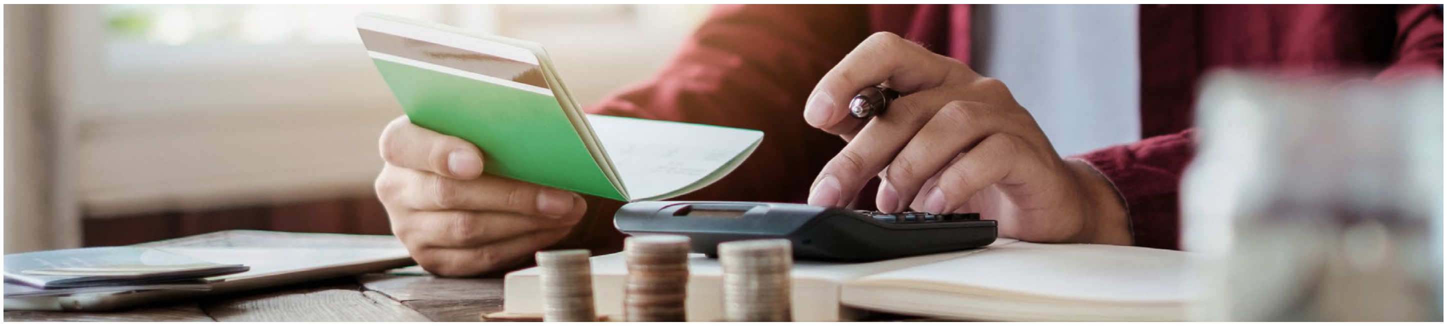
Debt Management



What is Debt?

Debt is when money is owed for the purchase of goods or services. There is **GOOD DEBT** and **BAD DEBT**.

GOOD vs BAD

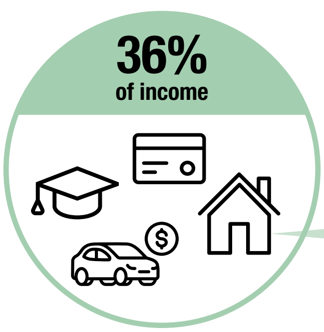
GOOD DEBT: Has potential to increase your net worth once paid off. Examples:

- Home mortgage
- Education
- Auto loans
- Secured, lower rate loans for things like home renovations

BAD DEBT: Accumulated through the purchase of goods or services that do not increase in value. Examples:

- Credit cards
- Store cards
- Unsecured, higher rate loans for things like a recreational vehicle

How Much is Too Much?



Most experts recommend that your total debt-to-income ratio be no more than 36% when paying all of your recurring debt.

Additionally, no more than 30% of your gross monthly income should be used to pay for your housing expenses *(including mortgage or rent, taxes and insurance)*.

How Much is Too Much?

A **debt-to-income ratio** looks at how much you owe compared to how much you earn.

Monthly Debt Payments ÷ **Gross Monthly Income** = **Debt-to-Income Ratio**

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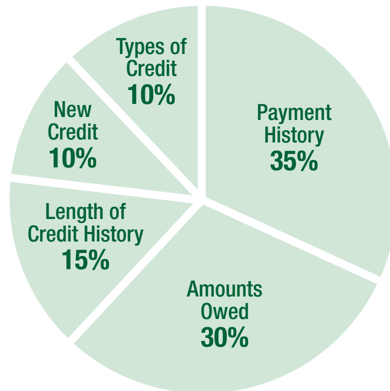
What is Debt?

Credit is when goods, services, or money is received in **exchange for a promise to pay** a definite sum of money at a future date.

Credit Score

A credit score is a prediction of how likely you are to pay your bills. Your score is a number between 300 and 850 and it's derived from many different factors such as length of credit history, amount of revolving debt, number of open accounts and payment history.

What factors contribute to your credit score?



It is important to check your credit report annually to ensure there are no errors that could be hurting your credit score or costing you unnecessary fees.

Website to request your free report: **www.annualcreditreport.com**

Debt Management

Debt Management is simply creating a plan to repay debt in a productive way.

Before starting any debt management strategy, **freeze all credit card spending.**

Debt Management Strategies

1. **Single Card Payoff** – Consider paying more than the monthly payment. This will decrease the time it takes to pay off the card and save you money in interest fees.
2. **Multiple Card Payoff** – Start with the card that has the lowest balance. Find extra money that you can cut from your discretionary spending and apply that money toward the monthly payment of the first card. Then, when that card is paid off, apply that card's monthly payment toward the card with the next lowest balance. Continue this strategy until all cards or bills are paid off. Again, this strategy will save you time and money.
3. **Debt Consolidation** – If you have more loan payments than you can handle, or each separate payment is getting harder and harder to pay each month, you may want to consider debt consolidation – combining debts into one loan can potentially lower monthly payments and interest charges. For more information, visit **www.nationaldebtrelief.com**.
4. **Debt Settlement** – Debt settlement programs are typically offered by for-profit companies, and involve the company negotiating with your creditors to allow you to pay a "settlement" to resolve your debt. The settlement is another word for a lump sum that's less than the full amount you owe. Do your research when considering this option to ensure that you are doing business with a credible organization.