

Action Plan for Getting Out of Debt & Building Wealth

1. Keep track of your spending for at least one month by writing down every time you spend money or pay a bill. Compare dollars being spent to dollars to your income. Always spend less than you make.
2. Stop using credit cards completely. Only use cash. Only buy things that you truly need. Make it your #1 priority to get out of debt.
3. Know your total debts by writing them down and totaling them with the specific information of amount that you owe on each loan or credit card, the interest rate, minimum payment and amount you can pay. Use the following format:

| | Credit card name | Balance(\$) | Interest rate(%) | Min. monthly payment(\$) |
|---|----------------------|----------------------|----------------------|--------------------------|
| 1 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 2 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 3 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 4 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| 5 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

4. Send away for your free credit report.
5. Write down specific financial goals with a focus on debt reduction. Use the acronym, SMART in defining your financial goals. This goal must be S.M.A.R.T.: Specific, Measurable, Attainable, Realistic, and Time-Sensitive.
 - a. Example of a SMART goal statement: "I plan to pay off my total debt of \$_____ in _____ years. I plan to do this by **not** taking on any new credit until it is totally paid off. I will call each of my creditors (companies that I owe money) and ask them if they can reduce the interest rate on my debt.) If they will not lower the interest rates, look into the possibility of a consolidation loan. If that is not possible, I will use the following website to determine the best, quickest and least expensive way to pay off my debts: **<http://cgi.money.cnn.com/tools/debtplanner/debtplanner.jsp>** The website will show me how much money I have to pay to each of my loans or credit cards and which ones I have to pay first (usually the highest interest rate) to help me reach my goal.
 - b. I will call Consumer Credit Counseling Services at 866-889-9347(available 24 hours per day and 7 days per week) and visit their website at: **<http://www.moneymanagement.org/>** to see if their debt management services will help me reach my goal. CCCS can often work with creditors, so that you can pay one payment to CCCS and they will pay each of your creditors. They will also require that you take on no new credit, get a credit report, and complete mandatory budgeting and personal finance classes.
 - c. I will make my bill payments automatic, so that I know that they will be paid on time.
 - d. I will compare my spending habits to my goals to see if I am wasting money that is not helping me to reach my goals. Some examples of money wasters: smoking, drinking too much, CD's, DVD's, cars that you have to finance for more than 3 years. If you are serious about getting out of debt, make it a true priority.

6. As your pay off your debts, you need to look at other financial goals. For example, if you don't have an emergency fund of at least 3 months of expenses available in a money market or checking or savings account, your goal would read:
 - a. I plan to have an emergency fund of \$2400 saved in 2 years in my bank account (name), and I'm going to do it by setting up an allotment of \$50 per pay period which will go to my account #, and I will not touch this money unless it is a true emergency (e.g., someone has died and I must travel; to pay for food, rent or clothing and I have no other means.)
 - b. The only way to be financially successful is to spend less money than you make and to invest the difference in your future.
7. Resolve to slash your overhead. Find ways to cut back on things that you don't really need. Ask yourself: do I really need high speed internet services, special cell phone services, or premium cable TV or other choices that will not help me to reach my goals.
8. For the long term financial goals (5 years or more), resolve to stay out of debt and aim to build long term wealth. One of the best ways would be to invest in the Thrift Savings Plan (TSP). A good long term goal would read: I plan to invest \$_____ per pay period in the TSP. I will read about the different investment options in the TSP at the website: <http://www.tsp.gov/>