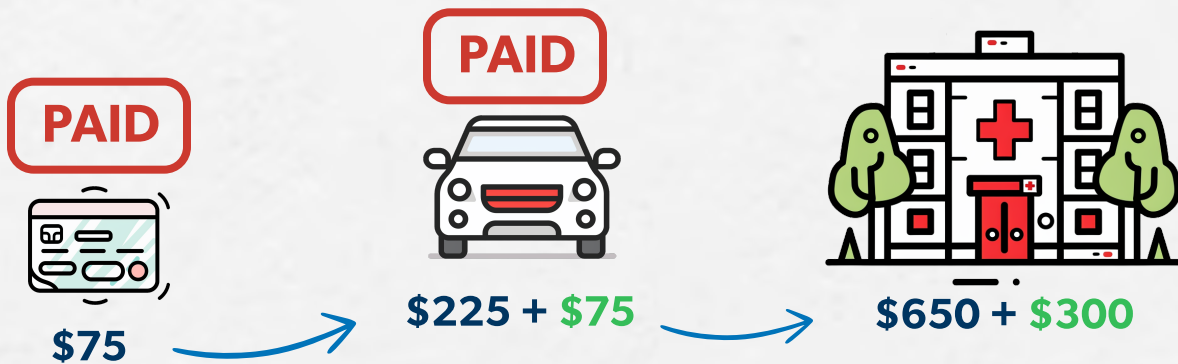


Key Takeaways

Lesson 2: Baby Step 2

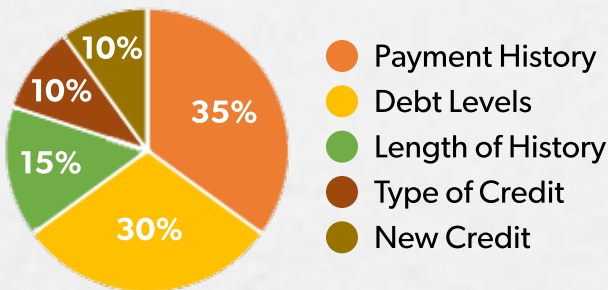
Baby Step 2: Pay Off All Debt (Except the House) Using the Debt Snowball

Debt Snowball: Attack smallest debt first while making minimum payments on the others. Once that one is gone, move to the next smallest debt and apply all the freed-up money to that one until you pay off the last, largest debt!



Truth About Your FICO Score

It's an "I love debt" score.
FICO Score Calculation:



Why the Debt Snowball?

Because money isn't a *math* problem. It's a *behavior* problem! The debt snowball is the best way to gain and sustain momentum on your debt payoff journey.

Gazelle Intensity: Actions to Get Out of Debt



1. Quit borrowing more money.

3. Sell some stuff!



2. Start saving money.



4. Find ways to increase your income.

Debt Myths vs. Truths

Myth ❌

Credit cards help build your credit score.

Truth ✅

Credit cards help build your credit score to help you finance things you can't afford.

Myth ❌

Whether through financing or leasing, you can't live without a car payment.

Truth ✅

You can stay away from car payments by paying cash for reliable used cars – since new cars lose 60% of their value in the first five years.

Myth ❌

Debt consolidation is smart.

Truth ✅

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

Myth ❌

You need student loans to go to college.

Truth ✅

There are many ways to pay for college that don't include going into debt (choose an affordable college, get a part-time job, getting grants and scholarships).

Gratitude & Contentment

Submit yourself to the process, knowing that it's going to be tough but well worth the temporary sacrifice. Be grateful for what you've got and find cheap or free ways to have fun through it all!

Free activities to keep you motivated:

1. Have a family/friend game night.
2. Go on a nature walk and take photos along the way.
3. Learn a new skill online (who knows, it could turn into your very own side hustle).
4. Find free community events in your area like movies in the park, music festivals, or farmers markets.
5. Take a picnic to the park.