gets listed first, and then you list the next highest and the next highest. You have the lowest balance at the top of the list and the highest balance at the bottom of the list. This is the order in which you're going to pay them off.

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The reason that you list the lowest balance first and not the percentage interest rate is something I figured out on my own.

You're going to pay them off in this order. You're going to make minimum payments on everything except the first one. The reason is because you need a win and a success. You need to build momentum.

It is more exciting, energizing and momentum-building if you get a card completely paid off and close the account. Then you get the next one paid off, and you take care of that account. Then you do the next and the next.

What I have found in helping many people pay off debt and having several debts in the past of my own is that you actually will pay them off faster than trying to pay a little bit on every single card or trying to pay the one with the highest interest rate. Energetically, it doesn't work as well.

There is a magic that happens that I honestly can't explain, as you start to get these paid off. With that $800 balance, let's say you're paying $250 a month. You're going to have that thing paid off in three and a half months. That is exciting. There is a momentum that is created that allows you to pay off faster and faster.

Let's go on to Step 2, which is to create your debt power-payoff plan. It's very simple. I'm going to go through these. There is a document in the forum to help you go through this step.

I basically outlined how you get out of debt. You pay off your smallest balance first. If you have two balances that are really close, like an $800 balance and a $1,000 balance, and the $800 is 10% interest and the $1,000 is 20% interest, pay the $1,000 off first. It's so close to the same amount that then I would go for the higher interest rate. But, it needs to be really close to the same amount.

That's the basic strategy. Let me give you quite a few pointers on this. The first thing a person needs to do, and this is critical, is pay the minimum on all the cards until they have saved one month of living expenses.

What happens for people is they have no cushion. They set themselves up to pay off debt and they're all excited. They start to make some payments, and then something happens. Their car breaks, they lose a client, or whatever it is. They have some unexpected expense and no reserve.

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Now they're forced to use their credit card, and the cycle starts all over again. They're adding to the credit card debt. They feel discouraged. They may or may not keep up with the payoff plan.

One month's living expense is not enough in the long term, but this is part of the debt payoff strategy. You need one month of living expenses saved. You make minimum payments on all your cards until this happens.

What I like to do and highly recommend is to set a by-when date. When is that one month of living expenses going to be in the savings account, not in the checking account?

All of you folks should have already opened a savings account. That money goes into the savings account, not into the checking. It's not available for paying bills. You don't want to start dipping into it. That's a bad habit.

That's the habit of somebody who creates debt. That's not the habit of somebody who is debt free and has plenty of money in the bank. Let's put it that way.

Once that one month of living expenses is saved, you pay the minimum on all cards except for the one with the lowest balance. You pay that lowest balance first.

Here's a rule of thumb. It's a guideline only, not an absolute. I would aim for at least 10% of your income going toward your debt payoff. People say, "I don't have the money." I don't believe it. You can find $5 a month or $10 a month in addition to the minimum payment. A good place to start is 10%. If they can do more, that's great. I would really rather have it be 20%.

When I've gotten out of debt, I put everything into it. I was a little extreme about it because I was so determined. A lot of people get very excited about paying off debt. They get really excited and create a lot of momentum quickly.

You're going to write down the amount you're paying. Hopefully you've seen the chart, but remember, I was going through the columns in the chart. You wrote down the minimum payments that the credit card company requires, and next to it, the last column was your freedom payment.

If somebody's income is roughly $3,000 per month, that means they can do $300 a month toward their debt payoff. That would be $300 in addition to the minimum payments, by the way. I know that for some people, that's

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going to cause them to gulp, but I'd like to see them get there. If they can't do it immediately, how close can they get? This is a stretch.

Paying off debt is exciting, but it's not always comfortable. Often a person will feel it. They're paying off debt instead of using that money for other things. It doesn't mean that they take the fun and joy out of life, and I'm going to give you a tip about that in just a moment. They still have fun and enjoy life, but their first priority is paying off the debt.

If there is only a certain amount of money to go around, more of it is going toward that than toward anything else. So they are giving up some other things. What they're gaining is huge, because every penny paid on that debt is a reminder of how much you love and value yourself. Every penny is a deposit in your self-worth accounts, and that's what we're building here.

