

# ZERO DEBT

The Ultimate Guide to  
Financial Freedom

**Lynnette Khalfani**

ADVANTAGE WORLD PRESS

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# Table of Contents

<b>Acknowledgments .....</b>	<b>1</b>
<b>Introduction.....</b>	<b>8</b>
Not Getting Ahead?.....	8
Are You Robbing Yourself? .....	9
The Zero Debt Philosophy .....	10
Join the Zero Debt Revolution .....	11
Deprivation Doesn't Work .....	12
I Don't Have Debt – So This Book Isn't For Me .....	12
Who Is In Debt and Why?.....	13
How Long Could You Last without Credit? .....	14
Take The Zero Debt Path to Financial Freedom .....	15
Want To Be Better Off a Month From Now? .....	16
Having Excellent Credit – And “Good” Debt .....	17
I've Been Deep in Debt Too! .....	18
<b>Overview: We're A Nation of Debtors .....</b>	<b>19</b>
Generational Debt .....	20
Consumer Debt On The Rise Internationally .....	21
A Few Words to Over-Spenders .....	22
If It's So Simple, Why Doesn't Everyone Do It?.....	25
All The Motivation You Need .....	27
Diagnosis: You're Suffering From The Debt Disease .....	27
<b>Day 1 Stop the flood of credit card offers. ....</b>	<b>31</b>
Trends In Credit Card Marketing .....	32
A Sweeter Offer?.....	33
The Truth About Credit Card Companies .....	33
Are You Playing The Blame Game? .....	34
One Easy Phone Call Can Help.....	35
Opting Out By Mail.....	36
End All – Well, At Least Most – Junk Mail.....	36
<b>Day 2 Make a resolution to “stop digging.” .....</b>	<b>38</b>
Why We Spend.....	40

<b>Day 3 Put all your debts in writing.....</b>	<b>44</b>
Why Torture Yourself Listing All Your Bills? .....	44
A Wake-Up Call: How Much Do You Owe?.....	45
I Debtcate Myself to Being Debt-Free .....	46
<b>Day 4 Order your credit report and FICO® score.....</b>	<b>48</b>
What is a FICO® Score?.....	48
Fact Vs. Fiction About Credit Scores.....	51
What a FICO® Score Considers .....	53
Is Credit Scoring Fair To Minorities? .....	54
Little-Known Ways Your Credit Impacts You .....	54
The “Big Three” Credit Bureaus.....	56
Are You Eligible For a Free Credit Report? .....	57
The Credit Report You’ve Probably Never Heard Of.....	58
<b>Day 5 Call your creditors &amp; negotiate. ....</b>	<b>61</b>
You Have Leverage.....	61
Six Things To Ask For .....	62
The Biggest Myth About Credit Card Cos.....	62
Getting Your Creditors To Work With You .....	63
What’s The Impact of a 16.9% Interest Rate?.....	64
But What If You Had A 5.9% Interest Rate? .....	65
What’s The Best Time To Negotiate With Creditors? .....	66
13 Negotiating Strategies To Lower Your Interest Rate, or Eliminate Late Fees and Over-The-Limit Charges .....	68
<b>Day 6 Switch cards if necessary.....</b>	<b>73</b>
The Benefit of Comparison Shopping.....	73
Warnings About Obtaining New Credit.....	74
<b>Day 7 Always exceed the minimum payment due.....</b>	<b>76</b>
“Minimum” Payments Now Really Equal Maximum Payments In the Long-Run.....	76
A Guaranteed Investment Return .....	76
But I Don’t Have the Money! .....	77
<b>Day 8 Dispute any inaccuracies in your credit file.....</b>	<b>79</b>
How Accurate Are Credit Reports?.....	79
How Do Mistakes In Your Credit File Occur?.....	80

