



Strasburg Coaching

Lesson 3: **Eliminating Debt**

In this lesson, we will cover.



1. Core Concept

What is Debt? What are the advantages of not having it?

Overview on Credit.

2. Practical Examples

The Debt Snowball Method

3. How to think

Use the Model to achieve your financial goals and pay off debt

1 Core Concept



Debt



- ▶ Money that you owe - credit cards (even if you pay them off every month), mortgage, student, payday, family, personal, and car loans.
- ▶ While normal monthly bills are not debt, the way you decide to pay for them can easily turn into debt.
- ▶ If you owe a balance and make payments to someone or something, you're in debt

The issue with Credit Card Debt

It's easy to get into debt and hard to get out of it.

- ▶ Credit Card Debt in America = \$856 billion
- ▶ National average card debt with unpaid balances = \$6,569
- ▶ Most people with an active credit card account don't always pay their bills in full. Over 50% of card owners carry a balance.
- ▶ The average APR was 14.51% for current card accounts and 19.53% for new card offers.
- ▶ 1 in 5 Americans with a credit card have maxed it out in the last month
- ▶ The most common rewards redemption (55 percent) was less than \$300 in cash back, points or miles.
- ▶ More than half of people with credit card debt have had it for a year, more than a third for two years, and more than one in 10 for five years.

How to do Life Without a Credit Card?

Identity Theft

Car Rentals/ Hotel Check Ins

Emergencies

Rewards/ Miles/ Points

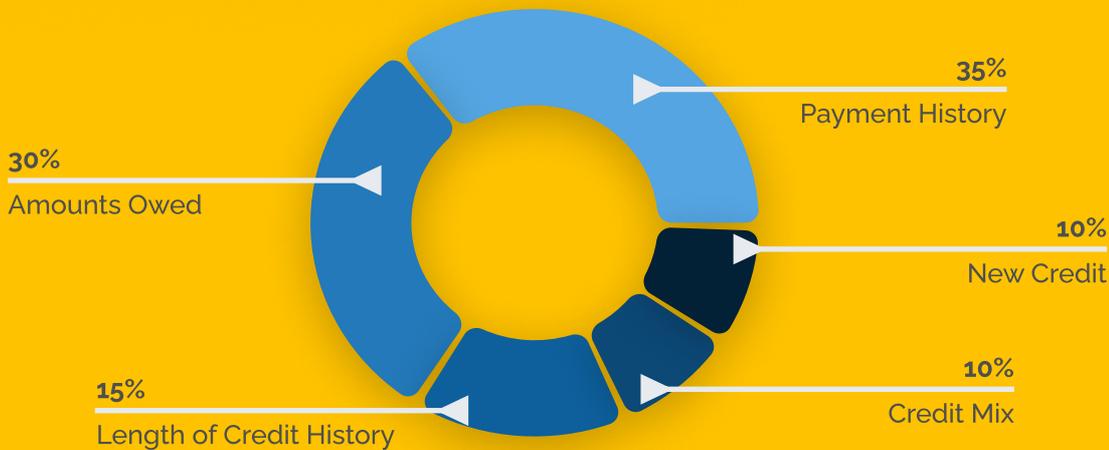
Build Credit



Overview on Credit

A credit score is used to figure out if you'll be approved to borrow money. Lenders use this credit scoring system to decide if they can count on you to pay back your debts.

How is a FICO Score Calculated?



Types of Credit Score

- Fico Score
- Vantage Score

Credit Reporting Agencies

- Equifax
- TransUnion
- Experian

You could inherit a million bucks tomorrow, and it wouldn't change your credit score by one point!

Do you need a credit score?

- ▶ If you're applying for a credit card, yes.
- ▶ Getting a car loan? Yes.
- ▶ Buying a house? It is easier if you have a good credit score.

But, you **do not** need a credit score.

“When you quit giving your income away to credit card companies, student loans, and car payments, you will have the money to invest, build wealth, and be outrageously generous.”

-Dave Ramsey



Dave Ramsey's Baby Steps

Dave Ramsey's
7 BABY STEPS

- STEP 1: **SAVE \$1,000**
in a beginner emergency fund.
- STEP 2: **PAY OFF ALL DEBT**
except for the house.
- STEP 3: **SAVE 3-6 MONTHS**
of expenses for emergencies.
- STEP 4: **INVEST 15%**
of your income for retirement.
- STEP 5: **SAVE FOR COLLEGE**
for your children.
- STEP 6: **PAY OFF HOUSE**
- STEP 7: **BUILD WEALTH & GIVE**

- ▶ Create your budget
- ▶ Get caught up with your **four-wall bills**
- ▶ Save **\$1,000** (BS1 - Starter Emergency Fund)
- ▶ Use the **Debt Snowball Method** to pay off all your consumer debt

Debt Free

Freedom to make choices

Feel in control of your finances

Reduce stress and avoid relational conflicts

Be at peace

Make progress



2 Practical Examples



THE DEBT Snowball

1 LIST DEBTS SMALLEST TO LARGEST.
Don't worry about the interest rates!

2 ATTACK THE SMALLEST DEBT.
Make minimum payments on all other debts while you pay off the smallest debt as fast as you can!

