



**Money Coach Group**

**BE. DEBT. FREE.**

# **Your Personal Financial Debt Planner**

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## Debt happens. It's what you do about it that matters.

Debt is so much easier to fall into these days than it was for your parents' generation. Life costs more. And even if you have a good income, automation has removed you from your own finances to the point that you may not be aware of where your money is going.

The three issues that cause debt:

- Not making enough money to cover basic needs
- Living above your means (often unintentionally)
- Lack of visibility and control over your finances

Most people assume they're simply not making enough money or they're living above their means. There's no way to know if either of those is causing your debt until you have visibility and control of your finances.

All three issues have been around forever, but #3 has become a huge factor with the emergence of automated transactions. A few decades ago, people paid in cash or wrote checks, and balanced their checkbooks each month. Credit cards were harder to get and were not used like they are today. There were fewer expenses, fewer ways to pay, and it was easy to see where the money was going.

Conveniences we all now use, like auto pay, electronic bill pay, auto renewals, etc. while convenient, can keep us in the dark financially. It's almost impossible to control spending when you're not seeing the transactions.

## Taking Control of Your Debt & Finances

This Debt Planner is designed to help you figure out what is causing your debt situation. It helps you gain visibility into your own finances. You'll gain a clear picture of your income and expenses. You may discover you have some automatic payments going out for things you no longer need or use, or are overspending where you could easily cut back.

Our Debt Planner may reveal that you're not making enough money to cover basic needs or you're living above your means. Don't be discouraged. Money Coach Group can help with ideas for generating more income, saving more money, and learning to gain full control of your finances. We're here to put you on a good path to financial freedom.



# List of Current Debts

List all the debts you have along with their relevant information. This will help you make an informed decision when it comes to creating a debt repayment plan. To find your interest rate, divide your current APR by 12. Multiply that number with the amount of your current balance.

Debt Name or Account	Type of Debt	Balance	Interest Rate	Payment Terms	Min. Monthly Payment
TOTAL					

# Spending Habits

When trying to figure out a budget that works for you, we recommend starting with the 50/30/20 rule. Its simple methodology helps you divide your income into categories that make financial freedom easy.

## How to Fill It Out:

1. Divide your monthly after-tax income into three spending categories: 50% needs, 30% for wants, and 20% for savings or paying off debt.
2. Figure out how and where you've spent your income over the past month by using a copy of your bank statement or using an app that automatically categorizes your expenses for you.
3. Evaluate and adjust your spending to match or modify the method to reach your financial goals.

	Expense Type	Average Cost Per Month	Spending Goal
NEEDS (50%)	Monthly Rent/Mortgage		
	Electricity and Gas Bills		
	Transportation		
	Insurance (Healthcare, car, pets, etc.)		
	Minimum Loan Repayments		
	Basic Groceries		
	Other		
WANTS (30%)	Dining Out		
	Clothes and Beauty		
	Holidays		
	Gym Membership		
	Entertainment Subscriptions (Netflix, Hulu, etc.)		
	Groceries		
	Other		
Debts (20%)	Smallest Creditor Balance		



# **Popular Debt Repayment Methods**

These are all good debt repayment methods we recommend and use in our coaching. If you're having trouble determining which one would work best for you, or you feel you need more guidance and discipline to stick to the plan, Money Coach Group can help.

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**The Snowball Method**

**The Avalanche Method**

**Highest Payment Method**

# The Snowball Method

This method may start slow, but like a snowball rolling down a hill, it picks up speed and gains in size surprisingly fast. It's not your debt that gets bigger, it's your ability to crush debt that increases.

The debt snowball method has both financial and psychological benefits. When that first debt is gone, it's uplifting. Having the ability to start putting more than the minimum down on debts feels powerful. You're able to see progress, and it gets faster as you go.

## HOW IT WORKS

- 1 List all your debts in order from smallest balance to largest – regardless of the interest rates.**
- 2 Pay only the minimum due on all debts except for the smallest one. Pay as much as you can toward the smallest debt.**
- 3 As soon as the smallest debt is fully paid, take all the money you were putting on that debt to pay toward the next smallest debt.**
- 4 Repeat these steps until all debts are repaid.**



# The Avalanche Method

With this method you look at your mountain of debt with highest interest on the top. Like an avalanche, the top falls first. The debts that are costing you the most will be the first to go.

The avalanche method can save you more interest, but it is less motivating for many people. You don't feel the progress even though you're actually saving more.

## HOW IT WORKS

- 1 List all your debts in order of highest interest rate to lowest – regardless of balance.**
- 2 Pay the minimum on all debts except the one with the highest interest. Pay as much as you can on that one.**
- 3 As soon as the highest interest debt is paid off, take all the money you were putting on that debt to pay the one with the next highest rate.**
- 4 Repeat these steps until all debts are repaid.**





# Highest Payment Method

This method doesn't have the dramatic visuals as the other two, but it can be useful. Instead of paying the lowest balance or highest interest rate debts off first, you sort by the minimum payment.

The “feel good” on this one is getting rid of the debt that puts the most strain on your budget. If your highest payment amount was \$200 and that debt is gone, you can make a calculated decision to put \$100 of it toward your living expenses and the other \$100 toward your other debts. Ideally, you put it all toward the debt, but you now have some control over how to best apply the savings.

## HOW IT WORKS

- 1 List all your debts in order of highest minimum monthly payment to lowest – regardless of balance or interest rates.**
- 2 Pay the minimum on all debts except the one with the highest minimum due. Pay as much as you can on that one.**
- 3 As soon as the highest minimum payment debt is paid off, take all the money you were putting on that debt to pay the one with the next highest minimum.**
- 4 Repeat these steps until all debts are repaid.**



# Which Method Should You Use?

The right answer to that is based on what you will be able to commit to from start to finish. The Avalanche Method often brings the most savings in the long run but is harder to see and feel the results. The best thing to do is to compare methods on a spreadsheet or ask Money Coach to guide you to the most workable solution for your own situation.

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# Debt Elimination Tracker

With your list of debts in mind and your desired debt repayment method picked out, you're ready to create an action plan to become debt free. Depending on the method chosen, begin listing out your debts in order of lowest debt balance or highest interest rate first. You will dedicate the largest amount of your monthly payments to your priority creditor, while continuing to make minimum payments on everything else. Once your top priority debt is paid off, you will put the money you were paying on it toward the next priority debt until you're debt free!

Month	Debt Payment	Additional Payment	Smallest Existing Debt Balance	Balance After Payment