Credit Errors Can Cost You Money And More .....	81
Fixing Errors & Cleaning Up Your Credit File.....	81
Raising Your FICO® Score .....	83
Improve Your Credit Score in 3 Days – Legally.....	83
<b>Day 9 Educate yourself about your legal rights. ....</b>	<b>84</b>
10 Rights Protecting Consumers .....	85
<b>Day 10 Stop collection agency harassment. ....</b>	<b>93</b>
“Cease Contact” or “Cease and Desist” Letter.....	93
Using the U.S. Post Office .....	94
<b>Day 11 Prevent identity theft to protect your credit. ....</b>	<b>95</b>
Tips To Avoid Identity Theft .....	95
Identity Theft In The Workplace.....	96
Scams Affect Workers And Those Looking For Work.....	98
Identity Theft Insurance .....	99
What to Do if Your Identity is Stolen .....	101
<b>Day 12 Set up a good filing system. ....</b>	<b>102</b>
Being Organized Helps Your Finances .....	102
Creating An Effective Filing System .....	103
What To Keep – And What To Throw Away .....	103
Maintaining Your Filing System.....	104
<b>Day 13 Face the truth about your situation. ....</b>	<b>106</b>
Your Finances & The Laws of Cause and Effect.....	106
In What Condition Is Your Financial House? .....	108
How Does Your Score Compare To Others? .....	113
<b>Day 14 Create SMART financial goals. ....</b>	<b>114</b>
The Importance of Written Goals.....	114
Consider Your Short, Medium and Long-Range Goals ..	115
Your Retirement Aspirations .....	115
<b>Day 15 Figure out the \$69,000 question: Where will you get the money to pay for your goals, such as slashing your debt? .....</b>	<b>120</b>
<b>Day 16 Scrutinize your spending. ....</b>	<b>121</b>

How I Got Out of \$100,000 in Credit Card Debt.....	121
Being In Debt Denial.....	122
Downsizing Hits Home .....	123
Gaining Perspective on Your Spending .....	126
<b>Day 17 Make a <i>realistic</i> budget. ....</b>	<b>127</b>
Causes Of Cash Flow Problems .....	127
4 Simple Steps To Stop Blowing Your Budget.....	128
<b>Day 18 Find 10 ways to cut your spending. ....</b>	<b>132</b>
Saving Money Doesn't Have To Be A Big Hassle .....	132
<b>Day 19 Adopt five lifestyle changes as strategies to save more money. ....</b>	<b>134</b>
When shopping, never pay full retail price .....	135
Become a frequent library patron.....	135
Take advantage of free/low-cost attractions and events in your city .....	135
Eat out less often .....	136
Walk, instead of driving, to any place that's within walking distance.....	136
How to Look Like a Million Bucks (Without Spending a Fortune).....	137
<b>Day 20 At work, adjust your W-4 withholdings if you receive a refund.....</b>	<b>140</b>
Refund Checks Show Poor Financial Planning.....	140
A Quick Fix Via Your Human Resources Department ...	140
<b>Day 21 Sell or donate stuff you don't want, use or need. ...</b>	<b>141</b>
Holiday Giving All Year Round .....	141
<b>Day 22 Find a way to generate additional income. ....</b>	<b>145</b>
Is a Second Job, or Part-Time Work In Your Future?....	145
Turn a Hobby Into Cash.....	146
The Small-Office Home-Office Solution .....	146
The Ideal Part-Time Enterprise .....	147
Leverage The Internet .....	147



