



The “Debt Rocket” Example

This form will show you the path to paying off all of your debts. List all of your debts from the smallest to largest and begin attacking your smallest debt first. Continue paying payments on all of the debts every month but any extra you have should go to paying off the smallest first. When that smallest debt is **completely** paid off, then begin applying that money to the next smallest debt along with the regular payment you have been sending. Continue until all debts are paid and your debt rocket has launched you into the blue sky of debt freedom!

<u>Item</u>	<u>Total Payoff Amount</u>	<u>Minimum Payment</u>	<u>New Payment</u>	<u>Payments Remaining</u>
Visa	300	20	0	0
Mastercard	450	35	55	8
Sears	500	40	95	2
Car Payment 1	5,000	450	545	1
Student Loan	5,500	500	Paid off	0
Car Payment 2	7,000	500	1,545	1
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

- Once all debts (except house) are paid, then:**
1. Finish building your emergency fund (3-6 mo. of expenses)
 2. Fund retirement and college funds
 3. Then attack house debt

<u>House Payment</u>	<u>100,000</u>	<u>800</u>	<u>2345</u>	_____
----------------------	----------------	------------	-------------	-------

The Debt Rocket

- Directions:
1. List your debts from smallest to largest
 2. Continue sending payments to all of your creditors. Any extra you have should go toward paying off the smallest debt as fast as possible.
 3. Once the smallest debt is completely paid off, then begin sending in that money as extra payment toward paying off the next smallest debt. This will accelerate the time it takes to pay off that next smallest debt.
 4. Once the next smallest debt is paid off, then attack the next one on the list using the extra money you were sending to the previous creditors.

If you use this technique diligently, you will **greatly** accelerate the time it takes to get **all** of your debts **paid off** and begin the next step of accumulating 3–6 months of expenses as **self insurance** against job loss, major sickness, temporary disability, etc.

Once you have saved that 3–6 months of expenses, then you can begin funding retirement accounts and paying off your house in an accelerated fashion so you can eventually become **COMPLETELY DEBT FREE !!!**