

Christian PF

CHRISTIAN PERSONAL FINANCE

The [ChristianPF.com](https://www.ChristianPF.com) guide to

Getting out of Debt

The rich rules over the poor, and the borrower becomes the lender's slave. (Pro 22.7)

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Thanks for checking out this eBook. Feel free to share it with anyone who you think may need it. It is completely free along with the 500+ other articles about [getting out of debt](#), [saving money](#), [making money](#), [budgeting](#), and [managing money biblically](#) at ChristianPF.com

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Intro

This world is backwards. Everyone loves to talk about using OPM (other people's money) to purchase things or to gain wealth. I just don't get it. Mathematically I understand the advantages of leveraging debt, but math cannot be used to understand every situation. As emotional creatures we were not designed to function as walking calculators making every decision based solely on the numbers.

While math plays a role in our financial lives, there are far more powerful truths, like discipline for example. The thing is that most of us know mathematically what we should do with our finances, yet because of a lack of discipline we don't do it. So, what then needs fixing - the math or the discipline?

Another truth that really clarified to me why I needed to get out of debt is because the Bible says, "the borrower is slave to the lender." Anyone who has been in deep debt can attest to the truth of this. Essentially, when you dig yourself in debt you give up control of your life. With each new debt you give more control to your lender and slowly become more of a slave.

You don't have to be in debt

I always thought that debt was just a way of life. I accepted the fact that I would always have a car payment. Everyone has credit cards, so I just assumed if everyone was doing it, it was okay.

Then something changed. I decided that rather than always having a car payment, I wanted to never take out a loan on a car again. Sure, in the short term I might not be able to drive the car of my dreams, but what I found was that the little sacrifice has been and will continue to yield tremendous fruit.

Think about it - most of the companies advertising have some form of credit or financing they are offering. So, everything we hear from them is

going to try to convince us that being in debt is normal, fun, and what the "cool kids are doing."

It may be normal, but there is something so much better available to us.

Freedom is the better choice

One of my greatest motivators for becoming debt-free has been the freedom. I just can not wait until I have every debt paid off and actually OWN my home. Paying bills will be so fun!

I just sit and smile when I think about the freedom of not living paycheck to paycheck. I used to live in fear knowing that if I was out of work for more than a week, I would be in big trouble financially. Personally, I don't believe that God set us free in so many other areas, so that we could stay slaves in the area of debt.

Others are affected

As I have been on the journey to get out of debt I discovered that the reason for it is a lot larger than my freedom. While that has been a great motivator for me, I am now getting excited about the increased opportunity to give. Most everyone has experienced the joy of giving. The challenge is that we often want to give, but have all these other necessary expenses that have to be taken out first. If you are like most, it seems like there is never quite as much to give as you would like.

This is exactly why we need to get our debt paid off! How can we expect to be big givers if we owe money to everyone else and don't have anything ourselves?

For me this is a huge motivator. I have a feeling that I am not alone in this. I believe that a lot of the church has been limited in their ability to give because of debt. I believe that God is wanting something more from us. I believe that He is wanting us to become good stewards of our finances so that we will be able to better honor Him and others with our checkbooks.

Join us on the journey

My goal and hope is that Christians all over the world will see the importance of getting out of debt and begin the journey to get there. I believe this book will take you through the steps you need to get there. It is not easy, but remember God is on your side and wants you to succeed more than you do! Ask Him for help, do your part, and you will not be disappointed.

This book outlines many of the steps that my wife and I took to pay off over \$30,000 in consumer debts. Each chapter was an article on the ChristianPF.com website, but at the request of a few churches who wanted an easier way to use them, I created this eBook. I pray that it helps you become the steward that God intended for you to be! Enjoy!

Chapter 1 - It's not about us!

Why get out of debt?

I believe that God put each person down here for a reason and that reason is to bless others. In doing so, we will be blessed.

God didn't create us so that we could seek our own satisfaction.

I have found in my own life that my most joyful moments often revolved around me helping or doing something to benefit another person. This was the reason for starting [Free Stuff Friday](#). Meanwhile, my most painful, sorrowful, and sad moments were taking place when I was thinking about myself. Often times one of the quickest remedies to a struggle that we are having is to get our minds off ourselves and go do something for someone else.

