Break Through Your Money BS

Stop the Drama • Find the Cause • Start the Recovery

Smart Money Diva Training Series and Inner Circle Training Program

Training Call 8

October 4, 2012

Call Transcripts

Saving as A Means of Getting Out of Debt

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

Welcome to the call everyone! This is Maureen Campaiola and our call today is the eighth call for our Money Breakthrough Inner Circle Training Members and the seventh 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. There are no handouts for today's call so don't look for them in the archive section on the site.

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 **Saving as A Means of Getting Out of Debt.**

Before we move into the content, 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, October 16, 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 had some questions that were sent in and I answered those and posted my response in the forum. It was great to be able to answer these questions for you so if you have more questions please send them to me so I can get them answered for you.

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 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, November 1, 2012 at 7PM **Earning Your Worth.**

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.

How's it going with your money journal? Are you reflecting and writing in your journal? I hope so.

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!

Debt and the burden associated with it have ruined many lives. I know in my own life debt clearly if not addressed when I did could have ruined the lives of me and my family. Heck, we could easily have been homeless if I hadn't finally woken up.

Millions of people are living in fear, pain, they're worried and feeling hopeless and defeated all because of debt. Some people just juggle their debt through consolidation, second mortgages, loans from family, friends and the local bank and some even file bankruptcy and unfortunately for some they file bankruptcy more than once.

Debt can trap people at all income levels, all ages, all cultures and all political affiliations. Debt does not discriminate. If you think only the middle class have an issue with debt, think again. We've all heard countless stories of highly paid celebrities who have had to file bankruptcy or who have crashed due to the burden of debt. Remember Michael Jackson's debt?

There are all kinds of debt and not all debt is bad. Most of us can't pay cash for their home. The ticket price is just too high. Student loans are often looked at as good debt because it will lead to a higher paying salary. We are focusing here tonight on debt called consumer debt or credit card debt.

Now I know we've discussed debt before but I want to go into some new material for you to think about in tonight's call.

Credit card debt is an epidemic in this country. Almost everyone I know has some form of it and many people that I work with have debt over 50K.

Most people sign up for credit cards with the intention that they will use if only for emergencies. The problem with that kind of thinking is that there will always be an emergency and the credit card companies know this…heck they count on it. And of course what constitutes an emergency changes over time the more you use credit cards. All of a sudden that new coach bag becomes an emergency if you don't get it.

Just like casinos always win credit card companies always win too. And I want you to win instead.

Getting out of debt is really easy. Most people have gotten out of debt so many times they are pros at it. Living a financially stable life is not just about getting out of debt. It's really about staying out of debt.

Most wrongly believe you can't start saving until you are out of debt. One of the approaches that I use to help my clients is to save and pay down debt at the same time.

This may feel counterintuitive but it is really going to help you change your relationship with money. By saving and reducing debt you will start to really change your relationship and build a strong and stable foundation moving forward.

So the first step is to look at your debt and debt history head on.

Get out your journal and answer the following questions:

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

1. How long has debt been a source of stress in your life? How has this affected your life?
2. Do you feel shame when you look at your credit card balances?
3. Have you ever gotten out of debt only to find yourself in debt again? How many times has this happened in your life?
4. Do you remember what you spent the money on when looking at your balances? Was it from recent purchases or purchases made years ago?
5. Have you ever resorted to: consolidation loans, home equity lines of credit, home refinancing, family loans, inheritance money, to pay down credit cards? How has this pattern affected you?
6. Has debt every kept you from doing something you really wanted to do – something that was really important to you? Explain.
7. Has debt every kept you from taking advantage of an opportunity? Explain.
8. Is debt a source of distress for you or others in your family? How so?

   Take the time to answer each question honestly and thoughtfully in your journal. Write down other issues that come to mind.

Save for a rainy day…we've all heard that statement before, right? If it seems impossible to save for a rainy day then you're in financial survival mode. Saving money seems so difficult to do or sometimes it feels like a worthless effort especially if we have debt too.

The feeling that saving is either impossible or futile or both is very common. Here in the US we are a nation of non savers. Do you know that when we began using credit cards we stopped saving? Yup it's true.

Having a savings account helps to create flexibility to handle the unexpected that is bound to come up in life. By having this savings account you ensure you don't use credit to handle these situations.

Why you don't save and your history with saving can clue us into why saving money is darn difficult to do. Get out your journal and answer the following questions:

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

1. What is your first memory of saving? What did you use the money for?
2. Do you currently have a savings account? If so do you have something in particular you are saving for?
3. Does having a savings account feel like an impossible goal? Why?
4. If you don't currently have a savings account, how does that make you feel?
5. Have you ever had a savings account and needed to use the money? How did that make you feel?
6. Have you used savings to pay down debt, just to accumulate debt all over again?
7. Do you find that you use your savings for other expenses other than what they were intended for? If so, what?
8. Has a lack of savings ever kept you from doing something that was important to you? What was it?
9. Has a lack of savings ever kept you from taking advantage of an opportunity? What was it?

Write your responses in your journal. Reflect on your responses. What else came up for you?

Saving your way out of debt helps to ensure that you are not yoyo debting. Just like yoyo dieting, yoyo debting needs to be eliminated so you can build a strong financial future.

But I know that for many of you the idea of saving when you have enormous debt with interest rates in the 20% range feels illogical and maybe foolish. Although this line of thinking sounds logical there's a big problem with it. It is very short term thinking. Because unless the world is going to end tomorrow or you are never going to have a situation come up unexpectedly requiring money then it's short sited thinking.