For the freedom payment, let's say that on that chart you write in $300 per month on that lowest credit card bill. You keep doing the $300. I haven't had credit card debt in a long time, but I think you still have to indicate, when you make the payment, how much of it goes toward the principal when it's in addition to the minimum so they don't just apply it to future months' payments. The credit card companies are sneaky. They are not looking out for you. I had that happen a long time ago. I paid extra and they applied it to my next two months of payments. I said, "No. It was supposed to go toward principal." They said, "You didn't tell us that." I said, "That's what I want," and they said, "It's too late." This was a long time ago. I know I fought it because I was so mad.

Definitely indicate that the extra amount goes toward principal. Be very clear, whether you pay online or by check. I have one credit card I use for each of my businesses. I pay them off in full every month. They get paid online in full, so we don't do the extra.

Once that first credit card is paid off, you look at your next one. Let's say this is the one that had a $1,000 balance. You say, "I'm used to paying $300 plus the minimum payment on that first card." Let's say that minimum payment was $55. You've actually been paying $355. You've adjusted your lifestyle to accommodate $355 toward that first debt, which is now gone.

You can guess where I'm going. You now are going to take that $355 and pay that as the freedom payment on your next credit card. That's in addition to the minimum that was due on it that you've been paying all along. This is going to build momentum like you can't believe.

You keep adding and adding it. You don't say, "I don't have that one anymore." When you pay off the second one, if you can increase it, it's even better.

Let's say that for the second card, the minimum payment was $150 because it was a higher interest rate. You have the $355 from the first one, plus another $150. So now you can apply $505 to the third credit card. You keep building it like that. It's amazing.

There are a couple of other tips. I would definitely recommend calling all of your credit cards, unless you have one with super low interest. I would call every single one of them and ask to negotiate a lower interest rate.

If you are told no, hang up, wait 15 minutes and call back. Just because you've heard no from one person doesn't mean you'll hear no from each person. They have call centers all over the world and are following different rules and scripts. You never know. You can ask to speak to a supervisor.

They may say, "To do this, we need to automatically deduct the payment from your checking account." That's fine. Agree to it. It's worth it. I would encourage you to renegotiate all of them, not just the current one at the top of your payoff chart.

If you can get an interest rate lowered from 25% down to 18% on the third card on your list, for example, it's going to lower the minimum payment. However much it lowers it by, apply the difference to the first card.

The point here in this strategy is that you keep increasing what you're paying off, and every time a card gets paid off, you don't start pocketing that money or spending it on other things. You keep applying it to the next card and the next card.

The other thing I would recommend is that you look at 0% offers. Be a little careful. What I've noticed these days is that the 0% offers charge a fee for balance transfers, like 3% or 5%, and that could add up. That could be $200 or $300. You need to mathematically work this out to make sure that this is a good strategy.

I would only recommend using a 0% to pay off the current card you're trying to pay off. Don't start getting really clever and saying, I'm currently paying off the first one on my list, but I have a 0%, so I'll balance-transfer the fifth card down on my list and get that interest rate lowered. I'll tell you where you're going to get yourself in trouble with this. Those 0% rates are not

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forever. They're for four, six or nine months or one year. Unless you absolutely know you have the money to pay that thing off in full before the 0% jumps to a real percentage rate, don't do it.

What you can do is use a 0% to pay off your lowest balance card, the card you're actively working on, as long as, based on your calculation, you're going to be able to pay that 0% off before it comes due with a real percentage rate. I personally wouldn't recommend doing it. I think it's too risky.

The only time I recommend that people do it or have seen it work well is if you have one card left. You get a 0% offer, and it's pretty high interest, so you're going to more than make up for the fee you're going to pay for the balance transfer.

Let's say you've been used to making $500-a-month payments on all your cards. You use the 0% to pay off your last card in full, start applying the same $500, and get that thing paid off quickly, so you're at no risk of having that interest go from 0% up to whatever gigantic number they're going to raise it to. It's not a free ride. It's a relief, but it's not a free ride.

We're going to give you a chart and example that you're going to chart your progress on monthly. This is something I started doing many years ago. The chart is very cool. Basically, it's going to be self-explanatory when you see it. You're going to post it where you can see it.

You're going to have two charts. You'll have this payoff plan chart, which shows the sequence of the cards that you're paying off or the people you owe money to. Include student loans. People tend to negate student loans. It's still a debt. Get rid of it.

