

Access Education Systems Financial Fitness Training Series



Building a Spending Plan that Works



WORKBOOK

ACCESS Education Systems was developed as a tool to train and educate individuals and families concerning important money management skills. With Bankruptcy Reform, a message was sent from our regulators to all Americans regarding the importance of putting our financial houses in order.

ACCESS Education Systems provides individualized education to help American families achieve their dreams of financial independence. The principles in this Family Financial Training Course contain many of the initial steps to achieving long-term financial prosperity. It is a part of the ACCESS Education Systems Series providing new and effective means by which millions of the nation's families can learn the skills of personal financial management and establish a happier and successful future.

In addition to ACCESS Education Systems albums, ACCESS Educational Systems has an interactive website containing hundreds of articles and resources including newsletters, bulletins, and online courses to resolve any financial issue facing you today. ACCESS Education Systems offers renewed hope to those struggling with debt and financial pressures and provides sensitive, personal assistance and assurance to all families. ACCESS Education Systems leads the way with empowering financial information that will enable you and your family to have fun while developing the skills and knowledge that will allow you to achieve an improved standard of living today and achieve a brighter financial future.



ACCESS EDUCATION SYSTEMS

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ACCESS EDUCATION SYSTEMS
FINANCIAL FITNESS
TRAINING SERIES

Building a Spending Plan that Works

DEVELOP YOUR
FINANCIAL PHILOSOPHY

BUILD A SPENDING
PLAN THAT WORKS

GET OUT OF DEBT—
AND STAY THERE!

DEVELOP YOUR FINANCIAL PHILOSOPHY

So You Can Stop Worrying

How to get started...

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Specific icons are used to note the various topics:



Basic Concepts



Exercises



Discussions



Stories & Examples



Homework



Your Commitments

Congratulations on Choosing the Road to Financial Freedom!

Improve your Life.

This training program is life changing. With it you'll think differently about money. You'll learn how to use money wisely. You'll develop skills to change your financial situation. You'll move from always being in debt to being financially healthy and free.

Stop worrying how to make ends meet each month and begin to realize your dreams. There is no short-term answer, but truly powerful principles that make lasting changes. Only you can do the work and make the changes. The great news is you can do this! There are principles to learn and steps to follow. Along the road to financial fitness you will create a clear, personalized road map to reach your goals and accomplish your dreams. You'll have a lot of help and support along the way to guide you to financial health.

"Whatever you can do or dream you can, begin it. Boldness has genius, power, and magic in it."

~ Johann Von Goethe

"Knowing is not enough; we must apply. Willing is not enough; we must do."

~ Johann Von Goethe

"A journey of a thousand miles must begin with a single step."

~ Lao-Tzu



Choose financial freedom.

There are two directions you can row a boat in a river—upstream against the current, or downstream with the current. Which one works best? That's obvious—downstream is faster. Just like the river's current, using financial principles to your advantage, instead of fighting against them, is your best choice. Putting powerful financial principles to work for you will make your journey easier and much faster.

So let's get started...

A CLARIFY YOUR FINANCIAL VISION



When you start a journey, you need to know where you're going. It's one of the keys to staying on the right path. You'll need a clear vision of what financial freedom means to you personally. A vision of your goals gives you the power to stay on the right road.

"The real voyage of discovery consists not in seeing new landscapes, but in having new eyes."

~Proust

Where are you now?

You need to know where you're starting from to get where you're going. Defining your values and needs helps you see where you are now. The financial principle section will help you understand why you're in debt.

You also need a roadmap for your journey to financial health. Then when you come across side roads that might tempt you to spend your money foolishly, a clear vision of your goals will lead you to control your spending.

Is More Money the Answer?

Like most folks, you probably know one thing for certain about money—that you never seem to have enough of it. You're probably sure having more money would eliminate the worry in your life and the stress in your home.

The True Nature of Money. Many people want to believe more money will solve their problems and bring happiness—but it's simply NOT true! It's because they don't understand the true nature of money—what it is and what it isn't; what it can and cannot do. You have to realize money is not an end by itself. Money is only valuable when it supports your values and helps you achieve your goals.



1. Your Values



It can be hard to focus on anything but money when you're drowning in debt. First you have to decide what is most important to you—your core values. Only then can you decide how much money you really need. You may discover that what's most important to you in life has little to do with money. Your values are a reflection of your beliefs, your moral standards, your code of behavior, and your deepest commitments.

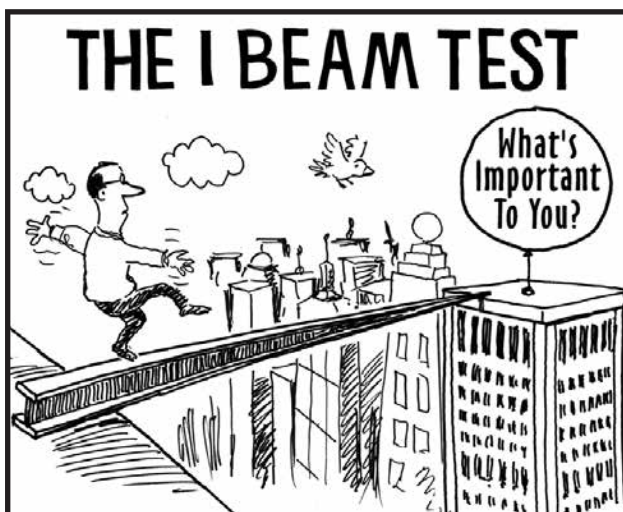
Examples of values include honesty, responsibility, kindness, spending time with your family, living within your means, caring for your environment and community.



#1

The I-beam Test

The I-beam Test is a great way to show what's most important to you. Two skyscrapers of identical height face each other across a busy street. A long and narrow I-beam made of steel reaches from the top of one building to the top of the other. You're standing at the end of the I-beam on top of one building. Facing you on the other end of the beam is a tall, strong man. He is holding something in his hands suspended over the chasm. He tells you he's holding something you value and you must quickly cross the beam to claim it or he'll drop it.



It's your decision. What things are important enough for you to risk crossing the I-beam? Check everything you would be willing to make that dangerous trip for:

- Any new car of your choice
- A fabulous vacation
- Your dream house
- The perfect job
- Your son or daughter
- \$10 million

These exercises help you discover other things that are truly meaningful to you. Don't worry about making them perfect. If you need more space, feel free to use the "Notes" section at the back of your workbook.



#2

Contentment

When did you last experience a feeling of satisfying contentment and peace—a feeling that life was whole and good? What made you feel that way? Was it things, comforts, relationships, places or luxuries? Describe it and your feelings as specifically as you can.

"When you can think of yesterday without regret and tomorrow without fear, you are near real contentment."

~ Unknown



#3

Enjoyment

What one or two activities do you remember doing when you were young that you enjoyed most? What brought you real and lasting joy? Write about the activities and your feelings at the time as specifically as you can. What do these memories teach you about your values?





#4

Accomplishment

When have you felt a great sense of accomplishment, a feeling you achieved something of real worth? (Think of something that gave you this feeling independent of outside praise.) Why did you feel that way? What does it teach you about your values? Be as specific as you can.

"Happiness is the byproduct of achievement."

~ Anonymous

Understanding what you truly value is key to defining your goals and needs.

2. Your Goals



Your lifetime goals are the big, long-term things you want to achieve, perhaps things like raising responsible children, maintaining a strong relationship with your spouse, achieving financial independence, and building a successful career.



"I did an exercise in which I thought about what I wanted as an epitaph to my life. I realized that if I were to write about where my current ambitions would lead me, my life would look like this: 'Jacque Blix took great vacations, had all good-hair days, wore beautiful clothes, was lean and toned, ate gourmet food, owned exquisite china and crystal, and never missed a sale at Nordstrom. She is sorely missed by the retailers and credit card companies in the community.'"

~ Jacqueline Blix



#5

The Interview:

Imagine you're nearing the end of your long life, and Barbara Walters asks to interview you. She wants to write a brief article about your contributions and accomplishments. She politely asks you these questions. Think carefully about each one and answer them the way you would like her article to be written. If you need more space, use the "Notes" section in the back of your workbook.

1. What do you think is the most meaningful accomplishment of your life?

2. How do you want your family to remember you?

3. How do you want your friends to remember you?

4. In what ways is your community a better place because of you?



5. What has brought you the most joy and satisfaction in your life?

Writing down your goals is the best way to make them happen. If you're going nowhere—you're sure to end up there.

3. Your Needs



Now that you've considered your values and goals, you're ready to make a list of the things that are most important to you. Your needs not only include material possessions, but also other things like loving relationships, peace of mind, education, religion, etc. But before you start, here's some advice:

"A man travels the world over in search of what he needs and returns home to find it."

~ George Moore

- Do NOT put things on your list simply because other people value them.
- Focus on what is important for your own happiness; remember the I-beam exercise and what you value most.
- This is not a competition. Your sense of happiness shouldn't depend on having as much as your neighbors have. Only include things that are truly important to you and your family.



If you're married... you and your spouse need to make your lists separately and then talk about them together. Remember to respect each other's viewpoint. Then work together to develop a list you both feel good about.

Don't get stressed... coming to an agreement may take some time and patience. But stick with it—it will be totally worth the effort to reach an agreement together.

This activity gives direction to everything you do!

Once you've reached an agreement, if you're comfortable, feel free to involve the whole family in your list. Think how much easier it will be to fulfill your needs working together.



Most Important Things

Everyone needs food, clothing, and shelter. But the real question is, "How much is enough?" Do you need gourmet food, designer clothes, or an expensive home? Focus on what matters most to you and your family and what you need to be content and fulfilled.

Using what you've learned about yourself, list the most important things to you based on your values and goals. Think about each item's degree of need and check the appropriate box. Is it a definite must have: "need," a basic comfort: "want," or something great to have: "dream?"



#6

Most Important Things	Need	Want	Dream

Understanding your true needs helps you set priorities, control spending, and is a key step to reaching financial health. With a clearer view of your destination—you’re ready to start your journey on the road to financial freedom!

B PRINCIPLES OF FINANCIAL FREEDOM



How did you get here?

Understanding these important principles will help you learn the reasons for your current financial situation—and how to break free of debt. You know people who have too much credit card debt, who pay too much interest and late fees and can never get ahead. It may even be you! These problems come from not living in line with a few powerful financial principles. Understanding and living by these key principles bring greater success and fulfillment to your life.

What is a principle?



It's a natural law or fundamental truth like, "What goes up must come down." If you jump up—you will come down. Principles have three important characteristics:

- **Principles are objective.** They operate with or without your knowledge. Whether you understand it or not—gravity exists.
- **Principles are predictable.** They produce consistent results. Magnetic opposites will attract; you can count on it.
- **Principles are universal.** They function no matter where you are. Gravity is gravity wherever you live on earth.

"It gives much more pain to the mind to be in debt than to do without any article whatever which we may seem to want..."

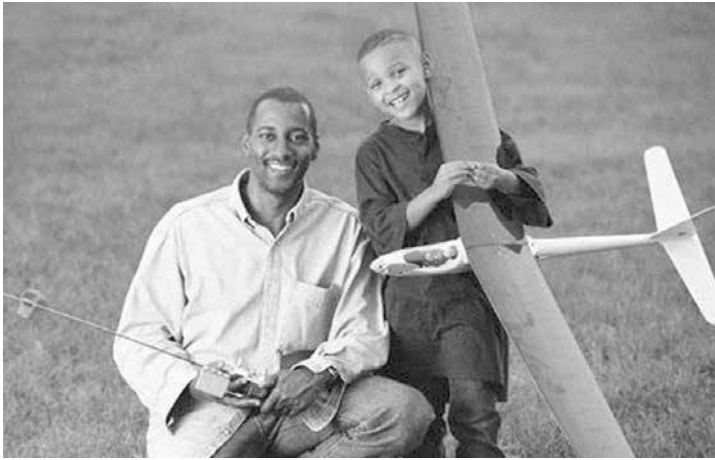
~ Thomas Jefferson

Many people coast through life without understanding how principles affect them. They know what's happening, but not particularly why or how to change it.



Principles of Flight.

Tom was excited. He waited two weeks for his first radio-controlled airplane kit to arrive in the mail. Tom read the instructions and spent every evening for a week building his airplane. Saturday he took it for its first flight. But no matter what he tried, he couldn't get his plane off the ground!



Tom didn't know a basic principle of flight used to shape aircraft wings. The wing shape—curved on top, flat underneath—causes the air to flow over and under the wing in a way that lifts up the plane.

Tom came home and told his father about the plane's trouble. Since his father was a pilot, with one look at the plane he realized the problem. Tom had put the wings on upside down. He showed Tom how to fix it and explained the principle of lift. Tom not only fixed the wings, but also used the principles of flight to modify it to

perform better. Other people asked for his help with their planes, because now he knew the principles of flight.

There are principles in the financial world just like in the natural world. To be financially successful, you must learn these principles and live your life in line with them. Then you can avoid financial bondage and enjoy financial freedom.

These principles affect your life whether or not you know it. You can choose to follow or ignore them. But you cannot choose the results of your choice—they are governed by financial principles. So choose wisely.

"The rich ruleth over the poor, and the borrower is servant to the lender."

~ Proverbs 22:7

Three powerful financial principles will plant your feet firmly on the road to financial freedom:

1. Live on Less than You Earn.
2. Put the Power of Interest to Work for You.
3. Exercise Financial Discipline.

When you consistently apply these principles, you will free yourself from debt—end the worry over money—and build wealth. It's all yours when you understand the power of provident living.

1 Live on less than you earn.

Advertisers spend billions trying to convince you to be unhappy with what you have. They tell you happiness is in more things, nicer clothes, faster cars, newer furniture, or great vacations. So how much is enough?



