

Debt Reduction Plan

This is a simple example of a plan to get free from debt. There are many more strategies that you can find online but this simple one will work and is quite easy to do.

Developing a repayment plan is one of the most powerful things you can do. The first step in this process is to face reality...list all of your debts to see just how much you owe. To do this, fill out the Debt Repayment Plan found at this [link](#).

Begin by listing your debts from the smallest to the largest amounts (don't worry about interest rates unless one is ridiculously higher than the others). Then plan to pay the minimum on all your debts and the maximum you can afford on the smallest debt you owe. Though it might make more financial sense to attack the largest amount first, it is psychologically rewarding when you begin to eliminate creditors from the list. With each payoff, roll the amount you were paying into the next smallest debt. Continue this strategy until you are debt free!

In this example, Bob has set aside \$600 per month for debt repayment.

ITEM	TOTAL OWED	MINIMUM PAYMENT	NEW PAYMENT
Home Improvement Store	\$150	\$15	\$110
Department Store	\$250	\$10	\$10
Credit Card #1	\$500	\$75	\$75
Credit Card #2	\$1500	\$90	\$90
Car Loan	\$4000	\$250	\$250
Student Loan	\$4000	\$65	\$65

After paying off the first credit card, his new debt repayment plan would look like this:

ITEM	TOTAL OWED	MINIMUM PAYMENT	NEW PAYMENT
Department Store	\$250	\$10	\$120
Credit Card #1	\$500	\$75	\$75
Credit Card #2	\$1500	\$90	\$90
Car Loan	\$4000	\$250	\$250
Student Loan	\$4000	\$65	\$65