So what does this have to do with getting out of debt? A whole lot actually. Your motivation for wanting to get out of debt should go beyond yourself. Sure, it will be awesome when you get to break out of the paycheck-to-paycheck cycle and when you can buy that car with cash, but that is just part of it. God wants to use you to financially bless others! This is a very good thing because...

Giving is one of the most fun and self-fulfilling activities you can be a part of.

You are storing up treasure in Heaven for eternity, rather than down here for a few more years (Matthew 6:20).

Giving is a great way to burn selfishness out of your life.

When you give, it will be given back to you in abundance (Luke 6:38)!

You must have something to give!

If you are like most Christians I have met, you want to be able to give more to your church and to bless those around you. But again, if you are like most that I have met, you are thinking, "it is hard enough just to pay the bills each month, let alone give to others the way I would like to." This is exactly why you need to get out of debt!

Imagine how much easier it would be to give if you didn't have any credit card payments, or car payments, or even (dare I say it) a mortgage payment—this has been my motivation over the last few years! This is where you and I are headed!

It is not actually our money

Our money is really not our own. We are merely stewards of what we have been given by God (read the [Parable of the Talents](#) for a refresher.) Even if you insist on saying that you worked hard to earn it, who gave you your brain, the hands you used, and even the air you put in your lungs?

We came into the world with nothing, we will leave with nothing. It is all God's (Psalm 89:11). We have the privilege of being stewards. When we are slack or wasteful with our money, it is not our money we are wasting, but God's. It is not only ourselves that we hinder but others as well. Yes the thought of being out of debt is fun to think about, but the main purpose for our getting out of debt is to benefit the Kingdom of God.

God didn't set this thing up so that we just sit back as spectators, and it also isn't just about what we can do with our strength. We have a part to play and so does God. The Bible says that we are co-laborers with Him (1 Corinthians 3:9). We need to be giving to fund and finance the Kingdom of God - how much more effective are we going to be if we are out of debt?

"God blesses us, that all the ends of the earth may fear Him." Psalm 67:7

Let me warn you upfront, working to be debt free is NOT easy. It requires sacrifices. It requires a fight. But anything in life that is worth having is going to require a fight. You can do all things through Christ who strengthens you!! Don't grow weary in well doing!!

Chapter 2 - Open your mind

Our greatest battles as Christians are in our minds.

I have noticed in my life that whenever I face a challenging situation (aka opportunity for growth) I almost always have to go through the same three steps...

I have to open my mind to a new way of thinking or doing something
I have to make a decision to do it
Then I can take action

I have found that when I am challenged by something, I either open my mind to the possibility of it or I don't. If I do open my mind to it, then I have to count the cost to decide if I want to do it. If so, the last and often easiest step is to just do it.

For example: Before I started walking with God and even a couple years after, if I thought about sharing the Gospel with someone, I would not have opened my mind to it, because that was something that, "I would not do." My mind was completely closed to the possibility of it and I would not even entertain thoughts about it.

As I grew in my walk, God helped me open my mind to the possibility. I was still convinced that it was something I would hopefully never have to do, but if God really, really needed my to, I would.

Well, guess what? It wasn't much longer before I was faced with the opportunity. Now I had to decide. My mind was telling me 50 reasons why I should not as I argued with myself trying to come to a decision. It was a very fierce battle, but the decision was made and it was all down hill from there. Actually taking action (talking to the person) was easy. None

of the stuff I was afraid of happened (got mocked, spit on, etc.), The hardest part was actually DECIDING to do it.

It has been very difficult opening my mind to things that were different. It is easy to do things like you always have, but opening your mind to change is difficult. It can be a painful experience to realize that maybe you have been wrong about something all your life or that there was a better way that you didn't know about. But what option do you have? We can either bury our head in the sand, or humble ourselves and open up to the possibility of changing.

The Parable of the Rich Young Ruler

This story provides a good example of someone who was not willing open his mind to changing his ways.

Matthew 19:16-22

And someone came to Him and said, “Teacher, what good thing shall I do that I may obtain eternal life?” And He said to him, “Why are you asking Me about what is good? There is only One who is good; but if you wish to enter into life, keep the commandments.” Then he said to Him, “Which ones?”

