

CONFIDENTIAL

Eliminate Your Debt Like a Pro

Inside Secrets from
Money Coach Steve Rhode



STEVE RHODE

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Money Coach
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First Edition

By Steve Rhode

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This book is intended to provide accurate information to educate you about the financial issues many people encounter. This book is not intended to be a substitute for legal, investment, or financial planning advice. If you need legal or financial planning advice, you should consult with a lawyer, investment advisor, financial planner, or other professional in your state.

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Dedication

**This book is dedicated to the memory
of my best friend, Joe Alvarez.**

Joe passed away without notice or warning and left a hole in the hearts of many – a hole that will forever be empty. Just ten minutes before Joe died, he had his picture taken with some friends. He was smiling. He looked great. He was happy. You truly never know when your last breath will be drawn.

Acknowledgements

It's not difficult to make a difference in this life. All it takes is hard work, dedication, a good attitude and passion for what you do. I'm proud to say that the people who assist me in assembling my words, organizing them and making them visually appealing are without a doubt the best friends and the best team I could ever imagine working with.

First, I owe the completion of this book to my editor, Andrew Randall. Without Andrew's encouragement and advice, this text would not be completed today.

Second, my good friend and trusted advisor, Nancy Judy, has been instrumental in making sure that the finished product was as nearly perfect as possible. She is amazingly talented at finding the little fix or final tweak to make the work just that much better.

Thirdly, the text made it to our mutual friend, robin goldberg, for final design and layout. As you can see, robin has skillfully assembled the book to make it interesting and easy for you to read.

Finally, this book would never had been possible if it hadn't been for the thousands of people who have shared their hearts, dreams, fears and goals with me. Through hugs and tears we have managed to forge new lives together full of peace and happiness.

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Foreword

Some people believe that only the wicked or the lazy experience money problems. Baloney. Bad things really do happen to good people. So, first things first. If you think that you, or someone you know, deserves the problems they are having, now is the time to let go of that negative, judgmental idea. You, or your friend, just tripped over some of life's hurdles instead of gliding gracefully over them. No matter. By picking up this book, you've just given yourself an experienced coach and someone to put a Band-Aid on those scraped knees.

For years I've been helping good people find great solutions to difficult money troubles and, in every case, there was an easy, surefire, super fantastic, guaranteed solution to overcome the financial problem, no matter how difficult it appeared to be.

Unfortunately, many people insist on tackling their money troubles alone. Without the right knowledge, experience and tools this can be like trying to defuse a landmine and if you've never done that before, it can lead to an unintended outcome that isn't pretty.

There really isn't much good information out there about the reality of financial problems. Trying to tackle them alone, without professional assistance, can lead to disastrous and unpleasant results. I've been forced to stand on the sidelines and watch people struggle alone with financial problems many times. It's not pretty. It's like standing at the side of the track waiting for a train wreck to happen that I knew could have been avoided.

This book is written to help you avoid going off the rails and guide you toward your solution. If you can follow the right path, you *can* start enjoying life again.

This book is full of all the honest, hard-learned facts that everyone, including the family pet, needs to know when tackling financial difficulties. It's the stuff that you wish someone had told you before you learned the lessons the hard way.

Are you ready to do whatever it takes to get your life back in order? If you are, then let's go. No matter how hard things may be now and over the course of the next few months, I promise that if you follow me, you will be enjoying life again much sooner than you ever imagined. Let's do it!

Your money coach,

Steve Rhode

Steve Rhode

P.S. Don't forget the most important thing: Getting out of debt takes teamwork. You are not on your own. This is an interactive plan. Whenever you get stuck or don't understand something or just feel that you can't deal with the pressure anymore, visit my site at SteveRhode.com for help. I'm always standing by to help you if you need to talk about your situation, develop a plan or if you just need a kick in the butt to get moving.

Introduction

Here are two statements that people around me get sick of hearing all the time:

- *Money problems are not about the money.*
- *Money problems are solved with lifestyle changes.*

What do I mean by these statements?

Let's look at the first one: *Money problems are not about the money*. Now you think I'm talking out of my butt, right? You think that if you could just win the lottery, all your problems would be over. I'm sorry to burst your bubble, but there are thousands of lottery winners all across the world who thought the same thing and who are now struggling with exactly the same money problems that you are, only on a much larger scale!

You've heard all those stories about rock stars and movie stars who made millions and are now broke and working the door at Wal-Mart. Like many people, you probably thought, "How could M.C. Hammer be broke? He made a fortune with those curious, but compelling, baggy pants." Poor old Hammer. After his first album sold well, he started to build his multi-million dollar dream home, but the costs spiraled out of control and he

ended up spending more money than he had made. When he couldn't keep up the payments on the house and cars and all the other fancy stuff that he got on credit, he soon found out that the banks *could* take it all— and they did.

There are a whole host of reasons why you got into debt in the first place. Time and space don't allow me to go over all those issues here. If you are interested and want to delve into your psyche and get all introspective, I suggest you read my books "The Path to Happiness and Wealth" and "The Beach Misses You." You can download both books from SteveRhode.com. But trust me on this; people get into debt subconsciously and for, what feels like good reasons at the time.

Whether it's a fear of abandonment, loss of love, shame, lack of self-esteem, codependency, depression, mania, compulsion, enabling, addiction or whatever else, the reasons behind what drove you to where you are today are significantly more important than the amount of debt you've got right now.

Why? Because if you don't figure out how and why you got to where you are right now — *and resolve those issues* — you'll find yourself sabotaging your progress and wind up right back where you started, even if you win the lottery or that song you're working on goes platinum.

What about that second statement: *Money problems are solved with lifestyle changes*? Lifestyle changes, huh? Makes you a little twitchy, doesn't it? Nobody wants to change the way they

live, at least not when it means giving up some of the things you have become accustomed to. But just because you live in a beautiful house, drive a hot car, wear stylish clothes and smell great, doesn't mean you can really afford that lifestyle. Most people who drift into financial trouble over time have simply, subconsciously lived a lifestyle they could not afford using borrowed money. At some point, you've got to pay it back.

Lifestyle changes are among the most difficult to make. Our home, car, clothes and other material things define who we are, or so the constant bombardment from advertisers and the media tells us. Our "stuff" indicates to the outside world our status or class and shows people how successful we are, right? Changing or eliminating some of those outward signs is like admitting defeat or failure for most people. Here is my sage advice on this subject: GET OVER IT!

Your life will never be what it can be — money troubles or not — until you realize that you are *not* what you own. What do you think people are going to remember about you when you die? Your Mercedes? Your Armani suit? Of course not. Sure, having nice things is *nice*, but that's about it. It really is true what they say: Money can't buy happiness. (See SteveRhode.com for more information on this.) Are you happy right now, because of all the "stuff" you've accumulated over the years?

What really matters is what kind of person you are, how you relate to others and how you live your life. Truly understanding and living by this principle will enrich your life beyond all the billions sitting in Bill Gates' bank account. And if I still haven't convinced you to let go of the importance you place on all your possessions, remember this: Many of the very people you are trying to impress with those fancy baubles are struggling with the same issues you are. You would be amazed at how many of your friends, neighbors and co-workers are struggling to maintain a façade of success because they are afraid of what others, including you, will think of them if they don't.

The people I have helped over the years come from all walks of life. Some are actors, investment advisors, billion dollar fund traders, known personalities, business owners, bank presidents, CFOs of big companies, physicians, surgeons, lawyers and even financial planners.

I know it may sound a bit odd, but my heart really goes out to those folks of above-average income who suddenly hit the wall, because the more you have, the farther you have to fall and have more emotional baggage to deal with. Just because someone lived a "good" life or had a lot of money, doesn't mean they don't need a hand or a hug, a friend or a trusted advisor when things go wrong.

You must be reading this because the proverbial poop has hit, or is about to hit, your fan. Either that, or someone you know is struggling with financial problems. Do not be afraid. There

is help, hope, practical advice and good old common sense buried in these pages and at SteveRhode.com.

What you are about to read is the distillation of experience gained since 1990 when I got my graduate degree in hard knocks and also years of working with thousands of people, helping them find solutions and options to get their lives back on track. Trust me. I know what I'm doing, because I've been exactly where you are right now.

Chapter 1:

It Is What It Is

Let's accept the fact that sometimes life is unfair and sometimes we create situations that lead us to be victims. In many cases, the financial troubles that seemingly arrive on your doorstep could have been spotted on the horizon years ago, but you just didn't notice.

There are some universal stages of debt that everyone goes through. How you pass through them is completely up to you. What's most important is getting to the stage where you are ready to take action to resolve your problems. I can help you speed up the process and get to that stage where you can find the determination to take control.

The Seven Stages of Debt

(Modified from the Five Stages of Death and Dying by Dr. Elisabeth Kubler-Ross)

1. Denial begins a long time before the financial problem rears its ugly head and gets in your face. Denial distorts reality like

a street drug. It's addictive. As an impartial observer, I've seen bad situations brewing time after time. But the person about to land in the sticky stuff often says the same thing, "It won't happen to me." Whatever you are in denial about will wind up smacking you in the face like a cinder block on a rope. Even if you don't know what that's like from experience, I think you can imagine what kind of a mark it will leave.

Here are some things people have actually said to me:

"I know I can't pay my mortgage, but they won't take my house."

"I refuse to take my child out of private school just to pay my bills."

"I didn't know they'd sue me if I didn't pay them back."

"It's not worth my time to get out of bed for a \$12 an hour job."

"How did I know a collector would call me? It's not like anyone ever reads the fine print."

"My creditors suck because they keep calling me for payments. I'll pay them when I'm good and ready."

Yeah, I know they sound funny. But the people involved weren't laughing, and I'm guessing you're not laughing at your situation, either. My job is to get you through these initial stages as fast as possible and get you to where you want to be.

Here's all you need to know about denial. If you think you've got money troubles, you do. Period. Denial will just slow you up and, if you are having problems with money, time is your

enemy. You have to take action as quickly as possible. The more time you spend in denial, the further you will circle down the bowl and, unless you can get past denial, you may actually go down the drain.

2. Anger is an emotional waste of time and energy in most situations, especially when it comes to money troubles. Remember what I said before? Your situation just is what it is. You can be angry all you want, but things will get better faster if you can turn that anger into a fire in your solution development furnace.

Okay, so you want to get angry. Let's get it out of the way. Who are you going to be angry at? Over the years I've watched people direct their frustration at the following usual suspects:

- **Creditors** — These are the folks you promised to repay when you took their money. You even signed terms and conditions that stated what would happen if you defaulted. You can be mad at your creditors all you want, but that's not going to change the price of eggs in China, nor is it going to get you out of this mess.
- **Yourself** — So you're mad at yourself. At least that's fair. After all, you're the one that got you into this mess. So let's have a quick pity party and then go for a walk and talk some sense into you. You think you're a failure? So what? Everybody, I mean *everybody*, fails at some point in their lives at something. It's part of life. Failures are great learning

tools. They teach you what not to do. But unless you've developed a time machine, you aren't going to be able to go back and change anything, so the best you can do is learn from the lesson and leave the anger in the past. If you screwed up, you screwed up. No need to beat yourself up over it.

- Others — The “others” category is broad, vast and deep. “Others” falls into the same group as “Them” or “They.” There is no “They” and I still haven't met “Them,” but they sure do get the blame for a lot of the world's ills. If you are angry with others, stop it.

Yes, it's possible that situations and experiences in your past led you to make some of the decisions that have gotten you where you are today. But no matter what those situations and experiences were, you always had a choice, every step of the way. Probably many choices. You made the ones that got you here. Stop casting blame all around town. This is your life. At some point you've got to take responsibility and stop blaming others. Without personal responsibility, you've got no way to fix this so that you can get on with the life you always wanted.

- External Events — There is no need to cast emotional blame on external events like a slow economy, accident, divorce, illness, relationship issues, etc. There is a never ending set of circumstances and events which can lead you to financial problems. Unless you can control them, sometimes you are

just caught off guard. Life just is what it is.

3. Depression — There is no question that money troubles aren't fun. They typically lead to some kind of loss and that makes us sad and/or depressed. The loss can be anything from cutting out the cleaning lady to having to sell your home and moving to a cheaper area. There is no doubt that some of the things you might go through may be difficult, but rather than stew over them, let's put them into perspective.

If you had your choice of either dealing with what you are going through right now or getting poked in the eye with a sharp stick, which would you do? It's a no-brainer, right?

I remember one day, I was talking with a lady who was paralyzed with inaction, even though her mortgage company was about to foreclose on her home. She was so bitter about the situation, she was blaming a cast of characters and refused to see a way out. In fact, she had waited so long that it was pretty darn likely that her house was going to be sold at auction that week. She said that foreclosure was the worst thing to happen to her. I asked her, if she had a choice, would she rather lose her home to foreclosure or be set on fire? She laughed. That put it into perspective for her.

The lesson to be learned here is that no matter how bad the situation feels, it can always be worse. Even when it's bad, there are still things to be thankful for. Try as hard as you can to look up and find the rainbow rather than stare down the

well. That's not just some "New Age" nonsense. Medical studies have shown that people who think positively live longer, have fewer health problems, experience less stress and, consequently, get the things done that they need to get done.

It may be hard to believe sometimes, but mood is a choice, just like most other things in life. Don't believe me? Try this exercise. What kind of mood are you in right now? If you are feeling pretty good, think about the worst thing that ever happened to you. Close your eyes and put yourself back into that situation and live through it again in your mind. I bet that brought you down pretty quickly. Now try the reverse. If you are feeling down, angry or depressed, think about some of the good things in your life. Maybe you have a wonderful wife or husband. Perhaps you have great kids. Everyone has things to feel thankful for, even if it's just the fact that you're not on fire right now. Again, close your eyes and focus on those good things. If any bad thoughts creep in, push them out of your mind and go back to the good stuff. If necessary, pretend that you're happy. Laugh out loud. Jump up and sing your favorite song at the top of your voice. Do whatever you would do if you were in a great mood. If you give this an honest try, you'll find that pretty soon you start to feel better. Everyone feels down from time to time, but with practice, you can take control of your emotions and not let those down times run your life. Besides, as long as you think only sad thoughts, you're going to be sad.