You often end up making unplanned purchases and spending more than you can afford. The spending habits of many people have little to do with needs. It often falls into one of two categories:

Therapeutic Shopping or Consumerism

Often people use shopping as therapy to relieve stress, boredom, loneliness, or depression. Shopping makes them feel better for a time, but the feeling rarely lasts. Buying things doesn't help the real problem: a cute pair of shoes won't improve a bad relationship. It causes new problems if you spend money you can't afford—on things you don't need—sending you deeper in debt.

"The art of living easily as to money is to pitch your scale of living one degree below your means."

~ Sir Henry Taylor

Consumerism is a preoccupation with obtaining things.

The conditioning process begins early in life. Our culture promotes the habit of seeing, wanting, and buying. Young children watch television commercials designed to teach them happiness is having a new toy. Teenagers see friends wearing designer clothes and believe that's the only way to be accepted.

Relentless advertising and social pressures can help put you into debt. If you're not careful, you can get trapped in the see-want-buy cycle. Credit cards make it easier and more dangerous by helping you get caught in the see-want-BORROW-and buy cycle, leading to more debt.



#7



Evaluate Your Spending Habits

Check "YES" or "NO" for each of the following questions:

YES NO

- 1. In the past month, have you gone shopping at a mall or store without planning to buy a specific item?
- 2. Have you lost interest in or thrown away something you purchased during the past six months?
- 3. Do you keep an outstanding balance on one or more credit cards?
- 4. In the past month, have you bought anything because you saw someone else with it?
- 5. Have you gone grocery shopping in the last month without bringing a list of things you needed?
- 6. Does buying something for yourself usually make you feel good?
- 7. In the past year, have you taken money from a savings account to buy something?
- 8. Does comparing yourself with others make you feel unhappy about your home, car, clothes, computer, etc.?
- 9. In the past six months, have you ever just paid the minimum amount due on one or more credit cards?
- 10. When you go shopping, do you feel better when you spend more?

Do you see a pattern or did you learn anything new about your shopping habits? Do you shop for therapy or have you fallen into the see-want-borrow-buy trap?



#8

Gratitude can help you live on less than you earn.

Focusing on what you don't have and always wanting more—keeps you from seeing the richness of your blessings, especially things without monetary value, like relationships and good health. Go back to your "Most Important Things" list and circle items that don't have to do with money. You can use the "Notes" section to write other things you appreciate that don't cost money.



Make a Spending Plan

The sad truth is most families live paycheck to paycheck, with no spending plan, no savings plan, and no idea of how or where they spend their money; and have No idea how to get out of debt.

What's the difference between a spending plan and a budget? It's only our perception. "Budget" can imply cheap or poor, and you may feel slighted and constrained. "Spending Plan" is more accurate. You spend money daily just using electricity—how you PLAN to spend it is the key.

Without written goals your financial life has no focus or direction. You wouldn't make an important journey without a roadmap or destination. You could end up worse off than when you started or even lost. Without written goals you'll most likely go deeper into debt.

A spending plan gives you a clear roadmap to follow. Daily spending choices are short-term decisions with long-term results. Your roadmap gives you the big picture. Your written goals help you resist impulse buying and keep you in control of your spending and future. Instead of being a slave to debt, you'll be the master of your finances. You can stop worrying.

Just Two Questions... before making any purchase ask yourself:

1. Is it worth the price?

Consider each purchase carefully. Is the need it fills worth the cost? Will it have lasting value? Will the cost keep you from buying other things you want more?

2. Does it fit my values and help me achieve my goals?

Use your values and goals as a way to judge every purchase. Before you buy, check your "plan" first.

These questions help you gain control over your spending and teach you to live on less than you earn.



"He who is not grateful for the good things he has, would not be happy with what he wishes he had."

~ Anonymous



#9

But can it be fun?

Of course it can! Some people feel they must spend money to have fun. That’s simply not true. Many of the things we enjoy most—laughter, relationships, peace of mind—are FREE! Here’s just a sample of ways to have fun with little or no money.

Fun for Free!

Check the ones you enjoy or want to try, and add new ones of your own:

- | | |
|---|---|
| <input type="checkbox"/> Play cards or board games | <input type="checkbox"/> Go on a hike |
| <input type="checkbox"/> Read with a child | <input type="checkbox"/> Fly a kite |
| <input type="checkbox"/> Visit family or friends | <input type="checkbox"/> Enjoy breakfast in bed |
| <input type="checkbox"/> Enjoy a sunrise or sunset | <input type="checkbox"/> Walk your dog |
| <input type="checkbox"/> Play any sport | <input type="checkbox"/> Watch a little league game |
| <input type="checkbox"/> Learn a new language | <input type="checkbox"/> Have a stargazing party |
| <input type="checkbox"/> Get books or movies at the Library | <input type="checkbox"/> Make a snowman |
| <input type="checkbox"/> Write a letter | <input type="checkbox"/> Give a massage |
| <input type="checkbox"/> Jog with a buddy | <input type="checkbox"/> Draw a picture |
| <input type="checkbox"/> Visit an art gallery or museum | <input type="checkbox"/> Tube down a river |
| <input type="checkbox"/> Have a pillow fight | <input type="checkbox"/> Climb a tree |
| <input type="checkbox"/> Volunteer in your community | <input type="checkbox"/> Picnic in the park |

Living on less than you earn is the first principle of financial freedom.



2 Put the Power of Interest to Work for You.

When you borrow money, you repay the loan with interest. It’s the same when you use your credit card. Since you pay interest, you always pay back more than you borrow.



“Interest never sleeps nor sickens nor dies: it works on Sundays and Holidays. It never takes a vacation. Once you are in debt, interest is your companion every minute of every day and night. You cannot shun it or slip away from it. . . And whenever you get in its way or cross its demands, it crushes you.”

~ANONYMOUS

Will YOU or the bank earn interest on your money? Are you paying interest or earning it? Money in a savings account or invested carefully, will earn you interest. Your money works for you—you earn more than your original investment. That’s putting the power of interest to work for you.



Where does your money go?

If you're like most Americans, you'll earn at least \$1 million over your lifetime. Do you know how you'll probably spend it? Take a guess...

Here is what the average American spends his money on over a lifetime:



Source: US Census Bureau



Surprised? Americans have on average \$8,940 in credit card debt. If you only pay the ongoing minimum payment starting at \$103 each month—and reducing monthly—how long do you think it would take to repay it at 13.72% interest? How much would you end up paying?

You may be shocked to find out it would take 30 years to repay the debt and you would have paid about \$24,460... or \$16,270 in interest alone. Now you know where the banks get all that money to lend you. Lenders know the power of interest.

This chart shows you how the same debt would change if you made more than the minimum payment. It's a striking example of the power of interest:

ORIGINAL DEBT: \$8,940—Interest 13.72%				
Monthly Payment	\$200	\$300	\$500	\$700
Total Interest	\$3,660	\$2,160	\$1,560	\$860
Total Amount Paid	\$ 12,600	\$11,100	\$10,500	\$9800
Time to Repay	5 yrs 3 mos.	3 yrs 1 mo	1 yr 9 mos.	1 yr 2 mos.

See the point? It's miraculous how much you save by paying more than the minimum payment! You can drastically reduce the amount of interest and pay it off much sooner. Putting the power of interest to work for you instead of against you... it just makes sense.



Are you paying interest or earning it?

The more money you invest each month in savings—the more your money works for you. The more you save for a longer time, the greater your savings grows, the faster and farther you’ll go toward financial health. See what happens when you save or invest.

What if you save as little as \$100, or as much as \$300 per month? Compare 10 and 20 years of savings. The time and your investment only doubles, but your interest earnings increase nearly five times!

MONTHLY SAVINGS \$100		Interest Rate of 5%		
Number of Years	5	10	15	20
Your Total Investment	\$6,000	\$12,000	\$18,000	\$24,000
Total Interest Earned	\$861	\$3,528	\$8,728	\$17,103
TOTAL SAVINGS	\$6,861	\$15,528	\$26,728	\$41,103

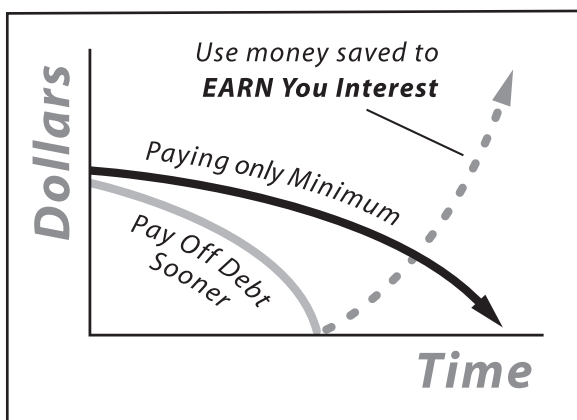
MONTHLY SAVINGS \$300		Interest Rate of 5%		
Number of Years	5	10	15	20
Your Total Investment	\$18,000	\$36,000	\$54,000	\$72,000
Total Interest Earned	\$2,402	\$10,585	\$26,187	\$51,310
TOTAL SAVINGS	\$20,402	\$46,585	\$80,187	\$123,310

You can see the great advantage of putting your money to work for you. With the power of interest on your side, you can move quickly on your journey to financial health.



Building Wealth

Many people struggle financially, barely getting by because they pay off debt too slowly. The minimum payment pay off rate is the long black line in the graph below. You may think you don’t have enough money to save or invest and build your wealth, but is that really true? See for yourself...



Making larger payments—shown by the gray line—pays off your debt much faster and you pay less interest. The dashed line shows how you can use the amount you would have paid on your debt to save or invest. Look how much interest you earn putting that money to work for you. It is possible to build wealth for yourself. Using the power of interest takes planning and self-discipline, but definitely pays off.

3 Exercise Financial Discipline



Most anything is possible with self-discipline, and without self-discipline, almost nothing is possible. It takes discipline to follow your roadmap and stay on the road to financial freedom. Discipline yourself to live on less than you earn and put the power of interest to work for you.



Too often you give up what you want most in order to get what you want right now. Learning to delay gratification today—for something better tomorrow—is essential to being financially healthy.

What will it take? If you learn how to eliminate your debt, but don't put what you learn into daily practice—you'll never enjoy the benefits of living without debt.



#10

Will it be easy for you?

Changing your spending habits in line with things you need most, and with your values and goals takes time. But if you prepare in advance, you'll be ready to resist when tempted down the wrong side road. So answer these questions:

1. What do you like to spend your money on?

2. Can you live without these things, or at least with less of them?

3. What will be the biggest challenge to your financial self-discipline?

4. What will you need to change in your life to help you maintain your financial self-discipline?

These questions make you more aware of things to avoid and help you to prepare in advance to resist temptation.



"With self-discipline most anything is possible"

~ Teddy Roosevelt

"The philosophy which is so important in each of us is not a technical matter; it is our... sense of what life honestly and deeply means... it is our individual way of just seeing and feeling..."

~ William James

Apply these simple but powerful principles of financial health:

1. Live on less than you earn.
2. Put the power of interest to work for you.
3. Exercise financial self-discipline.

If you are consistent, you'll eliminate your debt, build wealth, and enjoy the freedom to pursue your goals without worrying over money.



YOUR FINANCIAL PHILOSOPHY

Now you're ready to determine your financial philosophy.



What is a Financial Philosophy? A financial philosophy is an overall vision or attitude toward finances that governs your thoughts, actions, and knowledge.



Why is it important? A financial philosophy is where your success or failure in money matters begins.

What's the difference? Everyone knows of wealthy people who mismanage their finances, and literally waste their fortunes ending up broke. There are also humble people with limited funds who manage to live wisely within their income and retire comfortable and happy. It's obvious your financial success or failure is not determined by your income but by your financial philosophy. More than anything else, it will affect your level of income, spending, and resources.

“‘Normal’ is getting dressed in clothes that you buy for work, driving through traffic in a car that you are still paying for, in order to get to the job that you need so you can pay for the clothes, car and the house that you leave empty all day in order to afford to live in it.”

~ Ellen Goodman
(columnist)



What is your financial philosophy?

Everyone sees things differently since your nature, experiences, knowledge, and beliefs are unique. Your personal financial philosophy is the rule that affects how you think about and use money. It drives your daily financial decisions. How you believe and live in line with your financial philosophy—determines whether or not you live in harmony with yourself, your loved ones, and your money.

Once you develop your personal financial philosophy, the next step is to actively identify goals and implement methods to support your philosophy. This course will help you design your unique plan which may include actions like cutting up credit cards, avoiding interest payments, creating a spending and savings plan, tracking spending, and many other tools. Your financial philosophy, goals, methods, and use of financial tools will all take on powerful meaning and special purpose unique to your personal circumstances.



#11

Your financial philosophy exercise:

In your own words write your personal financial philosophy. Remember it's the rule that affects how you think about and use money. As you start to live your philosophy, you may wish to revise your definition, but this will be a good beginning to your journey.



If you're married... you and your spouse need to make your definitions separately and then talk about them together. Remember to respect each other's viewpoint. Then work together to develop a written philosophy you both feel good about.

Remember...

Be patient. You're making life-changing decisions. For many of us, old habits concerning money have been bad habits. Forming good habits require desire, good planning, and consistent effort. As you use your new financial tools, your skills will grow. Instead of being a slave to your debt, you will develop the habits of genuine financial freedom.

"Bad habits are like a comfortable bed, easy to get into, but hard to get out of."

~Anonymous



YOUR COMMITMENT

—*Living My Financial Philosophy*

The most valuable thing you can give yourself and others is your word. Once given, you must not break it or then you have nothing. Throughout these workbooks you will be asked to make commitments in writing to yourself. When needed they may also include a time frame for completion. Your first commitment begins now. Please read, sign, and date it—make it a conscious choice.

I promise myself to live my new financial philosophy every day.

