

LESSON 2

BABY STEP



KEY POINTS

- ✓ Baby Step 2 is paying off all debt (except the house) using the debt snowball.
- ✓ Debt is not a tool used to build wealth, and payments don't have to be a way of life.
- ✓ It takes gazelle intensity to get out of debt.

BABY STEP

2

Pay Off All Debt (Except the House) Using the Debt Snowball

You've got \$1,000 in the bank, and you're ready for Baby Step 2: paying off all your debt except your house using the debt snowball! Attack the smallest debt first while making minimum payments on the others. Once you pay off the first one, you'll move to the next smallest debt, taking your freed-up money, newfound motivation and momentum with you—until you pay off the last, largest debt!

THE
7 BABY
STEPS

LESSON 2 //
BABY STEP 2



GUIDE
Dave Ramsey

BABY STEP 2

Pay off all _____ (except the house) using the debt snowball.



The rich *rule* over the poor, and the borrower is *slave* to the lender.

— PROVERBS 22:7 (NIV)

MYTHS & TRUTHS

MYTH: I need a credit card to rent a car and make purchases online.

TRUTH: You can do both of these things with a _____ card.

MYTH: Car payments are a way of life. You can't live without a car payment.

TRUTH: You can stay away from car payments by paying cash for reliable used cars.

MYTH: I need to take out a credit card to build up my credit score.

TRUTH: The FICO score is an "I love _____" score.

ANSWER KEY

Debt
Debit
Debt

LESSON 2 //
MYTHS & TRUTHS

MYTH: I pay my credit card off every month. And I can earn points and airline miles.

TRUTH: When you use a credit card instead of cash, you actually spend _____ because you don't feel it.

.....

MYTH: A credit card is more secure than a debit card.

TRUTH: Debit cards and credit cards have the _____ amount of protection.

.....

MYTH: My teenager needs a credit card to learn how to be responsible with money.

TRUTH: More students drop out of school because of _____ trouble than for academic failure.

.....

MYTH: Leasing a car is smart. You should always lease things that go down in value. There are tax advantages.

TRUTH: Consumer Reports and a good calculator will tell you that a car _____ is the most expensive way to operate and finance a vehicle.

.....

MYTH: I can get a good deal on a new car.

TRUTH: A new car loses _____% of its value in the first five years.

ANSWER KEY

- More
- Same
- Financial
- Lease
- 60

LESSON 2 //
MYTHS & TRUTHS

MYTH: A home equity loan is a good option for consolidation and a great substitute for an emergency fund.

TRUTH: You don't go into debt when you're in the middle of an emergency. You'll make the emergency a _____.

MYTH: Debt consolidation is smart. It saves interest and gets you a smaller payment.

TRUTH: Debt consolidation does nothing to change the _____ that got you into debt. So, many who do it actually end up with more debt.

MYTH: Cosigning a loan is okay if I'm helping a friend or relative.

TRUTH: The bank requires a cosigner because the person isn't likely to _____.

MYTH: You can't go to college without taking out student loans.

TRUTH: _____% of millionaires with a college degree never took out student loans.

ANSWER KEY

Crisis
Behavior
Repay
68

LESSON 2 //
MYTHS & TRUTHS

BIGGEST MYTH OF ALL

MYTH: Debt is a tool and should be used to create prosperity.

TRUTH: Debt is proof that the borrower is _____ to the lender.



Give *no sleep* to your eyes, nor
slumber to your eyelids. Deliver
yourself *like a gazelle* from the
hand of the hunter, and like a bird
from the hand of the fowler.

— PROVERBS 6:4-5 (NKJV)

NOTES

Handwritten notes area with horizontal lines and decorative yellow and blue brushstrokes.

ANSWER KEY

Slave

LESSON 2 //
DEBT SNOWBALL

HOW TO GET OUT OF DEBT

- Quit borrowing more _____!
- You must _____ money.
- _____ something.
- Take a part-time _____.
- _____ really works.

DEBT SNOWBALL

List your debts smallest to largest. Make minimum payments on all of them and attack the smallest one with a vengeance.



ANSWER KEY

- Money
- Save
- Sell
- Job
- Prayer

IT'S TIME FOR A PLASECTOMY



Remember, your situation will never change until you do! So, grab the scissors and slash your lifeline to stupid. You're done with debt and you're never going back, which means you're done with credit cards. That's right. It's time for a plasectomy.