And Jesus said, “YOU SHALL NOT COMMIT MURDER; YOU SHALL NOT COMMIT ADULTERY; YOU SHALL NOT STEAL; YOU SHALL NOT BEAR FALSE WITNESS; HONOR YOUR FATHER AND MOTHER; and YOU SHALL LOVE YOUR NEIGHBOR AS YOURSELF.”

The young man said to Him, “All these things I have kept; what am I still lacking?” Jesus said to him, “If you wish to be complete, go and sell your possessions and give to the poor, and you will have treasure in heaven; and come, follow Me.” But when the young man heard this statement, he went away grieving; for he was one who owned much property.

He probably had all of his identity tied up in his wealth, which is why when Jesus challenged his thinking by telling him to give his stuff away and follow him he couldn't do it. He couldn't open his mind to the possibility of not having all his wealth. He had been given specific

instruction on what he needed to do to go to Heaven - yet his closed mind prevented him from following through.

He might have been thinking a lot of the same things we think when faced with the decision of whether or not to get out of debt. Like:

Am I still going to be able to go buy new clothes once a week?

Am I going to be able to go out to eat as much as I would like?

Am I going to have to do things that don't feel good?

For the Rich Young Ruler, the challenge was opening his mind to the possibility of not doing things the way he always had. He was probably raised having everything He wanted and couldn't imagine the thought of giving it all up. It wasn't the act of giving the money away that was the challenge, it was the fact that he couldn't even open his mind to the possibility of not having his wealth.

He could have obeyed Jesus and used his wealth to greatly benefit the lives of others. His problem was that he was unwilling to open his mind to the possibility of giving it away. Without opening his mind to the possibility of it, he obviously would never be able to DECIDE to give it, so would also never be able to give it.

I have found that the greatest breakthroughs in my life came as a result of opening my mind to a new way of thinking. It requires humility to admit that something you have always done or always thought is not necessarily the only way or correct at all. These mindset changes can be very difficult, but they are absolutely essential to follow God and accomplish anything worth accomplishing in life.

Getting out of debt is not a one-time decision

I wish getting out of debt, losing weight, and exercising were one-time decisions, but they are not. They need to be decided over and over again. Every time you get tempted to buy something you don't need, or have a potluck at work, or just feel like sitting on the couch - you have a decision to make. Are you going to do what you should do, or what you FEEL like doing?

You probably know what most people do most of the time - what they FEEL like doing. You are obviously different. You wouldn't be reading this if you were like most people.

So, you may have "decided" to get out of debt, but as we go through the rest of this eBook you will probably be faced with some ideas that are challenging. You first need to open your mind to them, then if they are right for you, decide to do them and then of course, take action.

Chapter 3 - Create a balance sheet

While I think few would argue that paying off debts is a good thing, there is a better way to accurately see the big picture of your finances. It is called your NET WORTH. And no it is not just a number that rich people talk about at cocktail parties. It is what financially saavy people use to track their progress.

The simple definition of it is:

$$\text{Assets(stuff you own) - Liabilities(debts) = Net Worth}$$

It is simple to calculate and I will get to that shortly, but first...

Why Net Worth rather than just debt?

Your Net Worth is more encouraging

The primary reason for using your Net Worth as a gauge of your financial progress rather than the amount of debt you have is because it is more encouraging. When you look at your amount of debt to track progress you are only seeing the fruit of paying down those debts. On the other hand, your Net Worth increases for every good financial decision you make.

For example, you can increase your Net Worth with the following actions:

- Paying off credit cards or car loans
- Paying more towards your mortgage
- Buying property
- Funding a [Roth IRA](#)
- Getting your [employer's match on your 401\(k\)](#)

Building an [emergency fund](#)

Buying index funds, mutual funds, or dividend paying stocks

Or even just not spending as much money

There are many more things you can do to increase your Net Worth, but these are some of the bigger and more common ones.

Your Net Worth changes how you think about buying decisions

The second reason I prefer to use my Net Worth to track my progress is because I have found it helps change how I think about my buying decisions.

One of the most valuable financial lessons I have learned can be summed up in two words: buy assets. What I mean by that is you should spend more of your money on things that will keep cash in your pocket. So they should at the very least:

maintain their value

but better yet increase in value

and the best would be increase in value and provide you income as well.