Life happens and saving for those very reasons is why this plan works and helps you change your thinking at the same time.

Remember this – not having a savings account and money readily available is the number one reason most people get into debt. They never saved for the rainy day and it's pouring outside!

So let's start looking at how to save your way out of debt.

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

Part 1: Debt Stabilization

Just to be clear we are not talking about debt reduction at this first stage. What we are talking about is not incurring any more debt.

This first step is about creating new financial habits attitudes so that you don't create more debt. If you can imagine for a moment knowing you have the money the next time "life happens". That's what this first step is all about.

So you must stop using your credit cards and not incur any debt. This will create debt stabilization even if you are only able to pay the minimum each month. No worries that will change. The important piece here is that you stop using your cards and don't incur any more debt.

Part 2: Periodic Savings

So, you might think that we were going to continue with debt but you would be wrong. The next step after you stabilize your debt is begin with periodic savings. Not having savings is why most people get into debt so that's why we are going to start addressing the saving issue here rather than once our debt is paid off.

Periodic Savings is where you will build a solid foundation with your money. Most people think that savings should never be touched and if we do touch it then we've totally screwed up our plan. But there are different kinds of savings that are used for different reasons.

This periodic savings account is a savings account you can touch. The periodic savings is for those non monthly expenses that come up that need to be taken care of like new brakes for the car.

Periodic savings is the most important savings account you have for making sure your debt remains stable and that you don't incur any new debt. You decide and build up a certain amount into your personal spending plan and each month you deposit that money into a simple savings account – this needs to be an account you have easy access to. Then when a periodic expense arises, such as a car repair, you simply transfer the money back

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

into your primary account and pay the bill. You don't have to put it on a credit card!!

This periodic savings account is meant to be used – guilt free. Without this account you will end using your credit cards for those expenses.

So, your question is probably, "How much do I put into this savings account?" Well, that's really up to you but I will say that at a minimum you should strive to start with at least $2000 as most periodic expenses can be covered with that amount. Now if you are planning a vacation that probably won't cover the amount but you get the point here.

If you fail to put into your spending plan the periodic savings, what do you think will happen when a periodic expense comes up and you haven't saved for it? Right, you will go into debt by charging it and you will in effect destabilize yourself once again.

Do you see why saving your way out of debt is the best plan around?

Part 3: Debt Reduction which we covered in an earlier call.

Part 4: Safety Savings

So what is safety savings? Safety savings is the amount of money you've saved in the case of an interruption in job or money coming in. If the events of 2008 taught us anything it was the need for this type of safety savings.

Lots of people would not have lost their homes if they had saved money in case of a lay off or job loss or reduction in self employment income. But because people were not saving when their income took a nose dive they had no backup plan at all and consequently went into bankruptcy and foreclosure.

Start small, maybe just enough to pay for groceries for a month or your utilities. Eventually you will have enough in there to pay the mortgage and eventually you'll build up enough to cover 6 months to one year of expenses.

How much you decide to save will depend on a variety of situations. If you are self employed or are more prone to layoffs you may want to save more

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

than someone with a steady job and little chance of losing it. Only you can decide what amount feels right to you. I have 18 months in my account mostly because that's what I feel most comfortable having available to me just in case.

Part 5: Eliminate Debt

We covered this in an earlier call but want to reiterate her a few key points.

A zero balance credit card is like a ghost calling you back to spend more money. It can be very tempting to want to use your credit card for some new clothes or that trip you've been thinking about.

Don't do it!

Credit card companies will try to lure you back by offering more rewards or a lower interest rate or something else they've dreamed up to get you to start swiping again. Let me point out some of what they do and why it's not good for you.

1. When you use credit cards you typically spend more than if you paid cash because you're disconnected from your money and less conscious of what you are spending.
2. Many credit cards that have rewards also have annual fees…where do you think the money comes from for all those rewards?
3. If you're not paying your balance each month then you're paying interest and sometimes very high interest.
4. Using credit cards excessively often uses money you'd otherwise use for more satisfying spending that meets your needs. (Needs not wants)
5. If you have bonus miles for that free flight to Mexico there is a good chance you'll use that same credit card during your trip to overspend again.

So this seemingly free trip just cost you a bunch never mind what it will cost you in shame when you see the bill come in.

Part 6 Long Term Savings and Investments

What I have found over the course of working with my clients is this and of course this is completely unscientific…

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844

Self employed individuals fall short in this category more often than people who work in jobs and have access to 401K's and 403B retirement savings plans.

No matter whether you are self employed or working everyone should be saving for retirement. It's important.

But you really need to get your debt and periodic savings and safety net savings in place prior to investing a lot of money into retirement. The good news is once you have eliminated debt that money can readily and be easily allocated for retirement savings.

I have a few closing thoughts before I end tonight's call:

In 1833 the US abolished debtors prison. That's right up until that time people were sent to prison for failing to pay their debts. With the exception of not paying child support and failing to pay your taxes you can't be sent to prison for failing to pay your debt.

Nonetheless, debt can often serve and an emotional and psychological prison for many people. People will often punish themselves by virtue of the debt they have. Debt is often the instrument of self torture many people use sometimes unknowingly.

Financial freedom is the way out. Free from debt and secured with savings. You can experience comfort and peace of mind. Both your present and future is protected.

Have a great night everyone!

F: 978-794-4991 • Email: Info@BreakThroughYourMoneyBS.com
45 Washington St, Suite 41, Methuen, MA 01844