This other chart is a very fun chart because you're going to fill it in each month and it will visually depict the progress you're making. I loved filling out my chart every month years ago. It made me so happy. It's how I got out of debt really fast.

Here are another couple of tips that make this work. Most of us have what I call "windfall money." When somebody has a windfall, they have some unexpected money come to them. It could be a tax return or rebate. It might be a $5 rebate check. It could be a reimbursement for something or gift money.

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Gift money is handled differently. I'll tell you about that in a second. To me, that falls into a different category. With any kind of windfall money, whether you sell something, find money in the street, or whatever the windfall is, apply it to that current card at the top of your payoff list.
This is going to dramatically accelerate getting out of debt.

It does that for two reasons. One, it does it because you're applying more money. Let's say you get a $600 income tax return. Boom! That's like two months of payments right there. Make sure to mark it as principal only.

Let's say you have a $10 rebate check for something you had forgotten about. Send the $10. Don't be tempted to say, "It's only $10. I'm just going to go buy myself a sandwich." Don't do that.

Let's say that you had a medical expense. You paid the doctor and filed the insurance claim. Six weeks later, you get the reimbursement. You already lived without that money. You've already lived for the last six to eight weeks without that money. Take that reimbursement check and pay that amount on your current credit card.

The second reason this works so well is actually magic. This is something I can't explain, but I can tell you it creates an energy and, again, this word "momentum," that is astonishing. All of a sudden, windfalls just start happening. You start finding money. Money starts coming to you in new and exciting ways that you never anticipated.

Money loves to be a magnet and be magnetized to something. You're magnetizing your money toward paying off your debt and feeling good about it. You're not feeling that guilt or shame. You're feeling excited and charting your progress.

You're seeing the wins and saying, "Yes, it's going to take me a couple of years, but I'm making progress and this is working. I'm happy." That's the other reason why it works.

Now let's talk about gift money. My aunt still gives me money on my birthday. Actually, she hasn't the last couple of years, which is totally fine with me, but up until a few years ago, she would send me $20 or $50.

Don't put gift money onto your debt. Go treat yourself. This is important, everybody. It's really critical, when you're getting out of debt, that you not feel poor. Feeling poor stinks. It's the opposite. Feeling poor is a withdrawal from your self-worth account.

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When you get that gift money, go spend it on yourself. Buy yourself something fun. Take yourself out to dinner. Buy yourself some new clothes, a book or whatever. That's what I used to spend it on years ago, books. Make sure it's fun. Buy something you would normally not buy yourself. Really treat yourself. Don't pay bills of any kind with it.

I have a few more tips. I do need to officially remind everybody that I'm not an accountant, CPA, attorney or financial advisor. This is my system that has worked over and over again.

Whether you write checks to your credit card company or pay online, don't think, "I got that rebate check for $10, so when I make my payment, I'll add $10 more to the payment." Don't do that. That $10 will disappear. You'll forget about it. All of a sudden, you won't have the money.

What I used to do is deposit that money. Obviously, you have to get it into your bank account. This was years ago, before bills were being paid online. I would write a check for the $10 to the credit card company and either mail it off right away or just hold onto it.

I was always good about balancing my checkbook, so I never was in danger of bouncing a check. If that's a concern for you, stick it into an envelope, put a stamp on it and mail it immediately. Make sure to write your account number on it and "for principal only."

When the credit card statement comes in, you had better believe you'd better check it because they can make mistakes. Typically not, but sometimes they do.

Don't be embarrassed or feel like it's too much work to make multiple payments, either online or via check, to pay things off. I actually do this to this day. I have one credit card. I put all my business expenses on it. I pay it off in full when the statement comes in.

One of the tricks I've played with myself to create more income is to pay it after the statement would come in, physically, in the mail. Then I would get online or call and get the balance and pay it the day after the cycle closed. I wouldn't even wait for the statement to come in. When the statement did come in, I knew it was already paid and would mark it "paid in full" and hand it to our bookkeeper. It's very exciting.

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These days, what I do is actually pay it a couple of times a month. I pay it once midway through the cycle. I just call and get the balance and pay it through the telephone. It's very easy. Then I do it again the day after it closes. I pay it immediately. It makes me feel wealthier and like I've made more money. You don't want to feel poor just because you're paying off debt. There are just a few other tips. I told you this is a lot.

