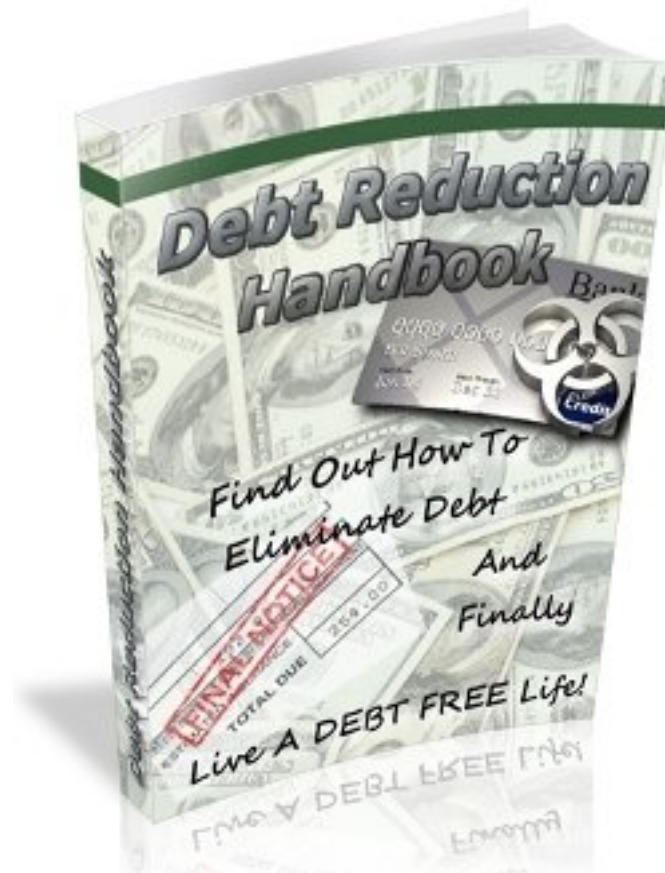


## Debt Reduction Handbook



## **Preface:**

Debt can make your life better or/and can tear your life apart. Most people always take the positive part of having credit available without taking in consideration how debt can ruin our life and also how easy we can get rid of our debts by following simple steps.

There are no hidden secrets behind becoming debt free and there is no magic involved at all. A very simple concept and an easy calculation can make your life better. Believe the unbelievable, one word can change your life: "Interest"!

Becoming debt free works on a few simple principles. Payoff the debts first on which you will be paying huge interest, allocate an extra payment each month to accelerate your debt payments. Use monthly payments from a paid-off debt to pay another un-paid debt. A clear explanation is provided in this e-book.

This e-book has been written out of the experience gained during many years in this field. It has been written with the special concerns of people who cannot afford to limit their debts or become debt free

People from teenagers to adults should find the e-book valuable. If we learn, we can avoid having debt. A couple

of hours reading this e-book could help you save hundreds if not thousands of dollars.

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## Section I: Introduction on Debt

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### Chapter 1: What Exactly is Debt?

Debt is simply the money you owe; it is an amount of money or other property that is owed by one person, organization or company. Getting into debt is very easy and you can quickly get caught up in the ability to buy whatever you want on credit. As a first glance, people are happy, they can buy without having cash, and they can afford to get a car even without having the budget etc. but they are not looking at the negative aspects - the added interest you have to pay back - above and beyond what you pay for the item!

You've probably heard of cholesterol? Much like cholesterol, where there is a good and bad cholesterol, debts comes in two versions. Good and bad debts. Debts can make your life easier or ruin your life but however bad your debt problems, there is a solution. People and businesses who know how to handle debts and how to manage their credits can take advantage of debts while people especially young who does not have a big knowledge in debt management and creating debt reduction plans are always in troubles.

Debts can also be classified as temporary or chronic situation.

In most cases, there are very good reasons to take on debt. For example, students take loans which are a good thing but

we insist that you must know how to handle and pay off your debts after graduation.

Also taking debts for setting up a business is good but it depends how the structure is going to be setup. You must have a clear plan, and know how much money you would need and the most important, how to pay it back. In such cases, debt is a part of the business success.

If you can afford to pay cash and limit the risk of taking debts, do it! Do not hesitate to pay by cash when you have the money.

The problem is when you borrow money but do not use it productively. More clearly, debts are good when you invest it and NOT simply spend it. Taking debts simply to spend it is not a good course to take. Debts must be under control. You must know very well how to pay back your debts. Create plans, especially rapid reduction plan. This e-book will show you how to proceed with managing your debts and become debt free in half the time you would be able to without the help of this book.

## Chapter 2: Why do people get into debt?

Let's take a simple example; you do not have enough money and you want to live, you need food, clothes... this is life! Serious reasons can be related to circumstances changes, you lost your job, health problems and you cannot afford to pay for the treatments etc.

There are hundreds of reasons to get into debt. But most people do not use debt to their advantage.

People suffer lot of troubles with debt mainly because it is easy to borrow. Also people are sometimes fooled. For example some credit cards offer a low interest rate for a limited time but when that period is over, logically speaking you end up paying double the main rate.

Another very frequent reason for getting behind in your payments is that people "think" are managing their debts in a good way by paying the minimum amount every month without recognizing that paying the minimum leads to years and years to pay off a small amount that can be paid in few months.

Thus, the aim of this e-book is to show how to manage and create a debt reduction plan and become debt free.

### **Chapter 3: How to avoid debt**

Unfortunately, and based on studies, most people do not understand or take debt seriously, this leads to huge bills and debt accumulation with long term interest payments.

Here's some advice on how to avoid debt:

- If you have credit card debt, which is in most cases the biggest source and the most serious of debt accumulation especially for students and young people, you must pay it off as quickly as possible to avoid long term debts. Take this advice seriously, because ignoring or delaying any payment can become a nightmare and eat you alive.
- Learn how to calculate interest - this e-book will explain step by step how to perform these calculations.
- ALWAYS check the interest rate. You must ASK first, you must receive clarifications before choosing a

credit card. Always choose cards with the lowest interest rates.

- Having multiple cards is like owning multiple weapons and you will risk injuring yourself. Keep one or maximum two credit cards with you. This way you can handle your debts easily.
- Educate yourself on how credit card companies calculate interest. Then, check the interest rate on your credit cards.
- Know what you want to pay! Never use your card for something you cannot pay for with cash. When you have a checking account and have a debit card, use it. This card is very useful for small items rather than even paying interest for small items. Credit cards make paying money easy. They also make going into debt easy
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- Always have a plan to pay back your debts. If you need to buy something, think first "how can I pay it back?"