We get it. This step is hard. But debt has taken too much from you already. And it's the biggest thief of your financial future. So, get the cards out of your life and start attacking debt with a vengeance! Goodbye, credit cards. Hello, freedom.

Whether you cut them up in your class or at home on your own, **write down the card information first!** Once you pay them off, you'll have to call and cancel each account.

CREDIT CARD NAME

PLASECTOMY DATE

CANCEL DATE



	CREDIT CARD NAME	PLASECTOMY DATE	CANCEL DATE
1	<input type="text"/>	<input type="text"/>	<input type="text"/>
2	<input type="text"/>	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>	<input type="text"/>
4	<input type="text"/>	<input type="text"/>	<input type="text"/>
5	<input type="text"/>	<input type="text"/>	<input type="text"/>
6	<input type="text"/>	<input type="text"/>	<input type="text"/>
7	<input type="text"/>	<input type="text"/>	<input type="text"/>

HOW TO CLOSE OUT YOUR CREDIT CARDS

The plasectomy is a mental and physical sign that you're done with debt—forever. *No more. No way. No how.* But there are **three steps** to breaking up with your credit cards for good!



1 PAY OFF THE BALANCE

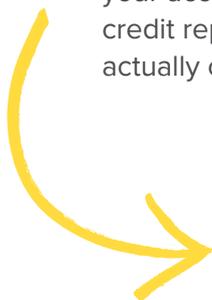
Go ahead and cut up the cards. But before you can cancel the accounts, you'll need to pay off the balance. No matter how much you have to pay off, just list the payments in your debt snowball and attack them with gazelle intensity one by one!

2 CALL THE CREDIT CARD COMPANY

Once you pay off the balance, call the credit card company and say, "I'm calling to close my account." Spoiler alert: They're going to say whatever they can think of to keep you from leaving. Don't fall for their gimmicks or counteroffers. Just repeat, "I'm calling to close my account." Be firm, and remember, you're *done* with debt.

3 GET IT IN WRITING

When you call to cancel your account, keep a record of the conversation's details. You'll want written proof from the company that your account is clear and closed. It's also a good idea to check your credit report later in the year to verify that these accounts are actually closed.



DISCUSSION

Whether you're in a class or online, be honest with your answers and remember to encourage one another!



Look over the list of myths and truths Dave covered in the video. Which myths have fooled you in the past? How can you make sure you don't get duped again?



What fears or concerns do you have about living without credit cards?



Proverbs 22:7 says that “the borrower is slave to the lender” (NIV). What would your life look like if you were totally debt-free? What could you do that you can't afford to do now?



Dave says, “You can wander into debt, but you can't wander out.” You'll have to make some tough decisions and sacrifices moving forward. What's one area you can cut back—or cut out—to reach your money goals?



You need serious passion and motivation to get out of debt. What's one thing you can do to kick-start and keep up your gazelle intensity?

ACTION STEPS

It's time to live out what you just learned! Complete each of the Action Steps before the next lesson.

- CUT UP YOUR CREDIT CARDS**
If you didn't do it as part of the Activity, gather the family, grab scissors, and host a plasectomy party! This is when you decide to stop the crazy cycle of debt—so celebrate! Just remember that you'll also need to call each credit card company and close the accounts once and for all.
- FILL OUT YOUR DEBT SNOWBALL**
If you have any non-mortgage debts, list them in your debt snowball in **Ramsey+**. We'll help you sort your debts from smallest to largest so you can start attacking the first one right away. Make sure you track your payoff progress in **Ramsey+** so you always know how close you are to your debt-free date! Don't have any debt? Head to the next Action Step!
- GET GAZELLE INTENSE**
If you're in Baby Step 1, 2 or 3, it's time to get intense—this is a “whatever it takes” mentality! That means you pause investing, sell the second TV, ban restaurants, and work overtime. A couple years of intense sacrifice is worth a lifetime of freedom.
- TRACK YOUR TRANSACTIONS IN EVERYDOLLAR**
Actually using your budget is the only way it will work for you! Stay on budget by tracking your transactions and dragging them into the right categories. That's how you'll see exactly how much you've spent in each category you budgeted for! **Pro tip:** Connect your bank to **EveryDollar** so your transactions show up in your budget automatically.
- READ “THE DEBT SNOWBALL” ON THE NEXT PAGE**
Need a reminder on how the debt snowball works? Check out how this method is the fastest way to get rid of debt!

