## How to Manage Debt

## Personal Debt Inventory

The first step to managing debt is to take an inventory of the debt you already have. Take a moment and list the current debts you have. This is personal and for your eyes only. Don't be embarrassed. Don't be ashamed. This is the first step in recognizing where you currently are in terms of your finances. It is important to assess just what you are facing in terms of payment and debts and to compare it to what you (and your spouse) are making.

## What credit cards do I have?

| Mastercard |  |
| :--- | :--- |
| Visa |  |
| Store | $\square$ |
| Store |  |


| Current Balance |
| :--- |
| Current Balance |
| Current Balance |
| Current Balance |

Monthly Payment $\qquad$
Monthly Payment $\qquad$
Monthly Payment $\qquad$
Monthly Payment $\qquad$

## What loans do I have?

| Mortgage | Current Balance | Monthly Payment |
| :---: | :---: | :---: |
| Car Loan/Lease | Current Balance | Monthly Payment |
| Personal/Student Loan | Current Balance | Monthly Payment |
| Personal Loan | Current Balance | Monthly Payment |

## What other monthly debts I have?

| Utilities |  |
| :--- | :--- |
| Cell Phone |  |
| Cable/Internet |  |
| Other |  |
| Other |  |

Monthly Payment $\qquad$
Monthly Payment $\qquad$
Monthly Payment $\qquad$
Monthly Payment $\qquad$
Monthly Payment $\qquad$

Total amount of debt you have each month $\qquad$
Current household income (include wages, support etc.)
Monthly Amount $\qquad$

How do these two numbers compare? Does this surprise you? What can you do to manage your debt better?

## We now have a place to start

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The Debt Snowball

List your debts in descending order with the smallest payoff or balance first. Do not be concerned with interest rates or terms unless two debts have similar payoffs, then list the higher interest rate debt first. Paying the little debts off first shows you quick feedback and you are more likely to stay with the plan.

Redo this sheet each time you pay off a debt so you can see how close you are getting to freedom. Keep the old sheets to wallpaper the bathroom in your new debt-free house. The "New Payment" is found by adding all the payments on the debts listed above that item to the payment you are working on, so you have compounding payments which will get you out of debt very quickly. "Payments Remaining" is the number of payments remaining when you get down the snowball to that item. Cumulative Payments is the total payments needed, including the snowball, to payoff that item. In other words this is your running total for "Payments Remaining."