Here is the easiest advice to give but the hardest advice to

follow: Suck it up and let's move on toward a solution. Bad things happen to good people. Life is unfair and sometimes cruel. It is what it is. Heard that before?

4. Bargaining — Typically, this is the stage when your higher power is brought into the mix.

“God, I promise I’ll make all the rest of the payments on time if you can help me get out of this jam.”

“God, if you can just bring my credit card payment current somehow, I promise I’ll go to church every Sunday/be nice to my kids/work really hard for the rest of my life/never buy a \$500 pair of shoes again.”

I know all about this stage. In 1990, I filed bankruptcy. It was not the happiest time of my life, but out of that mess came my passion for helping other people find solutions to their financial problems.

When I was going through my troubles I searched all around and couldn't find the kind of help I needed. Sure, there were a lot of companies out there who said they could help with debt, but all they do is collect your money and distribute it to your creditors. That might help a few people who just don't have the discipline to make their payments on time, but if you're in a real financial jam, like I was, you need a lot more advice and assistance. Unfortunately, it just wasn't out there.

So, in 1994, when the opportunity arose, I co-founded Myvesta.org, a national nonprofit organization that has now helped millions get their financial lives back on track by providing in-depth counseling and coaching. Strange how life works. My biggest failure turned into my greatest success. I would not be able to help as effectively unless I had lived through that situation. (Visit SteveRhode.com if you want to read the whole bankruptcy story.)

You can bargain with God (or the Devil) all you want, but you might as well go outside and look for a four-leaf clover or throw some coins in a fountain. Bargaining is nothing more than wishing and wishing is okay, so long as it's not your only plan.

5. Acceptance — You made it. Congratulations. I've been waiting for you. This is my favorite stage, even though the next two are where you start putting the pieces back together. I love the acceptance stage. It is so full of peace and leads people down the right path. Until now, you've been like a long-distance runner going round and round in circles, lost.

Once you reach acceptance, you are turned in the right direction and now, instead of being tired and going nowhere, every step you take is in the right direction toward your new life, whatever that may be.

Once people reach acceptance, they know that what I said before is a fundamental law: Life just is what it is.

If you got your hours cut and you are not bringing home what you used to, it just is what it is.

If you bought a home that was too expensive and now you are struggling to afford the payment, it just is what it is.

If you've been unconsciously feasting at the all-you-can-eat buffet of debt for the past few years and now it's caught up with you, guess what? It just is what it is.

Once you reach the acceptance stage, you are like a fertile field ready for me to sow the seeds of your brighter future. Up until this stage you are going to deal with some uncomfortable moments. Life just isn't going to be much fun. It will be cloudy and uncertain. But when you reach acceptance, the clouds will part and a new day will dawn.

Acceptance does not mean that you aren't going to suffer loss or pain. In fact, you probably will. But the good news is that if you can see your situation with clarity, you will understand that whatever loss you are going to experience will be temporary. Don't let loss bury your hope for a better future. Although I've talked a lot about what you may have to give up right now (and we'll talk some more about it later), it doesn't mean that you're going to have to live the rest of your life living off beans and water. It's like being sent to your room. As much as I hated it as a kid, it passed, and I was soon outside playing with my friends again.

Acceptance is the time when solutions will start to fall into place and each day is a step closer to a repaired and better life, if you let it happen.

6. Resurrection — Some time will pass, maybe months or years, but slowly you will notice that you are starting to rebuild your financial life. If you are careful, you will be able to start saving money and buy a few luxuries again. If you lost your last home to foreclosure, you'll be able to buy another. If your last car was repossessed, after you take care of that situation, you'll be able to get another. (After my bankruptcy I drove a \$500 used Postal jeep until I could save enough money to buy a better vehicle. That jeep was an accident waiting to happen. I held my breath every time I turned a sharp corner, praying the darn death trap wouldn't overturn!)

Gradually, you will start to see that what I'm telling you is absolutely true. Now, you might not have as much stuff as you used to – you might not have the three-car garage and beautiful home on ten acres – but you'll have what life wants you to have.

This stage is just like coming back from the dead. Your financial life was pronounced DOA, but now – “CLEAR!” – you've zapped it with a defibrillator and there's a pulse again. Sure, it may be a faint pulse, but its regular and getting stronger every day. Let's learn from whatever mistakes we made and move forward – smarter and sharper.

7. Rebirth — Your life will have changed noticeably once you reach this stage. The experience of surviving your financial problems will have made you a stronger person; a different person; a better person. I firmly believe you can lead multiple lives within the one that exists between the time you were born and the time you die. We grow, evolve, learn and change. We grow apart, grow together and just plain grow old. Your life can be so much more than the struggles you are going through right now. You didn't get into debt overnight and it's probably going to take some time to be reborn, but trust me, you'll be a better person for it, if you want to be.

The past does not have to predict the future. You don't have to be saddled with your old mistakes. Others might not, but guess what? It's as simple as being forgiven. I forgive you. Life just is what it is. If you need a hug, I'll give you one.

What others might not see, or reward you for, is that when you were faced with your money troubles, you did everything you could, gave it your best shot and survived. That's pretty darn amazing. You will truly be a silent hero. But I've got a special place for you in my heart and, if you send me your picture and story of survival, I'll frame it and hang it in my Debt Survivors Hall of Fame.

Chapter 2:

The Finer Points of Getting Out of Debt and The Dictionary of What You Need to Know

There are some basic rules and philosophies that you should be familiar with in order to break free from money problems. Most people skip all of the steps and immediately jump right in to fear, panic and surrender. I assure you that's not going to work well for you, so I've put together a list of things you need to know in order to deal with your current situation.

A is for "Action"

Ancient Chinese wisdom states that the longest journey starts with a single step and getting out of debt is nothing more than a series of small steps. Some days you'll feel better than others in dealing with things. Some days you'll be emotionally prepared to fight the good fight, but other days you'll be fed up and not want to deal with it at all. However, one key to getting out of debt is to be prepared to show up and take action

every day. Even if you don't make a decision each day, you've got to be mentally prepared to do so. Even if you're not going to develop a master plan today, you've got to be ready to if you have to.

Taking action is critical to a successful outcome. Taking action means having the ability to make a decision, put one foot in front of the other and move toward a solution. Before you can fight, you've got to show up in the ring.

Having said that, my years of experience helping others and my own personal experience have taught me that this can sometimes feel like an impossible task. Some days it's just tough to get out of bed and deal with yet another day of misery. The best advice I can give you is that you can lean on me when times get tough. I'll get you going again. Visit me at SteveRhode.com for a pep talk and a kick in the rear, if you need one.

A is also for "Attitude"

The biggest hurdle you will have to overcome is making sure that you try very hard to maintain a positive attitude throughout the struggle of getting out of debt. If you give up hope and feel that the struggle is not worth the pain, then you will not succeed.

A positive attitude is critical to a good outcome. Remember what I said earlier: You've always got to remind yourself that no matter how bad you may feel the situation is right now, it could always be worse.

Hating life and other people for the situation you are in will simply distract you from your main objective: being debt free.

With the wrong attitude, everything will seem impossibly hard. Every task and piece of information will feel like the end of the world and you will be in a constant struggle to keep fighting. Giving up and throwing in the towel will feel like the only option. (See “Throwing In The Towel” in the coming pages.)

With the right attitude, everything will seem natural and you will be much better prepared to roll with the punches, a long forgotten skill. You’ll be flexible and creative in your solutions. With the right attitude, you will have a much better chance of generating a successful outcome.

B is for “Bankruptcy”

Although you may be desperately trying to avoid bankruptcy (and I don’t blame you), it is a valid tool for dealing with insurmountable debt. Remember, bankruptcy wasn’t invented solely for your benefit. It is not good for the economy to have thousands of people struggling to make ends meet every day, so a law was passed enabling people with no other option to clear the decks and start again.

It may not be in the front of your mind, but keep it tucked away at the back. More on this later.

C is for “Cooperation”

The first goal in resolving your problem is to find common ground upon which you can start to build a solution. Let’s say the bank’s going to foreclose on your mortgage. Most people seem to, understandably, handle foreclosure badly. Many of the foreclosed homes I’ve been through are strewn junk. It’s not uncommon to even find walls punched out. One home I went through looked like the occupants had a destruction party and then walked out the door, leaving kids’ toys, wedding albums and stuff you’d think they would value.

If you’ve reached the Acceptance stage, you’ll find life to be easier and kinder if you can find a way to cooperate with the situation rather than constantly pushing against it. In the foreclosure example above, how much different would the entire process have been if the occupants had accepted their situation early and made plans to move before they were evicted?

Just because life throws you a curve, it does not give you a free pass to be mean and destructive to everyone and everything around you. If you’re getting foreclosed on, be appreciative for the times you spent in the home. Be thankful for having had the opportunity to live there, clean it up, move out and be a gracious guest. After all, it really wasn’t your house, anyway. The reality is that you pledged the home to the lender in case you defaulted on the loan. It’s not your house until you don’t have a mortgage. Until then, it’s collateral that you happen to live in.

C is also for “Communication”

Stop talking and learn to listen. As the old saying goes, you’ve got two ears and one mouth and you should use them in that proportion. The ability to communicate will become crucial in working out a satisfactory solution.

Definition: Communication doesn’t mean you talk, then the other person talks, then you talk some more and so on. It means understanding what the other person means by their words and getting across what you mean with yours. There is no room in good communication for reacting emotionally and lashing out.

All the people I have personally coached, counseled and helped have struggled with communication. They either had problems communicating with their spouse, children or creditors. At some point in the chain, communications broke down. Yes, I know you are under considerable stress right now and you want to get your point across. Be patient. You’ll get your chance. Listen to what everyone else is saying first. You may learn something that will help your situation. It’s one thing to look like a fool, but it’s quite another to open your mouth and confirm it.

There’s an old sales technique that’s particularly effective and demonstrates how you can use good communication skills to your advantage without saying a word. It’s called the “silent close.”

Typically, when a salesperson has wrapped up his pitch and quoted a price, the customer responds with, “Wow! That much.

I didn't realize it was that expensive." Whoever opens their mouth next determines who's going to win this age-old form of haggling. If the salesman doesn't have the courage of his convictions, then he will respond with the offer of some sort of discount. But if he keeps quiet, the customer is likely to break the uncomfortable silence by accepting the original price. Try it. It works in all sorts of situations. You'll be amazed how many people will cave in and give you what you want without you having to say a word.

C is also for "Control"

There are very few things you can control in life. You can't control when the sun rises, if you will have an accident on the way to work, if your heart will beat a minute from now or the actions of others.

You will get very frustrated very quickly if you are desperately trying to control your creditors. You can't do it. Creditors are behemoth corporations that are guided by anonymous policies and procedures. The person on the phone is bound by those rules and has little, if any, leeway to veer from them.

What you can control is how you deal with the fluidity of life. You can control how you react to the situation and what you do to move forward. You can control the actions you take and the plan you make. However, even the best plans may change on the fly. I don't worry about failing, I worry about not trying. Rather than being stressed and upset because your plan to get out of debt is not working out like you wanted, take control and develop a new plan. That's just the way life works.

If you go to 7-11 and spill your Slurpee on your shoes, it's on your shoes. Clean it up, regroup and figure out what your next move is. You'll either decide a Slurpee is not in your immediate future or you'll get another one. Being upset about what just happened isn't going to change the fact that your shoes just got Slurpified.

The same philosophy needs to be applied to your debt situation, because what you can control is the path you decide to walk to resolve your problem. Just because the path is taking twists and turns, it does not mean that you should give up and quit. It means you should adapt and modify your plan. (See Flexibility.)

Let's say you develop the most fair and equitable repayment plan in the world to pay off your creditors. You present the plan to your six creditors and five agree but one does not. You can't control the fact that one of them isn't playing ball. What you can control is what you do next. You can either find a solution that will work for that sixth creditor and then go back to the other five and start all over again, or you can say to yourself that you just don't have any more fight left in you, that you truly gave it your best shot and you might decide to file bankruptcy. You can control what you do next, but not what others will do or how they will react.

C is for "Credit"

If you are living through financial troubles right now, you probably swore the "No Credit" oath. It goes something like this: "I promise to never use credit again in the future. I hate credit. Credit ruined my life."

It wasn't credit that left you in the rut you are in now, it was the way you used it. No matter how badly you feel you want to avoid credit in the future, your aversion today is probably more about avoiding how you are feeling at this moment, rather than about the actual use of credit.

If you are a living, breathing adult in the United States today, credit was, and is, going to be a part of your life. Running from credit will lead to lower credit scores in the future, less access to credit when you need it to buy a home or car, and higher insurance premiums. The reality is that more and more, day by day, your credit score defines what kind of person you are.

Who knows, maybe at some point in our lives, our concert seats will be dependent on our credit scores. "Let's see, Mr. Smith. Your credit score is 801. You get the floor seats. Is third row okay?"

So when you become credit averse and swear off credit completely, you do yourself in. While you might be thinking like a good, smart, shrewd consumer, you are not thinking like a creditor. After all, it's the creditors who lend us the money for our homes, not the frugal consumer.

By no means am I saying that you should run away with your credit cards and cheat on your fiscal life. Not at all. What I'm saying is that you need to stay in the game. You need to maintain your oldest credit card account and use it from time to time.

This will boost your score, since you will have a longer credit history. You can also only have a couple of cards open and keep the balances below 30 percent of their limits. This will also help. You can be a good steward of credit, rather than becoming intoxicated with its alluring scent.

D is for “Debt Collectors

If debt collectors are calling you, you don't have to be mean to them. (See Cooperation.) Simply tell them the truth about your situation. It just is what it is. If you can't afford to make a payment right now, you can't make a payment. Look, they aren't going to get on a plane, fly to the nearest airport, rent a car and drive to your front door. Your creditors might sue you and do other legal things, but nobody is going to break down the front door with a battering ram and take all your old used stuff.