On the other hand you should avoid buying things that are going to take cash from your pocket. Coincidentally, these are most of the things most of us spend our money on. When you buy clothes, food, electronics, decorations, cars, entertainment, you are (generally) using cash to for something that is going down in value and therefore decreasing your Net Worth.

Examples of this would be:

Spending \$200 on new clothes

A \$50 steak dinner

Getting the new iPhone

Going to the Yankees game

A brand new BMW

Think about how much you could sell each of these for 2 years from now. Each one of them is a depreciating asset, so 2 years later they would not be worth what you paid for it, if anything at all. But if you had spent it on...

Buying property

Funding a [Roth IRA](#)

Getting your [employer's match on your 401\(k\)](#)

Building an [emergency fund](#)

Buying index funds, mutual funds, or dividend paying stocks

You would have a much better chance that it would be worth at least what you paid, and it would more than likely be worth more than you paid for it.

Obviously there is more to life than Net Worth, and you can never avoid spending money on depreciating assets, but you can avoid spending ALL of your money on depreciating assets. This is the key to why many people never get ahead financially. They spend all of their money on stuff that goes down in value. Once you start buying things that increase in value, you begin building a snowball that just grows larger and larger, faster and faster.

I don't want to get the cart ahead of the horse, so lets get back to our Net Worth. The reason I mentioned this is because I want you to be thinking about the end result of each buying decision. None of the things listed above are necessarily wrong, but they should be thought about and decided upon rather than just reacting to what you "feel like doing". Your Net Worth will reflect each buying decision that you make - good or bad.

How to calculate your Net Worth

This shouldn't take more than a hour if you have never done it before. When you update it in the future it will take even less time than that. I have created a template from my own balance sheet that you can use if you would like. You can [download it here](#).

1. Get a spreadsheet

First off, you can do this on paper if you really want to, but I suggest Excel, [Google docs](#), [Open Office](#), or really any kind of spreadsheet will do.

2. Total your assets

List every asset you can think of. Anything that you could realistically sell. For the purposes of sanity and simplicity I don't bother with items under about \$500. Yea, I am sure I could find someone on [Ebay](#) to buy my socks, but I am just looking for a general picture. So I just lump together all these smaller items as one line called "Misc items" and take a conservative guess of what they could be sold for.

So your house, [cars](#), retirement accounts, stocks, [savings accounts](#), checking accounts, emergency fund, jewelry, and anything else similar would fall in this category.

To get real estate values you can use [Zillow](#) to get a decent estimate of what your home may be worth. For automobiles you can check out [Kelley Blue Book](#) to see what they could be sold for. For all your checking, savings, investment accounts you can either check the balances online, or just use your last statement.

Once you have them all listed with the estimated selling/liquidation value you can total them up.

3. Total your liabilities

A few lines below the Assets total, we are going to now list every debt you have. Mortgages, credit cards, student loans, they all apply. Do the same as above checking balances on each one and then total your debts to get your liability total.

4. Subtract them

Now you can subtract your liability total from your asset total and viola! You have your Net Worth. Date it and save it.

Now what?

When I first calculated my Net Worth, it was -\$13,843.84. Which was eye-opening to me. I knew I had a bunch of debt, but didn't realize how below par I was. Regardless of what your number is, just look at it as the starting point. It is from this point that it will become larger.

After we had been working at it for one year it was up to \$746! We were so excited to have a positive Net Worth! Even if it was only \$746. As we kept on working on it, it has just continued to grow.

I normally update mine about two times a year. But if you are working really hard at it and need to see the encouragement of it increasing, do it more! As in just about anything, you are either moving forward, or you are going backwards. If you are increasing your assets by making good buying decisions or minimizing debts your net worth will be growing.

Chapter 4 - Quit Spending

Plug the holes

If you were in a boat in the middle of the ocean and you noticed that water was coming in through a hole, would you spend your time scooping the water out over the side of the boat, or would you plug the hole?

Getting out of debt works with the same principle. Our spending is like the water coming into the boat, and the way to fix it is to QUIT SPENDING!

Yes, it is obvious, but it needs to be repeated because for some reason our brains can realize that it is true, but not do anything about it. So our goal in this lesson is to plug the hole, stop the bleeding, whatever you want to call it: quit spending.

Spend less money than you make

Getting out of debt, creating wealth, living financially free, retiring with cash in hand can all be achieved by following one simple rule:

Spend less than you earn.