THE DEBT Snowball

What could you do if you didn't owe anyone your paycheck? That means no student loans, no credit card bills, no car payments—no debt. With the **debt snowball**, you'll pay off the smallest debt first and work your way up to the largest. *But wait.* Doesn't it make sense mathematically to pay off the debt with the highest interest rate first? Maybe. But if you'd been paying attention to math, you wouldn't be in debt. It's time to pay attention to your behavior. Enter the debt snowball.



1 LIST YOUR DEBTS FROM SMALLEST TO LARGEST

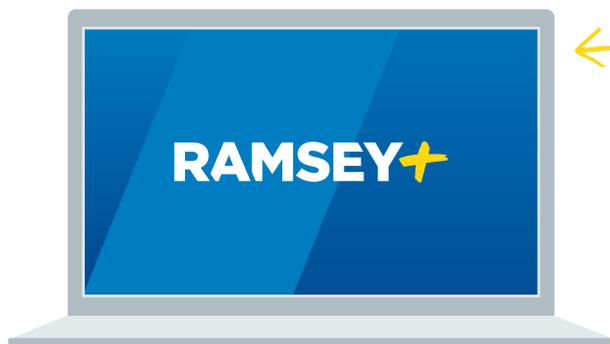
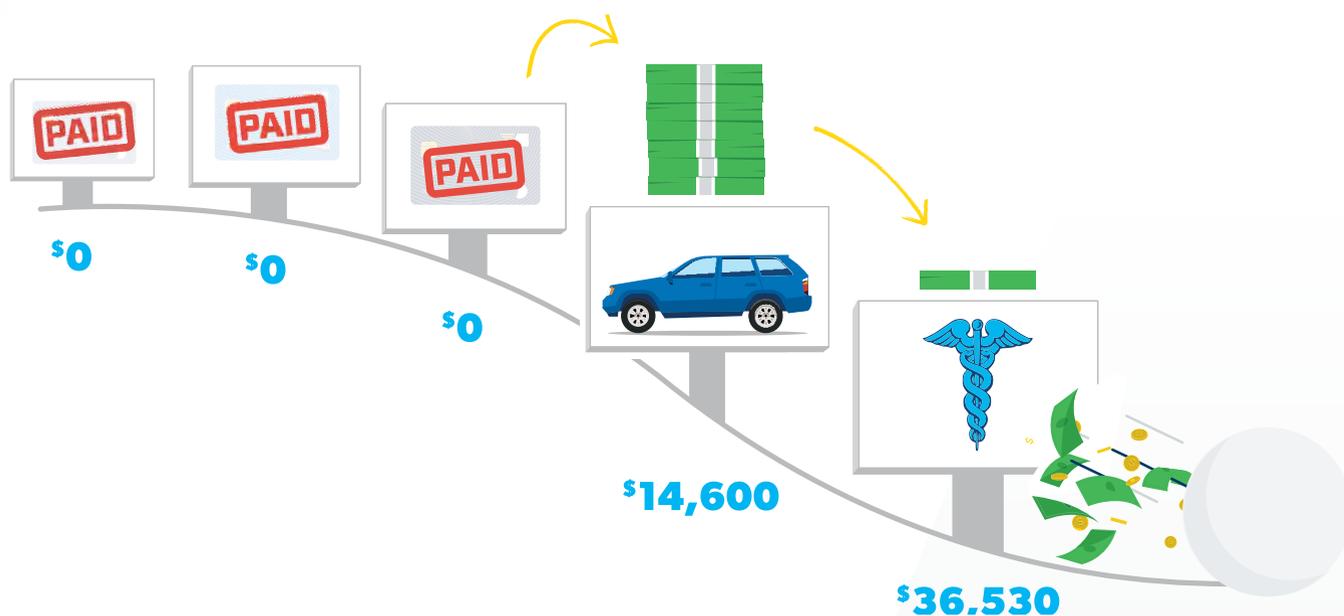
Don't worry about the interest rates! Seriously—smallest to largest.

2 ATTACK THE SMALLEST DEBT WITH A VENGEANCE

Make minimum payments on all your other debts while you pay off the smallest debt as fast as you can!

3 REPEAT THIS METHOD AS YOU PLOW YOUR WAY THROUGH EACH DEBT

Once that debt is gone, take its payment and apply it to the next-smallest debt. The more you pay off, the more your freed-up money grows and gets thrown onto the next debt—like a snowball rolling downhill.