<b>Day 23 Apply for a home equity loan or equity line of credit.</b>	<b>149</b>
What's the Difference Between a Home Equity Loan and a Home Equity Line Of Credit? .....	151
Need A Mortgage? Credit Re-Scoring Can Help .....	152
What Are Reverse Mortgages? .....	153
The Pros and Cons Of Reverse Mortgages .....	155
<b>Day 24 Refinance your auto loan.....</b>	<b>157</b>
The Capital One Advantage .....	158
Online Lenders Dominate Auto Refinancing.....	159
Beware Of Extending Your Loan Length .....	160
<b>Day 25 Pick a “Pay Down Your Debt” priority strategy....</b>	<b>161</b>
The goal is to attack your area of pain .....	162
What This Technique Does & Does Not Accomplish ....	163
Unconventional Wisdom.....	164
<b>Day 26 Weigh the pros and cons of entering a debt management program. ....</b>	<b>166</b>
Credit Counselors: Friend or Foe? .....	166
Traditional Credit Counseling On the Decline.....	167
The Financial Ties That Bind.....	168
How Debt Management Programs Work .....	169
Do's and Don'ts of Debt Management Plans.....	169
<b>Day 27 Evaluate your existing insurance coverage.....</b>	<b>172</b>
Five Types Of Insurance That You Don't Need .....	175
<b>Day 28 Draw up a will. ....</b>	<b>177</b>
Get the Will to Draw Up A Will .....	178
<b>Day 29 Open a “hands off” account and set up an automatic savings plan. ....</b>	<b>180</b>
<b>Day 30 Prepare yourself to become a positive financial role model. ....</b>	<b>181</b>
<b>Day 31 Address any other money woes, credit issues, or special financial circumstances.....</b>	<b>185</b>

Bankruptcy: Your Last-Ditch Option.....	185
Delinquent Taxes: What To Do About Them .....	186
Helping Aging Parents With Their Finances .....	187
Payday Loans: ‘Credit’ You Must Never Accept .....	190
<b>Appendix A: Credit Bureaus .....</b>	<b>193</b>
<b>Appendix A: Debt Counseling Firms .....</b>	<b>193</b>
<b>Appendix B: Sample Settlement Letter .....</b>	<b>194</b>
<b>Appendix C: Sample Cease &amp; Desist Letter .....</b>	<b>195</b>
<b>Appendix D: The 30-Day Zero Debt Challenge! .....</b>	<b>196</b>
<b>Appendix E: Consumer Resources.....</b>	<b>198</b>

## Introduction

**DEBT.** It's the single worst four-letter word in the English language.

Debt is the longest-lasting economic curse, the most heinous financial plague, and the least recognized form of modern slavery afflicting Americans this millennium. Debt keeps you up late at night. Debt drives you to drink, fight with your spouse, have anxiety and experience a host of other miseries that you never imagined. Can't figure out why you're always depressed on the morning after payday? It's because the only ones celebrating your payday are your creditors, since 40% of your paycheck is going to towards your ever-growing debts.

### Not Getting Ahead?

Despite that paycheck you're receiving, you don't feel like you're really getting ahead, right? You probably feel more like you're drowning in debt. And even for those of you who don't owe a dime on any credit cards, my guess is that you still feel financially insecure. Whatever category you fall into, read on, because *Zero Debt* can help you move from financial anxiety to financial freedom.

When you come home and see that pile of bills in your mailbox, many of you wonder: "What have I gotten myself into?" Admit it: How many times have you received an American Express bill in an over-stuffed number 10 envelope? Felt like you were in

## Zero Debt

the middle of a B-horror flick, didn't it? But the movie wasn't called "I Know What You Did Last Summer." It was more like "I Know What You Blew Your Hard-Earned Money On Last Month."

### **Are You Robbing Yourself?**

Carrying around a load of debt is like robbing yourself bi-weekly without a ski mask. Next payday, I want you to buy a ski mask and wear it when you sit down to pay your bills. That's right, then look at yourself in the mirror ... Ski mask on and say, "easy-come, easy-go money." You finish writing the checks, and then you're flat broke – *again*. To squash your depression, you go fix your poor, miserable self a drink – but it's the cheap stuff because you certainly can't afford the top shelf brand. That thought makes you even more depressed, so you call up one of your girlfriends, and decide to go out for drinks. At the bar/restaurant, you pay \$15 per glass for cosmopolitans (yes, \$15 a glass; you live in New York City, where everything is ridiculously priced). When the tab comes, you both fight to whip out your credit cards. You win. Then you keep your fingers crossed hoping your MasterCard gets approved. The waiter takes forever to handle your payment. When you finally see him return, he seems to be walking in s-l-o-w motion. By now, you've started to silently pray to God that the waiter graciously says "Thank you, Miss," as opposed to looking at you suspiciously or stating with a stern face: "Ma'am, your card was declined. Do you have *cash* or another card we can use?"