If you do everything else wrong, but get this correct you will still be okay. But, the scary truth is that if you do everything else right, but get this wrong you will be in bad shape.

It is very simple, but it is not easy. But it is the only way to stay debt free. It is the only way to have any lasting wealth. It doesn't matter if get \$10 million from lottery winnings, if you can't follow this simple rule you will be back to where you started in no time (and often even worse.)

It doesn't matter how much you make. Everyone (I used to do this too) thinks that when they make more money they will be able to spend less than they earn. This just is very rarely true.

We all know someone who no matter what time something starts you can count on them being 15 minutes late. It doesn't matter if they have the entire day free, they will still be late. It isn't a matter of the time available as much as it is a matter of discipline. So it is with our spending.

If you can't spend less than you earn with what you have now, you will not be able to when you get more. Parkinson's law states that "expenses rise to meet income." So without a deliberate and intentional effort each increase in income that you get will quickly be used up by new expenses.

This is frustrating part about getting a raise. As much as I loved getting them, they never seemed to make bill paying any easier. Have you ever felt this way?

"So I know I need to spend less than I earn, but how?"

Make a budget

A budget is absolutely one of the best tools that you will find to help you spend less than you make. I have written extensively about [how to budget](#), but I suggest you start with this post - [how to make a budget](#). It will walk you through all the steps you need to get started on an effective budget. If you are really serious about getting out of debt, don't skip this step.

Everyone who does not budget spends more money than those who do. It is as simple as that. It doesn't have to be painful and can even be [fun](#). I also have some [free budgeting spreadsheets](#) that you can download or [15 free budgeting tools](#) that may assist you in your budgeting.

Eliminate the temptation to spend.

It is not a bad idea at all to cut up the credit cards. Romans 13:14 says to, "make no provision for the flesh in regard to its lusts." I did this by not going to the mall and not going out to eat. These were my two problem areas where I spent way too much money. Find out what your temptations are and run from them and set yourself up to succeed. Alcoholics shouldn't hang out in bars and over-spenders shouldn't go to the mall!

Chapter 5 - 15 ways to cut expenses

1. Car Insurance

Believe me, if you haven't shopped around for car insurance in a couple years - it is worth your while. I really was sure that I had the lowest rates I could get, but then I checked out [Geico](#) and found that [I could save \\$330](#) a year for the same coverage. I was so blown away that they could save me \$330 that I didn't shop anywhere else.

Six months later my old insurance broker called trying to get me back and she had found another insurance company ([America First](#)) [who was \\$250 cheaper than Geico](#). And again it was for the same coverage. So just to repeat - I thought I was paying a good rate, but by shopping around I was able to knock almost \$600 off my car insurance bill.

2. Save money on gas

While everyone wants gas prices to go down, you can cut your monthly gas bill by taking some pro-active steps. Checkout these [75 gas saving tips](#) and grab a few of them and start working them into your driving. And for some more advanced techniques you can learn [how to hypermile](#) as well.

3. Cell Phones

Grab your most recent cell phone bills and look at them to see what you are actually paying for.

Are you paying for internet service that you are not using?

Are you paying for 1000 minutes a month, when you are only averaging about 350?

Are you paying for text messages that you are not using?

Before you call your cell phone company check other Cellular companies to see how their rates compare. If it is still worth your while to stay with your current provider, then call them up and talk to them about the changes that you can make.

4. Home phone lines

Ask yourself a tough question, "Do I really need a land line? Would it be possible to use my cell phone for all calls?"

If the answer is no, you may want to look into Vonage. I haven't used them, but I know they are saving some people lots of money each month. (They currently have a plan for \$14.99 a month that gives you local and long distance.) Also take a look at [Magicjack](#) - while it isn't flawless, it is an extremely cheap alternative.

If you are have a land line solely for the purpose of having a DSL internet connection, I would recommend calling the phone company to adjust your phone plan. I was not using my land line at all and was paying \$25 for it. I called them and got the plan lowered to a pay-per-call plan which only costs me \$7 a month.

If you can get by without a land line, call and cancel it. This will probably save you \$20 or more a month just by making a phone call.

5. Save on the Internet

I am not suggesting that you get dial-up. That is just cruel and unusual punishment ;) . But, if you are paying for the premium package you should consider one of the slower packages. Many people won't notice a difference in how fast the web pages load.