3 MAKE THE SNOWBALL ROLL!
Once the smallest debt is gone, take its payment and apply it to the next smallest debt.



Keep it up **AND BEFORE YOU KNOW IT, YOU'LL BE DEBT-FREE!**



THE DEBT SNOWBALL

VS.

DEBT AVALANCHE

Pay off debt smallest to largest

Pay off debt highest interest rate

Gives you motivation as each small debt is paid

Takes a toll on your motivation because you don't see success for a long time

On average, people pay off their debt in 18-24 months

Takes a long time to pay off the first debt because you're starting with the biggest

After several bills are paid you begin to see the light at the end of the tunnel

What light at the end of the tunnel?

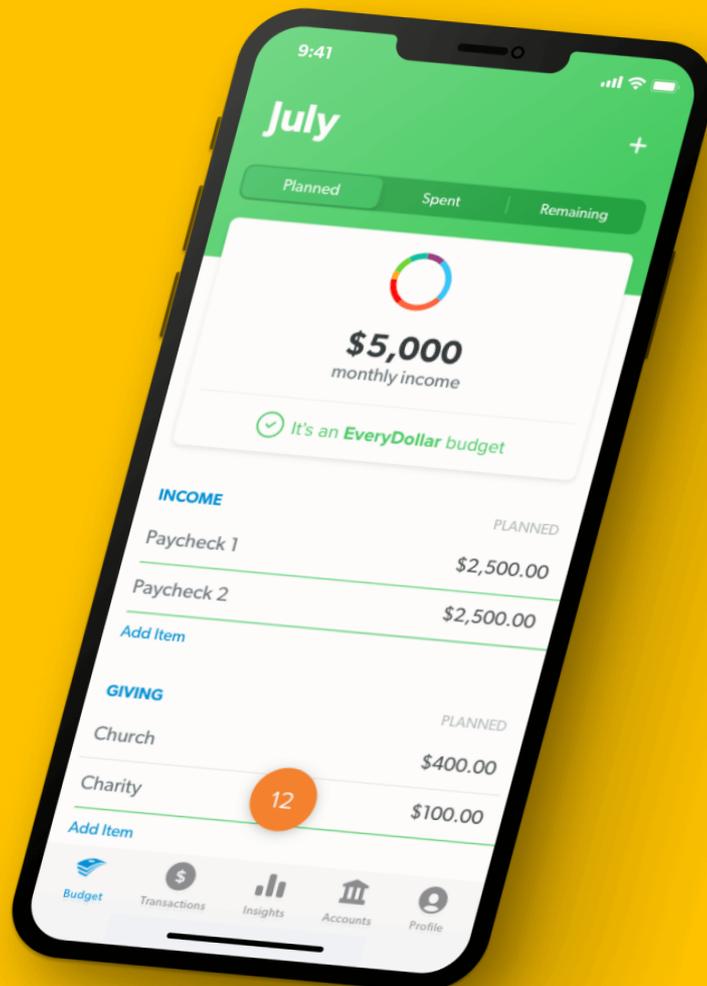
How to speed up **your** Debt Snowball

- ▶ Stick to your budget
- ▶ Get a part time job / pick up extra hours / start a side hustle
- ▶ Sell things
- ▶ Cut Expenses

Debt Snowball
Example

Using an Online tool.

Debt Snowball Calculator



3 How to Think



Belief Matters



The mechanics and the consistency of paying off your debt is important, but your mindset will determine your result.

When you believe you can do it, you will be able to take the actions that lead to success.

What do you believe is possible?