Your signature

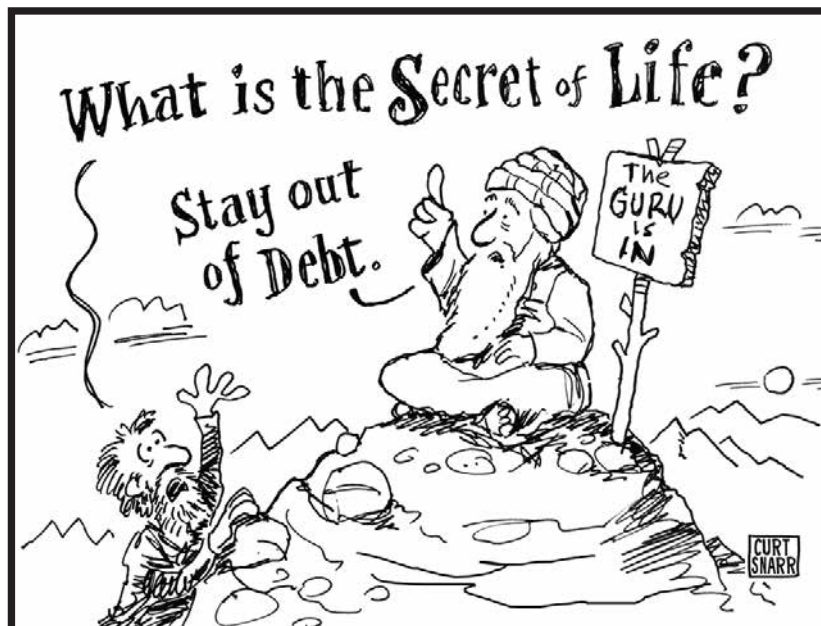
date signed

Signature*

date signed

** Others participating in this commitment are also welcome to sign.*

Congratulations! Now you're on your way to better financial health and freedom.



BUILD A SPENDING PLAN THAT WORKS

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THE VALUE OF CREATING A SPENDING PLAN

Do you know where your money goes? Now you can find out by using your fresh insights to begin living your new financial philosophy. In the past you probably couldn't control your finances because you lacked the tools and information needed. Now you're going to develop those tools, take control, and build a financial future you can depend on.



1 Your Viewpoint

To start your journey—first figure out where you're beginning. How do you see things? Think of the word BUDGET... what comes to mind? A thrift store? Budget motels? Restrictions? Does it produce an image of poverty? Have you tried budgets but failed to improve your finances? Any or all of these issues may trigger your feelings of fear and frustration.



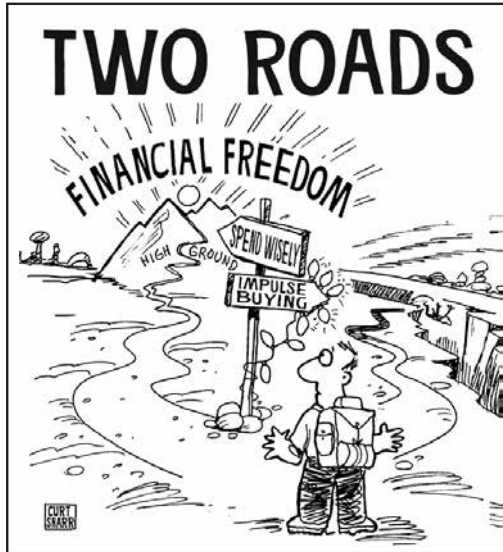
"Truth is what stands the test of experience."

~ Albert Einstein

You need to know THE TRUTH:



You may think...	But the Truth is...
1. The only way you'll solve your money problems—is to get more money .	A good Spending Plan can help solve your problems with your current income .
2. Budgeting is too complicated for you.	With good coaching, even a child can begin and maintain a Spending Plan.
3. Keeping a budget takes too much time .	Once the initial work's done, you can maintain your Spending Plan in less than 30 seconds a transaction.
4. A budget will restrict your freedom .	Just the opposite... a Spending Plan allows you more freedom to achieve your lifetime goals
5. A budget's just a review of where your money went, and your checkbook can do that.	A good Spending Plan is a design for effective spending , plus a record of where your money went.
6. There are too many surprises in life for a budget to really work.	Life's full of disruptions; that's exactly why you must be financially prepared .
7. Later, when you're more organized , you'll get better at budgeting your money.	Procrastinating denies you the joy and security of financial freedom.



So go ahead—Toss out your Budget!

If you feel confined with no room to move then... toss out your budget and build a Spending Plan. As you've just seen, budgets often don't work when they only review where your money's gone after it's too late. A Spending Plan gives you more freedom to achieve your lifetime goals. With your properly designed Spending Plan, you'll have a roadmap for spending, plus a record of where your money goes. You'll take responsibility for how your money's spent—and be on your way to financial health.

Avoid Temptation... It's like your diet. People know proper nutrition is essential for good health, but many still give into tempting junk food. Likewise, a spending plan produces stronger financial health and well being. Yet many people are side tracked by impulse purchases that divert them from their planned course. But you can choose to stay on your road to financial success.



2 Spend Your Way to Wealth

How you spend and manage your money is the key to building wealth. Successful people control their finances and account for their money. They plan ahead for needed cash, and prepare for unexpected situations. They pay themselves first to prepare for the future by putting the power of interest to work through savings and investments. To be successful you must organize your finances the same way businesses do, reviewing monthly cash flow, expenses, and income.

Smart Business... Can you imagine investing in a company that didn't use a business plan outlining how your money will be used? What if the company didn't have a monthly profit and loss statement reporting how the business was doing? No business can thrive or even survive for long without following sound financial principles, and neither can you.





Personal financial success is achieved when your family finances are given the same importance and care businesses give their finances. Sadly, most families live paycheck-to-paycheck, with no spending plan, no monthly accountability, no savings plan, and no idea of how or when they'll ever be out of debt. But it doesn't have to stay that way.

Being prepared for life's surprises is also one of the most important reasons to develop and use a Spending Plan. It helps you survive unexpected expenses. When you're prepared, you have the satisfaction and comfort of being in control of your finances.

*"Hope for the best,
prepare for the worst."
~ Old English Proverb*

Extreme Makeover —Home Edition

What if you decided to build or remodel your home? Before you can design your plan, you need to ask some questions. What kind of home best suits your lifestyle? How many rooms do you want? What special features are important to you? How much can you afford to spend? As you gather more information about building your home, your ideas become clearer. Your plan can be great! Eventually, you'll have a finished design that'll be both beautiful and functional.



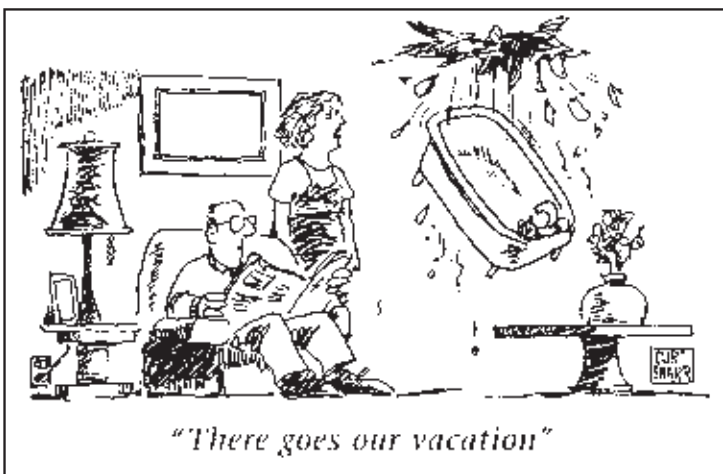
Extreme Makeover—Spending Plan Edition

Designing a Spending Plan is like designing a house. The outcome depends on how well you plan and consider all your needs. To develop a worthwhile Spending Plan, first you need to learn about your "Spending Plan Worksheet." It's a key tool in organizing all the elements of your well-designed plan. Your Worksheet helps you map out a plan best

suited to your unique goals and needs. You'll be led through each step to take in managing your income and expenses. With it you can control your finances and enjoy a healthy future your family can depend on.

Where are you now?

Before starting your journey to financial freedom, you need to know where you are now. Your Spending Plan Worksheet helps you discover your current income and expenses. The easiest source is your prior month's income and spending. The next sections lead you through every step. You can do this.



B THE SPENDING PLAN WORKSHEET MADE EASY



To learn how to build and use your Spending Plan Worksheet, follow one family's successful example. Dave and Marie are an average couple. They have three children and like everyone, they've got responsibilities, goals, and needs. However, their personal finances were somewhat out of control. They had not come up with a system that consistently worked. Fortunately, everything changed when they chose the road to financial freedom. After they developed a healthy financial philosophy—put a Spending Plan Worksheet and Spending Register to work—they turned their whole lives around.



Be Accurate

Just like your house plan, it's critical you use accurate information. Estimates aren't good enough in construction, and they won't be in financial planning. In reviewing your financial records, you may find a few gaps in your information about how much you've been spending and where you've spent it. This isn't unusual. Do the best you can with your prior month's information, but from now on be as precise as possible in your records so you won't get off track.

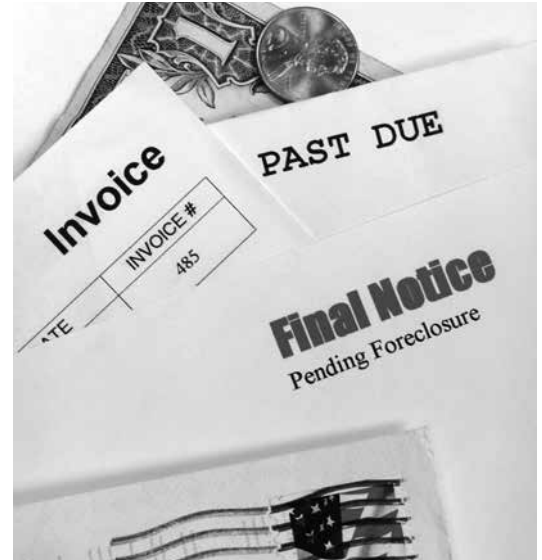
Summary of Worksheet Steps... Your Spending Plan Worksheet has 10 steps to follow. Do them in order since each step builds on previous steps. First, you'll need to gather information about your prior month's income and expenses. The following steps organize your information and each one has a corresponding number on your Spending Plan Worksheet. The steps are:

1. Identify all your sources of Income and review the Expense categories.
2. Record your actual monthly Income and Expenses from the prior month.
3. Calculate and record the Difference between your Income and Expenses.
4. Decide the Type of Expense: Fixed, Variable, or Discretionary. Then record the expense in the appropriate column and Total each column at the bottom.
5. Make needed Adjustments to Discretionary and Variable expenses to balance your Total Expenses with your Total Income.
6. Determine your Final Expenses by subtracting or adding the Adjustments and entering the new amount into the Final Expenses column.
7. Assign the responsibility of Who Pays Expense for each Final Expense between "Husband" and "Wife" and total columns. (Skip Step 7 if you're single.)
8. Record the portion of Total Gross Income you receive by Pay Period.
9. Decide which expenses to pay with each Pay Period.
10. Once you've begun to live your Plan, at the end of each month record your actual Income and Expenses in the Monthly Plan Summary for the next three months.

*"Choice not chance
determines destiny."
~ Unknown*

Now here goes... get last month's pay stubs, checkbooks, credit card statements, calendars and receipts together and take out your Spending Plan Worksheet. Then simply follow along with Dave and Marie's sample Worksheet at the end of this section and head toward your own financial freedom.

The first section of the Worksheet is in two parts covering two areas each: your Income and your Expenses. The Income portion of Steps 1 and 2 is first on your Spending Plan Worksheet.



Income Section: STEP 1—Identify Income Sources

Dave and Marie looked over their records and tax returns and noted the following sources of income:

1. Both have full-time jobs.
2. Dave also has a part-time job selling health products.
3. Marie receives monthly child-support payments from her ex-husband for their daughter.
4. Dave and Marie receive quarterly dividends from stock Dave's parents gave them as a wedding present. (They divide the quarterly dividends into the average per month.)

"Solvency is entirely a matter of temperament and not of income."

~ Logan Pearsall Smith

STEP 2—Record Your Actual Monthly Income

Refer to the top section of Dave and Marie's sample at the end of this section to see how they completed the Income portion of Steps 1 and 2. Note they determined their monthly income was \$7,000.

Record Your Income

Using their sample as a guide and your records, you can now complete the Income part of Steps 1 and 2 on your Worksheet. Please fill out your entire Worksheet in pencil, so you can easily make changes or adjustments along the way. Once you're done, you'll have a clear picture of how much income you can depend on each month.

When you've completed the Income portion of Steps 1 and 2, you're ready to move on to the Expense portion and discover more about your spending. It's the key to the success of your entire plan. How and where you spend money is precisely what you're learning to monitor and manage.



#1



Expense Section: Step 1—Your Expense Categories

As Dave and Marie looked at the Expense categories on their Worksheet, they realized they'd never formed the habit of keeping receipts or writing down expenses—especially the little things. Because of this, they had to do some guessing from old bank statements, etc. They also reviewed the Expense Category Description on Page 32, to see where and how to record each one of their expenses.

NOTE: There are 3 special Expense categories that merit explanation:

"Tis hard for an empty bag to stand upright."

~ Benjamin Franklin

1. Pay Yourself category refers to the essential need to set aside a percentage of your income towards the future. Then you can live comfortably and also avoid being a burden to anyone. You'll be putting the power of interest to work for you to build your own wealth. You need to save this money, or you'll never have enough left over once you've bought the things you want. Whenever possible use pre-tax dollars to get the greatest benefit, like a 401(k), SEP IRA, or defined contribution plans.



2. Personal Expense categories for both Husband and Wife are an important part of sticking to your Spending Plan. Everyone needs a certain amount of money to spend however he wishes. It gives you freedom from explaining or justifying every little expense. You can buy something, save it, or give it away. The amount isn't as important as the principle of some personal freedom.