The collector who is calling right now has spent the day getting ditched, hung up on, cursed at and insulted by other, less kind souls. Don't expect anything in return, but you have a chance to brighten someone's day. Be kind, open and honest with the collector on the other end of the phone. You've got little else to offer him or her right now, so you might as well give what you can – common courtesy. After all, it's not the collector's fault that you can't pay your bills.

Count on the fact that most collectors will be nasty. Being a collector isn't loads of fun and they work under enormous pressure to collect as much as they can as quickly as they can.

Most people respond most readily to pain or pleasure and I've yet to see a collector invite anyone out to dinner to discuss the situation over dessert.

Of course, not all collectors are jerks and, if you give them half a chance, a good collector will attempt to find a way to resolve the situation that can work for all parties. Here's a gotcha though – collectors are not reviewing your overall situation and they are trying to get the best deal they can for the people they are working for.

A lot of people do a horrible job with this aspect of money problems. They consistently make promises to collectors when they call, rather than making promises as part of an overall plan. Before you know it, you are overpromised, overcommitted and there aren't any crumbs left for the collectors who call later. That's when things blow up. You've got to try to create a fair and equitable plan for all creditors after taking care of your basic needs, like food, shelter, transportation, utilities, etc. We'll talk more about that later.

Often the last collectors to call are those with the most power and leverage like the mortgage company, car lender, IRS and student loan folks. They don't need to rush in because if you don't pay your mortgage, they'll take your house. If you don't pay your car payment, you will be visited by the repo guy. If you don't pay your taxes, the IRS has all the power they need to do whatever they want. If you don't pay your student loans you can find your wages quickly garnished, a 40% collection

fee added to what you owe and your tax refund checks confiscated. No need to scream when you've got a big stick.

When I went through my financial struggles I became very friendly with some of the collectors. I even stayed in touch with some of them for years afterwards. I found them to be a great source of help and information as I began my work assisting others.

D is also for “Determination”

If you want to get out of debt, then you are going to have to muster more determination than you have ever had. It is a fact of life that getting out of debt is much harder than getting into it in the first place.

Over the years, I've worked with thousands of people who have said they wanted to get out of debt, but when push came to shove, they didn't have the strength inside to fight the good fight. I've always been surprised by the number of ministers, pastors, priests, etc. who I've worked with who are quick to abandon their religious beliefs about repaying debts when the road got rough. (Yes, debt can strike even men and women of the cloth.) Now, I'm not judging those people, I'm just making the point that deciding to do what's right can take, to quote an old John Wayne movie, “True Grit.”

Let me assure you that getting out of debt will be a rough road filled with sudden unmarked twists and turns and, almost certainly, a pothole or two along the way. Be ready for it.

I'm a pilot and, when I first started flying, I was surprised by how rough it can be to fly a small plane. Who knew? It looks kind of easy from the ground, doesn't it? One day, I took off from Hartford, Connecticut and nearly got the stuffing beaten out of me as I climbed over the nearby hills on the departure route. The skies were clear and there was no warning that any turbulence existed. So what were my choices? Do you really think I would have said that the struggle to keep the plane aloft wasn't worth the effort? Heck, no. I fought like hell through the rough air and climbed to a smoother altitude. Sure, it scared the you-know-what out of me, but you do what you have to do. At times like that you have to reduce your wants down to the most basic level. For me, at that moment, I couldn't care less if the cockpit became messy or my drink spilled on my pants. Nope. My goal at that moment was to not lose altitude and hit the hills, so I did my best to keep the wings as level as I could.

The exact same principle applies when you are getting out of debt. You will be cruising along on your debt-free plan and all of a sudden, WHAM, you'll hit some unexpected turbulence. Just hold on through it and then regroup. Be flexible (more about flexibility in a bit) and reduce your wants down to the basic elements. For example, a creditor throws you a curve, what do you do? Regroup and simplify. That might mean that, for today, you take a bunch of deep breaths, eliminate stress and take a brain break for a few hours. The more you can avoid panic, the more processing power your brain can use to develop a plan on how to deal with the unexpected event.

D is also for “Dissavings”

When things started to go downhill fast for your financial life it was predictable, had you been paying attention. If you are in denial about your situation, it won't take long before your outgoings will be more than your income. It is an economic fact that when our income is cut suddenly, we don't cut our spending as fast. The time between the income cut and reducing our spending to fall into line with the new income creates a period when whatever assets we had are significantly reduced as we draw on them to make up the shortfall. This drawing down on savings has been dubbed the theory of “dissavings.”

Time after time I have worked with people who lived according to this theory. Rather than tackle the situation head on, they borrow from retirement accounts, home equity, family or credit cards to maintain their old lifestyle. They have a huge period of dissavings. If you do this, you will be putting your debt into turbo mode. It will accelerate super fast.

The good news about this theory is that it also works in reverse. When your income is increased, your expenses will not increase at the same rate. During that time, you will be able to save and have extra money. This is why, once you get on an effective debt recovery plan, your life will be so much better and easier.

E is for “Effort”

Nobody ever got out of debt without some effort. One of the biggest reasons why people have a bad outcome when they are trying to get out of debt is simply lack of effort.

It is true that some people experience a horrible outcome when they try to get out of debt. They hate the results of the efforts to help them. They are bitter, angry and all around grumpy. However, if there were a mirror you could hold in front of them, it would show them the absolutely miserable level of effort they invested in a successful outcome. Overcoming money troubles is nothing but hard work. Between the emotional turmoil, negotiations with disagreeable creditors and life changes that need to be made, you need extra effort.

Effort begins with doing things when you said you would do them, calling people when you said you would call, sending information when you said it would be sent, etc. Effort is tough and sometimes unpleasant, but you must make an effort to achieve a good outcome, otherwise you'll hate the results and be unhappy.

F is for "Fear"

Aren't there an unlimited number of things to be afraid of? Fear robs us of our intelligence and cool, calm approach to tackling problems. Unlike panic (found in the P's), fear is an insidious, persistent and strange friend that often leaves us abandoned by the side of a less-traveled road, feeling lost and alone. Fear leaves us standing still when the rest of the world is racing past. Fear is a good friend of depression and is waiting to introduce you.

The problem with fear is that it clouds our judgment. It makes

us focus on the next ten minutes and not the next ten months. Quite simply, fear makes us think of doing stupid things. Panic, on the other hand, seduces us to actually follow through on those ideas.

Often we feel afraid because we fear our “security” is threatened. When we feel the bedrock of our lives is in question, jeopardy or danger, the fear inside of us makes our whole world feel like it is made of Jell-O. It constantly feels like at any given moment, our existence is going to slide off the wobbly gelatinous mass and plummet into the bottom of the bowl. The reality is that security is an illusion; a superstition; a comforting idea.

If you really took stock of how immensely unsafe our existence is day to day; if you thought about how tomorrow could actually be your last day in this life, you would realize that the things you are afraid of right now are probably insignificant compared to the bigger picture.

For example, on the scale of life I would be less worried about facing financial problems than I would be about something terrible, traumatic or tragic happening to my wife and daughter, whom I adore. In the grand scheme of things, while financial problems might alter my life, they won't end my life or the lives of my loved ones.

Fear is often neutralized by faith. You don't have to be a

religious zealot to be faithful, you just need a belief in a higher power. It's amazing how quiet fear can become when offset with a little prayer and meditation.

F is also for "Flexibility"

A real gem of a technique to beat debt at its own game is to be flexible. Far too often people have a path all mapped out in their head that they think is going to eliminate their money problems. But life doesn't work in a linear fashion. Life is not a straight path; it's full of twists, turns, unexpected drops, nooks and crannies. I guess life is like an English muffin. Anyway, while our internal fears and apprehension make us desperately seek what appears to be the simplest route, they also lead us to make mistakes that will impact our lives deeply.

To escape the grip of problem debt you need to be malleable, truly adaptable. Accept the fact right now that when you look back at this time in your life, the path you will ultimately follow will be very different from the path you initially envisioned.

Being flexible also means that you will need to be open to new ideas. For example, the knee-jerk reaction most people have when they get into money trouble is to get a loan to pay off the debts. Here is a fact of life: You can't borrow your way out of debt. Getting another loan may be a good tool to use as part of a larger master plan, but if you originally found yourself in financial trouble because you were self-medicating with subconscious spending, another loan may simply be the final

nail in your financial coffin.

G is for “Gambling”

I bet you didn't expect to see this here (I couldn't resist). Gambling is one of those last-ditch efforts that people engage in to save them from the cliff of debt. As the financial pressure increases, it is not uncommon for people to find God and the lottery on the same day.

Gambling can be a lot of fun as entertainment, but the odds are horrible that you will be able to place a small bet and win big enough to get out of the financial jam you are in. If you want to play the lottery, fine. But remember, your odds of winning are not increased by any significant amount if you buy ten tickets instead of one, so don't waste your money.

The other problem with gambling is when it is the cause of your debt. A few years ago, a man who had lost a lot of money gambling could not bear the thought of telling his family of his weakness and losses, so he went home and killed them.

The house odds are never in your favor for you to gamble your way out of debt. Why do you think so many huge multinational corporations have built casinos in Las Vegas? So they can lose money to people like you? Just take a look at the profits they make and you will see who are the only winners in “Lost Wages.” Don't try it. Don't do it.

If your debt is the result of gambling, please seek professional help for your problem or at the very least attend a local Gamblers Anonymous meeting. It's free and they can introduce you to a support group that will be very understanding about your situation. People from all walks of life attend GA meetings. Don't be afraid. Just go.

G is also for "Garnish"

I'm not talking here about decorating food with small colorful or savory items. (Bam!) I'm talking about someone else taking a chunk of your paycheck before you ever get your hands on it.

When someone garnishes your wages, usually your employer is involved. They are ordered to withhold funds, which are then sent to someone else before you ever see them, such as a creditor who has sued you in court and won a judgment against you to enforce payment.

By the time you reach a point of getting your wages garnished, you've had your head in the sand for quite some time. I can't think of a single case where someone woke up one day and discovered, to their surprise, that their wages were garnished.

Garnishment takes time and there is plenty of notice. Of course, if you don't do anything about your financial problems, they can turn to lawsuits and garnishments. The big lesson here is to avoid garnishments, come up with a plan, take action and try to resolve your troubles as early as possible.

H is for “Help”

I can tell if someone is going to struggle with problem debt or have a good outcome within the first 30 seconds of talking to him or her. The key is how much help people are willing to seek and accept.

Money troubles are not much different from dealing with a bad fuel injector in your car or removing an appendix. You get the point?

There are plenty of things you *can* try to tackle on your own, but it doesn't mean you should. Take bankruptcy, for example. I always prefer to see people go to a qualified bankruptcy attorney rather than trying to do it themselves, in the same way that I'd rather see someone go to the dentist for a filling or to a surgeon to have their appendix removed.

Don't try to wander around in unfamiliar waters. You might drown. Get a guide to show you the way.

H is also for “Hesitate”

Have you ever heard the expression, “Time is of the essence?” It means that it is most important that you take action right away. The same is true when it comes to financial problems. Hesitation can kill your financial life. The best course of action is definitive, forward moving steps designed to achieve a specific goal.

I is for “Interest”

I’ve got a 500-page book on my bookcase titled “The History of Interest Rates.” Okay, you might not want to read 500 pages about interest, but here is what you need to know about interest today. Interest is the money that your creditors charge you for using their money. The more of a risk the lender perceives you to be, the higher the interest rate they will charge you to protect themselves from losses. If you don’t want to pay interest on credit cards, pay the bill in full each month. If you don’t want to pay interest on a car or home, pay for them in cash. Paying interest when you borrow money is simply the cost of getting something you want now, rather than waiting until you have the ready cash. To learn more about the history of interest visit myvesta.org/history/history_interest.htm.

J is for “Job”

The best way to eliminate debt is by either reducing expenses or increasing income. Many people are stuck in a rut and don’t take the time or make an effort to find a better-paying job. Working hard is a virtue. There is little substitute for good old nose-to-the-grindstone work. I’ve actually had people tell me that it wasn’t worth getting out of bed for an \$10 an hour job. If you’re not making any money, any job is better than no job.

I remember working with one client who had been unemployed for over a year. His business had failed and he was depressed about what had happened. His depression probably led to his failure to put much effort into looking for work. After a couple of weeks of encouraging him to look, he couldn’t find anything.

During a coaching session with him, I picked up the phone and made a few calls to local businesses in his area. Within four calls, I got him an interview and, subsequently, a job.

One technique that seems to work for a lot of people is the Yellow Pages job hunt. Pick up your local phone book and look through the different types of businesses. Then apply your finger to the phone and call all the businesses in those categories that interest you. Ask them if they have any open positions and find out how you can apply for them. There are lots of businesses that have an open position or two that they are not advertising.

Bottom line on jobs – you have to make a job of getting a job. That means using a modicum of care and effort to put together a good résumé, create a good cover letter and identify potential employers. Don't take the easy way out by just sending out your résumé and waiting for a response. If you want a particular job, fight for it. Go after it.

As a kid, my father was an executive at a major company. One day, his entire department was cut.

Overnight he went from a position of responsibility to nothing. He had a tough time finding a new job but finally found something to feed his family. It took guts to do that. He went from an executive position to taking subscriptions for Ranger Rick magazine and working at Sears in the local mall demonstrating the Vegamatic.

I really admire him for doing those things. I run into many people who refuse to take some job to make things better because it is “beneath them.”

When my dad was working at Ranger Rick, one of his co-workers was a guy who wrote a book on the Lincoln penny. At the time, I was really into coin collecting and the book he gave me was very cool. Just thought I'd share that.

When my Mom and I would go stop by the mall, I'd see my Dad standing up on the podium near the appliance section doing his Vegamatic thing. “It slices, it dices,” he would say into the microphone. Then he'd press the Vegamatic and tomato would splat everywhere. Now that was cool stuff.

My Dad said he was worried that I would think less of him for doing those things. I never did. I'm proud of my father for having the courage to do what was difficult and what he had to do. I think that's what true courage is.

Be courageous and reach beyond your grasp. Get the job you want or, at the very least, get one that will help with the bills for now until you can find something better.

K is for “Karma”

Life is a circle. Everything has its season. What goes around, comes around. Life does not guarantee anything. Sometimes your fields will be full of plentiful crops. Sometimes they won't.