Let's give this tale of horror a semi-happy ending...Yes, the card *is* approved, saving you from public humiliation. But since you

NEVER pay your MasterCard in full at the end of the month (despite your best intentions and contrary to what you and 70% of Americans claim when asked about it), your two rounds apiece of cosmos that ran you \$73.95 ... (Keep up with me now: \$15 x 4 drinks is \$60, plus tax and a 15% tip...You DO tip, don't you?) ... that \$73.95 will now be paid over, say, 12 months, at 21.9% interest compounded daily. Translation: those four drinks will really cost you more like \$90. And that's just one night out on the town.

If your debts are mounting right now, you know exactly what I mean. But wait, don't kick the cat, or go crying to Mom ... Oh, and put away that ski mask too. Don't even think about it. How does seven to 10 sound? Trust me. It ain't worth it.

## **The Zero Debt Philosophy**

In case you haven't gotten my point by now, let me break it down to you this way: Excessive Debt is bad. Zero Debt is good. I repeat: Excessive Debt is extremely bad. Zero Debt is outrageously good. Sure there are "good" forms of debt – like financing for your house. We'll talk about that later. For now, however, think of Zero Debt as your new mantra, a goal, a higher plane that you aspire to reach ... a state of nirvana where you have complete financial comfort and absolute peace of mind.

You see, with Zero Debt, even someone with a blue-collar salary can obtain white-collar dreams: The white picket fence, the two-car garage, the happy family barbecues, and game nights with everyone watching the 50-inch plasma TV that hangs on your wall.

## Zero Debt

Yes, even that 50-inch TV you've been daydreaming about can be yours – *if* you play your cards right.

### **Join the Zero Debt Revolution**

This is where I come in. Think of me as your money coach. I want to share with you the secrets of the Zero Debt philosophy. It's not about what you *can't* have, or making you endure unreasonable sacrifice and pain. It's about making smart money moves, and getting a game plan so that you can achieve financial freedom for life.

The Zero Debt revolution is about changing your thinking and learning some unconventional personal finance wisdom. Scores of financial “experts” tell you to cut up your credit cards – as if *not* having credit cards alone will solve your problems. It won't. That's why so many people who *do* cut up their credit cards later wind up in the same predicament, sometimes burdened with even more debt. They haven't had that critical “breakthrough” in their brains – that Aha! moment that makes leads them to permanently change negative money habits. So I don't suggest that you take scissors to your plastic. Frankly, I disagree with that approach. It won't teach you true fiscal discipline or proper credit management. I also won't preach about buying off-brand items exclusively, or only shopping at flea markets – although those last two tactics are useful now and again.

## **Deprivation Doesn't Work**

Do you know anyone who constantly diets but his or her weight still yo-yos all over the place? Some of those people may publicly say “no” to dessert, but then privately, they’re pigging out on all kinds of goodies. The reason is simple: They can’t stand depriving themselves, at least not for a long time. I realize you don’t want to feel deprived either – as if you’re on a money diet. At the same time, I know you don’t want to be in bondage anymore. And make no mistake about it: if you’ve got excessive debt, you’re definitely in bondage. You’re a slave to debt and it’s got a terrible grip on you. Well, get ready to knock out that debt for good, so it won’t balloon again. Now is the time to take action and permanently slash your debt, because if you’re not careful – *really* careful – you or someone you care about is going to get crushed by that debt.

## **I Don't Have Debt – So This Book Isn't For Me**

I know some of you may be beaming, thinking: “Lucky me. I don’t have any credit card debt, so this book isn’t for me.” Wait a minute. Not so fast. Don’t think for one second that you’re immune, or that you couldn’t get caught up in the debt woes that have ensnared so many others.