3. The Help Expense is just what it sounds like. It's a fund set aside for emergencies or unexpected expenses. It can also help offset other categories that may have gone over your plan that month. For example: If Marie planned \$400 for groceries and guests arrived unexpectedly for a few days, she'll need more grocery money. Hopefully, you won't need this whole fund each month and it can build up for bigger unplanned expenses.

Review the Expense Category Description on Page 32 so you can be familiar with all the main and subcategories. If needed, there are additional blank spaces on the Worksheet for you to add your own categories.



"If I'm handling all the bill payments, I should get a higher personal budget!"

*"Before everything else;
getting ready is the
secret of success."*

~ Henry Ford

STEP 2— Record Your Actual Monthly Expenses

Using their prior month's records, Dave and Marie divided their canceled checks into categories: Housing, Auto, Contributions, Food, Dining out, Payments, etc. Then with the Expense Category Description on Pages 32 and 33 as a guide, they recorded their prior month's expenses on their Worksheet.



Look at the bottom section of Dave and Marie's Spending Plan Worksheet at the end of this section and note how they completed the Expense portion of Steps 1 and 2. You'll see they calculated that their prior month's expenses were \$7,184.



#2

Your Prior Expenses

Guided by their sample, use records of your prior month's expenses to complete the Expense part of Steps 1 and 2 on your Worksheet. If the prior month had any usual expenses—or an expense not paid that typically is—use your best judgment to fine-tune it. When you're done you'll have a better picture of how much you spend each month.

STEP 3—Discover the Difference

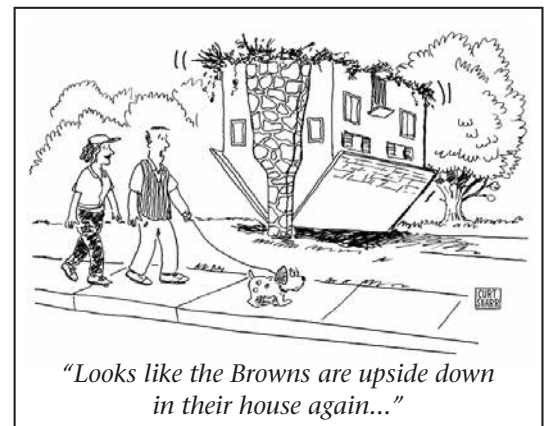
This is your moment of truth. Are you living within your means? Once Dave and Marie subtracted their total expenses from their total income, they realized they were in trouble. Look at their sample Worksheet. At the bottom on Step 3 you'll see the difference between their expenses and income resulted in excess spending of \$184 per month. That adds up fast. Now they knew why they often relied on credit cards to get by.



#3

What's Your Difference?

Calculate the Difference between your Total Income and Total Expenses to discover how you're doing. If your monthly expenses exceed your income, it's called being "Upside Down" in your finances. Being out of balance in your financial life causes stress, worry, and never-ending debt. But knowledge is power, and you can put your financial life right.



*"Looks like the Browns are upside down
in their house again..."*



*"Economy does not lie
in sparing money but in
spending it wisely."*

~ T. H. Huxley

You're off to a great start. You know what you earn, what you spend, and where you spend it. Now you can fix what's out of balance. Even if your income and expenses were in balance, you may wish to consider spending less and paying yourself more. But first you need to determine what type of expenses you have, and then you'll know which ones you can adjust.

STEP 4—What Type of Expense is it?

Dave and Marie realize they'll need to cut some expenses to balance their plan. The most effective method is using your Worksheet to lead you through this process. First you must determine which expenses are "Fixed," "Variable," or "Discretionary."

Fixed Expenses are monthly expenses that cannot be adjusted or changed, i.e. loan payments for your mortgage, rent, car, etc.

Variable Expenses are payments you must make monthly, but the amounts may vary. You have some control over the amounts. Examples are groceries, utilities, gas, etc.

Discretionary Expenses are completely in your control. You make choices about what you spend on these expenses and how much you spend, i.e. entertainment, dining out, gifts, recreation, allowances, etc.

The Expense Category Description on Page 32 also gives you some guidelines about the typical Type of Expense for each category. Note: Some categories could include all three types of expenses like the "Auto" category. Car payments are "fixed" expenses; car repairs are "variable;" and a car wash is "discretionary."



#4

Breaking Down Your Expenses

Refer to Dave and Marie's sample Worksheet, and the Expense Category Descriptions to guide you in determining the Type of your expenses: fixed, variable or discretionary.

Record each expense in the corresponding column. Some may need to be broken down into multiple columns. For example the \$245 Dave and Marie spent on "Children" is split into \$70 for school expenses (variable) and \$175 for activities, allowance, and lessons (discretionary.) This process takes some time but is a very important step.



Expense Category Description



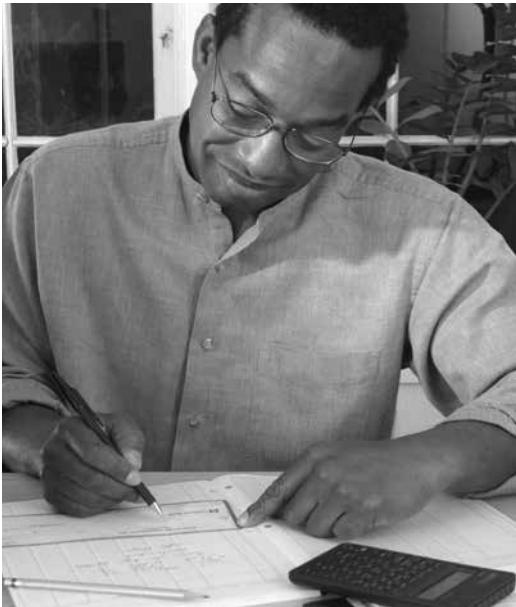
Every main category has subcategories within it. For a good overview of how to record your expenses, **please review them all**. It may also help you recall some you've overlooked and introduce some important new ones. If you have expenses that don't fit any of these categories, you can use another sheet of paper to add your own. The TYPE of expense: "Fixed, Variable, or Discretionary" is also noted.

Main Category	Subcategories	TYPE of Expense
Pay Yourself	Savings, Investments, Retirement Accounts, Education, New Purchases, Furniture, Appliances	Variable
Taxes (All)	Property, Federal, State, Social Security, Workers Compensation, Estimates	Fixed Variable
Husband's Personal	Husband's personal expenses that he doesn't need to justify or explain.	Discretionary
Wife's Personal	Wife's personal expenses that she doesn't need to justify or explain.	Discretionary
Help Fund	Unexpected or unplanned expenses or help with emergencies.	Variable
Auto	Payments, Taxes, Oil, Registration, Repairs, Service, Taxi, Car Wash	Fixed Variable Discretionary
Business Expense	Union Dues, Fees, Association Fees, Licensing, Uniforms	Fixed Variable
Children/ Child Care	Child Support, School Expenses, Daycare, Babysitters, Activities, Allowance, Lessons, Sports, Miscellaneous Help	Variable Discretionary
Contributions/ Charity	Religious Contributions, Charities, Miscellaneous	Discretionary
Dining Out/ Fast Food	Breakfast, Lunch, Dinner, Snack	Discretionary
Education	Student Loans, Tuition, Books, Classes, Materials, Subscriptions	Fixed Variable
Food/ Household	Groceries, Paper Products, Cleaning, Supplies, Pet Food	Variable

Expense Category Description *Continued*

Main Category	Subcategories	TYPE of Expense
Gifts/Cards	Birthdays, Holidays, Weddings, Special Occasions	Discretionary
Grooming	Haircuts, Personal Products, Color and Perms, Styling, Manicure	Variable Discretionary
Housing	Mortgage, Rent, Condo Fees, Improvements, Ongoing Maintenance	Fixed Variable
Insurance	Homeowners, Auto, Life, Medical, Renters, Disaster, Disability	Fixed Variable
Leisure	Vacations, Travel, Recreation, Entertainment, Music, Cable TV, Hobbies, Spa/Health Club, Video Games	Discretionary
Medical/Dental	Doctors, Dentists, Chiropractors, Hospitals, Prescriptions, Veterinarian, Contact Lenses, Glasses, Medical Supplies	Variable
Other	Unplanned items, Miscellaneous, etc.	Variable or Discretionary
Payments	Credit Cards, Personal Loans, Finance Company	Variable
Record Keeping/Mail	Bank Charges, Accounting Fees, Legal Fees, Financial Advice, Shipping, Record Keeping	Fixed Variable Discretionary
Utilities	Electricity, Gas (home), Oil (home), Garbage, Sewer, Telephone (home), Cell phone, Water, Wood	Variable
Vices	Alcohol, Tobacco, Gambling, etc.	Discretionary
Wardrobe	Dry Cleaning, Clothing, Fabric, Sewing Notions, Laundry, Shoes, Jewelry, Shoe Repair	Variable

Now you're ready. After you record your expenses in the correct Type of Expense column, you're ready to make adjustments and bring your expenses in balance with your income and goals. If your finances have been "upside down," this is how you'll begin to put yourself right again.



#5

STEP 5—Making Expense Adjustments

Only two types of expense can be adjusted: Variable and Discretionary. Fixed expenses are just that, “fixed” and can’t be altered unless your circumstances change. That’s why you need to know what Types of Expenses you have.



#6

Make Adjustments

Now add or subtract the amounts in the Adjustment column. Begin with discretionary expenses because you have the most control over them. Then, if needed, adjust your variable expenses until your income and expenses balance. Refer to Dave and Marie’s Worksheet to see how they made adjustments.

STEP 6—Your Final Expenses Now finish what you began in Step 5.

Add or subtract

Calculate your Adjustments and record each total and the final Total Expenses in your Final Expense column.

Here’s Your Spending Plan!

Now you’re on your way and you’ve built a great compass to guide your journey. You’ve brought your expenses into balance with your income and now you have a Spending Plan.

At first, consistently living your new spending plan may seem difficult—but it’s much easier than the burden of debt. You’ll begin to have less stress and uncertainty. You’ll have peace of mind from knowing you’ve planned for your future. All you need now is to finish the steps that help you carry out your plan.

“There can be change without progress, but not progress without change.”

~ Anonymous



*“You WILL staaay within our spending plan...
You WILL staaay within our spending plan...”*

STEP 7—Assign Responsibility

Will you and your spouse share the responsibility for handling bill payments and buying what's needed each month? Or will only one of you perform the whole task? If you're like most couples, you divide up at least some of the categories so you can both buy needed items. This isn't about who earns the money to pay for it, but who actually writes the check or makes the purchase. Whatever you decide, make sure you're in agreement. Skip this step if you're single.



Who Pays Expense?

Review each category of Final Expenses on your Worksheet. Record every expense in either the Husband or Wife column. You can also share some expenses like taxes, which typically come out of each person's paycheck. Remember to consider things like the Auto expense, which you probably both need for gas, etc. Dave and Marie's sample Worksheet may help you determine how you want to delegate your expenses.

*"Only he who keeps his eye fixed on the far horizon will find his right road."
~ Dag Hammarskjold*



STEP 8—Split Income by Pay Period

Since you probably don't receive all your income the first of each month, you need to record when you do. Determining when you'll have the money allows you to decide when you'll be able to pay or fund each expense.

Look at Dave and Marie's sample to see how they recorded their income. Both their full-time jobs pay them twice a month, and the child support is also split into two payments. Income from Dave's part-time job and the stock dividends comes at the end of each month.

When are you Paid?

Now record when you receive your income and how much you receive on your Worksheet. A pay period may have more than one source of income like Dave and Marie. Just add and record them together.



STEP 9—Assign Expenses to Pay Periods

You're ready to assign each expense to one or more pay periods. Like many people, Dave and Marie's mortgage is due the 1st of the month, so little money's left to fund much else if the whole mortgage is taken from one pay period. When possible, split larger expenses into two or more pay periods.

When to Make Payments

Review each of your expenses and the available income. Assign when to pay every expense—by pay period—according to the availability of money. You can split expenses to be funded by multiple pay periods.

Note: You need to consider the due date of your various bills. Refer to Dave and Marie's sample for guidance. Check your entire Worksheet to be sure you haven't missed anything and that all totals balance.

NOTE: Step 10 on your Worksheet—columns 1st, 2nd and 3rd Month Actual Income and Expenses—will still be blank. They're for your future Monthly Plan Summaries which you'll learn more about in the last Section of this Workbook.

You've Done It!

You have a complete Spending Plan and a system to carry it out. This Spending Plan can become your best friend or toughest manager. It's up to you. Make it easier by following your financial philosophy and sticking to your guidelines for spending and managing your financial resources—you'll love your success. When you free yourself from debt and achieve financial fitness, you'll be in control of your life and your future.

Now you're ready to learn about your Spending Register where you'll track everything you spend.

*"We first make our habits, and then our habits make us."
~ Unknown*



© USING YOUR SPENDING REGISTER



A basic principle of financial fitness is to consistently track your spending. Learning this discipline is the key to being successful. It enhances your awareness of what's happening to your money. Then you can change old habits and make fully informed decisions about spending. Your Spending Register is an essential tool for mastering your money.



Track Your Cash Flow

Before you’ll have money to invest in your future, you must live on less than you earn. Tracking your spending is like following a map; you can trace every step to make sure you’re on course. The idea of recording everything you spend—even a few pennies—may seem too difficult and extreme. But once you make it a habit, you’ll agree with the thousands of successful people who testify it makes all the difference.



Your Own Registers

Since both Husband and Wife are responsible for paying different expenses, you’ll each need your own Register every month.

Simple Steps to Use Your Spending Register...

It’s actually very easy... you can record a transaction in less than 30 seconds. The Register works in a simple and organized way. You’ll use a new one every month—12 per year—for each of you. Your Register has a separate column for each expense category and two categories per page. There’s also a handy “Expense Account Reference” in the front. You can refer to a sample of Dave’s personal Spending Register, Auto Category Expense, on top of page 38, and follow along with each step.