In the end, your life will be crafted from the energy and effort you put into it. If you are always thinking sad thoughts, you'll be sad. If you are always thinking that you will never succeed, you won't.

Invest in your future success by making an effort to be kind, courteous and helpful to others when they least expect it. You'll be amazed at how your positive actions will bounce back to you, often in the most unexpected ways.

K is also for "Kick"

As in, "in the butt." Sometimes that's what people need to get them moving. I have to admit, I'm pretty good at it. If you need some motivation to carry on, visit me at SteveRhode.com.

K is for "Knowledge"

Okay, you've heard it before, but knowledge really is power. If I could transfer the information inside my head to yours, you would learn that by knowing certain things, having experience in dealing with these situations and being less emotional about your own situation, the right outcome can be achieved.

J is for "Judgment"

A judgment is a legal decision against you that can occur when you let things go too long without a plan or action on your part. If you break your promise to repay your debts, your creditor(s) may sue you in court and, if they win, they'll get a judgment against you. That judgment can be collected using

various means, including garnishment, (see previous section) and can be upheld for many years. Many people lose suits brought by their creditors because they fail to show up in court and so they automatically lose by default. Not a good move.

L is for “Lender”

Lenders lend money to make a profit. They expect to be repaid, because you signed a document promising to do just that. When you can't, or don't keep your word, they will use different ways to get their money back, including suing you and other unpleasant things. If you never want to be beholden to a lender, don't borrow money.

M is for “Money”

Look, money is nothing more than an agreed-upon unit of exchange. The only reason it is valuable is because we perceive it to be valuable. The cash in your pocket is nothing more than ink on paper. It should not rule or control your life.

Money is also used as an exchange for labor. Instead of you going out and planting wheat, harvesting the wheat, grinding it into flour and baking bread, you can use money that you earned in your job to go out and buy a loaf.

Unless you are going to live a completely self-sufficient lifestyle, you will need to become competent at making and holding on to money.

N is for “Need”

Here we go. The old discussion about wants versus needs. When our wants become our needs – our sacred cows – we make bad financial decisions. I once wanted a BMW 7-series car. I wanted it badly. I needed it. No other car would do. Hubba, hubba, hubba.

Thank goodness I never bought or leased that car. I can’t imagine carrying that kind of monthly obligation around my neck. Now, don’t get me wrong. I test drove it, loved it and, if someone wants to give me one, well, I wouldn’t kick them out of bed for eating crackers.

If you set certain things as absolutes or needs that are really “wants,” then you narrow your escape path from debt. Think about it like this. You are standing on a wide-open Western plain. Around you there are 360 degrees of unobstructed views and paths you can travel. The more your wants become your needs, the more restricted your escape path becomes. Before you know it, you “just can’t” sell your home, take your child out of private school, sell the car, etc. What used to be a wide-open vista is now a single cattle chute in front of you with a cowboy cracking the whip from behind. You are herded down the chute and, to nobody’s surprise, there is another cowboy perched at the end of the chute with a gun, ready to shoot you in the head.

N is also for “No-brainer”

Some situations are obvious to others. Let's say you are standing on the train tracks and a freight train is approaching. Unless you step away from the tracks, you will be struck and die. The same is true for dealing with financial problems. To make sure your financial life is not snuffed out by the current problems, you must come up with a plan to jump off the tracks. Taking no action is guaranteed to lead to a bad result. Having no plan will lead to an uncertain path. Doing nothing leaves you on the tracks.

O is for “Obligation”

About now you're probably wondering whether all this is worth it and maybe you should just crawl up in a ball and ignore all of your money problems. Not only would that make your situation worse, it's just plain wrong. Imagine if you went to work today and, at the end of the week, your boss said, “Hey. I know I promised to pay you for working here, but I'm having a bad month and I just can't afford to cut you a check this week. Hope that's okay.” You'd feel pretty aggrieved, wouldn't you? And rightly so. You made a deal with your employer to trade your services for cash and, if he/she doesn't honor that commitment, then not only will you be struggling to survive even worse than you are now, but the whole basis of our society would soon collapse.

The same applies to your obligation to repay the money you borrowed when you bought your house, car or ran up your credit cards. Somewhere on the other side of that transaction

is a poor working stiff, like you, who won't get paid if everyone just decides that they are not going to repay their debts. Be proud that you have decided to do your best to keep a whole host of people employed by honoring your obligations to the best of your abilities.

O is also for "Open-ended"

The money you owe on your credit cards is known as "open-ended" debt. This means that there is no specified period of time in which you have to pay it back. Sounds good at first, doesn't it? No one is forcing you to pay back what you borrowed within a certain time frame. You can take your sweet time over paying it back. Not smart. That's just what the credit card companies want. You see, with open-ended debt, the interest keeps on racking up for as long as there is a balance outstanding, which means that laying out \$2,000 for that new wardrobe could take more than 17 years to pay off, if you just make the minimum payments each month.

If you're not going to pay off your credit card balances in full each month, then you should only use them for true emergencies (and, no, that doesn't include the Bruno Magli shoes on sale at half price).

P is for "Patience"

Patience is something that you're going to need plenty of when you're working your way out of this ditch. It is also something that will serve you well in the future. If you can train yourself to be patient and purchase things only when you can afford to

pay for them in cash, then you will find that many things you think are “must haves” when you first see them turn into “don’t needs” once that initial surge of desire passes. Not only will you have a greater appreciation for those things that you do actually buy, but you won’t have to suffer with the consequences of long-term debt in exchange for instant gratification.

P is also for “Pain”

It may not feel like it now, but the pain you are going through is temporary. It will pass. You’re just going to have to trust me on this one.

P is also for “Panic”

Don’t. I know about the acid in your stomach, the insomnia and the night sweats, but you’re in good hands now. Relax. I promise that if you let me, I’ll get you out of this mess intact and with a much better life in your future.

P is also for “Preparation”

I guess it goes without saying that planning ahead is not your strong suit, otherwise you wouldn’t be reading this. Now is the time to put that right. Later on, I’m going to ask you to analyze your personal income and expenditures. It is essential that you do this diligently so that the plan we formulate is based upon accurate figures. If not, we don’t stand a chance.

Q is for “Quackery”

There are more organizations out there (especially on the Web) that claim to provide quick fixes for problem debt than

politicians who promise to do what's right for the people. Beware. There is no such thing as a free lunch and there is no such thing as a "quick fix" for money troubles. Trying to find an "easy" way out of this mess could land you in even hotter water.

Q is also for "Questions"

In the course of working your way out of your problems, you are going to come across a number of words and concepts with which you are unfamiliar. Don't just ignore them. Ask someone, me, if you like, to explain anything you don't fully understand. One of the keys to a successful outcome is your thorough understanding of the situation and all the possible solutions.

R is for "React"

There are two kinds of people in life: those who *react* to the world around them and those who *act* by taking preemptive measures to ensure things go their way. Don't wait for things to happen *to* you. Make things happen *for* you. You've already taken the first step by reading this book, now continue along those lines and you'll see how much better the world is when you take charge of your life.

R is also for "Retirement"

I'm happy to encourage people to do pretty much anything it takes to get out of debt – take a second job, cut back on luxuries, sell the house, sell the collection of Beanie Babies, relocate to find a better job, etc. The only thing I'm reluctant to endorse is tapping your 401(k), 403(b) or other retirement savings unless

you've got so much socked away that you would still be able to live comfortably when you retire. If you've still got plenty of years in the workplace ahead of you, it may (emphasize *may*) be appropriate to look at clearing some, or all, of your debt with retirement savings. But if you've already been fitted for that rocking chair on the porch it is probably not wise to do so. Nobody deserves to have to live out their golden years huddled around a kerosene heater eating cat food. Talk to me if you are considering this option.

S is for "Savings"

Once we get a handle on your debt you'll need to get into the habit of putting a little aside every month for emergencies. Otherwise, next time you need a new set of tires, it'll go on the credit card and you'll soon be back where you started. Ideally, everyone should have three months worth of expenses held in an easily accessible cash account (like a savings or money market account). That probably sounds like an impossible dream right now, but with a little planning, you'll see just how attainable it really is. You can't beat the feeling of security you get from knowing that even if you lose your job, you're not going to lose your house or car while you look for another one.

S is also for "Shopping"

Go on, own up. How many times have you gone clothing or grocery shopping without a list and just bought whatever you liked the look of? Making a list, and sticking to it, is the surest way of not going over the top when you're buying necessities.

It doesn't matter if the foie gras is on sale, right now it's more important to stick within your budget.

S is for "Suicide"

It is always sad to hear about people who killed themselves because of their debts. It does happen and it's senseless. While it might be true that you *believe* you would be better off if you were dead, it's *actually* not true. I've worked with people over the years who have had spouses who could not deal with the financial situation and killed themselves. The family that remains is not left in a better situation.

To borrow and modify an old phrase: Debt doesn't kill people. People kill people. There is absolutely no financial situation that I have ever seen that would have become better if someone killed him or herself over it. Not one.

If you have considered killing yourself because of your difficult financial situation, don't do it. Period. If you are currently considering suicide, call a therapist or suicide hotline to help you deal with the impulse and emotions behind those thoughts, then call me and let's get a plan in place to deal with your financial troubles. Things can be better, but only if you are around to participate.

There are all sorts of stories about people who hung themselves over a bed full of bills, etc. But things are not always as they seem. What you discover when you look into these situations

is exactly what I always say, money problems are not about the money. There are a whole basket full of other issues that make the money problems seem overwhelming. Perception is not reality. The only kind of injury I ever want to hear about arising from your financial situation is a paper cut.

T is for “Term”

One of your objectives should be to agree with your creditors on a finite term for repaying your debts. It’s no good getting them to agree to reduced payments that could stretch on for decades (see “Open-ended”). It’s in your and their best interests to agree to a reasonable, fixed term that will allow you to get free from this burden within a sensible period of time. More on this later.

T is also for “Thrifty”

Time to learn how to make the most of things. If it can be repaired instead of replaced, do it. Not only will you be saving money, but you’ll be reducing the mountains of often perfectly useable goods piling up in our trash dumps. Pat yourself on the back. You’re now an environmentalist. And yes, a penny saved is truly a penny earned.

And T is for “Throwing In The Towel”

If you’ve had enough of this getting out of debt stuff, you can always say “uncle” and file bankruptcy. Bankruptcy is an efficient legal process that may wipe out your debts (Chapter 7 bankruptcy) or give you a three to five-year payment plan to repay what you can (Chapter 13 bankruptcy).

If you want to file bankruptcy, then file. But if you want to try and work out a solution, then be prepared for a tough fight. The system is set up to make bankruptcy easy and individualized solutions difficult. Would you believe that the toughest battle I've dealt with over the years is persuading creditors to accept money? For many creditors, their systems can't cope with a payment that doesn't fit into their narrow set of rules and procedures, so many creditors urge people to throw in the towel and file bankruptcy. It makes it easier for the person on the other end of the phone.

Common sense would seem to tell you that creditors would rather get paid than have you file bankruptcy. In reality, it doesn't work like that for a couple of important reasons. First, the people working for the creditors aren't dealing with their own money, they are just doing their job and, at the end of the day, they punch out and go home. If it was their money, you can bet they would be a bit more flexible.

Secondly, if you are proposing sending payments smaller than the amount of interest and penalties you are accruing every month, it won't stop you from falling further and further behind. Your tiny payments may cost the creditor more to track and process than they're worth. Creditors are all about the bottom line and, if you're costing them money, then they are just not that interested.

Depending on the year, time of month, cycle of the moon, etc., creditors may have special terms and allowances to help you get out of debt.

If collection numbers are high, creditors seem to be a bit more flexible. However, if collection numbers are low, they launch into a “take no prisoners” mode.

To you, this is your life, your honor and your pride. To your creditors, it’s about if you made your payment or not. It’s about collection and loss ratios and whatever this week’s mandate is from management.

I applaud you for fighting the good fight, but you need to know it will be a hard-won battle. However, all you need to do is ask and I’ll be in your corner, happy to carry the spit bucket and tend to your wounds.

U is for “Unstoppable”

What you will be once you beat this debt.

V is for “Visualize”

Sports psychologists for the country’s top athletes encourage them to visualize their goal – sinking that nine-foot putt, making the touchdown, hitting a home run. This isn’t just to keep a whole bunch of psychologists employed, it has been proven that there is a measurable difference in successful outcomes between those who can clearly “see” what they are trying to do and those who can’t. Imagine your new life without debt. Where will you live? What will you do with your free time? How will you feel? Build a clear mental picture of your new life and refer to it when things get tough. It will remind you of what you are aiming for.

W is for “Whining”

Trying to get out of debt is an uncertain path. I think we’ve already established that. Let me be very honest with you. Your creditors and their collection agencies don’t want to hear you complaining about how difficult the situation is. The world agrees that it’s tough.

No matter how bad your situation feels, I can guarantee you that it’s not the worst I’ve ever seen. There are two groups of “Worst I’ve Ever Seen” examples. One is the group of people who have simply given up and a series of bad things happens to them because they quit trying. The second is the group that has a series of misfortunate events that seem to thwart their every move, usually involving death, suicide, dismemberment, fire, traumatic accident, and the like.

Typically, most people have to give up stuff or change their lifestyle to emerge from problem debt. Okay, let’s say that your mortgage is \$1,500 and you’re short on your bills by \$500 each month. Logic tells you that if you sold your current house and lived somewhere less expensive for a while, it would give you a chance to regroup and resurrect your financial life. Yet you wouldn’t believe how many people complain about the fact they might have to sell their home. They complain about how unfair it is; their creditors are making them do it; they won’t do it; they are worried about what people will think; and on and on. In fact, many people spend more time coming up with reasons why they shouldn’t take action than they do thinking about ways to make the situation better.

It is so sad to see a home foreclosed on when it could have been avoided by simply admitting that the old home was no longer affordable. You could have moved and avoided foreclosure, but you chose not to and now, today is the auction date and you are going to get evicted soon.