Unproductive thoughts

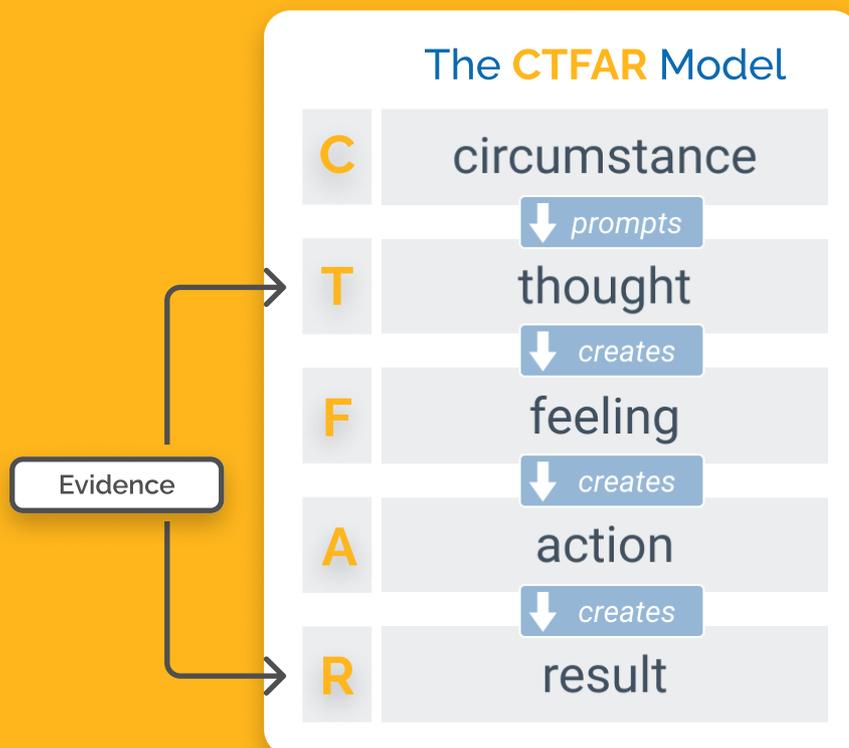


Our thoughts create our reality. What you have now is the result of your past thoughts. Let's make peace with the past and focus on the future.

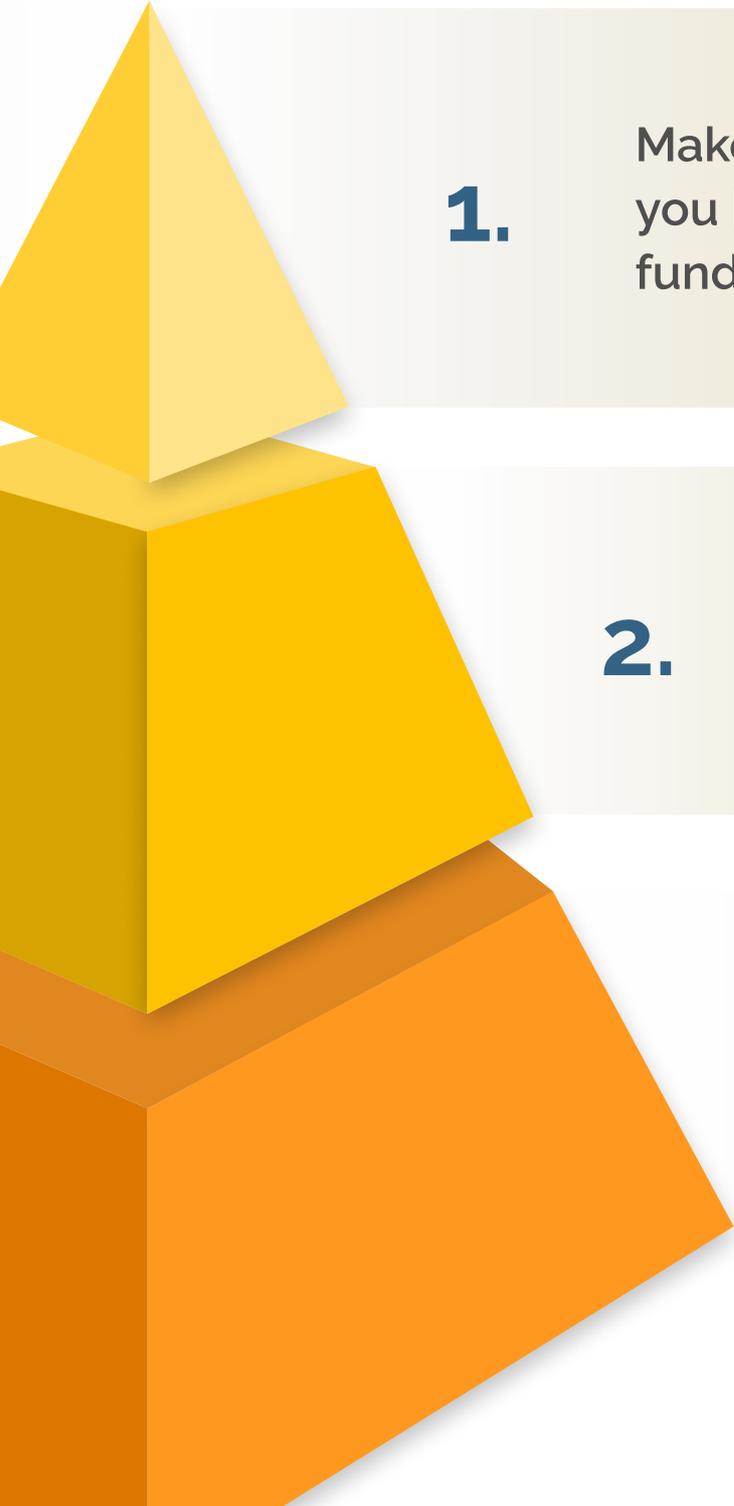
- ▶ I will never be able to pay all this off.
- ▶ I can't do this.
- ▶ It is his/her fault that we are in debt.
- ▶ I don't make enough money.
- ▶ This is too hard
- ▶ I'm not checking my credit card balance, because I don't want to know.
- ▶ I have a hard time sticking to my plan.
- ▶ It is just too much.