- Step 1** Review the useful Expense Account Reference at the front of your Register as a quick reminder of the Expense Categories you used in your Spending Plan Worksheet.
- Step 2** Expense Categories are printed at the top of each column. They’re in the same order as your Worksheet, including some blank categories.
- Step 3** Spending Plan Amount is recorded for each Expense Category from your Spending Plan Worksheet each month. (Example: Dave’s Auto expense amount is **\$329**)
- Step 4** Record the Prior Month Carryover amount—if any—positive or negative, left from the prior month for each Category. (Example: Prior Month Carryover is **\$10**)
- Step 5** The New Balance is the total of the amounts from Steps 3 and 4 and is recorded for each Category. (Example: Dave’s New Balance is **\$339**)
- Step 6** Record everything spent this month in an Expense Category. Look at Dave’s first Auto Expense, it includes:
 How paid? Cash, Visa, Payroll, or the Check #, etc. (Example: check **#1200**)
 Date (Example: **7/4/12**)
 Description (Example: To: **West Bank**, For: **Car Payment**)
 Amount (Example: **\$289**)
 Balance (Example: **\$50**)
- Step 7** At the end of each month carry over any balance—positive or negative (Step 4) to the Prior Month Balance on your next month’s Register. This amount plus your next month’s planned amount becomes your New Balance for that category in the next month.

Here's an example of a completed page from Dave's Spending Register:

AUTO				BUSINESS EXPENSE			
Spending Plan Amount:		329		Spending Plan Amount:		50	
Prior Month Carryover:		10		Prior Month Carryover:		0	
How Paid?	Date	Description	New Balance:	How Paid?	Date	Description	New Balance:
#1200	7/4/04	To: West Bank	Amount: 289	debit	7/1/04	To: Supply Mart	Amount: 23
		For: Car Payment	Balance: 50			For: paper, ink	Balance: 27
visa	7/10/04	To: Gas & Go	Amount: 22	cash	7/15/04	To: Top Computers	Amount: 23.50
		For: Gas	Balance: 28			For: Software	Balance: 4.50
#1204	7/21/04	To: Auto Store	Amount: 6			To:	Amount:
		For: Oil	Balance: 22			For:	Balance:
cash	7/21/04	To: Gas & Go	Amount: 19			To:	Amount:
		For: Gas	Balance: 3			For:	Balance:



Your Own Personal Bank

Each Expense Category in your Register is like a small “bank account.” Every month both Husband and Wife “deposit” or record their planned amounts from their Spending Plan Worksheet Step 7, in their personal Registers (Register Step 3.) As you spend money, you withdraw or subtract money from your account (Register Step 6.)

“There’s no question that writing down what I spend, has been revolutionary for me. I used to look into my wallet and think I had been pick-pocketed. You know... ‘Wait a minute—I went to the bank yesterday, took out \$60, and now I’ve got only \$12 and don’t remember buying a thing...”

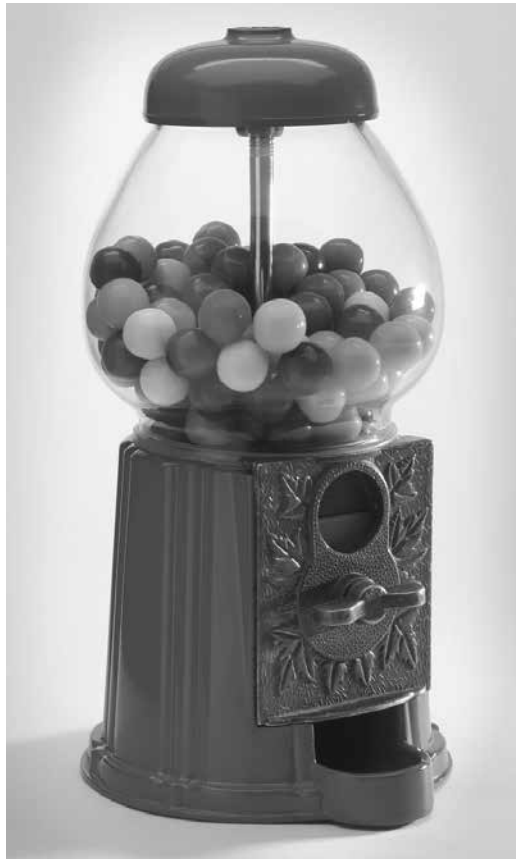
~ Victoria Moran

IMPORTANT: It’s essential to keep a running balance in every expense category. Then you’ll always know what’s left in each account, and you can stay within your plan. For example: If the month’s half over and you’ve spent most of your Food Expense money, you’ll need to cut back or you’ll go over your plan. If necessary you can use some money in your Help Fund for that month—but only as a last resort.

By Your Side

Always carry your Spending Register with you. Both spouses need to carry their own Register, with their own separate expense plan (Using Step 7 on the Spending Plan Worksheet.) Then you’re each responsible for only your purchases and your plan.





Don't Miss a Thing!

No expense is too small... even just a few cents for the gumball machine. You must make it a habit—it's essential for good money management. The better you become at this, the quicker you'll know exactly where your money goes. You'll then stop experiencing the problem of "evaporating money." You'll have increased confidence and control over your money.

Be Careful What You Use

Dave and Marie noticed they had more money in their checking account than before, but they realized they couldn't spend it since it was already allocated in their Plan. It covered things like semi-annual insurance payments, quarterly taxes, car registration, or even Christmas. They also realized their checkbook register no longer reflected how much money they had to spend. They needed to use their Spending Registers to get the most accurate information.



Increase Your Savings

The increasing balance in your checkbook may be too much of a temptation to spend money already planned for other things. It's best to set up a separate or sub account in one of your savings accounts. Then the money earns interest while you're waiting for the expense to come due (example: quarterly taxes.) You'll have the funds when needed and also be earning interest in the meantime—good financial sense.

Dave and Marie set up a sub account at their bank and enjoyed watching the interest they were earning instead of paying. It's a great lesson in money management that successful businesses use every day.

REMEMBER: To be financially fit you always need to...

- carry your Spending Register with you.
- record every cent spent into your Register.
- keep a running balance in each category.
- regularly review where your money goes.
- don't spend more than you've planned.
- put funds awaiting payment to work for you.

"Put not your trust in money, but put your money in trust."

~ Oliver Wendell Holmes, Sr.

When you've made a habit of living these healthy financial behaviors, you'll move quickly on the road towards Financial Freedom.

D MONTHLY PLAN SUMMARY EARNS BIG REWARDS



#10

Step 10—of your Spending Plan Worksheet is a Monthly Plan Summary. This crucial step keeps your Spending Plan as up-to-date, realistic, and effective as possible. A Monthly Plan Summary reconciles your Income and Expenses each month to make sure everything's working. You'll be rewarded by continually making the best use of your money. A routine review of your Plan ensures you stay on the fastest track to financial fitness.



Review Your Progress Monthly

At the end of every month record your total income and expense for each category on your Worksheet. You'll see at a glance any trends or changes happening. Your Worksheet has space for your first three month's actual income and expenses. To print out additional forms visit our website at accesseducation.org. When consistently summarizing your Plan, you can fine-tune it and make sensible adjustments to best use your money.

Evaluate Your Progress

You learned earlier how nothing stays the same, and our circumstances are always changing. It makes sense to continue to evaluate your habits and overall Plan to review your progress. Best of all, this step provides you the best, up-to-date Spending Plan for the coming month.

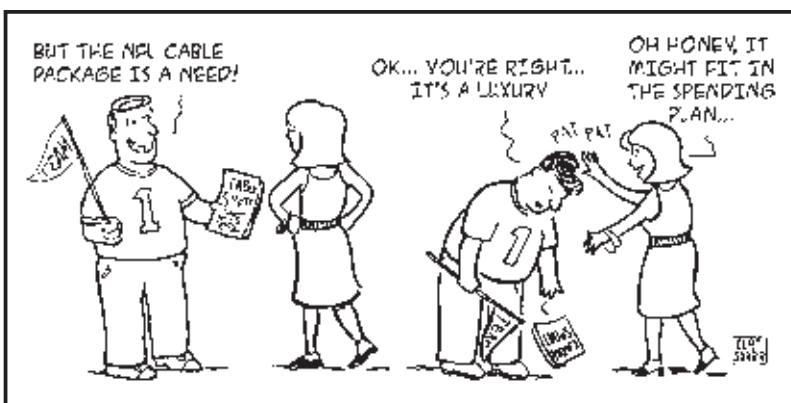


Making Adjustments

At the end of each month you'll need to enter the actual income and expense amounts on Step 10 of your Worksheet. Then evaluate any excess or positive balances in your Spending Register accounts. Some you can carry over to the

new month. But others, you may wish to put into other accounts according to your circumstances and/or to make up other category's negative balances.

You Decide whether the positive or negative balance is because of something unusual or is likely to happen again. Since your Spending Plan must balance, you need to carefully consider how to adjust accounts for the next month in an effort to keep things in balance.





Worksheet & Register

Once you make your adjustments, carry over your new amounts from your Spending Plan Worksheet to your Spending Register. Make certain your Worksheet and Registers are the same for the coming month. After doing this for three months, you'll have a fairly consistent and accurate budget you can live with and you know works. You may find you need to make changes each month. Whatever your circumstances, be sure to monitor how your Plan's working and make any necessary adjustments. You can then be sure you are on the quickest route to financial freedom.

"Don't be afraid to give your best to what seemingly are small jobs. Every time you conquer one it makes you that much stronger. If you do the little jobs well, the big ones will tend to take care of themselves."

~ Dale Carnegie

Remember

Financial integrity not only involves being honest in your dealings, but also keeps spending in line with your financial philosophy and goals. Just like Dave and Marie, it won't take long to realize the benefits of skillfully managing your financial affairs. Your confidence will grow, and you'll have a clearer view of a healthier financial future. If you faithfully practice what you've learned, your rewards will not only be financial but personal and priceless.



Now make another important commitment to yourself. Make a commitment to complete your Spending Plan Worksheet and use your Spending Register. Live your Plan each day and reap the rewards of your planning and effort.

"The significant problems we face cannot be solved at the same level of thinking we're at when we created them."

~ Albert Einstein

YOUR COMMITMENT

—Build a Spending Plan that Works

Remember, the most valuable thing you can give yourself and others is your word. This commitment is key to your journey. Without a Plan you cannot achieve your goal of financial health. You'll need to complete your Spending Plan Worksheet and begin consistently using your Spending Register as soon as possible. Please don't take more than 3 months or you likely won't ever start, and all your work will be for nothing. Write your expected completion date in your calendar to remind you.

I promise myself, to complete my Spending Plan Worksheet and use my Spending Register every day to reach my financial goals.

Date I'll complete
this Commitment by

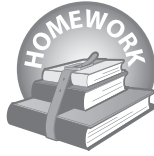
Your Signature

date signed

Date I'll complete
this Commitment by

Signature

date signed



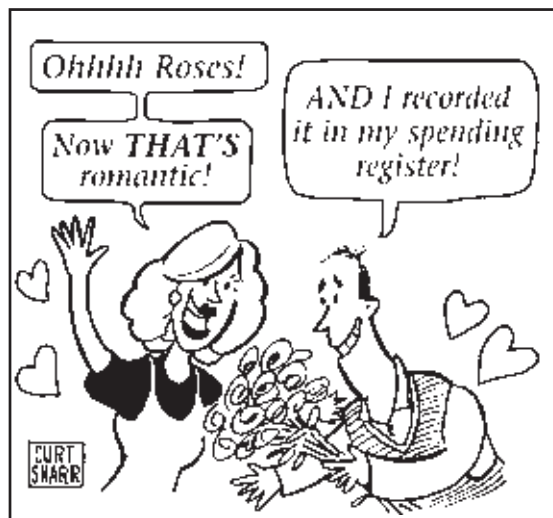
HOMEWORK

Follow these steps to help you master the principles you've just learned.



1. Get to work right away on your personal Spending Plan Worksheet. Complete Steps 1 through 9.
2. Begin to take your Spending Register with you everywhere and use it to record every expense, no matter how small.
3. Examine your spending very closely to see what habits you may wish to change.
4. At the end of each month, use Step 10 on your Worksheet—your Monthly Plan Summary, to review and evaluate your income and expenses. This is the best way to fine-tune your Plan for the coming months.
5. Remember you're making life-changing decisions. For many people, old money habits have been wealth-destroying habits. Change takes time, good planning, and consistent effort. Use your new money-management tools, and you'll be successful.

Congratulations on learning the real key to success. You're well on your way to your goal of financial fitness.



GET OUT OF DEBT— AND STAY THERE!

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A FINANCIAL BONDAGE FROM “BUY NOW, PAY LATER”



Rise in Tempting Consumer Credit

“The world is too much with us... Getting and spending, we lay waste our powers.”

~ William Wordsworth

After World War II, greater availability of consumer credit drastically increased the number of Americans in debt. The large industrial base created by the war effort was capable of producing more goods than people could afford to buy. So marketing experts introduced three new strategies still enslaving American consumers today:

- (1) **The Easy Payment Plan.** The strategy was to advertise a low monthly payment instead of the total cost of merchandise. Consumers were persuaded to shift from saving to pay cash for things, to only considering how much the payments would be.
- (2) **Long-Term Mortgages.** Long-term G.I. housing loans were offered to veterans returning from the war. Soon long-term mortgages became the standard of home finance. Thirty-year mortgages became the rule. Long-term car loans soon followed and are now at 5 years and getting longer over time.
- (3) **Credit Cards, Bank Guarantees, and Lines of Credit.** Since no collateral was required, credit became easy for Americans to obtain. The high interest rates and fees charged made them very profitable for the lending companies. It became easy for consumers to buy almost anything on credit.

Since then, consumers have been bombarded with advertising messages urging them to use credit. Generations of Americans have grown up with the idea of “buy now, pay later,” and living beyond one’s means is thought of as a normal lifestyle.