Let's all agree that life is cruel and unkind at times, but rather than use up precious energy complaining about it, let's harness that energy to determine what our next move is and take some action along that path.

I was at a real estate investment seminar once and the experienced investor who was speaking said, "Let me tell you kids about a basic rule of real estate investing. You are getting into a business that has a lot of very experienced professionals in it. You're new and you will make mistakes, but when you swim with the sharks, you might make a mistake and get bit. If you do, don't whine about it." I thought at the time that he was being harsh, but many years later I understand his point and completely agree.

Your creditors are professionals in the credit business. They have legions of very shrewd people who dream up new ways every day to maximize company profits and make money from people. They are sharks. Swim with them and you will get bitten. Just don't complain when it was you who jumped into the water.

Finally, a comment I often hear is, “My credit cards did this to me.” Of course, the truth is a credit card is an inanimate object that can’t do a thing by itself. But putting a credit card in your pocket and driving it to the store and whipping it out can do some damage, as you have seen.

W is also for “Willingness”

How willing are you to really take action and overcome this temporary financial problem? Are you honestly willing to do whatever it takes to put this pain and misfortune behind you? Are you ready and willing to work a second job, move, sell your house, trade your car in, take your child out of private school, shop at Wal-Mart instead of Bloomingdale’s? Really? Really really?

People have sworn to me, to my face, that they are willing to do “whatever it takes” to get out of debt but, before long, a list of things they “couldn’t possibly” do appears out of nowhere. That’s just not going to work. That’s like hanging from a cliff with one hand while holding on to your collection of Beanie Babies, trading cards, CDs, etc. with the other.

If you’re going to survive, you’re going to have to make a decision on what you are willing to do. Do you really want to lose your grip and plummet to your financial death because you don’t want to sell your precious collection?

If you are going to get out of debt, you can’t have 10 things that are so important to you they can’t be touched. If your goal

is to get out of debt, then that's what you're going to do. But if your goal is to get out of debt while maintaining a number of things that can't be changed, well, trust me, that's just not going to have a pretty ending.

Y is for "Yin and Yang"

According to Chinese philosophy these are the contrasting and complementary forces in the universe. They symbolize the give and take needed to make anything work, including your get out of debt plan. Be prepared to give in return for taking back control of your financial future.

Z is for "Zero"

The level of debt you should be aiming for in the future. It is impossible to be truly free while you owe people money and freedom is one of the most precious gifts in the world. When you have a ton of debt around your neck, it's like being an indentured servant. You have to stay on at your job, no matter how much you hate it, because you need to keep the money coming in to pay all your bills. You can't risk moving across the country, if the fancy takes you. You can't take that sabbatical to write the Great American Novel. Freedom from debt gives you freedom in your life.

Chapter 3:

Real People, Real Problems

Think you've got it bad? Here are some real comments from some real people.

"We owe about \$62,000 on our credit cards. We are current on all of them right now, but there is no way we can last much longer. We've been living off the cards for years because we have no cash left after we pay all of our monthly bills. Now we've hit our limit on all of the cards and the minimum payments are \$1,400 per month. As of next month, we won't have the money to pay them. We have two sons who are getting married three weeks apart and that's costing us a small fortune.

We feel so bad that we have done this and don't want to file bankruptcy, but my husband is going to retire in three years and there is no way we'll be able to survive if we don't get rid of these credit card bills. We are getting really scared. We don't want any of our family to find out how much trouble we are in. I am a diabetic and all the worry keeps my blood sugar up."

“I was a medical assistant for 15 years. Over that time, I accumulated over \$30,000 in debt. The reasons are not important, neither is the fact that I am married, as the three credit cards were in my name only.

Two months ago I hurt my back and found out that I have two herniated disks that pinch the sciatic nerve. Surgery is a good possibility in the future, but my doctor told me I wouldn't be able to work on my feet or lift patients ever again.

I looked frantically for desk jobs, but none paid enough for me to drive that far, and I didn't have enough computer experience, anyway. I also could not sit in one position very long, according to my doctor. I am currently working from home and I am not able to make anywhere near the money I used to make and am not going to be able to make the next payment in two weeks.

I am frantic! I still owe about \$20,000. My husband will not let me file bankruptcy due to it being published in the newspaper where everyone can see. He is also afraid it will affect his credit, as the house is in both our names.”

“My husband and I bought an old house when we were newly married and remodeled it. Three years later, when digging for a water source, we found that our property had been contaminated with gasoline from an old gas station across the road. We sold the house and litigation is still ongoing. We decided to build a new home, so we bought six acres and worked

really hard. We are still here and have a beautiful home, with the exception that we moved next to a crazy idiot.

We could be living a dream come true but, during construction, our neighbor ran our contractors off our property and ran into our excavator. We then found out that the survey was screwed up and they should never have approved the septic system, so the Department of Environmental Protection pulled our permit.

We had to move into our home as we had nowhere else to live, so we got a Porta-Potty. We had a soil conservation officer here telling us to put up a silt fence, but we had no money for it and the neighbor delayed our contractors so much and cost us so much more money, the Department of Environmental Protection made us put in a system that cost us \$16,000. That was \$8,000 more than the original system. It's true we were in violation of soil erosion, but they also found us in violation of allowing raw sewage onto topsoil, which was not true; we allowed gray water only. The man even handed us our permit after he took a picture of what he later claimed to be raw sewage. The Department of Environmental Protection was called in and they looked at the soil and determined that it was not sewage.

Well, my nutty neighbor got hold of all this and is now suing us for \$75,000. Our attorney is not too concerned. He doesn't think we will have to pay anything and we are counter-suing for assault and harassment."

“A part of me has a very heavy heart and a lot of uncomfortable, difficult, shameful feelings around money. I swing between grandiose feelings of wealth and terror of not being able to meet my bills.

I am hard on myself and sometimes feel quite sad about money. I wish money was out of date in the world. I love money very much, because I see it as a tool for peace, yet I am enraged about it. I hate being poor. I envy people like movie stars, who are doing what they love and making millions, when I have trouble scraping together a living.

A part of me wants to commit suicide over my finances. A part of me spends on things I don't need to feel good. A part of me feels very ashamed of my finances and longs to have an abundance of money, but feels at the same time unable to. I hold myself back from having enough money out of fear and habit.

A part of me feels cursed, doomed to failure and unhealable when it comes to money.

A part of me feels so ANGRY with my parents for not giving me adequate parenting on money, value and success. I blame my parents, especially my dad, for my economic problems. I am angry that no one to date has really been interested in my financial success or helped me with it adequately.

I confess that I am angry at not allowing myself to see, hear or feel MY TRUTH about money. I confess to feeling I have some deep-seated wound regarding money that I don't want to have and my feelings are only negative and victim-like. I feel like nothing I have to say about money is valued or valuable to those in financial power.

I confess that a part of me believes people who have multimillions in a world where others are struggling and starving are quite selfish for not helping enough. I confess to having a lot of false beliefs and oppressing my truth about money. I confess I am afraid to own up to my true feelings about money in this world in case I get punished.”

“I'm embarrassed that I owe so much money. I have a graduate degree; I'm in my 30s; I own a home. I should be at a particular place in my life now: secure, stable, happy.

Instead, I am constantly worried about money; constantly agonizing about the future. I am ashamed, believing that I have made bad choices and, perhaps, that I am a bad person because I have not fallen in love with a wealthier man; or stopped spending; or picked a different career; or been born into a middle, rather than working-class family.”

“A few years ago I used to spend a lot more than I earned. I just wanted to keep up with an image. I used to borrow from banks if I could, money lenders who charged me with

overwhelming interest rates — unpayable, completely unpayable, interest rates. Finally, I borrowed from friends and family in order to pay the money lenders and the banks, but the interest rates were absurd and I ended up owing money to my friends, harming them, harming my family, my image.”

“I buy to feel better. I think if I find a good price, it’s okay to put it on the credit card, even though I know I can’t pay it off and it will cost me more in the end.

I want to not worry about money all the time. I want my husband not to have to worry about money all the time. I’m tired of fighting over money issues. I want our loving marriage back. I hate the way things are right now.

I want to quit running up debt so bad. I just don’t know how to stop, to get enough to live on without the cards. I want to have grocery money left. I want to stop feeling embarrassed at the store when I have to use a credit card. I want my self-esteem back!”

“I’m so sorry. I have lied, connived and told more lies. I have stolen money from work. I have lied and lied. I got credit card after credit card in my name, then my husband’s, then my mother-in-law’s. I have ruined all of our credit, including my mom’s, too, with the games and the crazy lying.

I am so ashamed of myself I can hardly stand it.”

"I have failed. Failed my family, failed myself and all those I could have helped in some way were I not so lost financially. I'm sorry, I'm sorry, I'm sorry. My family trusted me to provide for them and here I am, in my forties, and have nothing left.

Death seems as though it could be the only refuge from this constant and incessant pressure from all those who I have borrowed from. Only the promise of the greater shame that my family would endure beyond that which we are now experiencing prohibits my suicide. My poor children. How can I teach them to stand tall and be honorable when I teach them to lie on the phone on my behalf?

It is my fault. All my fault. I have no one to blame but myself. I hate what I have done and what I have failed to do. My wife and children can have no respect for a man who has so utterly failed to provide for his family.

Disorganization, procrastination and lack of any coherent goals have been my trademark. Now, when those close to me need me most, I must rush to and fro gathering pennies when, not so long ago, a steady stream of dollars filled my lap. Sloth, stupidity and foolishness. All have come calling for their due.

This load is so great, so dark, so hopeless. I've failed in life, failed in business and now am destined to fail as a father and husband. What is wrong with me? How could it have come to this? I have failed the health care workers, the dentists, the automakers, the bankers, the nice man at the music store who

gave my son his first trumpet lesson. Failed them all. All those people and all those families that rely on them. They have all provided their labor in response to my promise to pay them.

I'm sorry. I never meant to cheat anyone out of anything. I only want to be a good and honest man and help those around me, but no. It is not to be.

Debt and disgrace is all that lie ahead. When will I ever learn? Will I wake up soon to find that this is some sort of Christmas Carol story gone horribly mad? A man this age should be giving many things and setting an example of wise living, not breaking down into tears at the drop of a hat. Not spending the night pacing up and down the driveway. I hate the creditors and the collectors. Why does it seem that they delight in their work? I know they are only doing their jobs and that they are fellow human beings, but how can they know the pain and disaster they create and still go on?

Who are these people who call my neighbors pretending to be looking for me? Isn't it shameful enough to be in this position? Must they continue to call all day long to rub my nose in it?

How is it that God can sit back and watch everything fall apart, both literally and figuratively? The cars, the washer, the computer, the phone are all broken and I have no money to fix them. These should all be covered by some sort of budget or plan.

The inheritance is gone, the buyout money is gone, all my savings gone, gone, gone. What sort of ridiculous character from some pathetic story could have so utterly and completely failed all those around him?

I pray that God in Heaven will take pity, at least on my family and relieve them of this burden. I pray for forgiveness but know that my failure will be the only inheritance my children will receive. My poor wife. She has entrusted her youth and her love to me and I've given her nothing but heartache. I couldn't blame them all for just leaving this loser behind. I'm sorry, I'm sorry, so very, very sorry."

"I am 45 years old and have been working for one of the Big Three for 15 years. I make \$53,000 a year. My problem? I am in debt for about \$30,000 that my husband does not know about.

I went into debt a few years back when I consolidated all the cards that were in my name with a creditor. My husband fell ill after that and I used a card that he did not know I still had that is in both of our names and ran it up to the tune of \$9,000. I want to get my credit cards paid up, the ones in my name only.

I have my own P.O. Box, so my husband is not aware of these cards. One account is for \$20,000, another is \$5,200 and three other small cards for about \$1,200 to \$1,500 each."

"I have done a lot of dumb things with money. As I look back, however, it happened so gradually. I never used my credit cards for extravagant purchases; it was always something I could "justify." New tires for my car. New tires for my son's car. New tires for my daughter's car. A new engine for my son's car, so he could have transportation while at college. Tuition payments for his college education, so he didn't have to be stressed out about money and study.

We bought our previous house for the wrong reasons. My income had almost tripled at the age of 41 after finally taking a commission sales job. It felt good to be making so much money (\$120K), but immediately I increased my lifestyle. Bigger income, but I created bigger problems. I knew better, but I did it anyway. What's up with that?

I basically lived in our "dream" home for three years and sold it. After fees and commissions, we didn't have enough left to put down on a new (smaller) house, so we used our credit card. Now I have finally quit charging, but life is a daily effort of digging out of a very deep hole.

Income is decent (around \$100K a year), but there is no end in sight. My wonderful wife has experienced way more financial stress than most women have and she doesn't deserve to pay for my weak leadership. I feel bad about that. I have not lost hope, however. I know there is an answer that won't take ten years."

“I am in very deep financial trouble because I became addicted to gambling. I lied to my friends and family about where I was spending my time and money. I spent thousands of dollars without really realizing it. I can't even pay my bills or mortgage this month. I am at the end of my rope. I want to get out of this mess. I feel like I am having a nervous breakdown and don't know where to turn.”

“I got into debt because my husband and I were separated and I HAD TO use credit cards to help me keep things going.”

“I am crying right now, overwhelmed with grief and the feeling of hopelessness. I was unable to take my children to a movie today because I have no money in my checking account.

I want to have a car that runs. I want to be able to buy my children the clothing and stuff they need. I want to not be afraid to get the mail. I want to have a handle on my spending because I can, not because I don't have the money.

My husband and I can't even talk to each other about this. We've been here before; never this bad, never this honest about the fact that we have a huge problem and are very much in debt.

We owe so much money. We've made deals with family members in order to purchase our home and owe them money.

I feel stupid and ashamed when I think of our situation. I don't know what to do.

I want to fix my life so that I can take my kids to movies and be able to afford that new car I have never had. I want to feel secure with my life, not worrying if I'm going to lose it all.

I hate myself right now. I hate my husband, also, for all the times he has said, "I'll take care of it." Nothing has changed. It's been 12 years of ups and downs. It has to stop. I want peace."

"I am in debt. I want to leave my husband, but I can't because I owe too much and do not make enough! I hear how it is all my fault, I am lazy and worthless."