The **CFTAR** Model?

The CTFAR model helps you analyze how your thoughts about a circumstance affect your emotions, actions, and finally the results you are experiencing.



Key Takeaways



1.

Make sure that bills are current and you have \$1,000 starter emergency fund

2.

Use the Debt Snowball Method to pay off your consumer debt.

3.

Use the Model to achieve your financial goals and pay off debt



Congratulations!

You have finished the third Lesson:
Eliminating Debt

If you really want to transform your money mindset and your life, try my membership group for free for 2-weeks or schedule a free one-on-one consultation.

Go to StrasburgCoaching.com



7 Baby Steps

Baby Step 1

Put \$1,000 in a beginner's emergency fund.

Baby Step 2

Pay off all debt using the debt snowball.

Baby Step 3

Put 3-6 months of expenses into savings as a full emergency fund.

Baby Step 4

Invest 15% of your household income into Roth IRAs and tax-favored retirement plans.

Baby Step 5

Save for your children's college.

Baby Step 6

Pay off your home loan early.

Baby Step 7

Build wealth and give.



\$1,000 Emergency Fund



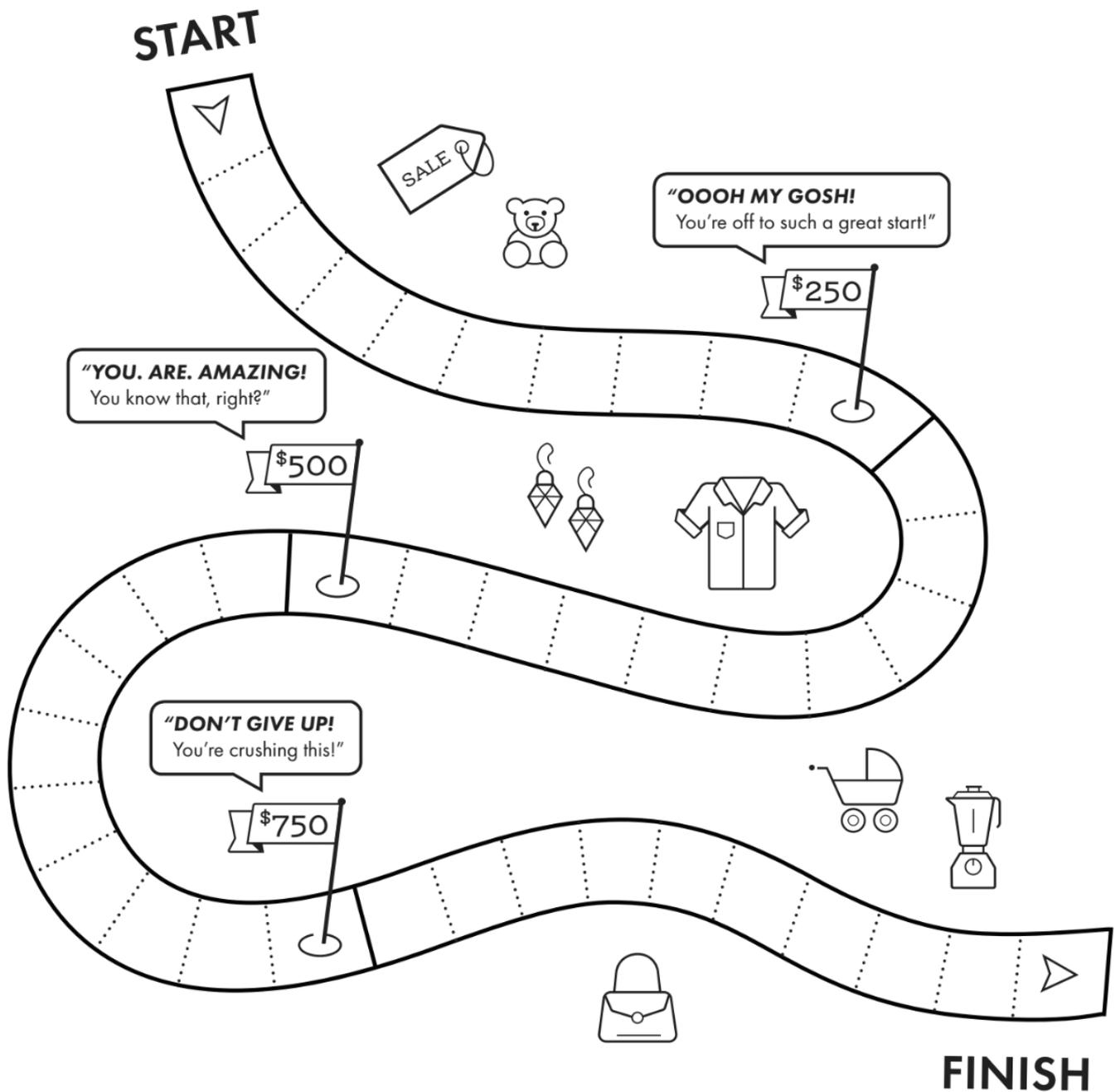
How it Works:

Each block represents \$25. As you save, color them in and keep track of your progress!

