The Money Matters Series

DEBT MANAGMENT TIPS & TRICKS

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PHEONIX CONSULTING
STRENGTHEN YOUR FUTURE

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Awarded best advisor in THe Spectator Readers Choice

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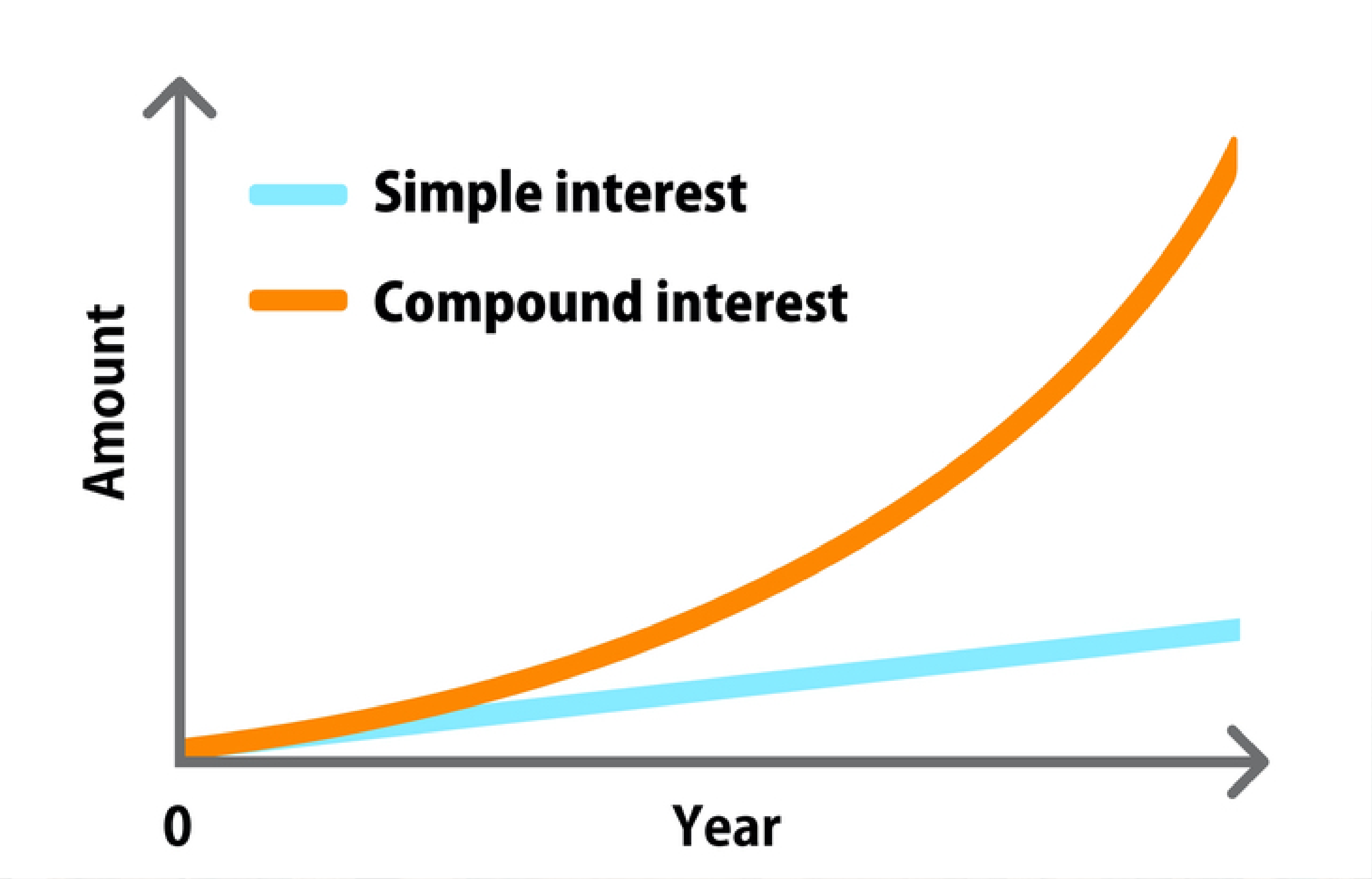
Interest on Money

This is the cost of borrowing money usually respresented as a percentage of dollar value **used.** Applied after due date of paying back not met.

E.g. Interest (borrowing cost) = 10%
Used $100, then interest is 10% of $100, which is $10.

So, if the $100 is not paid back in time, the person will need to pay $110.

SIMPLE VS COMPOUND



SIMPLE:
Lines of Credit, Home Equity Lines of Credit

COMPOUND:
Credit Card, Car Loans, Mortgage

Remember:
Pay simple, Invest Compound

TYPES OF DEBT PAY OFF PLAN

SNOWBALL METHOD

The "snowball method," simply put, means paying off the smallest of all your loans as quickly as possible. Once that debt is paid, you take the money you were putting toward that payment and roll it onto the next-smallest debt owed. Ideally, this process would continue until all accounts are paid off.

TO DO:

Step 1: List your debts from smallest to largest regardless of interest rate.

Step 2: Make minimum payments on all your debts except the smallest.

Step 3: Pay as much as possible on your smallest debt.

Step 4: Repeat until each debt is paid in full.

DEBT STACKING

The Stack Method, often referred to as "debt stacking," requires making a list of all your sources of debt, starting with the debts that incur the highest interest. Then, you make the minimum payments for each source of debt, but when any extra money comes your way, you throw it at the debt at the top of the list. This way, you eliminate the debts with the most interest first, dropping extra costs to a manageable level in a fairly short amount of time.

TO DO:

Step 1: Stop Creating New Debt

Step 2: Rank Your Debt by Interest Rate

- Make a list of all your debt with amounts and the interest rate. The highest interest rate should be at the top as this is what you'll pay off first.

Step 3: Lower Your Interest Rates

- You can often lower your credit card interest rates by doing a balance transfer.

Step 4: Create a Strategic Spending Plan

CREATE A SPENDING PLAN

This is where we improve your financial control. Take a piece of paper and write down your income after tax and all the expenses that you have. This will include the minimum payments on all your debt.
Look at your expenses, and then rank them in order of importance to you. Look at the items on the bottom of your list and decide whether you'd rather have them or be financially stable. The objective is to create a spending plan where your expenses are lower than your income.

REMEMBER: What you dont measure gets missed.

Reward Your Progress

You want to track your Target Debt so you can see your progress along the way. You can also decide on milestones that you're going to celebrate and reward yourself for.

A reward doesn't have to cost money, but if it does then it comes from your previously allocated spending plan.

This is an important step as it will keep your motivation going when you feel your willpower fading.

ASK FOR HELP

- call bank to see if they offer interest reductions or balance transfer to a lower interest vehicle
- create payment plans with companies (e.g. phone bills, rent)

IMPORTANT

Laws that affect rules change all the time, federally and provincially. Please contact your company providers for all details of your loan items.

Q&A