Again, it may be worthwhile looking at the options available for high-speed internet service. I saved about \$20 a month switching from one company to another.

6. Make going out to dinner something special

This is one of the easiest fixes for most people. I know I am saving hundreds of dollars a month by not doing what I used to do with my food purchases.

Not only will you save yourself a lot of money, but it will be more fun when you do go out. Have you noticed that when you do something all the time, it just isn't as fun anymore? This is a great way to "add fun" and save money.

A couple going out to dinner just two times in a week could easily spend \$300 a month. If they knock it down to just one time a week that is \$150 savings.

7. Make it yourself

You really can cook. I don't care if people told you that you were a bad cook, don't listen to them. You aren't bad and it is not that hard. There are tons of meals that you can make that require little more than an ability to set a timer and read directions. Start at Allrecipies.com, they have lots of cool features that I won't get into here - just check it out.

8. Bring your lunch

This is one of those rubber-meets-the-road sacrifices. But it pays off handsomely. If you are paying \$10 for lunch to go out each day, you are spending \$200 a month. If you bring your lunch 3 days a week, you should easily be able to save \$100 a month.

9. Eat what you have

Buy food that you are going to eat and eat what you have. I cut my grocery bill by 50% from my wasteful years by eating the food I had and not wasting any. I could not believe how much money I was wasting by letting food spoil. Just putting a little bit of thought into your grocery list each week will be an easy way to save money.

10. Clip coupons

Most of the food we buy doesn't have coupons, so this has never been too much help for me. But, there are some people who take pride in buying a grocery cart full of food for \$25 and 100 coupons. Even if you aren't a pro, beginners can save \$50 a month without much difficulty. For more info, read [how to save money with coupons](#).

11. Drink water

I saved myself \$30 a month just by quitting my Pepsi addiction. A Starbucks addict could probably save \$100 a month by switching to water.

12. Save on your energy bills

A lot of energy saving tips require you to buy something in order to save money in the long run. While I am all for that, the purpose of these tips is to give you more cash in your hand now so that you can pay down your debt.

That being said you can check out these [10 ways to conserve energy and save money](#) and these [winter energy saving tips](#).

13. Pay your bills on time!

This is obvious, but some people (like myself) need the obvious restated sometimes ;) Late bills often incur a fee that is nothing but a waste of your precious money.

If you find yourself forgetting to pay your bills on time, set up a free [Google calendar](#) and you can put reminders of when each bill needs to be paid. You can even set it up to email you to remind you to pay it on the correct date. While this is a shorter term fix, I prefer to [set up a schedule of bill payments](#) in order to make bill paying easier.

14. Save at the bank

Grab your recent bank statements and examine them for ambiguous fees. If you see any and don't know what they are, call your bank and ask them to explain it. I worked at a bank for years and I know how good they can be at coming up with creative names for their fees.

Years ago, after figuring out some of the [advantages to banking with a credit union](#) I made the switch. I still bank at one of the best Credit Unions in town and use [ING as my online bank](#).

If you find out that you are paying fees for your basic banking needs, I recommend switching. There is no reason you should be paying fees for falling below a minimum balance or anything else. It is your money. Take it somewhere where you have control over the money, not the bank.

Most credit unions will not have many (or all) of the fees that bigger banks may have. ING also has a great checking account that [I use and love](#).

15. Save on purchases

If you are working on getting out of debt, you should be thinking long and hard about any sizeable purchases. But, if you must, then make sure you are getting the best price in the world on the item. The internet has taken comparison shopping to a whole new level.

Yea, there are a million places you can buy things online, but I have found that I almost always find the best price at one of these three places:

[Ebay](#) (yes, they have new stuff too)

[Amazon](#)

or using the discount from [Ebates](#)

[Microsoft's Live Cashback search](#) is another good tool to find the best price, but it hasn't beat out the other three on any occasions yet. [Craigslist](#) and [FreeCycle.org](#) are also good tools for finding some bargains on used items.

Other tips to cut your expenses

Buy greeting cards in bulk at the Dollar store or the party store. This will help you to save a lot of money and you won't have to make an extra trip every time you need one.