- *I don't care how much money you make. It's not guaranteed.*

## Zero Debt

- *I'm not impressed by your current high-powered position.* Even CEOs who built their own companies come and go; think of Martha Stewart.
- *Please don't tell me how secure your job is.* Let's get one thing straight. If you still believe in job security, I have a tooth fairy for you to meet and a bridge in Brooklyn to sell you.
- *It doesn't even matter how much cash you've invested in the stock market.* Investments rise and fall every day.

None of that matters if you haven't taken some basic precautions to safeguard yourself against personal emergencies that can easily become financial catastrophes. Want to know what sends people into the abyss of excessive debt? It can be anything from a lawsuit or legal judgment against a person to a business venture that went bust. Others with gambling addictions, alcohol-related problems, or drug dependencies often wind up in debt. All of these situations occur far too often – even if they don't represent the vast majority of those in debt.

### **Who Is In Debt and Why?**

More often than not, people with heavy debt loads generally fit into two categories:

- 1) Over-spenders and poor money managers; and
- 2) Individuals who fall victim to “The Five Dreaded D's:”



- Divorce
- Downsizing
- Death
- Disability
- Disease

Have any of “Dreaded D’s” ever happened to you or someone you know? If so, you probably realize that any of these events can send one’s finances into a tailspin.

So, before you think that all the debt-ridden people out there are just undisciplined, compulsive spenders, consider for a moment whether you could be right along with them: broke, unhappy with your circumstances, and in need of a solution.

After all, how would you be affected if you got divorced, lost your job, if the main breadwinner in your family died, if you became disabled and couldn’t work, or if you or someone close to you suddenly took ill generating a pile of medical bills?

### **How Long Could You Last without Credit?**

How long could you last without credit under dire circumstances? Could you keep up your current lifestyle without a paycheck, or manage your finances on a substantially reduced income? So remember, even if you don’t owe a single dollar to a credit card company, you could ruin your finances by failing to shield yourself against financial disasters – disastrous *life events* that could ultimately drive you into debt. If you read on, though, I’ll tell you how to protect yourself to help avoid such a scenario.

## Take The Zero Debt Path to Financial Freedom

Everyone wants to achieve financial freedom. You can do it – regardless of your current situation.

Whether you're on the verge of filing for bankruptcy, you've paid off all your credit card debt but somehow don't quite have enough money to do whatever you'd like, or you're a high-wage earner who still frets over your finances, this book is for you. You can be free from financial worries. You can rest at night knowing not just that your bills are paid, that you've saved and invested wisely for the future, and that you have peace of mind when it comes to money matters, but that you've also laid the groundwork for your heirs to obtain financial freedom.

Take a minute and think about what financial freedom means for you.

Is it doing what you *want* to do for a living, instead of what you *have* to do? Is it finally seeing zero balances on all your credit cards? Is it enjoying a comfortable retirement in your Golden Years? Is it the ability to take exotic vacations, or even just travel to see friends in another city, without needing to penny pinch? Is it having enough money so that you can spend more time with your family?

Is it being able to leave an unsatisfying job – or perhaps kiss Corporate America goodbye altogether – and start your own business? Or maybe financial freedom to you means not having to work at all.

## Lynnette Khalfani

All of these things – and more – are possible when you become financially free. But the reality is that you can't have financial freedom if you're burdened with debt, anguishing over your bills, are living hand to mouth, aren't adequately saving, and have not protected whatever assets you do have.

That's where I come in – as your money coach. It's my mission to help get you financially fit.

I've written *Zero Debt* so that you can achieve your own personal definition of financial freedom. And whatever your definition may be, wouldn't it be great, in the not-too-distant future, to be able to declare with pride: "I'm totally, completely financially free!"

Believe it – because it's true. You can do it, starting with eliminating unnecessary or excessive debt. That's a huge step toward ridding yourself of financial worries.

Yes! You really *can* get on the road to financial freedom. And here's even better news: *you can do it yourself in the next 30 days.*

### **Want To Be Better Off a Month From Now?**

*Zero Debt* won't give you one simple magic formula to make your debt completely disappear in a month's time. Nor will it teach you how to make a huge fortune in a few weeks. But it will reveal little-known secrets about what it takes to get long-lasting control of your finances – and manage your credit properly once and for all.