I love this bit. Have a yard sale or eBay sale. Get rid of all the stuff in your garage, storage shed or storage unit. Go through your house and get rid of a lot of the stuff that put you into the credit card debt in the first place. Get rid of all that stuff and sell it.

You can list things on eBay yourself or take things to an eBay store. I think they take 35%, but it's worth it. It gets it out the door. You can have a yard sale and make several thousands of dollars.

Guess what you're going to do with that money, because that's a windfall. You're going to apply it to your debt. You're going to feel so good when you do that. You're getting rid of all the stuff that got you into that debt in the first place and decluttering. It's going to feel great.

Definitely cut up your credit cards because you need to stop using them. Here's another thing you can do. I have never done this because I didn't need to, but I think it's a cute idea. Take a Tupperware container fill it with water, put your credit card in there, and put it in the freezer. You're putting a freeze on that spending. It will keep you from pulling that credit card out quite so quickly. It's quite symbolic.

Also, and this is critical, put a freeze on loaning money or giving money to others until you are debt free. This includes your kids as well. Don't skip your kid's birthday, for goodness sake, but don't go overboard. In between, you're not in a position. If somebody has debt, they're not in a position to loan or give money to others, period. This isn't selfish. This is called survival.

When you give that money out, you may feel like you're being generous and a good person, but you're actually making a withdrawal from your self-worth account.

This is going to sound kind of contrary, and it is the one that usually gets the most resistance. You want to keep saving while paying off debt. I know that sounds very counterintuitive. How can you keep saving while you're paying off debts? You may not be saving very much. You may save $10 or $100 a month. The amount is not important. It's the action that is.

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Every time you put money into that savings account, even if it's just a little bit, first of all, it's going to help you not feel poor. It's really important that you still feel like you have some money.

It's making a deposit to your self-worth account. Every deposit you make to that self-worth account is going to help you accelerate paying off your debt.

Shred any new credit card offers. Stop using your credit cards. Pay cash for everything.

A lot of people I know, including me, are investing in education training programs, being in someone's coaching program, and things like that. Definitely, if you're putting that tuition on your credit card, at the same time, write that down on your debt payoff list so you have a clear plan. You're being accountable for it. You have a clear plan as to how much and when you're going to pay it off. I like to pay those off within a year. Also have a clear plan for implementing what it is that you are investing in.

Training and education is an investment. This is something I value very highly and have invested a lot in for many years. Back when I was waiting tables and went to get my undergraduate degree that was a big investment. It was thousands of dollars. I borrowed money from relatives and got student aid money and student loans.

That is the debt power-payoff plan. Step 3 is very short. We'll go through this quickly. Step 3 is to live free. This doesn't mean you wait until the credit card is done. What you're going to do is pull out those last three months of statements again. You're going to randomly chose five of the transactions. Just close your eyes and let your finger touch the page five times.

Then you're going to ask yourself these three questions. We'll put these into a form as well. The three questions are sentence starters.

The first one is, "I spent that money because I was scared _____." Then you finish the sentence with what you were scared of.

It might be, "I spent that money because I was scared I would lose my husband." That was true for me years and years ago. I actually didn't spend the money. He spent it, but I agreed to it. I kept letting him do it because I was scared that he would leave if he couldn't spend that money.

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What I really wanted was a partner and to be loved. The next sentence starter is, “What I really wanted was _____.” Write whatever words come to you. Just be honest. No one is going to see this except for you.

The third is, “My underlying need was for _____.” It might be love, security, recognition, value or status. What was the underlying need there? For me, it was for love. I’m being very honest with you.

We’ll put this in a form. The last piece of this is that your needs need to be met. You can’t ignore your needs. They’re going to get met in a way that’s either productive or not productive. Let’s make it productive, okay? You need to create three different ways you can get that need met without creating debt.

These can be simple ways. Get a hug. Call a friend. See a funny movie. Get a client. What are three different ways that you can meet the basic need of love, security, recognition, or whatever it is that don’t involve creating debt?

Remember, at the very beginning of this call, I talked about how one of the reasons people create debt is they’re just in the habit of it. They’re unconscious and unaware of what they’re doing. This last piece is going to give them an alternative that they can take instead of creating debt.

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