If you are an avid reader and spend a lot on books trying using the library again. Remember the library? Another option is to buy them from [Amazon](#) used. I have a couple books on my Amazon wish list that cost less than a nickel for a used copy. And here are [5 ways to save money on books](#).

If you have an emergency fund built up, you may want to look at [increasing your deductibles to save money](#).

If clothing purchases are needed, at least look at these [6 tips to save money on your clothing expenses](#).

Chapter 6 - Make Sacrifices

Ok, if you have made it this far in the book, you are doing great. But this one is where the rubber meets the road. This is where we see how bad you want to be out of debt.

The sacrifice is only temporary!

The most important thing to remember as you are reading this is that it is ONLY TEMPORARY. By making a sacrifice you are not condemning yourself to that for the rest of your life. You just need to make up for all the overspending that has taken place in the past

If you have done some of the things mentioned in the last few articles, you are on a better financial footing than you were. But, if your expenses are still greater than your income, then we are going to have to take a few more steps.

Sacrifice your stuff and sell it!

Like we mentioned before, your [balance sheet](#) is the true indication of whether or not you are progressing financially. But, if your expenses are greater than your income, it is highly unlikely that you are increasing your net worth. So, in order to move forward you either have to cut expenses or increase income.

So far we have mostly been focusing on the less painful ways of [cutting expenses](#) in order to increase our net worth. Depending on how deep in debt you are, you may need to take drastic measures to get yourself back on solid ground.

What do you have that you owe money on?

Take out a piece of paper and write them down. Do you have loans on your house, car, boat, living room set, or anything else? The goal is to minimize our expenses, so what better way than getting rid of some of the stuff we owe on? Don't worry, you will be able to get it again later, but now your goal is to break free from the bondage of debt!

Remember when I said you have to open your mind to things that you might not have wanted to do. This is probably one of them.

Cars are terrible investments!

We pay a lot of money for them and they basically only go down in value until they to car heaven. In my opinion cars get people into financial trouble more than anything else. Most people don't spend tens of thousands of dollars on something that knowingly goes down in value.

The way to defeat this of course is to [drive older cars](#) (older cars have already suffered [much of the depreciation](#) and therefore lose a whole lot less in value each year).

What is good about this is that if you have a car that you paid \$25,000 for and it is now worth \$17,000 you can sell it, take the \$17,000 and use \$6,000 to buy an old car and use the remaining \$11,000 to pay down your debt. Just think about this for a second. You can knock out \$11,000 of debt just by making one sacrifice: driving an older car.

Now I know not everyone is in that situation, but the principle still applies. So, if you have a boat that you owe thousands on still, or a couple cars, it doesn't really matter. If you are making payments on it, you should consider getting rid of it.

And come to think of it, if you do own it and it is still worth a decent amount, you can sell that too!

"But if I get an older car, it will be expensive to maintain."

Not necessarily. Go to [Consumer Reports](#) and give them \$5.95 for one month of access to their website. They have, hands down, the best and most useful information for buying a used car. The rate just about every car in the book for all kinds of criteria. Not the least of which is reliability.

What you will find is that [Honda and Toyota](#) (on average) make the most reliable cars. If you were looking for the [single best old car that is reliable](#), I would say it would probably be a Civic. But, do your own homework at Consumer Reports.

Sacrifice your time and get to work! Again.

Yep, if everything up to this point isn't getting you into the black, then you may need to think about getting a second job. The good news is that second jobs aren't what they used to be. I remember when I was younger I would put in a hard day's work at the grocery store and then make my way to the restaurant for the completion of about 12-16 hours on my feet.

Needless to say those days were very tiring, but it doesn't have to be that way. There are many work-from-home opportunities that you could get involved in as you work to knock out the debt.

Work Overtime

Ask your boss if he/she has anything extra you can work on to pick up some extra hours. This will likely be the best paying additional income you could find.

Sell on Ebay

This is probably the most popular method these days for people looking to supplement their income. The greatest part about it is that you can start with stuff laying around your house. If you have not sold on Ebay before, I highly recommend it as a way to generate some extra income. For more info you can read an article I wrote for beginners called [7 Steps to selling on Ebay](#).

Freelance Work

Do you have a skill that you could make some money on the side with? If so you can post an ad in Craigslist for free. You can check out [elance.com](https://www.elance.com) or one of the millions of Freelance job sites out there. Google "Freelance work" to get a small sampling of what is available.