Easy credit has changed the way people think about and spend money. The biggest change is that credit has turned most individuals and families in America into debtors—with all the pressures and burdens of debt. If you’re in debt, you’re not alone. According to the Federal Reserve, Americans are in \$864.2 billion of credit card debt, more than \$15,587 per indebted household as of July 2012.

Dangers of “Buy Now, Pay Later”

Proof of how dangerous it is to “buy now, pay later” is all around us. The Enron and WorldCom disasters early in the 21st century show how relaxed credit policies can bring on loan defaults and bankruptcies. Failed savings and loan institutions and the resulting \$500 billion bailout of the 1990s placed our country in severe financial danger. No one is immune from the dangers of debt—governments, big business, families and individuals are all hurt by its over indulgence.





Financial Fallout—The same industries and retailers benefiting from earlier relaxed credit policies are now paying the price in loan charge-offs, takeovers, downsizing, and corporate bankruptcies. Sadly, all the financial fallout from these failed credit policies pass on to consumers in higher prices. Compulsive purchasing leads to compulsive debt and endangers national, corporate, personal and family well-being, peace of mind, and security.

Have You Got a Problem?

Take this quiz by Debtors Anonymous to help you determine if you’ve got a compulsive debt problem:



#1

Debt Quiz

Answer Yes or No to each of the following questions:

Yes No

1. Are your debts making your home life unhappy?
2. Does the pressure of your debts distract you from your daily work?
3. Are your debts affecting your reputation?
4. Do your debts cause you to think less of yourself?
5. Have you ever given false information in order to obtain credit?
6. Have you ever made unrealistic promises to your creditors?
7. Does the pressure of your debts make you careless of the welfare of your family?
8. Do you ever fear your employer, family, or friends will learn the extent of your total indebtedness?
9. When faced with a difficult financial situation, does the prospect of borrowing give you a feeling of relief?
10. Does the pressure of your debts cause you to have difficulty in sleeping?
11. Has the pressure of your debts ever caused you to consider getting drunk?
12. Have you ever borrowed money without giving adequate consideration to the rate of interest you’re required to pay?
13. Do you usually expect a negative response when you are subject to a credit investigation?
14. Have you ever developed a strict regimen for paying off your debtors, only to break it under pressure?
15. Do you justify your debts by telling yourself you are superior to “other” people, and when you get your “break”, you’ll be out of debt overnight.

If you answered, “Yes” to eight or more of these fifteen questions, chances are you have a compulsive debt problem, or you’re well on your way to having one. If you answered, “Yes” to five or more—you may still need some help. But not to worry. You’re now on the right path to financial fitness.

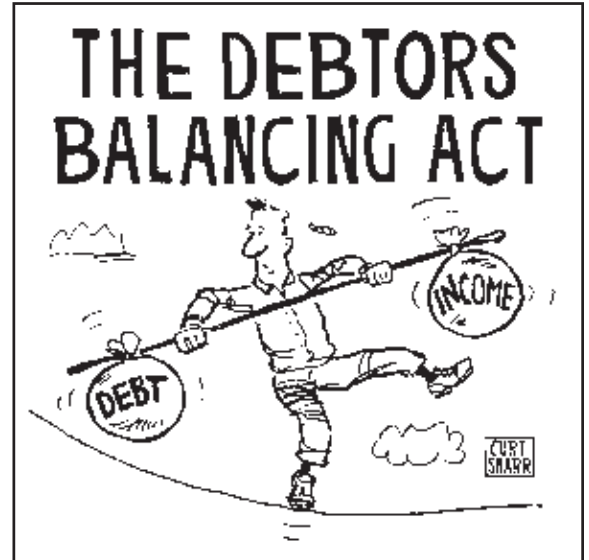


What's the Big Deal?

The abuse of easily obtained credit and the common lack of savings have put a record number of American families on the brink of financial disaster. Since home equity loans have become one of the few ways to get tax deductions on interest paid, they're also being used to consolidate consumer debt. This places homes and the very substance of our cities and society in jeopardy.

"Think what you do when you run into debt: You give another power over your liberty."

~ Benjamin Franklin



The Trouble with Debt

It used to be widely believed increased consumer spending—no matter the source of funds—strengthened the economy. Government leaders even encouraged this naive idea. As a result, Americans are less financially stable and continue to buy more than they can afford.

Unfortunately, now any type of economic downturn sends thousands of people into bankruptcy. The rise in mortgage foreclosures contributed greatly to the failure of savings and loans and several state and national banks. Huge increases in mortgage foreclosures have already affected nearly every community and have had a devastating domino effect on the economy.



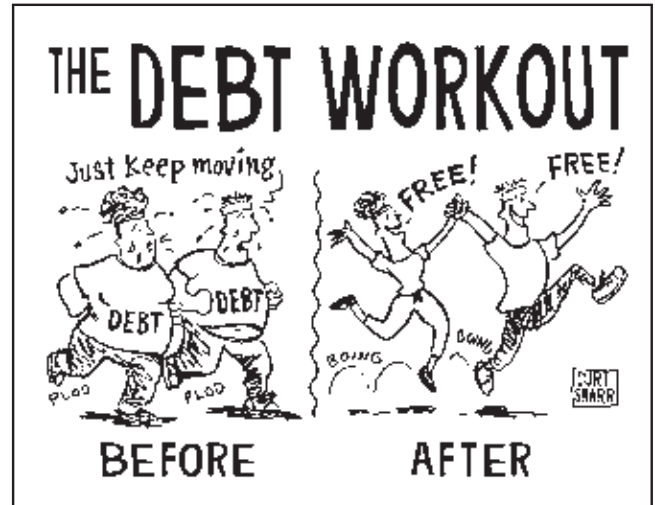
Is All Debt Bad?

You may wonder if all debt is “bad” debt. No. There is a place for the proper use of credit. Carefully managed credit is a powerful and useful tool—used to finance industry, obtain an education, build cities, and create new business opportunities. But mismanaged credit can quickly lead to uncontrolled debt, which can destroy families and communities.

Debt is Like Financial Fat

Being in debt is like being overweight—it's financial "fat." Before you can be financially fit, you must first eliminate any unhealthy excess. Whatever the reasons for debt, the same principles for losing weight apply to eliminating harmful debt. To lose weight, your desire to be healthy must be greater than

your desire to eat fattening foods. It's the same with eliminating debt—your desire to be debt free must be strong enough to overcome the temporary discomfort of learning new attitudes and habits.



Hope is Here!

Even though many problems come from heavy debt-strained finances, and related stress and worry... there is hope. You have the power to make changes in your financial life, get your finances in order, and build new habits which give you more freedom. These changes can improve more than just your life; they can help businesses, civic organizations, and even government. Big things often grow from small beginnings, and it's best to begin with YOU right here and now.

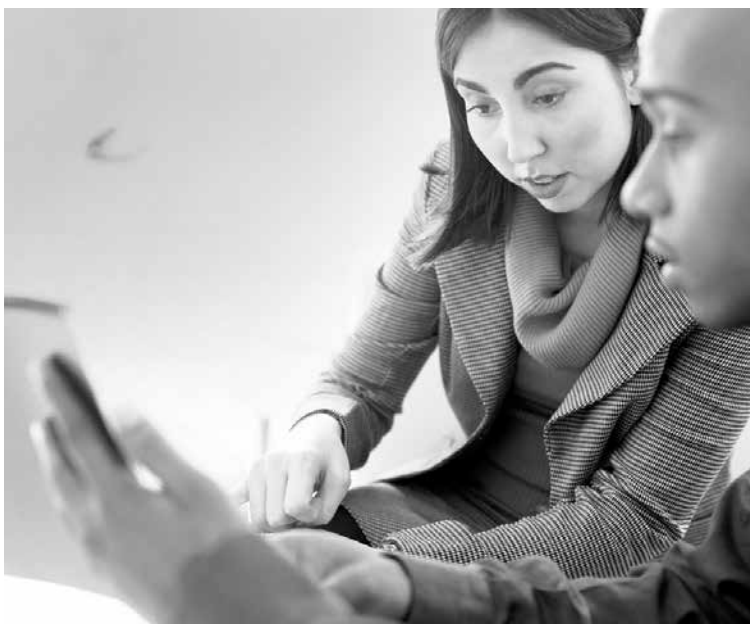
B DISCOVER YOUR DEBT-FREE DAY

—Using Your Creditor Summary Sheet

Your Creditor Summary Sheet is an excellent tool to help you get out of debt. You can use it to identify and work with your creditors as you strive to pay off your debts. Remember, a debt is any bill requiring more than 30 days to pay it in full. Your Creditor Summary Sheet guides you through a series of steps to help you to design and use an effective plan for getting out of debt.

Follow Along... In this section of the workbook you'll follow the progress of a couple with even more debt than Dave and Marie. Erik and Tracy have an above-average income of over \$100,000 a year. Sadly, in spite of their income, they've put themselves in more debt than they can manage. The good news is they are determined to live financially healthy and pay off their debt as soon as possible. Erik and Tracy have also committed to themselves not to incur any additional debt.





Three Parts

Your Creditor Summary Sheet is designed in three parts:

PART I—Steps 1 through 5—help you “Summarize Your Total Debt.”

PART II—Steps 5 and 6—help you utilize the powerful principle of “Debt Rollup.”

PART III—Steps 8 and 9—help you reduce your debt as efficiently and quickly as possible using the remarkable principle of “Power Payment” and Debt Rollup together. Once you’ve reviewed these steps, you can follow along with Erik and Tracy on their Sample Creditor Summary Sheet at the end of this section for a step-by-step example of how to complete your form.



#2

PART I— Summarize Your Total Debt

Review steps 1 through 5 on completing the first part of Your Creditor Summary Sheet.

Note: To calculate the number of remaining payments for each of your debts, you’ll need to use a financial calculator and follow its instructions for determining payments with compound interest using the amortization feature.

1. Identify and List Your Creditors individually in order of the fewest payments needed to pay each off, down to the creditor with the highest number of payments required for payoff (see Step 3.)
2. List the Current Debt Balance, Interest Rate, and current Minimum Monthly Payment for each creditor.
3. Determine and list the number of monthly Remaining Payments for each creditor using your calculator.
4. Calculate your amount of Real Debt by multiplying the Minimum Monthly Payment by the Remaining Payments required to pay off each debt.
5. Total columns to determine your:

Total Current Debt

Total Monthly Payments

Total Real Debt

Then calculate the Total Interest You Will Pay (Total Real Debt minus Current Debt Balance.) Insert the Total Number of Months to Pay Off all Your Debts using the Remaining Payments amount of your biggest debt. Also using that amount, calculate the length of time in years and months required to pay off your debts by dividing it by 12. Then you can easily determine Your Initial DEBT-FREE Day.



Your Initial Debt-Free Day

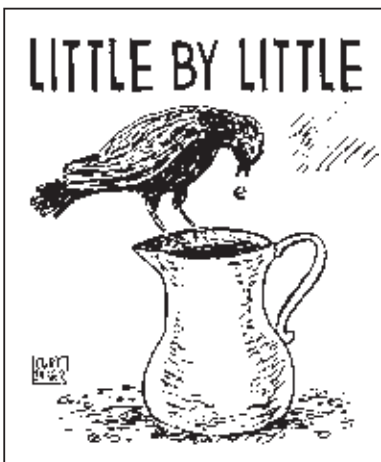
Once you complete these steps and determine your initial debt-free day, you can prepare to apply some powerful options to significantly reduce the amount of time and money it will take to become debt free. Completing your Creditor Summary Sheet and using it to identify your initial debt-free day is an important step. This information is vital to becoming financially healthy and gaining control of your finances.



Bit by bit does the trick!

A half dead, thirsty crow came upon a pitcher only partially filled with water. But, when the crow tried to drink, its beak couldn't reach far enough in to drink the water. It tried again and again, with no success. Exhausted and about to give up, it got an idea.

The crow picked up a pebble with its beak and dropped it into the pitcher. Then it picked up another pebble and dropped it into the pitcher. It dropped pebble after pebble into the pitcher and the water soon began to rise. Several pebbles later, the crow was able to reach the water, quench its thirst, and save its life.



Erik and Tracy's Creditor Summary Sheet

It may seem difficult or even overwhelming, but step by step, you can master your finances and take firm control of your debt. To help you master the use of your Creditor Summary Sheet, again follow along with Erik and Tracy's sample at the end of this section. They felt increasingly concerned about their debts. Once they learned how to "Get out of Debt and Stay There," they firmly resolved to take control of their debts and followed these steps:

PART I—Summarize Your Total Debt: Credit Summary Sheet Steps 1 through 5.

In the first column Erik and Tracy listed their creditors in pencil since they might need to reorder them once they calculated the number of payments needed to pay them off. They began by listing the creditor with the shortest payoff time at the top followed in descending order and ending with the creditor with the longest payoff time at the bottom. Using a financial calculator, they determined how many Remaining Payments were left for each creditor and then used that information to re-list their creditors from shortest to longest payoff time.

"Great works are performed not by strength but by perseverance."

~ Samuel Johnson



Follow along with each of Erik and Tracy's entries and see how to record information about your creditors.

1. The first creditor they listed was an Airline Visa for \$1,572 at 17.99% interest for a vacation they took to Florida. It wasn't their smallest debt, but because of the larger minimum payment of \$200, it would pay off the fastest in 9 months.
2. A Blue Mastercard used for holiday expenses and to buy Christmas presents was next for \$2,124 at 17% interest and a minimum payment of \$148. They'd make payments for 17 more months and Christmas would come around again before this debt would be paid off.