## **Having Excellent Credit – And “Good” Debt**

For most individuals, getting credit isn't a problem; it's *managing* it that's the issue. Financial literacy is not widely taught at home or in school. So most of us muddle through the process of debt management: whether we're buying a vehicle, using a credit card, acquiring a house, or obtaining a student loan. Some people, however, refuse to pay for anything if they can't buy it all in cash. This approach may be a temporary fix that helps some people, but it's not generally a wise long-term strategy.

The truth of the matter is that we live in a credit-driven society. It's unrealistic, and in some cases detrimental to you, to simply say “I won't buy on credit” or “I will never use credit cards.” You *need* credit for so many things – car rentals, purchasing a home, hotel stays, online purchases, etc. Moreover, having a strong credit profile can aid you in everything from getting an apartment, to securing the best life insurance rates, to landing a promotion on the job. So rather than suggesting that you run from credit, *Zero Debt* will help you embrace and harness the power derived from having good credit and solid debt management practices. Debt – in its proper form and used wisely – isn't something to be avoided, but leveraged.

*Zero Debt* will also be your blueprint for sound economic living and your roadmap to attaining wealth. You'll learn how to clean up your credit and increase your FICO® credit score; techniques to take the drudgery out of saving; what insurance you do (and don't) need; how to prevent identity theft; low-cost ways to

create an updated will, and more. For those of you with serious debt problems, rest assured, there is hope for you too. I'm going to show you, step-by-step, exactly how to lay the foundation for your financial freedom. In the next 30 days, you'll get creditors off your back, learn creative ways to instantly put cash in your pocket, understand the real reasons you're overspending, and discover four ways to avoid blowing your budget. And that's just for starters.

## **I've Been Deep in Debt Too!**

You see, I'm living proof that you can dig out of your debt hole. I know both sides of this issue first hand. In fact, I know what it's like to have \$100,000 in credit card debt. That's not a typo ... I meant what I said: *one hundred thousand dollars* in credit card debt! I also now know what it's like to be debt free. I currently own my own home, invest regularly in the stock market, have zero credit card debt, own a late-model car free and clear, and enjoy a comfortable lifestyle, complete with private school for the kiddies, timeshares, and regular vacations on the beach. If I could do it, so can you ... if you implement the tips I share with you in *Zero Debt*.

Are you still too skeptical to give my advice a try? Well, what do you have to lose – besides your money worries or a ton of bills? Just one request: When you undergo the financial transformation that I know you will, be sure to visit my web site at [www.themoneycoach.net](http://www.themoneycoach.net) and tell me about your success.

Now turn the page and let's get started ... one day at a time.

## Overview: We're A Nation of Debtors

If it's any consolation, you're not alone when it comes to having money problems or loads of bills. Collectively, consumers in the United States have racked up an unprecedented \$2 trillion in personal debt, mainly from credit cards and auto loans. Here's what that means for you, someone you love, your next-door neighbor, or a colleague on the job:

- You probably feel like you're living paycheck to paycheck. *And you are.*
- You frequently find yourself worrying about money or bills.
- You aren't saving or investing enough for the future.
- You haven't protected whatever assets you do have.
- And within a decade, statistics show that one in 10 of you will file for bankruptcy.

Already, roughly 1.6 million American households seek bankruptcy protection each year. Why? Because the typical U.S. household has 13 cards – including debit, retail and credit cards. For those carrying a balance, the average credit card debt outstanding is roughly \$13,000, and the average annual interest rate being paid on that debt is nearly 15%. Obviously, those with “bad” or “sub-prime” credit pay much more – more like 20% to 25%.

With \$13,000 in debt, if you're making minimum payments on your cards, and paying 15% interest, it would take you more than 25 years to become debt free. And that's assuming you never charge another dime!

## **Generational Debt**

It's well past time that we started addressing the scourge of chronic debt in America. Otherwise, we risk not just our own financial ruin – but also leaving a legacy of financial bondage for the next generation.