Chapter 7 - Use the Debt Snowball

Creating a debt snowball is a great method to pay down your debts. The strength of using this method is that it focuses on the behavioral side of finance rather than the mathematical. Since we are not robots that always do exactly what we know we should, I recommend this method for most people.

These are the simple steps to snowball your debt...

1. Create a list of all of your debts: credit cards, car loans, student loans, mortgages, etc...
2. Next to each one write down the total balance owed.
3. Re-order these from smallest to largest debts (use Excel or [Google Docs](#) to make this simpler.)
4. Pay the minimum payment on all of the debts - except the smallest one.
5. Put every extra dollar you can find towards paying off that smallest debt.
6. Celebrate like crazy when you get that first debt paid off.
7. Take the amount you were paying towards the first debt and put towards the next smallest debt. Do this until this one is paid off.
8. Celebrate again!

9. Continue this process until each one is paid off.

What you will find is that each time you pay off a debt, the “snowball” gets larger. Since you are taking the amount you used to pay off the first debt and putting it all + the minimum payment that you were already paying to the second together, you are making more of an impact towards that debt. Each time you pay off a debt, the snowball gets larger and more powerful - which is great, because it just increases the speed that each debt gets paid off.

The numbers don't lie

If you are like most logical people out there (like me :)) you are probably saying, “you could save more money by paying the highest interest rate cards off first.” You are right - calculators do not lie and they will give you the correct logical answer. Paying your credit cards off starting with the highest interest rate to the lowest is “mathematically” the best idea. But, let's look at it from another angle:

If we DID what we knew we SHOULD do 100% of the time, using the mathematical approach would be best. But, we are emotional beings and even the most disciplined among us still have emotions and are affected by them.

Computers use logic 100% of the time. Humans do not. We were not created to. We make decisions based on our emotions. We get let down, we get encouraged, we feel motivated, we get scared, we feel hopeful, we feel like quitting. These are all emotional states that each one of us could feel on any given day!!

Knowing that we are emotional beings, the key is to use our emotions to our advantage. Just like jogging with the wind at your back, it is a nice little boost to use our emotions to give us a little edge. So, rather than tackling the debt like a math problem, we can tackle it in a way that will give us emotional boosts! After all, isn't it better to get out of debt and

spend an extra \$100 in interest than to give up half way to our goal because we were discouraged?

Status Bars and Debt

Ever wonder why there are status bars showing you the progress of the item you are loading on your computer? It is to keep us from going crazy while waiting 10 minutes for the computer to do what we told it!! Even though that little bar moves slowly sometimes, it is encouraging because we know how much longer we have to endure the torture of waiting.

It is extremely DE-motivating when there is no end in sight. Without that “light at the end of the tunnel” it can be hard to keep going. That little bar that shows us the progress that we have made gives us hope. What if there were no status bars? Or what if you saw no progress on the bar until you got to the 70% loaded point? Would you keep waiting or would you reboot assuming it there was a problem?

When on the phone, have you ever been waiting on hold for 15 minutes wondering, “Did they forget about me? Should I wait it out? What if they never remember that I am on hold?” Do you cut your losses or wait it out having no idea when they will pick up, or if they ever will?

This is the advantage of using the snowball approach to paying down debt. If you focus on the highest interest rate, it could be months or even years before you reach that first milestone. Would you have the endurance to keep going that long without reaching that first milestone?

It is a wonderful feeling to be able to celebrate your first milestone - paying off the first credit card is a blast! Speaking from experience, I was fueled with motivation after reaching that first milestone. The fact is that most people are strengthened by seeing even a small goal accomplished. I love the snowball method because it focuses on reaching these small goals first and using them as motivation to keep going.

Conclusion

What next?

If you need more help, I encourage you to head over to ChristianPF.com and read some of the other articles written about getting out of debt. Also, I suggest borrowing [Dave Ramsey's Total Money Makeover](#) from the library. It is a wonderful book that I highly recommend.

I hope this eBook has been helpful to you. As I mentioned before, feel free to share it with others. Also, if you need more information or would like to sign up for the free daily newsletter you can do so at ChristianPF.com.

The logo for ChristianPF is written in a dark teal, handwritten-style font. The letters are thick and slightly irregular, giving it a personal and approachable feel.

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