3. They listed Erik's Student Loan next for \$1,564 at 4.22% interest and payments of \$95 after the Mastercard, even though it had the same number of 17 payments left and a lower balance because the Student Loan had a much lower interest rate.
4. A store credit card at Ace Furniture for \$2,372 at a high 21% interest they used to buy furniture and appliances was next. There were 31 more payments of \$100 due before this debt was eliminated. They decided to cut up the card so they wouldn't be tempted to use it again.
5. City Mastercard used for a variety of purchases was next for \$2,879 at 19.99% interest. The payments of \$100 would go on for 40 more months before it would be paid off.
6. Another widely used credit card, Capitol Visa was next for \$2,060 at 14.9% interest. It would require 46 payments of \$60 to eliminate this debt.
7. Next was a credit card at a large Department Store for \$1,000 at 21%. The payment was \$30 and would continue for 51 more months.
8. Erik's Compact Car loan was next for \$15,153 at 7.2% interest. The payments were \$325 and would need to be made for 55 months to pay off the loan.
9. Then Tracy's new van for \$34,340 at 8% interest was next. With monthly payments of \$635, it would take 68 months to pay this debt off.
10. U.S. Express was listed next at \$1,672 and 12.75% interest because at low payments of \$35, it required 68 months to eliminate. They had used the money to redecorate their bedroom.





11. Next was the Home Center where they bought a new washer and dryer. It was their smallest debt at \$980 and 19.99% interest. Because of the small monthly payment of \$24, it would take a staggering 70 months to pay off.
12. A Best Visa credit card for \$2,125 at 9.99% interest also had small payments of \$40, requiring 71 long months to eliminate.
13. Last they listed National Mortgage for their new home loan of \$184,153 at 6.75% interest, and 360 monthly payments of \$1,193 remained before they owned their home free and clear.

"We all run in debt for things we wouldn't think of payin' perfectly good money for."

~ Kin Hubbard

After listing all their creditors and debts (Steps 1 through 3) Erik and Tracy calculated their Real Debt (Step 4) for each creditor. The Real Debt was determined by multiplying the Monthly Payment times the number of Remaining Payments.

More Interest than Principle

When Erik and Tracy calculated the Real Debt for their home mortgage, they were shocked. The mortgage Current Debt Balance was \$184,153—but with interest their mortgage Real Debt was actually \$431,866! If they didn't change their debt payment practices, they'd pay \$247,713 in interest on their mortgage. Their interest was over 57% of the total amount they'd end up paying. It's a great example of the power of interest working for your creditors, not for you.



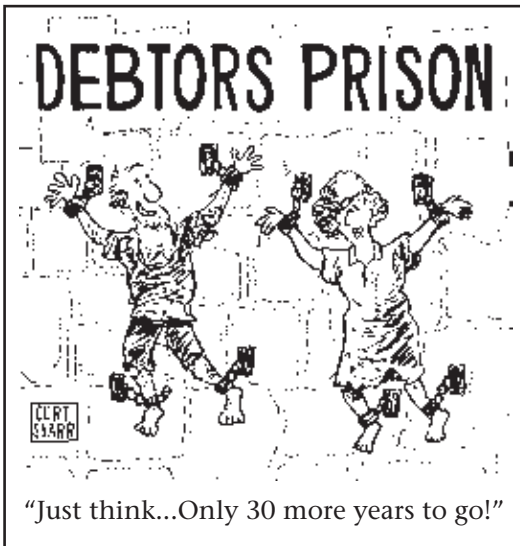
#3

Next they completed Step 5—Debt Summary, and recorded \$251,994 for their Total Current Debt. They also added up their overall Total Monthly Payments for all their debts at \$2,985 and recorded it in the box. This Monthly Payment amount would be key to paying off their debt much sooner and for less money since it would remain constant even as they paid down their debts.



How Deep Is Your Debt?

It was the moment of truth—Eric and Tracy added up their Total Real Debt and discovered it was a whopping \$517,142! They began to truly understand the depth of their "financial bondage." Now you need to complete PART I of your Creditor Summary Sheet to discover the depth of your Total Real Debt and determine your Initial Debt-Free Day.



Erik and Tracy calculated the Total Interest You Will Pay by subtracting the Total Current Debt from the Total Real Debt and found they would pay \$265,148 in interest if they didn't change the way they paid debt. The Total Number of Months to Pay Off all Your Debts would be 360 since that's how long it could take to pay off their mortgage—their largest debt. Dividing 360 by 12 gave them the Total Number of Years of 30 to reach their Initial Debt-Free Day.

Paying or Earning Interest?

Erik and Tracy realized how much their debt would really cost them, and thought about how much wealth they could build if they had that money to invest instead. The true impact of the quote, "Those who understand interest earn it; those who don't pay it," really hit home.

"His brow is wet with honest sweat, He earns what'er he can, And looks the whole world in the face, For he owes not any man."

~ Henry Wadsworth Longfellow

Good News... if you're discouraged by how far away your Initial Debt-Free Day seems, you can make decisions and take action to bring it significantly closer. Erik and Tracy decided to learn and practice healthier methods of paying off their debt in the shortest time, with the least amount of money. Once you reveal your Total Real Debt, you may also wish to take a proactive approach to eliminating your debt. Next you'll learn some options to help you get on the right path to a healthier financial future, which can give you a terrific feeling of self-mastery and confidence in many areas of your life.

C OPTIONS FOR ELIMINATING DEBT



Several options are available to accelerate your debt elimination. Some are faster than others, and each has different advantages and disadvantages. Carefully review them and utilize the ones best suited to your financial situation and goals. Again a financial calculator will be helpful in determining which option works best for you.

1. Credit Counseling
2. Debt Rollup Plan
3. Power Payment Plan
4. Debt Management Options
 - a. Lump Sum Settlement
 - b. Reduced Payment
5. Bankruptcy—The Final Option

Remember no matter the option you choose, the goal is to eliminate debt. Then you'll free up your financial resources so you can build your wealth—contributing to your well-being and peace of mind.



1 Credit Counseling

Whatever debt elimination option you choose, you may wish to consider consulting with a professional credit counselor. There's no particular amount of debt that means you need a "debt doctor" because it varies by income and situation. A better guide is to consider your symptoms. You may need a credit counselor if you are:

"A procedure is only as good as the people administering it..."
~ Robert E. Hunter

- Unable to make more than the minimum payment on your credit cards.
- Have to use credit for items you used to pay cash for like food and gas.
- Make credit card payments by charging them to other cards.
- So financially tight an emergency, like car repairs, could put you under.
- Never see improvement in your finances year after year.
- Constantly worry about money.

If any of these symptoms describe you, a reputable credit counselor could be just what the doctor ordered.

Finding a good Credit Counselor

When shopping for a credit counseling agency, remember even if the company claims to be a non-profit, it may not have your best interest at heart. You may wish to check them out with the Better Business Bureau and State Attorney's General's Office of Consumer Protection Services. If you don't choose wisely, it could have a very negative impact on your financial future.

Be cautious if a company urges you to join a debt management plan without considering your individual issues. Shop around and ask for all their prices and fees up front and in writing. A reliable credit counselor can tailor a program to fit your situation and offer you advice on several debt elimination solutions including debt management plans, debt rollup, and power payments, etc.

Debt management agencies typically require you write them a monthly check which is used to pay your creditors. They should manage your payments to pay off your debt as soon as possible—typically taking three or four years. A comment that you're paying an account through a credit counseling agency may appear on your credit report until the account is paid in full, but will not hurt your credit score.



Questions to Ask Your Credit Counselor...

1. How do you determine the amount of my payment?
2. How will I know my creditors have received payments?
3. How often can I get status reports on my accounts?
4. Can you get my creditors to lower or eliminate interest, finance charges, or late fees?
5. Is a debt-repayment plan my only option?
6. What if I can't maintain the agreed-upon plan?
7. What debts are excluded from the debt management plan?
8. Who will help me with my questions or problems with my accounts or creditors?

An experienced credit counselor welcomes your questions and encourages your progress towards debt elimination with ongoing coaching.

2 Debt Rollup Plan

After Erik and Tracy reviewed their debt situation, it was obvious they needed to use more efficient methods of debt elimination. They employed the help of a certified credit counselor, and together they decided to

implement a Debt Rollup Plan. This plan could help them become completely debt-free in about one-third of the time it would've taken if only making the minimum payments.

Erik and Tracy were a bit skeptical at first, but when they ran the numbers on PART II of their Creditor Summary Sheet, they realized it really was possible and their doubts turned into excitement.

How it Works... You must follow a clear and simple program and add NO new debt by carefully following your Spending Plan. One of the most exciting benefits of the Debt Rollup Plan is you do NOT increase your

Total Monthly Payments. Look at PART II of Erik and Tracy's Step 7 Debt Rollup Summary. Their Total Monthly Payments of \$2,985 are the same as on PART I, Step 5 of their Debt Summary. The Total Monthly Payment stays the same for the entire Debt Rollup Plan.



Rolling it up!

Debt Rollup speeds up your debt elimination since once the first debt is paid off, you add that payment amount to the minimum payment of the next debt on the list. So your first payment amount is “rolled up” into the next debt’s payment amount. Eventually the entire Total Monthly Payment will be applied to your last debt —paying it off much sooner — and freeing up those funds to build up your wealth!

Note: All the other debt’s minimum payments are made each month until they reach a point where the larger payment will be applied to them.

PART II—Debt Rollup Plan: Creditor Summary Sheet Steps 6 and 7.

Erik and Tracy’s certified credit counselor pointed out the key to a Debt Rollup Plan is formulating the best order to pay off debts to save you the most time and money. Their advisor helped them determine the new order by calculating each debt and considering a combination of the smallest balance with the highest minimum payment, along with taking into account the interest rate.

“What makes a plan capable of producing results is the commitment of key people.”

~ Peter F. Drucker

These new calculations resulted in needing to re-list the order the creditors were paid off on their Creditor Summary Sheet. (The original order listed in PART I is noted in parentheses.) They also calculated the month the larger Rollup Payments would begin and end for each debt, and the amount of the Rollup Payment. Follow along with the result on Erik and Tracy's Creditor Summary Sheet at the end of this section.

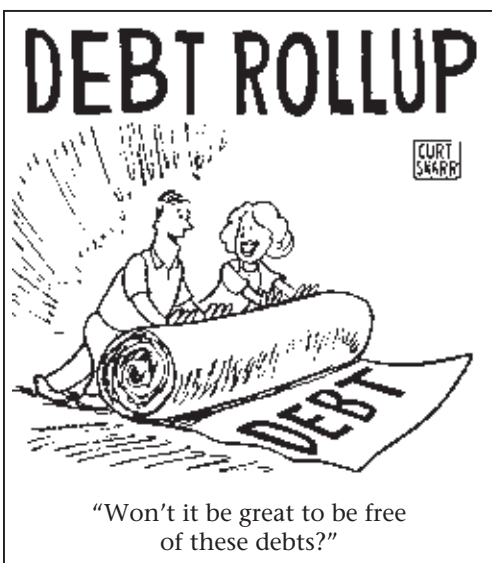


Erik and Tracy's Debt Rollup Plan—Step 6

1. (1) Again they started with the debt that paid off in the shortest time, their Airline Visa at \$200 per month. Payments began on month 1 and ended on month 9, when it would be paid off with a Real Debt of \$1,800.
2. (11) Then they listed the Home Center because the low balance of \$980 made it the next quickest to pay off. When they added the \$200 from the paid off Airline Visa, the monthly Rollup Payment became \$224, and began on month 10 and paid it off on the 14th month. This creditor's Total Real Debt reduced from \$1,680 to \$1,154 so they already saved \$526 in interest!
3. (2) Month 15 they rolled up \$224 onto the Blue Mastercard for a total payment of \$372, which paid this debt off on the 18th month.
4. (7) Next on the 19th month they rolled \$372 onto the Department Store payment for a total of \$402, which paid it off the next month.

And so on...

You can see as each debt is paid off, the available funds from the paid off debts are rolled up onto the next debt. It takes careful calculation to determine the order to pay them off with the most cost savings. It's not always obvious and requires precise, expert analysis. Their credit advisor was invaluable in helping them determine just what payments to roll up, and in which order.



Debt Rollup Really Works! Step 7

When Erik and Tracy totaled their new Real Debt, Interest Paid, and Months to Pay Off, they were delighted with the results! When they used their Debt Rollup Plan to pay off the mortgage, they cut 244 payments off their original schedule and saved \$163,672 in interest on their mortgage alone. By following a Debt Rollup Plan you too can be completely free of debt including your mortgage typically in one-third the time— with never increasing your Total Monthly Payments!

On Erik and Tracy's Rollup Plan example, you can see they reached their debt-free day 20 years and 3 months sooner than scheduled, and saved \$168,444 in total interest. Isn't it worth finding out how much you can save with Debt Rollup?



3 Power Payment Plan

The Power Payment plan follows the same pattern as the Debt Rollup plan but it provides an even faster payoff simply by adding an additional payment. The Power Payment consists of any additional amount of money you're able to add to your current Total Monthly Payments. This reduces the overall interest you'll pay and speeds up your debt elimination even more.

"The only way to predict the future is to have power to shape the future."

~ Eric Hoffer

It works best when you combine the Power Payment Plan and the Debt Rollup plan. Power Payments are only truly effective if the increased payments are consistent, and like the Debt Rollup plan, you must carefully follow your Spending Plan and NOT incur any new debt. You also need to continue making the minimum payments on all your other debts each month.

When Erik and Tracy's credit advisor discussed this option with them, they decided to add an additional \$200 monthly Power Payment to their Debt Rollup Plan. Look at PART III of their Credit Summary Sheet at the end of this section to see the results of their new Power Payment plan.

PART III—Power Payment and Debt Rollup Plan: Credit Summary Sheet Steps 8 and 9.

Recalculate Your New Savings—Step 8

When the new, larger payment amounts were added to Erik and Tracy's credit advisor's analysis, it again changed the order of the most cost effective way to pay off their Creditors. Again the key to Power Payment with the Debt Rollup Plan is the analysis used to determine the best order to pay off debts.



Their advisor helped determine the new order by calculating each debt and considering a combination of the smallest balance with the highest minimum payment (now adding the \$200 Power Payment to the monthly payment,) and taking the interest rate into account. The beginning and ending payment months were also recalculated, along with each creditor's Real Debt.

