

# THE MONEY COACHES



“The secret to getting ahead is getting started.”  
Mark Twain

## Mired In Debt



Today, debt seems to be a normal part of life and most everyone has it. There are any number of reasons consumers take on debt: A new car, a quality education, a dream vacation, the “best Christmas ever,” an unexpected illness, the loss of a job.

Banks advertise loans for boats and cars, credit card companies offer special incentives for travel or points for charging purchases, commercials entice consumers to buy the latest and greatest gadget.

As debt begins to pile up, many consumers wonder how they will ever pay it off. It may not have been a lot at the time, but as the days become weeks, and the weeks turn into months, and the months, years, it seems nearly impossible to think those debts will ever be completely paid off.

### Debt – What is it?

Debt is something that is owed. It is an obligation or liability to pay or render something to someone else for goods or services that have been bought on credit. It is a promise that it will be paid back. It is important to read and understand the

terms of the repayment plan. Oftentimes they come with high interest rates.

The total cost of the item or goods that were purchased will end up costing way more than the original value.

### Debt - What it does

Debt limits opportunities and keeps one from reaching their full potential. It prevents the realization of dreams, future goals and aspirations.

- **Debt Presumes on the Future** – *It assumes there will be no reduction in income or unexpected expenses.*
- **Debt lowers your standard of living in the future** – *What is borrowed today must be repaid in the future with interest.*
- **Debt places the power of compound interest at work against you** -*It increases the amount owed.*
- **Debt avoids facing lifestyle decisions** – *It bases the affordability on the low payment rather than the actual cost of the item.*
- **Debt keeps one from distinguishing wants and desires from real “needs”**
- **Debt stifles creativity and resourcefulness** – *When always buying new, it limits the use of creativity to make do, recycle or re-purpose.*
- **Debt Encourages impulse buying and overspending** – *Studies show when using plastic instead of cash overspending is more likely.*

### Debt – How to Avoid it

Set savings goals for large purchases. This not only gives one a sense of satisfaction and accomplishment when that goal is reached, but it prevents paying way more for an item than it is worth.

Delay, delay, delay. Consider waiting several days before making a purchase over \$50. Impulse purchases are often the culprit that prevent one from achieving their financial goals.

Pay with cash as often as possible. All of those swipes add up. Every. Single. One. And with the new balance comes new interest which costs more than the incentive it promises.

Figure the total cost of the purchase with interest rather than just checking the monthly payment. Don't assume it is a good deal because the monthly payment is low. It is surprising how much something costs when payments are strung out over time.

### Struggling with Debt?

It's never too late to gain control of your finances. We're here to help! Get started today.

Contact the Money Coaches for assistance!

# The Debt Snowball



If you have been stuck in debt, you know it can be a somewhat hopeless place. You can easily resign yourself to your lot and in doing so, often end up letting the problem grow rather than tackling it head-on.

At The Money Coaches, we teach the debt snowball method of dealing with your personal debt. The way this works is pretty simple. You begin by listing all your debt, including credit cards, student loans, car payments, medical bills, etc. Do not add in your mortgage to this list, as that is something we recommend tackling at a later stage.

Once you have it all in front of you, your next step is to organize it from the smallest debt to the largest. You'll pay the minimum on all of your debts and throw everything you can at the lowest debt on your list.

To many, this might seem counterintuitive. The most practical and sensible thing would be to target the debt with the worst interest rate. While that tactic is very logical and rational, we don't believe it is the most effective. If we were totally logical and rational in our spending, we probably wouldn't be in a

situation where a debt repayment system was needed, right?

So because we are flawed, the best way is to start with the smallest debt. That lets you get a "win" early by knocking out a debt, even if it is a small one. Once it is paid off, you can move on to the next smallest debt, and apply all the extra funds you have to *that* debt, on top of the minimum payment you were already making. The process continues on up the line, with the payments you are able to make growing as you finish off each debt.

Once you build up a head of steam, you'll be paying off debt like a large snowball that's rolling downhill, with an unstoppable momentum!

The process of getting out of debt is very simple, but that doesn't mean it is easy. It requires a serious commitment to change. If you aren't faithfully making maximum payments, or you are turning around and putting more money on credit cards, you won't make the progress you desire.

As always, if you are struggling to get started, aren't sure what your next step should be, or just need some wisdom and encouragement, reach out to us and let us help you!

*If you find yourself in a hole, stop digging!*  
-Will Rogers

For more, check us out at  
[www.themoneycoaches.com](http://www.themoneycoaches.com)!

## Grandma Dixon's Double Fudge Cake

### Cake:

- 2 cups flour
- 4 T. cocoa
- 2 cups sugar
- 1/2 cup buttermilk
- 1 stick margarine
- 1 tsp. baking soda
- 1/2 cup cooking oil
- 2 eggs (can be made without)
- 1 cup water
- 1 tsp. vanilla
- Pinch of salt

### Frosting:

- 1 stick margarine
- 1 cup coconut (optional)
- 6 T. Milk
- 1 cup nuts (optional)
- 4 T. Cocoa
- 1 tsp. vanilla
- 1 box confectioners sugar

### Instructions:

1. In large mixing bowl, place flour and sugar. In saucepan, place margarine, oil, water and cocoa. Bring to a boil.
2. Add to flour and sugar, mix well. Add buttermilk, baking soda, salt, eggs and vanilla. Mix well. Pour into greased, floured 10x14 pan and bake for 25 minutes at 375 degrees.
3. Five minutes before removing cake from oven, make frosting.
4. In saucepan, place margarine, milk and cocoa. Bring to boil. Remove from heat, add confectioners sugar and vanilla. Beat, then spread over hot cake. If desired, add coconut and nuts to frosting.

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