Want a Boost?

Sell unwanted or unused items to help you reach your goal faster!

Color in the items along the path that you've sold or draw your own!



Debt Snowball Plan



How it Works:

1. List out your debts (except your mortgage) and their balances from smallest to largest, regardless of interest rates.
2. Next, add up the balances and write that number at the bottom of this sheet under "Total Debt."
3. Fill in the minimum monthly payment for each debt.
4. Now apply the debt snowball power. Take the minimum monthly payment amount from your first debt and Add it to the next debt minimum monthly payment. Fill in that new amount you'll pay next to "Snowball Payment."
5. Repeat step number 4 for each remaining debt. Instead of adding the minimum monthly payment, though, Add the previous month's snowball payment amount.
6. Print out a tracking sheet (included on the next page) for each debt you have. Color it in and watch your debt Snowball builds momentum as you Start paying off your debts faster and faster!

1 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____
2 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____ Snowball Payment: \$ _____
3 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____ Snowball Payment: \$ _____
4 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____ Snowball Payment: \$ _____
5 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____ Snowball Payment: \$ _____
6 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____ Snowball Payment: \$ _____
7 Name: _____ Balance: \$ _____	Min. Monthly Payment: \$ _____ Snowball Payment: \$ _____

Total Debt: \$

Pro Rata Debt List



The best way to beat debt is with a calculated formula! Go!

"But I can't pay the minimum payments!" It's okay. We have a plan for that.

"Pro rata" means "fair share." Use this form to figure out what percentage of your income each creditor represents, and then send their payment along with a copy of this form and your budget every month- even if they say they won't accept it.

Step 1

Subtract Necessity Expense (B) from the Household Income (A). That gives you your Disposable Income (C). That's how much money you have to pay toward debt after you've covered all your necessities.

A	Household Income	<input type="text"/>
B	Necessity Expense	<input type="text"/>
C	Disposable Income	<input type="text"/>

Step 2

Write in your Total Debt (D). Then collect all your bills and add up the grand total of all your monthly minimum payments. Write that in Total Min. Payments (E) If your Total Min. Payments figure is higher than your Disposable Income (C) figure; you need to use the Pro Rate Debt List.

D	Total Debt	<input type="text"/>
E	Total Min. Payments	<input type="text"/>

Item	Payoff	÷	Total Debt	=	Percent	×	Disp. Inc.	=	New Pmt.
F	G		H		I		J		K

Step 3

List each debt in the item (F) column and write the total debt payoff amount in the Payoff (G) column. Go ahead and write in the Total Debt (H) and Disposable Income- or Disp. Inc. (J)- amounts from the top of the form.

Step 4

On each line, divide the Payoff (G) by the Total Debt (H) to get the Percent (I). That figure shows you each creditor's fair share of your available income.

Step 5

Multiply the Percent (I) by your total disposable income in the Disp. Inc. (J) column. Write that in the New Pmt. (K) column. That's what you should send to that specific creditor. Repeat that math for every item on the list to calculate your pro rata payments for each one.