TRACK YOUR PROGRESS IN RAMSEY+

Complete your debt snowball and track your progress as you pay off debt!

BABY STEP

Take the total number from your debt snowball and write it below. Then, once you pay off that very last debt, celebrate and come back to this page to mark the day you became debt-free.

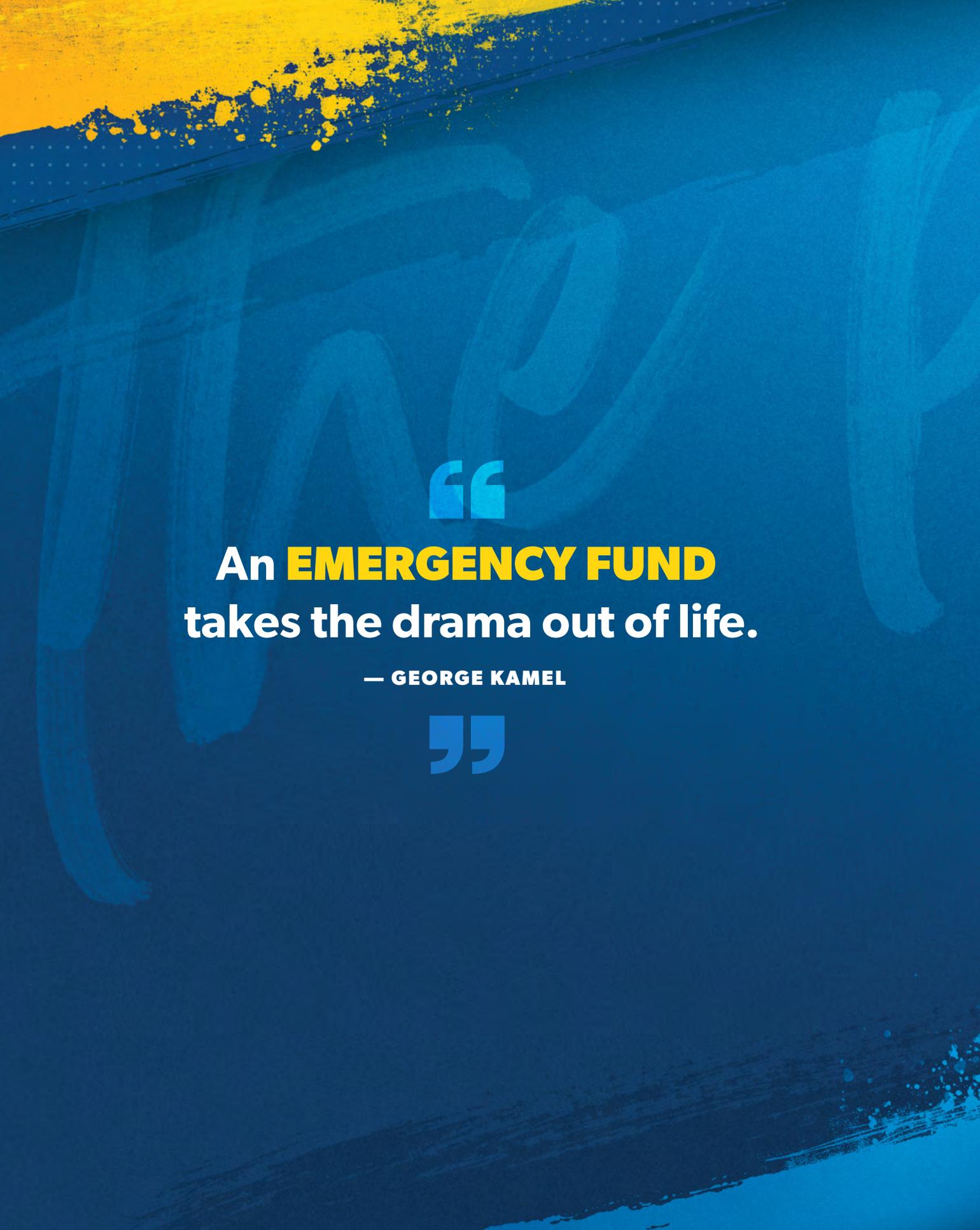
 **GOAL**

\$

 **DATE COMPLETED**

____ / ____ / ____
MONTH DAY YEAR

YOU CAN
Wander **INTO**
DEBT
BUT YOU *Can't*
WANDER
OUT



“

An **EMERGENCY FUND**
takes the drama out of life.

— GEORGE KAMEL

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