And finally, I had a client who owed \$1.2 million on 78 credit cards and was on the heart transplant list. Now, do you still think there's no one out there as bad as you?

Chapter 4:

How to start doing what you need to do to get out of debt

Let's get down to the nitty-gritty nuts and bolts and get a plan in the works for getting you out of this jam. The best plan in the world needs to be flexible and have a backup or two. As we've discussed, it's almost guaranteed that when this is all over, the path you followed will be different from the plan you create right now, but you've got to start somewhere and Plan A is as good a place to start as any. When it's over, you will have also worked through Plans B, C and D, but for now, let's start on Plan A.

The purpose of Plan A is simply to develop a path to head down with the facts as we know them right now. Don't become wedded to this plan forever because I guarantee, at some point, you will have to throw this plan out and pull on your reserve chute, Plan B. And when Plan B falls apart, you'll reach into your pocket and pull out Plan C. And when that one poops out,

you'll reach into your backpack and whip out Plan D. Getting the idea? This is going to be a series of evolving plans that will change along with your circumstances.

Here are the basics of a good plan:

1. Goals: What do you most want to achieve? Is it to get out of debt, keep the house and lose everything else? What?
2. Budget Numbers: What are your income and expenses? You can't go anywhere until you know where you're at.
3. Sacred Cows: What are you absolutely going to put in the way of resolving this issue? Make a list titled "The Things I Will Let Stand in My Way" and put it on the fridge. If you absolutely refuse to sell the house, sell the car, work a second job, etc., let's be honest and establish that right now.
4. Action Steps: Map out what needs to happen and in what order. Write it out so you can check off each step as it occurs, so you can see progress.
5. Disaster Plan: If things don't work out as planned, what is your fallback position? For example, if I can't avoid the foreclosure of my home, where will I live?

Goals

Before we can plan for a good outcome, you've first got to figure out what you want to accomplish. Most people struggle with dreams and goals.

When it comes to developing a plan to get out of debt, you've got to cut your dreams back to the bare minimum. Here is what I mean. If you want to get out of debt, then your goal should be to be debt free by X date or to make X effort to resolve your money troubles. That doesn't mean that you need to totally abandon doing things that bring you joy and pleasure, it just means that we might need to temper those desires to a moderate level while we focus on achieving your number-one goal.

Budget Numbers

Figuring out your numbers can be a long and boring chore. Gathering the information together can take some time, but the outcome will be a more accurate picture of your financial situation. Having good data is the foundation upon which you can construct a good plan.

You can use the form on the following pages or the Budget Spreadsheet I've made available at SteveRhode.com. (If you're comfortable with spreadsheets, I strongly suggest you use one, as it makes life much easier if you have to make any changes along the way and you can use it to help stay on track.)

The best plan in the world won't work if the numbers it is based on are not accurate. In that case, you might find yourself over-promising payments that you really can't make. That will blow any plan out of the water. So take your time and get it right the first time. Your efforts will pay off in a greater chance of success for your plan.

Budget Worksheet

I. Monthly Net Income (after tax)

First Income	
Second Income	
Public Benefits	
Disability/Workers Compensation	
Other	
Total Income	

II. Monthly Expenses

Investments/Savings	
Rent/Mortgage	
Renters/Homeowners Insurance	
Property Taxes	
Gasoline	
Auto Payments	
Auto Repairs/Maintenance	
Auto Insurance	
Alimony Payments	
Child Support Payments	
Child Care	
Life Insurance	
Health Insurance	
Cable/Satellite/Internet	
Electricity	
Heating Oil/Natural Gas	
Telephone (Local/Long Distance)	
Cell Phones/Pagers	
Water	
Trash Pickup	
Food & Groceries	
Clothing	
Housekeeping	
Church/Charitable Contributions	

Transportation	
Educational Expenses	
Medical Expenses	
Entertainment/Hobbies	
Gifts	
Miscellaneous	
Credit Card Payments	
Other Debt Payments	
Total Expenses	

III. The Bottom Line	
Total Income	
Total Expenses	
Income – Expenses	

Instructions:

- I. Monthly Net Income (after tax)** is the first section of the Budget. Before entering your information into this section, it is important to understand the many factors that can affect the accuracy of entries.

When gathering the budget information, it is imperative to gather Basic Net Income figures.

Gross Income is income *before* taxes or any miscellaneous deductions are taken from one's pay. It's what they tell you your pay will be when you take a job.

Net Income is Gross Income minus taxes and any additional amounts that are deducted from one's pay automatically (for example insurance, mortgage payments, wage garnishments, child support).

Basic Net Income is income *after* taxes (federal, state, city, FICA-Social Security, Medicare) have been deducted from one's pay, but before any other automatic deductions (for example insurance, mortgage payments, wage garnishments, child support). *This is the type of income that will be entered into the Budget.*

- A. Determine how often you receive a paycheck (weekly, biweekly, bimonthly or monthly).
- B. Determine the amount of the paycheck *after* taxes and before miscellaneous deductions. This is your Basic Net Income, often referred to as take-home pay (the amount of one's salary remaining after federal, state, city and FICA taxes).
- C. Determine if there are other deductions affecting your income (for example health and/or life insurance, employee benefits, retirement funds, charitable contributions, wage garnishments). If so, these amounts need to be added back into your Net Income to gain the Basic Net Income and then itemized in the appropriate *Monthly Expenses* fields.

Example: If you have child support responsibilities that are deducted directly from your paycheck, add this amount back into your Monthly Net Income. Figure out the total annual amount of child support

you are responsible for and divide that amount by 12 months. Enter the total in the *Child Support Payments* field under *Monthly Expenses*.

If you make monthly charitable contributions that are deducted directly from your paycheck, add this amount back into the Monthly Net Income. Figure out the total annual amount of charitable contributions that are deducted from your pay and divide by 12 months. Consider this amount when entering the total monthly amount in the *Church/Charitable Contributions* field.

It is better to work with *annual* amounts because depending on how often you are paid, it will dictate how much is taken out per paycheck. For example, if you donate \$5 to charity per paycheck and are paid twice a month, the total annual contribution is \$120 or \$10 per month. However, if you donate \$5 per paycheck and are paid weekly, then your annual contribution is \$260, or \$21.67 per month. So, remember to work backwards from the annual amount, not the amount per paycheck.

First Income — To determine what your monthly income is, use the following formulas:

Paid weekly Multiply the amount of your pay by 52 weeks in a year then divide by 12. *Do not multiply the weekly pay amount by four to get the monthly income amount. This is not an accurate calculation, as each month does not comprise exactly four weeks.*

Paid biweekly (Every two weeks.) Multiply the amount of your pay by 26 paychecks per year. Divide by 12. *Do not multiply the biweekly pay by two. This is not an accurate calculation for the same reason as above.*

Paid semimonthly (Twice per month.) Multiply your pay amount by 24 paychecks per year. Divide by 12.

Paid monthly Use the amount *after* taxes.

Second Income — Use the same formulas used to calculate First Income to determine any Second Income that you might have from either a second job or spouse.

Public Benefits — Entries to this field include income received from Social Security, unemployment, welfare and food stamps.

Disability/Workers Compensation — Income received for this field will generally come from your employer's insurance company.

Other — This section will include any additional income you receive from such sources as alimony, child support or odd jobs. Special consideration must be paid to this income field:

Alimony: is taxable income and the rate of taxation may vary. Therefore, for our purposes we will calculate this portion of *Other Income* at 70 percent of the actual amount you receive per month.

Example: If you receive \$1,200 per month from your former spouse, multiply $\$1,200 \times 0.7 = \840 . Add \$840 to the total of *Other Income*.

Child Support: This is a non-taxable income amount. Ensure that you have not included this with your alimony payment total. If so, separate the two amounts and calculate the tax liability for alimony. The entire child support amount should be considered when calculating this portion of *Other Income*.

II. Monthly Expenses is the second section of the Budget. Before entering your information into this section, it is important to understand the many factors that can affect the accuracy of entries.

- A. Budget figures are inclusive only of your financial responsibilities. For example, if you share the cost of utilities equally with three roommates, only 25 percent of the total monthly household expense should be considered for that particular field.

- B. It is important to closely consider the total annual amounts you spend for each expense field, since some expenses occur less frequently than once a month but still need to be budgeted for on a monthly basis.

Investments/Savings — Entries into this field include all amounts you devote to investments such as stocks, bonds, mutual funds, IRAs, 401(k)s and 403(b)s. Any deposits you make into savings accounts should also be considered.

In order to accurately calculate a monthly total expense for this field, figure out the total annual amount you invest and/or save and divide this amount by 12. Enter this figure into the *Investments/Savings* field.

Rent/Mortgage (include Homeowners Association or Condo Fee) — The amount entered into this field should include the monthly total of Rent/Mortgage amounts for which you are responsible (primary and secondary residences, vacation homes, timeshares, trailers).

Renters/Homeowners Insurance — Annual insurance premiums are often broken down into installment payments. Figure out what your total annual premium is and divide by 12 months. Enter this amount in the *Renters/Homeowners Insurance* field (unless it has already been included in the *Rent/Mortgage* field. See “Note” below).

Example: \$1,200 for annual homeowner’s insurance is entered as \$100.

Note: Homeowner’s insurance and property taxes may be included in your mortgage payment (escrow). If so, it is not necessary to complete the *Renters/Homeowners Insurance* and *Property Taxes* fields.

Property Taxes — The amount entered in this field should include the total monthly tax amount incurred for all properties that you are responsible for (primary and any secondary residences, if applicable).

If you have a car property tax requirement in your state and/or separate real estate taxes that are not included in your monthly mortgage payment, then you need to divide the total annual tax liability by 12 months and enter this amount in the *Property Taxes* field (unless it has already been included in the *Rent/Mortgage* field). If only part of this amount has been included in the *Rent/Mortgage* field, enter only the difference of the tax amounts.

Gasoline — The amount entered in this field should include the total monthly cost of gasoline for all vehicles you are responsible for (cars, boats, motorcycles). Keep in mind the current high cost of gasoline and the additional amounts that may be spent while traveling and for recreational use throughout the year. Divide the total gasoline expense for the year by 12 months and enter this amount in the *Gasoline* field.

Auto Payments — Monthly payments in this field should include both owned and leased vehicles. You should consider all vehicles for which you are financially responsible. If you have leased vehicles, figure out if there are any additional fees that will occur based on your lease agreement. For example, are you expecting an end-of-lease wear and tear penalty that has to be paid this year? Enter the total monthly expense in the *Auto Payments* field.

Auto Repairs/Maintenance — Make your best “guesstimate” about how much you expect to spend on any auto related maintenance for the year. (The Web Site www.Edmunds.com has an excellent “True Cost to Own” calculator that can give you a good idea of the maintenance costs of your vehicle.) The amount entered should include the expenses for all vehicles you are responsible for (cars, boats, trailers). This would include major repairs and regular maintenance, such as oil changes, tires, air filters, scheduled services, etc. Divide the annual total by 12 months and enter this amount into the *Auto Repairs/Maintenance* field.

Auto Insurance — Auto insurance premiums are often broken down into installment payments. Determine the total amount to be paid for the year on all vehicles for which you are responsible. Divide this figure by 12 months and consider this amount when entering an amount in the *Auto Insurance* field.

This field also includes insurance premiums for motorcycles and recreational vehicles, such as motor homes, travel trailers, personal watercraft and ATVs. If you are responsible for any of these types of insurance payments, divide the total annual premium(s) by 12 months and consider this amount when entering the total amount for the *Auto Insurance* field.

Alimony Payments — If you have to make a monthly alimony payment, enter the monthly amount in this field. If you have your alimony payments automatically deducted from your Net Income (for example wage garnishment, automatic deduction), then remember that this figure *must* be added back into the Monthly Net Income total in order to accurately calculate your monthly Basic Net Income amount. Consequently, the Monthly Net Income amount will be exclusive of any alimony payments. These will be itemized in the monthly *Alimony Payments* expenses field.

Child Support Payments — If you have to make monthly child support payments, enter the monthly expense in this field. If you have this amount deducted from your net income (for example wage garnishment, automatic deduction), then remember that this figure *must* be added back into the Monthly

Net Income total in order to accurately calculate the monthly Basic Net Income amount. Consequently, the Monthly Net Income amount will be exclusive of any alimony payments. These will be itemized in the monthly *Child Support Payments* field.

Child Care — This field is inclusive of any costs incurred for the care of a child/children, such as daycare and baby sitters. Figure out your total annual cost of Child Care and divide this amount by 12 months. Consider this monthly amount when entering a figure in the *Child Care* field.

Other child-related expenses can be included, but then should not be included in any other field in the Monthly Expenses section of the budget. For example, if diapers and pediatrician visits are included in the *Child Care* field, then do not include them in the *Food and Groceries* and *Medical Expenses* fields.

Life Insurance — The amount entered in this field should include the total monthly expenses for all life insurance coverage that you are responsible for (individual, spouse, dependants). Some people receive life insurance coverage from their employers at no cost or it may be deducted from their income. If you pay a life insurance company directly for coverage, figure out what the total annual premium is.

Don't forget premiums that may be automatically deducted from your checking account; they are easy to overlook. Divide

this figure by 12 months and enter this amount in the *Life Insurance* field.

Health Insurance — The amount entered in this field should include the total monthly expenses for all medical insurance coverage that you are responsible for (individual, spouse, dependants). As with life insurance, some people may receive health insurance coverage from their employers at no cost or it may be deducted from their income.

If you pay an insurance company directly for coverage, determine the total annual premium, divide this figure by 12 months and enter this amount in the *Health Insurance* field.

Cable/Satellite/Internet — The amount entered in this field should include the total monthly expense incurred for all properties you are responsible for (primary and secondary residences).

Electricity — The first step here should be to get on the utility company's monthly budget plan. They will divide your anticipated annual usage by 12 and come up with a monthly payment for you. At the end of the budget period you might get a refund check back or have to owe some money, based on your actual usage. These monthly budget plans are a fantastic way to balance your expenses. Rather than having high bills in the summer or winter, things get averaged out.