Credit Card Pay Off



Debt Name: _____

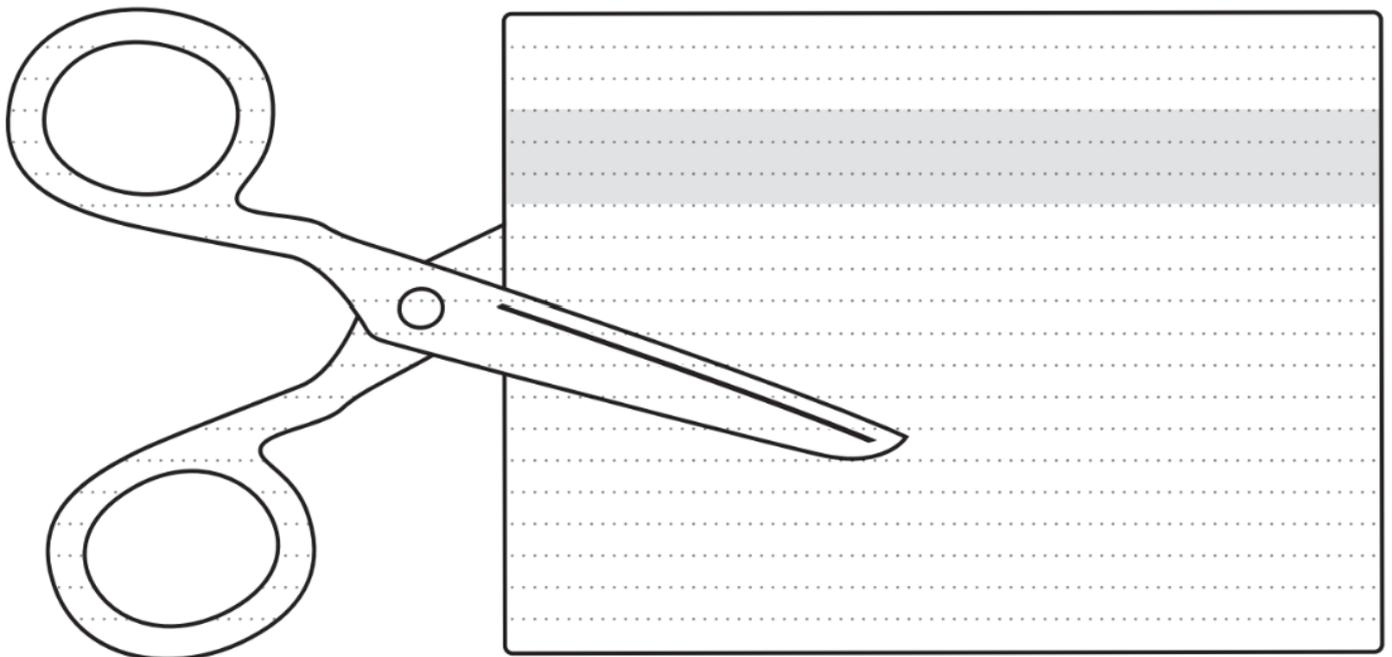
Monthly
Payment:

Amount Owed:

÷ 20 =

Amount Per
Row:

Each row represents the smaller amount. Color in a row as you pay off that amount.





Loan Pay-Off

$$\underline{\$} \quad \div 50 = \quad \underline{\$}$$

Each row represents this smaller amount. Color in a row as you pay off that amount.