Great Results—Step 9!

You can see this time the Total Monthly Payments increased \$200 to \$3,185. Once they totaled all their Real Debt, Interest, and Months to Payoff, they were thrilled with the results!

Power Payments allowed them to save \$178,183 in interest, nearly \$10,000 more savings than Debt Rollup alone. Using this incredibly effective debt elimination plan they'd reach their Debt-Free Day nearly one year sooner in only 8 years and 8 months—over 21 years earlier than when making only the minimum monthly payments. Ten of their 13 Creditors would even be paid off in only 24 months versus the original 68. That's amazing debt elimination, and it's available to you!

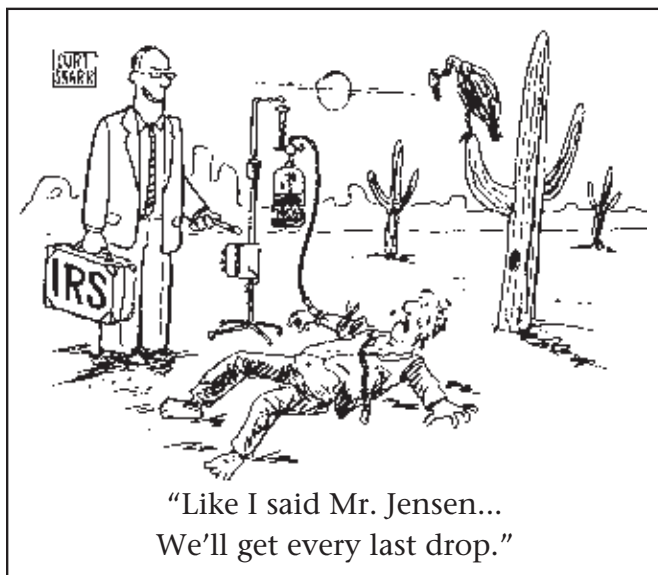


4 Debt Management Options

There are debt management companies, both profit and non-profit, that can help with other options if your debt is so great you're unable to even make the minimum payments. A certified credit counselor should also be able to explain and review various options and provide you with debt settlement advice and debt negotiation services.

Why be careful when choosing a Debt Negotiator?

You may find they offer to ease your debt but actually put you further in the hole with hefty fees and more unpaid debt. Again, get their fees in writing. A debt negotiating company may have you stop making payments to creditors and send them the money instead. The money is placed in an account until the debt negotiator makes an offer to your creditors. It may be several months before they have enough funds to make a reasonable settlement offer. After several months of not paying your creditors, your credit can be trashed.



All these issues must be discussed up front. Also determine if they understand various legal technicalities, and will get any compromise in writing, before money is disbursed. These elements include the negotiated payoff balance, method of payment, time frame during which the offer is valid, and the name of who approved the negotiation on behalf of the creditor.

CAUTION: Possible Tax Trap

Even if your creditor reduces the amount you owe, it doesn't mean you're free and clear. You may have to pay the Internal Revenue Service for your DOI (Discharge of Indebtedness) income. The IRS considers the amount forgiven as income and the

creditor will probably send you a 1099-C form to report it at year end. There are some exceptions to this rule, but remember to consider all the financial implications including taxes for debt write-offs.

Settlements

Debt Settlement is when you negotiate a reduced payoff with your creditors —called a "settlement." Typically this is used when your financial situation is in crisis. Your creditors may be willing to accept less than full payment versus no payment at all; often the alternative is bankruptcy.

"What is the difference between a taxidermist and a tax collector? The taxidermist only takes your skin."

~ Mark Twain



These negotiations are possible on your own, but it's usually best to have a third party negotiate for you, such as a Debt Manager, because of the legal aspects. Some settlement options include:

a. Lump Sum Settlement

The Lump Sum Settlement option can be used to pay the total current balance of each debt or you can negotiate to pay a reduced amount of the total balance. This method of debt elimination requires either a cash reserve sufficient to pay off all your debts or the ability to obtain a loan sufficient to pay off all creditors—a consolidation loan.

Cash Reserve—If your cash reserve is enough to pay off all your debts, you need to compare the returns from available investments, against the interest cost of continuing the debt. If you find your return on investment is less than the cost of continuing the debts, then it would be better for you to pay off the debt. Your comparison should include rate of interest return, tax considerations, and other factors specific to the investment.



Consolidation Loan—The debt consolidation loan option should only be considered if you're committed to living on a strict budget and incurring no new debts in the future. If you're able to obtain a loan sufficient to pay off all creditors, the following factors need to be part of your evaluation.

(1) Replacing debt with debt may eliminate the immediate pressure of debt, but it does not eliminate the debt itself. The debt remains, often with a longer time frame than before for paying off the debt.

(2) Beware of low “teaser” interest rates that usually only last a few months. You must be an ideal card

customer or the penalties can be severe. Often just one late payment results in a big fee and a drastically higher interest rate. For example a major credit company may offer 0% interest for the first six months that jumps to 24.99% with only one late payment. Carefully check the fixed rate taking effect after the introductory period to be sure it's still a good rate. Also be cautious of “transaction fees” charged simply for the privilege of transferring balances.

(3) Terms for repayment of a consolidation loan should be well within your ability to repay so you don't end up in the same situation.

(4) Consolidation loans can be most advantageous if you can negotiate a reduced payoff with your creditors (called a settlement) usually only if your financial situation is in crisis.



Home Equity Loan Warning: Low interest rates may be tempting, but remember if you use a home equity loan to pay off credit card debt, you'll be paying it off for 30 years, and you'll actually pay much more in interest than if you simply paid more on your credit cards. Regardless of the tax deduction advantages, using this method to consolidate your debt also endangers your house. If you're unable to pay your higher mortgage payments, you could not only lose your credit rating but your home!

b. Reduced Payment Settlement

If you cannot make even the minimum payments, you or your debt manager may choose to try and persuade your creditors to accept one of three options: either you temporarily get the creditors to accept even less than the minimum payment for an agreed upon length of time; or to accept less overall—anywhere from 75% to 50% of your original debt; or get the creditor to agree to lower or even eliminate the interest charged.



Remember these arrangements often result in your debt being reported to the credit bureau as “paid,” not “paid as agreed,” which shows you had to settle instead of paying off the full balance. These notations remain on your credit record for 7 to 10 years and could affect your ability to get credit in the future.

If you decide to utilize a reduced payment settlement, you need to get in writing the negotiated payoff balance, method of payment, time frame the offer is valid, how it will be reported to the credit bureau, and the name of the person approving the negotiation on behalf of the creditor.

Note: Reduced settlements do not protect you from creditors turning over the unpaid amount to a collection agency who will continue to try to recover the loss.

5 Bankruptcy—The Final Option

This option is a last resort for when you're in financial crisis, and your situation is such that you cannot even afford to make reduced payments. It's a good idea to utilize the services of an experienced bankruptcy attorney. You'll find it valuable to shop around and get his fees in writing. A bankruptcy proceeding is entered into voluntarily by a debtor. After a bankruptcy proceeding is filed, for the most part, creditors may not seek to collect their debts outside of the proceeding.

REMEMBER: Bankruptcy laws are subject to change. You need to consult a qualified attorney regarding current bankruptcy terms. The following descriptions are for informational purposes and are not to be considered legal advice.

*“Put not your trust in money,
but put your money in trust.”*
~ Oliver Wendell Holmes, Sr.



The debtor is not allowed to transfer property that's been declared part of the estate subject to proceedings. Furthermore, certain pre-proceeding transfers of property, secured interests, and liens may be delayed or invalidated. Various provisions of the Bankruptcy Code also establish the priority of creditors' interests. According to Cornell University's law website, there are two basic types of bankruptcy:

(1) Chapter 7—LIQUIDATION

This is the most common type of bankruptcy and is used when your asset to income ratio is hopelessly out of balance. It involves the appointment of a trustee who collects the non-exempt property of the debtor, sells it and distributes the proceeds to the creditors on a percentage-of-debt basis.

(2) Chapter 13—REORGANIZATION

This involves the rehabilitation of the debtor to allow him to use future earnings to pay off his creditors. A trustee is appointed to supervise the assets of the debtor who is placed on a strict budget. Then the trustee collects money from him on a scheduled plan, and administers disbursements of payments to his creditors. Legally, all secured creditors and a majority of the unsecured creditors must accept this court-approved reorganization.

Remember your bankruptcy will remain on your record for 7 to 10 years. Because of the damaging impact on your credit rating, none of these bankruptcy options should be considered unless there is absolutely no other workable alternative.

Note: Unlike reduced settlements, after your bankruptcy's settled, the debt is "forgiven", and your creditors can no longer try to recover their losses from you.

Build Wealth with the Extra Money!

Becoming debt-free is an exciting reality, regardless of your current situation. Debt elimination is an important key to becoming financially fit. You'll be in control of a basic area of your finances and life. Erik and Tracy were excited to realize by becoming debt-free 20 years sooner, the \$2,985 total monthly amount they had been paying could then be invested monthly. At 5% annual compound interest

over 20 years they would earn \$864,031 in interest for a total increased wealth of \$1,217,279! Freedom from debt makes it much easier to build your family's wealth and secure your financial future.



"There are a few things in this life that equal the sensation o' bein paid up."

~ Kin Hubbard



Now make another important commitment to yourself. Commit to complete your Creditor Summary Sheet and pay off your debts as soon as possible.

"Life affords no higher pleasures than that of surmounting difficulties, passing from one step of success to another, forming new wishes and seeing them gratified."
~ Samuel Johnson

YOUR COMMITMENT

—Get Out of Debt and Stay There!

Remember, the most valuable thing you can give yourself and others is your word. This commitment is a crucial step toward becoming debt-free. Planning and commitment are essential to achieving your goal of financial freedom. You need to complete all of the Exercises within 3 months or you won't likely get it done. Write your expected completion date in your calendar to remind you.

Please read, fill in the completion date, sign, and date it. Recognize and accept it as your conscious choice.

I promise to complete my Creditor Summary Sheet and practice these powerful debt elimination principles.

Date I'll complete
this Commitment by

Your Signature

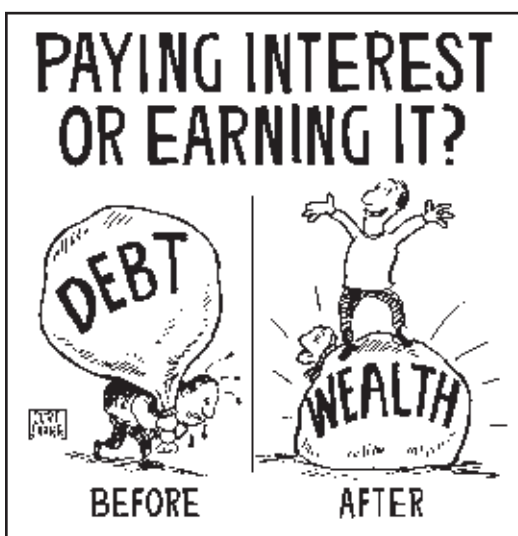
date signed

Date I'll complete
this Commitment by

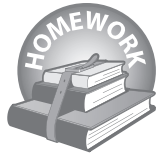
Signature*

date signed

* Others participating in this commitment are also welcome to sign.



Congratulations on learning the key steps to eliminating your debt as quickly as possible—now you can save even more money and build up your wealth.



HOMEWORK

Follow these suggestions to master these important principles on debt elimination.

1. Answer the questions on the Debtors

Anonymous Questionnaire. Consider your own debts. Ask yourself how badly you want to free yourself from the burden of debt?

2. Create your own Creditor Summary Sheet on the blank one provided.

Following Erik and Tracy's example carefully identify and evaluate each of your debts. Consider why you originally entered into the debt and if you could decide to go into debt for each of these things all over again, would you change your mind?

3. Design your own Debt Rollup and Power

Payment Plans. Carefully calculate your accelerated payments and real debt. If you desire, research reputable credit advisors in your area and discuss your financial situation with them and determine your best debt elimination option.

4. Remember you're making life-changing

decisions. Old money habits have often been wealth-destroying habits. Forming new wealth-building habits requires desire, good planning, and consistent effort. As you learn to use these new money management tools, your skills will grow and you'll soon be financially fit.



To download a digital copy of the forms, please visit:
www.accesseducation.org



"Working together for a brighter financial future"

For more information call:
(877) 789-4172

BLANK SAMPLE WORKSHEET

Creditor Summary Sheet

NAME: _____

Part I					Part II				Part III						
SUMMARIZE YOUR TOTAL DEBT					DEBT ROLLUP				DEBT ROLLUP + POWER PAYMENT (\$200)						
1	LIST YOUR CREDITORS	2		3	4	RE-LIST YOUR CREDITORS	6		* Rollup Payments	Real Debt	RE-LIST YOUR CREDITORS	8		* Rollup + Power Payments	Real Debt
		Current Debt Balance	Interest Rate				Minimum Monthly Payment	Remaining Payments				Real Debt Month payment x remaining payments	Beginning Month		
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
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15															
16															
17															
18															
19															
20															
5 DEBT SUMMARY					7 DEBT ROLLUP SUMMARY				9 DEBT ROLLUP + POWER PAYMENT SUMMARY						
Total Current Debt:		<input type="text"/>													
Total Monthly Payments:		<input type="text"/>													
Total Real Debt:		<input type="text"/>													
Total Interest You Will Pay (Total Real Debt minus Total Current Debt) :					(New Total Real Debt minus Total Current Debt)					(New Total Real Debt minus Total Current Debt)					
Total Interest You Will Save:															
Total Number of Months to Pay Off All Your Debts															
Total Number of Years to Payoff (number of months divided by 12)															
Your Initial DEBT-FREE Day:					Your Debt Rollup DEBT-FREE Day:					Your Debt Rollup + Power Payment DEBT-FREE Day:					

* All other debt's minimum payments will also be made each month.