

HOW TO GET OUT OF DEBT



Introduction

Americans are positively bloated with debt. The New York Fed recently reported that consumer debt has reached it's highest peak ever at \$14.3 trillion dollars. A number this high is a danger both to your personal finances and the economy as a whole. If you're ever going to eliminate your debt, now is the time.

How do you even begin such an insane task as eliminating all your debts? How do you survive it for such a long time? It takes the average family between 3 and 7 years to eliminate their major debts and that's if they hunker down and slash spending.

Americor's got you covered. We will give you an overview of strategies and tools — helping you learn how to plan and how to budget. We will also show you an array of options, including our own debt resolution plan. Some plans can get your enrolled debts settled and paid in as little as 12 months if you qualify for the Line of Credit from our partner Credit9 (see page 6 for more information).

Mark your calendar. With a budget, discipline, and help from Americor you could be waking up on this day next year with your enrolled debts behind you.



Why Rush Out Of Debt?

You may be wondering why you need to hurry to eliminate debts. What's wrong with making those monthly payments for years? You may have spent so much time in the red you can't see it, but debt has a number of incredibly negative effects on your life.

Interest Payments

Credit card interest rates average around 17%, though they can go as high as 28% or 30%. While that may not seem like much, this interest is factored in often complex ratios that compound frequently. That means if you don't rush you could be spending thousands of extra dollars on your debts over the long haul. The average American family wastes an average of \$8,037 a year on interest payments.

Health Effects

Through stress, worry, and a lack of care, debt can have an enormous impact on your health. Studies have shown that people with high debt-to-asset ratios have higher blood pressure, are more prone to depression and anxiety, and even have weakened immune systems.

Relationships

Many couples argue about money and overwhelming debt can be downright toxic for your relationships. A statistic from Family Law Attorneys Wilkinson & Finkbeiner states that newly married couples who argued about money at least once a week were 30 times more likely to be divorced in the following five years than couples who argued about other issues.

Career and Future

Unsurprisingly, owing large amounts of money can dampen your career and future for decades. Workers with large amounts of debt are less likely to become entrepreneurs or start new businesses. Huge debts also cause your credit score to drop by as much as 30%. A low score could delay major purchases and life stages, such as buying a home, starting a family, or retiring.

Building A Debt-Crunching Budget

Part of the reason so many Americans are in such bad financial shape is that they don't budget at all. According to a study by U.S. Bank, only 41% of Americans use a budget to manage their money. That leaves about 60% of us with no real concept of how we spend. Sometimes money feels like it slips right through our fingers. Building a good budget can help you save thousands.

A Normal Budget

Before we can figure our extreme budget for this debt-destroying year, it's best to cover what a basic, everyday budget should look like. There are many different ways to structure a budget. Tailor a budget to your personal tastes and needs. A good general plan is the 50-20-30 model. That is:

- » 50% of your income to needs. Needs include bills, groceries, gas, housing, etc.
- » 20% of your income to savings and debts.
- » 30% of your income to extra spending. This would be anything you do for entertainment or joy.

Even percentages like this may not work for everyone's wallet, but this is a great goal to shoot for in your everyday life. If you can't fully achieve these numbers, the practice of examining your spending is a good habit to get into.

A Debt-Crunching Budget

50-20-30 is great for normal life although it's not going to solve your debt problems in a year. You should shape your budget around your personal needs, and here's an alternative 50-40-5-5 model to follow for the next year:

50% of your income to needs. There's not much you can do to reduce needs. You'll always have electricity, housing, and groceries to worry about. While there are some strategies to reduce what you spend here, your needs percentage won't fluctuate much.

40% of your income to debts. This seems like a high number because it is. If we're going to blast through some debt we'll have to be as ambitious as possible.

5% of your income to savings. Even in extreme times it's still wise to save. Emergencies can happen at any time. Put some cash away for a rainy day.

5% (or less) of your income to extras. Here's where you can really save some money to pump into your debt payments. This is always the most flexible part of your budget and the part over which you have the most control.

Use More Cash

A great way to encourage yourself to spend less is to make more payments in cash. Many people state that using only cash helps them think twice about overspending. The hassle of going and getting more cash from the ATM can be another small incentive to conserve the green you've already got. As much as you can, use physical money for your daily spending.

Finding Help On The Road To Being Debt-Free

While having a smart budget can save you thousands of dollars a year, for most Americans it's still not enough. According to Bankrate.com, the average American in 2020 owes \$5,315 in credit card debt. If a consumer has student loans, the average amount owed is \$38,792. The average amount of mortgage debt today is a whopping \$208,185.



Americor's Debt Relief Plan

Negotiation and Settlement

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Conclusion

Paying off debts isn't easy, but the rewards are substantial. It's important to establish a budget that works for you and to stick to that budget. You've got to change your mindset and habits to stay out of debt for the long haul.

Americor is here to help. Becoming debt free is a major accomplishment and a big undertaking. We all need help sometimes achieving our goals. Reach out to Americor for a free debt analysis and consultation. Our debt resolution plan has turned thousands of people's financial dreams into realities.

We're rooting for you. You can do this. Your debt-free life is waiting for you. The only question is: what are you waiting for?