Once you have a budget plan in place, enter the monthly budget payment in this field. Remember to include the monthly payments for all the properties you are responsible for (primary and secondary residences). If you can't get on a budget program for some reason, divide the anticipated annual usage by 12 months and enter it into the *Electric* field. Many utility companies provide your monthly usage on their Web Sites, so you can get an accurate picture of your expenses.

Heating Oil/Natural Gas — Do the same thing here that you did for your electric service; get on a monthly budget program. If you can't, the amount entered in this field should include the total monthly expense incurred for all properties you are responsible for (primary and secondary residences). If you only know the total usage, divide this figure by 12 months and enter it into the *Heating Oil/Natural Gas* field.

Telephone (Local/Long Distance) — This category, along with cell phones/pagers, are ones that people blow a lot of money on. When you are in a financial crisis, do you really need “The Works” calling package? I don't think so.

The amount entered in this field should include the total monthly expense incurred for all telephone services you are responsible for (primary and secondary residences).

Many people receive separate local and long-distance phone bills. Keep in mind that the costs of telephone service can fluctuate from month to month.

Figure out the total annual cost of your local and long-distance telephone service and divide this figure by 12 months. Consider this amount when entering the total monthly amount into the *Telephone (Local/Long Distance)* field.

Oh, and make sure you are getting the best deal on your long distance calls. Many people are still paying the standard rate with one of the “Baby Bells” when there are now dozens of companies offering deals as low as five cents a minute. The calls still go down the same telephone lines, so don’t be afraid to switch if it will save you some money. (See www.SlashYourBills.org or www.LowerMyBills.com for comparison rates on phone companies, utilities and more.)

Don’t forget, in addition to home costs, include the cost of personal call charges that occur while at work, if any.

Cell Phones/Pagers — These days it almost takes a Ph.D. to read a cell phone bill. It’s a guaranteed, surefire area that is costing you loads of money.

Remember the days before you had a cell phone? You seemed to survive perfectly comfortably, didn’t you? Anyway, the amount entered in this field should include the total monthly expense incurred for all cellular and pager services you are responsible for (personal, business, family members).

Keep in mind that the costs of telephone service can fluctuate from month to month. Estimate the total annual cost of your

cellular and pager service and divide the total year's expense by 12 months. Consider this amount when entering the total monthly amount in the *Cell Phones/Pagers* field. Don't forget to include any costs of a cellular phone or pager provided by your employer that you are responsible for.

Water — The amount entered in this field should include the total monthly expense incurred for all properties you are responsible for (primary and secondary residences). Figure out the total annual amount paid for your water service and divide this figure by 12 months. Enter this figure into the *Water* field.

Trash Pickup — The amount entered in this field should include the total monthly expense incurred for all properties you are responsible for (primary and secondary residences), if it is not already included on your local property tax bill.

Food & Groceries — Include the total amount spent on dining out, fast food, convenience stores, coffee, soft drinks and snacks. If you don't have a clue what you spend on groceries, use the government figures at www.usda.gov/cnpp/using3.htm. This link is to the "Official USDA Food Plans: Cost of Food at Home at Four Levels," chart.

Use the liberal amount if you are unsure. It's always better to estimate too much for food than too little. Once the monthly food expense is determined, drop it into the *Food & Groceries* field.

Clothing — Enter how much you expect to spend over the course of the year for your household (back to school clothes, special occasions, business attire, shoes, etc.). Divide this total annual amount by 12 months and enter this figure in the *Clothing* field.

Housekeeping — Include everything that it takes to keep your household running: Laundry costs, such as the cost of detergent, starch, cleaning products, dry cleaning, etc; household cleaning materials and supplies; any maintenance items; lawn care, etc.

If you use a public laundromat, don't forget to include that expense. Estimate your total annual expenditures for these items and divide by 12 months. Enter this monthly total into the *Housekeeping* field.

Church/Charitable Contributions — Figure out how much your household expects to contribute to all organizations over the course of the year. Divide this total by 12 months and consider this amount when entering a monthly total in the *Church/Charitable Contributions* field.

If you make charitable contributions through your employer that are automatically deducted from your net income, then remember that this figure *must* be added back into the Monthly Net Income in order to accurately calculate the monthly Basic Net Income amount.

Consequently, the Monthly Net Income amount will be exclusive of any contributions. These will be itemized as part of the total monthly *Church/Charitable Contributions* field.

Transportation (Other than car payment(s) & gas) — The amount entered in this field should include the total monthly expense incurred for all transportation costs (other than car payments and gas) that you are responsible for (yourself and family members/dependents). Examples of entries for this field are parking fees, tolls, public transportation and transportation passes.

Educational Expenses — The amount entered in this field should include the total monthly amounts for all educational expenses for which you are responsible (yourself and family members/dependents). Examples of entries for this field are tuition, books, uniforms, school field trips and tutoring.

Figure out the total annual amount you will pay for these types of expenditures and divide this by 12 months. Enter this monthly total into the *Educational Expenses* field. Remember that back-to-school time is one of the most expensive times of the year.

Medical Expenses — The amount entered in this field should include the total monthly cost of all medical expenses you are responsible for (yourself and family members/dependents).

If you feel your monthly medical expenses are \$0, then ask yourself how much you expect to spend over the course of the year. The total annual expenses for dental and vision care should also be considered.

Examples to consider for this field are check-ups, flu shots, prescription drugs, eye tests, eyeglasses, birth control, teeth cleaning appointments, etc.

Divide the total annual amount by 12 months and enter the monthly amount in the *Medical Expenses* field.

Entertainment/Hobbies — This figure should include expenditures such as vacations, movies, day trips, batting cages, golf, gardening, collectibles, DVD rentals, etc. Remember that this amount must be for the entire year's expenses. Divide this amount by 12 months and enter this amount in the *Entertainment/Hobbies* field.

Gifts — Think hard and try to include the total you expect to spend over the course of the year (birthdays, holidays, anniversaries, etc.). Divide by 12 months and enter this amount in the *Gifts* field.

Miscellaneous — This field should mop up any other expenses that have not been listed in a previous category. For example, pet expenses, summer camp, etc.

For each of the expenses that will be considered in this field, estimate the total annual amount and divide by 12 months. Add each of the monthly amounts together and enter this figure into the *Miscellaneous* field.

Credit Card Payments — Enter the monthly amount you spend in this field.

Other Debt Payments — This field may need to include payment amounts for computer loans, student loans, personal loan repayments to friends and family, furniture and any miscellaneous unsecured debt that has not been included in any other category.

III. Monthly Income minus Expenses is self-explanatory. The number can only be one of three results: positive, zero or negative.

I cannot stress too strongly how important it is to get these figures as accurate as possible. Otherwise, you could find yourself committing to a debt repayment plan with your creditors that is impossible to maintain because you forgot to take an unavoidable expense into account.

Sacred Cows

Now it's time to make a list of all the things you are prepared to put in your way to sabotage your success — The old sacred cows.

A sacred cow is something that is off-limits and can't be touched.

You know that expression, "When my ship comes in I'll be rich?" Well, when it comes to getting out of debt, people sink their ship by overloading it with things they refuse to change and then complain as it disappears under the waves: "The ship was defective!"

Let me give you a real-world example. I worked with a couple who bought a big home with five acres so they could keep horses. A few years later, the family income was reduced, dad's job was transferred and his daily commute increased to almost two hours each way. His car was getting tired and would soon have to be replaced to cope with the extra commute caused by them having moved out to the country.

They felt the public schools were not so good in the sticks, so they enrolled the kids in private school. Slowly, as the expenses mounted, more and more expenses wound up on credit cards and, before long, their ship was taking on water.

When they came to me, dad was ready to make changes but mom was resentful that he wasn't a better provider and she

laid down the law. She wanted a solution that did not involve a relocation, getting rid of the horses or taking the kids out of private school. The one concession she did make was to agree that dad needed a better car to keep making the trip to work.

You can imagine how this turned out. It wasn't pretty and it's still a bitter and contentious relationship. I wonder if they will ever be happy.

If you honestly want to beat this debt that is crushing you, lay everything on the table and be willing to make changes and sacrifices. Trust me, it's better to lose the battle but win the war. It's better to sell the car or home you can't afford right now and plan to buy one again in the future than it is to see everything crumble and never own another car or home again.

Action Steps

This is where you start to see some progress, as you build a checklist to mark off as you march toward your goal of a peaceful, enjoyable, debt-free life.

On the following page is an example of a list that you can use as a guideline. Your own list may have more or fewer Action Steps on it, but the better the list, the easier it will be to follow the plan. It's a whole lot easier facing one job at a time than looking at the whole, bleak picture and thinking, "How am I ever going to get out of this."

Action Step	Date Completed
1. Read this book cover to cover	_____
2. Get to “Acceptance” stage	_____
3. Ask Steve for help at SteveRhode.com	_____
4. Establish Goals	_____
5. Calculate Budget Numbers	_____
6. Create Plan A (with Steve’s help)	_____
7. Create Plan B	_____
8. Create Plan C	_____
9. Create Plan D	_____
10. Offer creditors Plan A	_____

Now we’re starting to see some progress. See, you’re already almost done with your Action Steps.

Disaster Plan

While you are working on Plan A, always keep a Plan B, C and D in the back of your mind in case things don’t proceed as you expect them to. Let’s assume that Plan A is your best-case scenario. I don’t want you to be stranded if that does not work

out. You might never get to Plan D, but the process of creating alternative plans will help you be flexible and see multiple solutions.

Although you always hope it's not going to happen, you have to prepare for the worst. What happens if you're stuck with a bunch of creditors who just won't be reasonable and who reject every offer you throw at them? Will you resort to bankruptcy, if necessary? If you lose your home, where will you live? If you have to sell the car, how will you get to work; get the kids to school?

If you have a plan for the worst-case scenario all ready in your back pocket, then, if worst comes to worst, at least you won't be scrambling around at the last minute trying to work out the logistics of carrying on with your life at the same time as dealing with the stress of the situation.

Chapter 5:

Putting it All Into Action With Plan A

Earlier you found out what your numbers were. Now we are going to put them to work by developing Plan A.

Before you can develop a realistic repayment plan, you need to have all the numbers in front of you. On the following page I've included a sample worksheet to get you started and a blank worksheet for you to complete.

Enter the numbers from your budget worksheet on the first six lines to get your “**Adjusted Expenses.**”

Then subtract your new adjusted expense number from your total income and that will give you your “**Debt Repayment Dollars.**” This is the approximate amount you can devote toward getting out of debt.

Sample Debt Repayment Dollars Worksheet

Total Expenses: \$2,710.00

Minus Credit Card Payments: – \$1,147.00

Minus Other Debt Payments: – \$669.00

Minus those things you are
willing to reduce or cut out: – \$50.00

Minus any investments you
are willing to stop: – \$175.00

Now add back in any student loans,
court ordered or tax payments due: + \$197.00

Adjusted Expenses: **= \$866.00**

Total Income: \$2,500.00

Adjusted Expenses: \$866.00

Debt Repayment Dollars: **\$534.00**

Here's the worksheet for you to complete using the numbers from your budget worksheet pages.

Debt Repayment Dollars Worksheet

Total Expenses: _____

Minus Credit Card Payments: - _____

Minus Other Debt Payments: - _____

Minus those things you are willing to reduce or cut out: - _____

Minus any investments you are willing to stop: - _____

Now add back in any student loans, court ordered or tax payments due: + _____

Adjusted Expenses: = _____

Total Income: _____

Adjusted Expenses: _____

Debt Repayment Dollars: _____

Before going ahead with Plan A, check out the following pointers:

1. If you have a government backed student loan, you can contact the Department of Education (www.ed.gov/) and ask to be enrolled in their ICRP (Income Contingent Repayment Plan). It seems that all government agencies love acronyms. Under this plan your loan may be reduced to fit within your income. It can give you some breathing room while you rebuild.
2. If you are getting big bucks back from the IRS each year but finding it hard to make it right now, that means you are probably withholding too much on your taxes each payday. It's not unusual to find someone who is constantly \$300 short each month but who gets a \$5,000 refund at tax time. If this sounds like you, ask your tax professional to give you the number of withholdings you should be claiming so you can break even at the end of the tax year and have enough in your net pay each month to manage the bills.
3. You can't slice all the fun out of your life. Even if you give me the Boy or Girl Scout promise, I know you won't be able to live like that. The best way to address reductions in things that bring you joy are to find a balance. For example, if you eat out for lunch every day, consider eating out once or twice a week for less money and taking your lunch in the rest of the time. If you go to the movies every week, how about knocking that back to every second or third

week? See what I mean? You've got to continue to do things that feed your soul, just not as frequently right now. If you cut out all the fun in your life, you may be able to survive for a while, but eventually it will drive you to go on a crazy spending binge where you'll spend more than you would have if you just did everything in moderation. That's not good for you and it's not good for your creditors, who could end up with nothing if you put your debt over the top.

Using Your Debt Repayment Dollars (DRDs) Wisely

Now that you've figured out how much you really have each month to devote toward debt repayment, it's time to make a plan. The best plan is a fair and equitable division of available dollars.

DRD: \$534 a month

Example Debt:

Visa	\$5,122
MasterCard	\$14,983
American Express	\$32,000
TOTAL	\$52,105

Let's look at that list again in terms of percentage of your total debt:

Visa	9.8%
MasterCard	28.7%
American Express	61.4%

So, under a fair and equitable repayment plan your DRD would be divided like this:

Visa	\$52.32/month	<i>(9.8% of \$534)</i>
MasterCard	\$153.26/month	<i>(28.7% of \$534)</i>
American Express	\$327.88/month	<i>(61.4% of \$534)</i>

After you've established the amount you can afford to pay each creditor each month, you then have to think about over what period of time you want to offer to make payments. There are many factors that can affect this decision that can only be determined by looking at your individual circumstances, but the first step would be to look at what percentage of your overall debt is reasonable to offer.