100%

90%

80%

70%

60%

50%

40%

30%

20%

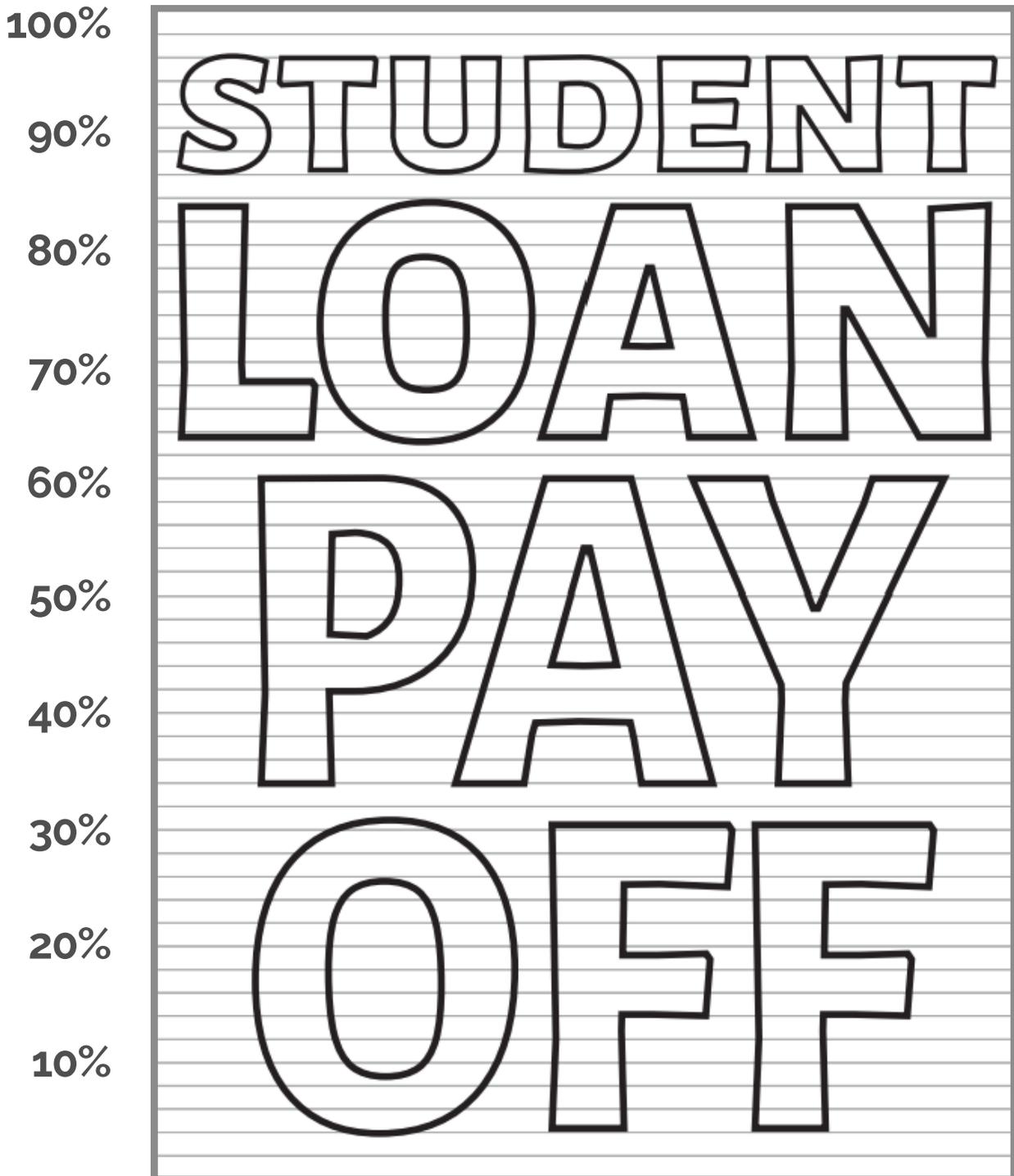
10%



Student Loan Pay-Off

$$\underline{\$} \quad \div 50 = \quad \underline{\$}$$

Each row represents this smaller amount. Color in a row as you pay off that amount.

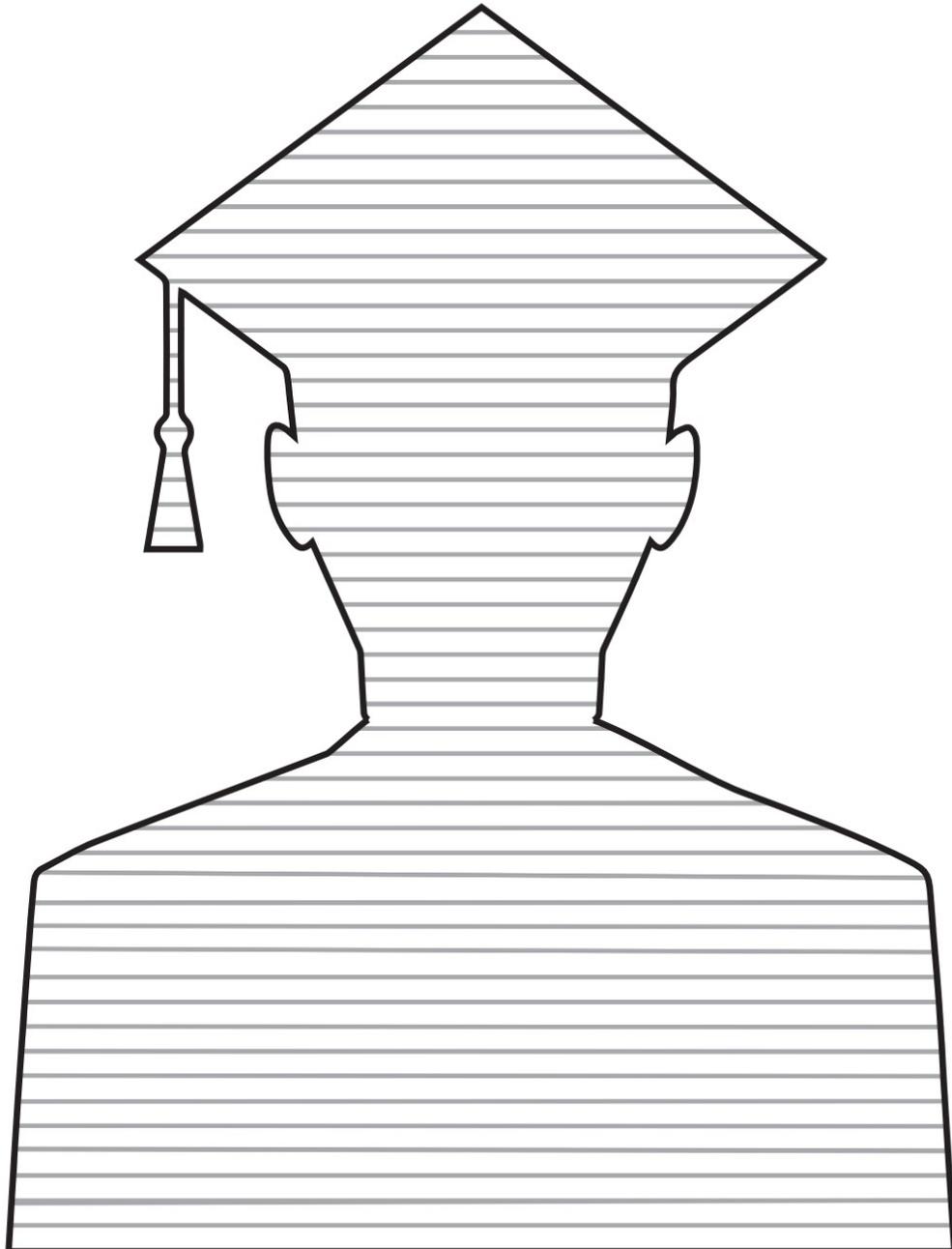




Student Loan Pay-Off

$$\underline{\$} \quad \div 50 = \quad \underline{\$}$$

Each row represents this smaller amount. Color in a row as you pay off that amount.



