

# Debt Snowball Payoff Method

Get the ball rolling and start attacking your debt!

## WHAT IS THE DEBT SNOWBALL METHOD?

This is only ONE OPTION of how to payoff your debt if it works for you and your finances. Now is the time to dump the debt! The Debt Snowball form will help you get some quick wins and develop some serious momentum!

Paying off debt can feel overwhelming. The Debt Snowball Method helps you build motivation and gain confidence by focusing on one debt at a time. Think of a small snowball rolling downhill. As it keeps rolling, it grows bigger and moves faster. The same happens with your debts—you start small and gain speed as you eliminate each one!

**AT A GLANCE:** You'll make minimum payments on all of your debts except for the smallest one. Then, attack the smallest debt owing with intensity! Throw every dollar at it that you can! Even an extra \$20 each month helps if you can!

## HOW IT WORKS

### 1. LIST YOUR DEBTS FROM SMALLEST TO LARGEST

Don't worry about interest rates unless two debts have about the same balance. In that case, list the one with the higher interest rate first.

### 2. ATTACK THE SMALLEST DEBT FIRST

Pay the minimum payments on all of your debts - except the smallest one.

Put any extra money you can find toward the smallest debt until it's gone.

### 3. ROLL OVER YOUR PAYMENTS

Once you pay off the smallest debt, you take the money that you used each month to pay it off and now you add that amount to the next debt on your list. You will be adding it to the minimum payment you were paying on that next debt. .

Every time you pay off a debt, cross it off your list. As you pay off a debt, the payment "snowballs" into the next debt's monthly payment. Enjoy seeing your progress!



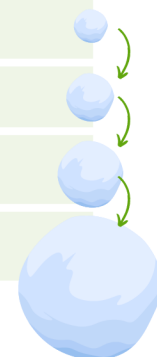
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## AN EXAMPLE OF THE DEBT SNOWBALL PAYOFF METHOD?

LET'S SAY YOU HAVE FOUR DEBTS OWING:

DEBT	AMOUNT OWING	MINIMUM PAYMENT	NEW PAYMENT
Furniture Store Payment Plan	\$600	\$50 + an extra \$20 =	<b>\$70</b>
Credit Card	\$3,500	\$75 + this available \$70 =	<b>\$145</b>
Personal Loan From Bank	\$6,000	\$100 + this available \$145 =	<b>\$245</b>
Car Loan	\$13,000	\$400 + this available \$245 =	<b>\$645</b>



**Step 1:** Arrange them from the smallest to largest balance owing (like the chart above).

**Step 2:** Pay the minimum on everything except the smallest debt. In this example the smallest debt is the Furniture Store Payment Plan. On this smallest debt owing, you pay as much as possible until it's gone. In this example we added an extra \$20 per month to the "New Payment" column.

**Step 3:** When the Furniture Store Payment Plan debt is paid off, cross it off your list and make sure the account is closed.

Now take that monthly payment you were making towards the Furniture Store Payment Plan debt of \$70 and add it to the payment you are making to your NEW lowest debt - In this example that is the Credit Card. So now, instead of paying your minimum payment each month, you can add in the extra \$70 towards paying it off until it is gone.

After that, roll that entire payment amount over to the debt on the list which in this example is the personal loans from bank.

**By doing this, you'll see debts disappear faster and feel energized to keep going. Each debt you crush builds momentum—just like a rolling snowball gathering snow!**



