

Fight For Financial Freedom

Financial stresses can be overwhelming. The following steps and tips are intended to help you gain momentum in your fight for financial freedom. These tips require time and are not intended to be a quick-fix. You must put in the energy, hard work and time.

1. Take care of needs first (in this order)



- a. *Food* - Always keep enough money to eat.
- b. *Shelter* - Always pay your mortgage first. Save your house before saving your credit. If you do not, you will lose your shelter. (This is a secured loan.)
- c. *Utilities* - Having lights on keeps up your moral.
- d. *Transportation* - This includes gas, insurance and any loan payments (again, this is a secured loan)
- e. *Other* loans and credit cards - These loans are typically unsecured. That's why they will call and hound you in order to get their money. Some people make the mistake of using their mortgage payment to pay the credit cards' payments as they mistakenly believe they are saving their credit.

2. Develop a battle plan, i.e., a BUDGET

- a. Pay everything on paper before the month starts
- b. Develop a zero balance budget sheet - which means at the end of the balance sheet it should equal zero. (Income minus expenses)
- c. Any money left over should be applied towards the debt snowball (see step-5)

3. Get current on outstanding debts and stop digging a deeper hole

- a. STOP using credit cards, store cards and payday loans
- b. START using cash or debit card (money you already have)
- c. Save for major purchases



4. Develop a mini emergency account

- a. Save \$1,000 - FAST
- b. This will become your safety net; emergencies will be handled by this account. (THIS IS NOT A SLUSH ACCOUNT.)
- c. Most people get into trouble because they use their credit cards as an emergency account for things like house and car repairs, etc.
- d. Do not begin the next step until this account is fully funded.

5. Start the debt snowball

- a. List all the outstanding debts in ascending order from the lowest to highest balance (except for the mortgage; see step 9)
- b. Pay the minimum balance due for all debts except the first one (which should be the lowest balance).
- c. Any remaining money, found money, or bonus money needs to be applied toward paying this balance off.
- d. Once that balance is paid off, do not celebrate yet. Apply all that money to the next balance on the list.

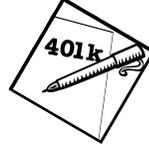


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- e. Continue this process until the debt is eliminated.
- f. If you have an emergency, return to step 4 before continuing the debt snowball.

6. Fully fund the emergency account equal to 3 - 6 months of expenses

7. Invest 15% of income in retirement



8. Save for kids' college

- a. Your retirement needs to be funded first.
- b. Your kid's education will not pay for your retirement



9. Pay off the house

- a. Paying the bank \$10,000 in interest is *not* a tax shelter.
- b. You can receive the same tax deduction by donating to charity.

10. Influence your family tree

- a. Educate your kids regarding money
- b. Enjoy your wealth and bless others with it

Other tips:

- 1) Have a yard sell to fund your mini emergency account.
- 2) Sell your services, i.e. piano lessons, tutoring, woodworking, etc
- 3) Stop eating out, pack lunches.
- 4) Temporarily decrease your TSP contribution to 1%.
- 5) *If* you typically get a tax refund, increase your exemptions. (Consult your CPA first.)
- 6) After you have a \$1,000 emergency fund, consider increasing your insurance deductibles.
- 7) Use the Library for renting free movies.
- 8) Read the book Put More Cash in Your Pocket by Loral Langemeir.



Other Resources:

http://www.daveramsey.com/articles/content-center/category/lifeandmoney_budgeting/

http://www.careconnectusa.org/additional_resources.asp

www.familycredit.org

Child-Support Enforcement	877-696-6775
Mortgage Assistance	800-424-2246
Credit Counseling	800-685-2706
Bankruptcy Advice	800-379-0985

(Many of the above steps were modified from Dave Ramsey's seven steps for financial peace.)