Auto Loan Pay Off



Debt Name: _____

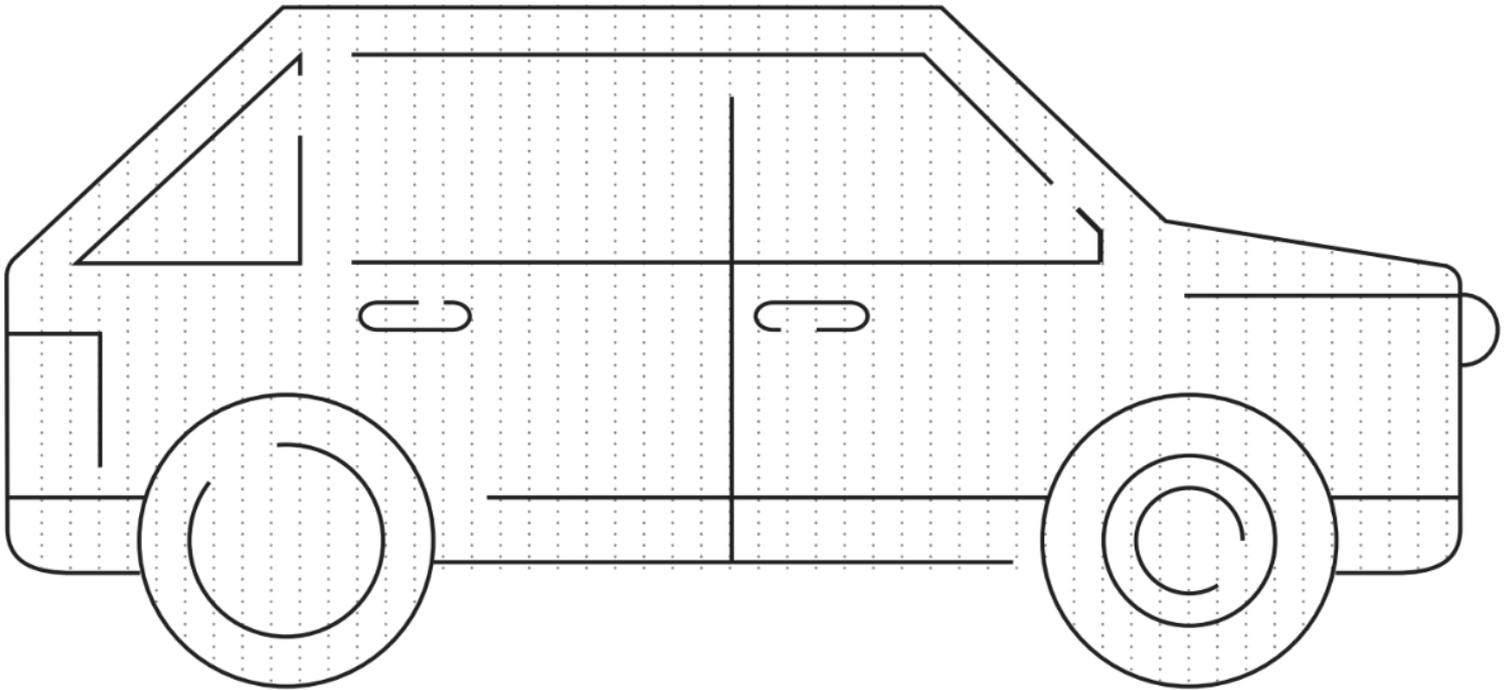
Monthly
Payment:

Amount Owed:

÷ 50 =

Amount Per
Column:

Each column represents the smaller amount. Color in each column as you pay off that amount.



Thought Download



Spend 5 - 10 minutes writing down all the thoughts in your head. Do not judge, edit, or censor them.

Keep writing until you feel that you wrote them all down.

Topic:

A large rectangular area with a yellow border and horizontal grey lines, intended for writing the topic and thoughts.

Model Practice

Unintentional Model

A vertical rectangular area with a yellow border and horizontal grey lines. The letters **C**, **T**, **F**, **A**, and **R** are written in blue at the top, middle, and bottom of the page, respectively, serving as a guide for the C-T-F-A-R model.

Intentional Model

A vertical rectangular area with a yellow border and horizontal grey lines. The letters **C**, **T**, **F**, **A**, and **R** are written in blue at the top, middle, and bottom of the page, respectively, serving as a guide for the C-T-F-A-R model.