In the above example, if you offered American Express \$327.88 per month for three years, it would yield them a total of \$11,803.68 ($\327.88×36 months). That is 36 percent of the amount you actually owe them (\$32,000). Is this reasonable? For some creditors, yes. Others won't even look at a plan that yields less than 50 percent of the total debt. You can't possibly know what each creditor's bottom line is, that is something that only comes with experience. (And the line shifts constantly anyway!) In this case, if, instead of offering to make payments for three years, you offered to do so for five, your total payment to American Express would be \$19,672.80 ($\327.88×60). This is over 61 percent of the total debt owed and, in most cases, would be considered a reasonable offer. But like I said, you

never can tell what creditors are going to consider reasonable on any given day. You've just got to give it your best shot.

So this is where Plan A gets a bit dicey. Nobody can predict whether this fair and equitable payment plan is going to satisfy any or all of your creditors. You might get two to agree and then one will lean heavily on you. This is where we've got to be flexible.

What's most important is that you have an end in sight. Your objective is to have a finite term for your repayments, whether it's 12, 24, 36, 48 or 60 months. I don't recommend any plan stretching beyond five years. There's no point in offering to continue making payments until all your debt is settled, as that will condemn you to being under this debt for too long. It's going to be hard enough living with the lifestyle changes you've accepted for five years. Any longer and there's a good chance that you will not be able to keep it up for as long as needed to get you out of debt.

What you are shooting for:

At this point in your plan you want to make dead sure that if Visa is calling, you don't promise to pay more than you can afford until you've talked to the other creditors. In the above example, you would not want to promise to pay more than \$53 a month until everyone is onboard.

When asking for special terms, you'll want to try to get interest reduced or eliminated. The inside scoop here is that, typically,

the further behind on your bills you are, the more flexible your creditors will be. Before you go, “Cool. I’ll just fall behind for a few more months,” *let’s review that point very carefully.* Falling behind on your bills can create as many problems as it can solve. Falling behind on your bills can lead to you getting sued and that can trash your credit, so be warned. But let’s go back to your goal and see what is the most important thing to you.

Let’s say you do get sued by one of your creditors. You can consult with an attorney, who will probably tell you that bankruptcy will kill the suit. And about your credit. What is it that you really want? Do you want good credit right now or do you want to get out of debt? If having good credit is your number-one priority, then I suggest you find a way to continue making your minimum payments until your debt is paid in full. There is no magic wand you can wave to keep your credit spotless when you can’t afford the payments you promised to make.

We’ve established how much you can afford to spend repaying your debts each month. The next step is to put all the information you’ve gathered into a neat little package that demonstrates to your creditors that this really is the best you can do and, more importantly, that it would be in their best interests to accept your offer.

This is where it gets tricky. You can’t just send this offer to the address on your statements, because the people there have no

authority to make a decision like this on behalf of their company. For this plan to stand any chance whatsoever, it is **CRITICAL** to get it into the right hands, for example the M.A.N. This stands for someone with the **M**eans, **A**uthority and **N**eed to accept your plan. The only people with the means, authority and need tend to be fairly high up in lending institutions and can be frustratingly difficult to track down.

When we first started offering these types of repayment plans at Myvesta, we would call up a creditor and explain that we needed to speak to someone who had the authority to accept payment plans that did not fit into their usual scheme of things. Invariably we would either get the runaround, as nobody knew anyone who could help us, or we would be put through to someone who had neither the means nor the authority and certainly not any need. It's taken us years to establish contacts and relationships with the right people at hundreds of lending institutions. If you want to save yourself an awful lot of time, effort and hassle, get in touch with me at SteveRhode.com, so I can point you in the right direction.

Once you've got the names and addresses of the right people, well, then it's all down to fate. Send out your proposal and cross your fingers. You might get lucky and all of them agree to your plan. In which case, you start making the payments as agreed and you're well on your way to a brighter future.

If one or more don't go for it, then it's on to Plan B, C or D, as necessary.

Settling Debts in Full

Some people incorrectly assume they can settle a debt for pennies on the dollar and that it won't hurt their credit. Wrong. It will be reported on your credit report for all to see. Having said that, debt settlement is an option that should be considered.

The advantages of settling your debts are that it will put this behind you quickly and you might be able to get out of debt for only 40 percent of what you owe. However, there are some things to watch for when settling. The first is that the deals get sweeter the further behind you are or if the original creditors send the account to an outside collection agency. (See the caution about deliberately falling behind above.)

Secondly, you are going to get the best deals with lump sum payments rather than an offer to make payments over time. It's the old bird in the hand philosophy. Typically, creditors will give you a better deal if you can send certified funds right now. But where are you going to get the money?

Perhaps from selling some of those sacred cows or, as a last ditch source, borrowing from a retirement plan. I always cringe at this because it's so hard to get the cash back into retirement funds and I don't want you to sacrifice your future just to eliminate short-term pain.

It's better to endure the short-time pain than eat cat food in your golden years. Every dollar you take out of your retirement

fund today is food you will need to eat when you are old. Also, if you end up deciding to file bankruptcy, your attorney will probably advise you that retirement funds are most likely protected. (You can download the publication “Is Bankruptcy Right For Me?” instantly from MyvestaStore.org for just a couple of bucks.)

Notable Resource:

MyvestaStore.org has tons of self-help technical books to download on debt-related issues. If you are looking for specific advice on how to deal with a particular situation, check there next.

Borrowing Your Way Out of Debt

As part of your plan you will need to evaluate if you should borrow money to restructure your debt. If you don't own a house (or other significant asset), it will probably not be worth investigating this opportunity. However, if you own a home with some equity in it, it could be a smart move.

Be advised, borrowing money to consolidate debt can be the smartest or dumbest move you ever made. It can be a king-size bad idea if you just woke up one day and were surprised that you owed people as much as you did. This subconscious spending will land you in hot water again unless you change your ways and develop some clarity about how you got into the jam to begin with.

Tapping equity in your home could be a smart move. It will allow you to repay your debt with a bit of a tax deduction, as long as you don't borrow more than your home is worth, and it will allow you to spread the debt out for as long as 30 years. This long-term extension of debt will hopefully decrease your monthly payment enough to give you the breathing room you need.

You can combine a couple of tricks here and eliminate your debt very quickly. If you saw the financial train wreck coming early, you could refinance your home and take out cash before you get in debt's death grip. Then you could settle your debt for about 50 cents on the dollar (probably) and, in short order, you're done. Remember, you've got to refinance *before* your credit takes a hit with the settlements or reports of non-payment or lenders will be less inclined to extend you credit.

I'd strongly suggest that you contact me before you try to borrow your way out of debt like this. Let's talk it over and make sure it's a good move for you.

Alternative Method For Borrowing Your Way Out of Debt

Here is a little-used technique for letting your creditors finance your way out of debt. In times when interest rates are low it makes sense to refinance your car loan and, while your credit score is decent (higher than 700), negotiate for rate reductions with your creditors.

You might even want to negotiate a fixed interest rate for consolidating cards with balance transfers. Be careful, many balance transfer offers expire after your card account has been open for six months. You don't want that kind of deal. You need an interest rate that will stay put until you get the entire balance paid off.

I've worked with lots of people who have average, or better, credit scores who are still getting charged sky-high interest rates when other cardholders with the same company are getting rock-bottom rates.

A recent search of clients with similar credit scores revealed a wide range of interest rates being charged by the same creditor.

Client A	8.15%
Client B	8.75%
Client C	10.99%
Client D	11.90%
Client E	12.49%
Client F	12.99%
Client G	13.49%
Client H	13.99%
Client I	14.99%
Client J	17.65%
Client K	22.99%

None of these folks know by themselves if their creditor is giving them a good deal or not. The best way for you to get

your interest rates reduced is to call and pit one creditor against another. Keep calling back and forth until you can get your current creditors to reduce your rates as low as possible or you find that home-run creditor that will give you a fixed-rate balance transfer option large enough to consolidate a bunch of your debt.

Now, the balance transfer option may not lower your payment, but more of each payment will be going toward reducing what you owe, rather than just going to pay interest.

Chapter 6:

You Don't Have to Go It Alone — Seek Assistance

(Get professional help from SteveRhode.com)

I've done some difficult things in my life. I became a pilot, I learned to ride a motorcycle by myself and I've dealt with financial troubles. Here is what I learned from the experience.

After my very first flying lesson, I did not fly again for eleven years. I had always wanted to learn, but my first flying instructor took me up for an introductory ride and scared the heck out of me. Did he really need to show the new kid how a plane nose-dives and spins toward to the ground? Probably not.

Eleven years later I decided to try again and worked with an instructor who was a pilot with United Airlines. Paul was a nice guy, but with his United schedule he was frequently unavailable. His lack of accessibility left me spending the next lesson, weeks later, trying to relearn what we worked on last time. Finally, I found a great teacher, Oscar, who was a professional flight instructor. I flew with Oscar at least several

times a week. In almost no time, I completed my solo flights, passed my flight exam and became a licensed pilot. Woohoo!

Years before, I had decided that I wanted a motorcycle. Only one problem: I'd never ridden one before and did not know how to ride. However, a little thing like that didn't stop me from buying one. The dealer helped me out by delivering the bike to my home and, as the guy rolled the motorcycle out of the van and into the garage, it hit me that now I was going to have to figure out how to really ride the thing.

I taught myself how to ride the motorcycle, kind of. Thankfully, it was February and there was snow on the ground because, as I tried to get used to the shifting, braking and accelerating, I had a few mishaps that ended in off-the-road excursions into snowbanks. I'm lucky I did not injure myself while I owned that thing.

Well, there is that one stupid story of me riding on the highway at 60 mph with no shirt on and getting hit in the nipple by a beetle. Ouch! What are you laughing at? Have *you* ever had a beetle hit your nipple at 60 mph? It really hurts! I almost wrecked the bike. Then there's the one about me dropping the motorcycle in front of a group of high school students who were waiting for a bus. They really enjoyed that one. Oh yeah, mustn't forget about losing my passenger off the back at the traffic light ... and on and on and on.

The bottom line here is that although I eventually taught myself how to ride, if I had worked with a professional instructor, like Oscar, I would have been better prepared and better equipped to ride safely. I really needed a motorcycle coach badly.

As I'm writing this, it's been about twenty-five years since I owned that motorcycle and I'm preparing to buy another one. This time, I'll be taking lessons with a professional, because I want to work with someone who can show me the ropes and give me the benefit of their years of experience. I value good guidance and coaching, especially when it comes to something important to me, like my safety (not to mention my nipples). I did my research and found a riding course that looked suitable. I spoke to some very experienced riders who have been through the course and even those with thirty years of regular riding experience said they came away with new skills and information they never knew.

The point I'm getting at is that while it is possible to navigate your way through to an uncertain solution, there is no substitute for working with an experienced professional who can guide you past the land mines and share his or her wisdom and experience. With riding a motorcycle, as with a lot of things in life, it's easier to follow the experienced rider than it is to lead the way.

Overcoming financial problems is like having a toothache. You should no more assume that you know all there is to know

about resolving money troubles than you would fill your own cavity. The strange thing about overcoming money problems is that they impact your present and future life. Making the wrong move now, or not putting into place a solution that will sufficiently overcome all obstacles, can leave you in a worse situation. It's like trying to make the pro football team without working with a coach.

That's what I do. I coach people through some of the most difficult problems they have ever encountered. I share my skills, knowledge, experience and lessons learned with all my clients in order to guide them toward the best possible solution. The more we work together, the easier your journey will be. The more you lean on me for support, the less painful it will be. Helping people find solutions that make their lives better is what I'm good at.

All you need to do is contact me through SteveRhode.com and I'll help you through your uncertain waters to those blue lagoons and brilliant sunsets you always imagined would fill your life.

I look forward to hearing from you and to etching your name into my Debt Survivors Hall of Fame.

Good luck!

**This is not the end,
it's your beginning.**

Let me help.

- Steve

Meet Steve Rhode Money Coach



As president and co-founder of Myvesta, Steve Rhode uses his innovative spirit to inspire people at all points in the financial spectrum, including those who are compulsive shoppers, problem debtors and others who want to save time and money.

In addition to this book, Rhode is also the author of *The Path to Happiness and Wealth*, *The Beach Misses You – A Financial Fable*, *The History of Credit and Debt* and is co-author of *Get Out of Debt: Smart Solutions To Your Money Problems* and *The CheapMeals.com Cookbook*. His weekly column is carried by more than 55 newspapers around the country, he hosts money advice segments that are carried by 120 radio stations and he regularly adds his expert commentary on money and life matters to CNN, MSNBC, PBS, ABC, CBS and NBC. Rhode is constantly interviewed for books, newspapers, magazines and radio programs.

He has an M.B.A. and specialized training in money disorders counseling, divorce planning and financial interventions. But most of all, Rhode has years of experience in providing loving and caring help for people seeking financial solutions and inspiration.

Other Books by Steve Rhode

The Path to Happiness and Wealth

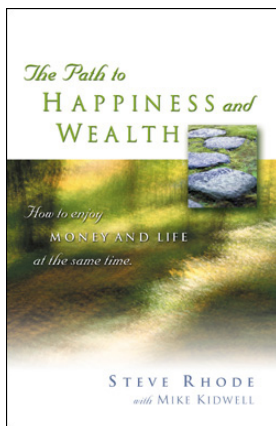
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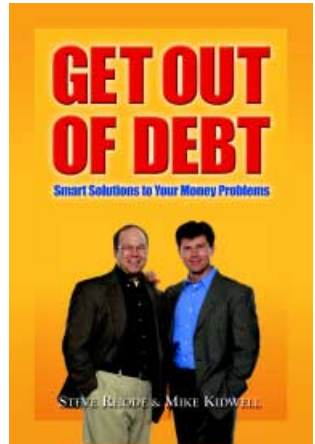
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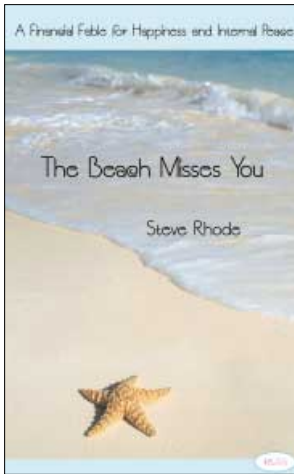
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