Guess who's the fastest-growing segment of the U.S. population filing for bankruptcy? Believe it or not, it's the folks who are *age 25 and under*. Young people are coming out of college with massive amounts of credit card debt, as well as student loans. College grads in the U.S. make about \$52,000 annually – roughly twice the average annual income of non-graduates. But by and large, neither group of young adults has been taught about money management, so they primarily “inherit” their parents' spending habits and financial patterns. And what kind of example are most of us setting? Unfortunately, the majority of adults in this country aren't good financial role models.

## **The Warning Signs**

Besides the alarming rate of bankruptcies, consider some of the other heinous tell tale signs of excessive debt in America:

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- It's forcing people to literally work themselves to death.
- It's busting up marriages because couples are squabbling so much over money.
- It's preventing individuals from saving properly, and investing enough for their financial goals.
- It's pushing retirement back 5-10 years for those who are cash-strapped and carrying too much debt.
- It's robbing people of peace of mind and financial freedom.

Don't believe me? Well, the next time you visit a fast food restaurant, check out the growing number of elderly workers serving hamburgers and fries. Do you really think that they planned to spend their retirement slaving over a hot grill?

### **Consumer Debt On The Rise Internationally**

Unfortunately, we've also exported our culture of debt globally. In decades past, credit-card use was not common at all in Europe. But that trend has changed dramatically in recent years. In 2004, the Bank of England reported that personal debt hit unprecedented levels – topping the \$1.8 trillion mark. Debt from mortgages and credit cards now exceeds the U.K.'s annual national income from its production of goods and services. Like Americans, Britons have also been filing for bankruptcies at record rates. And experts forecast more households will go broke there and elsewhere. Hoyes, Michalos & Associates Inc. predicts



that consumer bankruptcies in Canada will rise by 9% to 12% in 2004 and 2005. Those projections are based in part on several alarming statistics. As of 2003, Canadians carried debt equal to 104% of their disposable income, the highest level in history. And since 1977, Visa and MasterCard balances have increased annually by an average of 15.1%. The tide is also changing in Asia, where citizens are noted for being fastidious savers and have preferred cash to credit for generations. However, in places like South Korea and Hong Kong, credit card usage rates now mirror those of American consumers. The urge to splurge is even seen down under. Australians too are maxing out their credit cards, with the typical individual there owing a record \$4,937 in personal debts, according to 2004 Reserve Bank figures.

### **A Few Words to Over-Spenders**

Whether you're in London or Los Angeles, Toronto or Thailand, let me say a few words to those of you in the first category of debtors: the over-spenders and poor money managers.

You need to change what you've been doing. Period. If you don't, I can tell you unequivocally that you will never, ever have financial freedom. You will never experience the peace that comes from knowing that you don't have to deal with bounced checks, harassing phone calls from creditors, or the stress of constantly "robbing Peter to pay Paul."

Aren't you tired of wondering how you're going to make that next rent or mortgage payment? Isn't it mentally exhausting to

## Zero Debt

have to figure out, month after month, how you'll scrape together money for basic necessities – like your light bill or phone service? Deep down, aren't you disgusted whenever you have put routine expenses, such as food, on a credit card because you don't have enough cash to pay for those purchases?

### **The Bling-Bling Lifestyle**

Besides, what is all your spending for anyway? To keep up with the Joneses? To live a bling-bling lifestyle – or at least perpetrate the appearance of it? You're buying items you don't need (like designer shoes); wasting money on expensive cars and brand-name clothes you soon won't want; and salivating over today's "must have" things ... but they're things you won't even remember six months from now. I know, because I've been there.

Pull out your wallet or purse right now. Go ahead – it doesn't matter if you're at home, on your lunch break at work, or on an airplane. Take out all your credit cards and count them. How many do you have with you? Four? Eight? 12? And what about the ones at home? You know, the cards you put away because they're already maxed out, and you don't want the shame of getting declined again the next time you try to use them. It's time to move beyond those worries. It's time for you to obtain Zero Debt status, get smart about managing your money and your credit, and achieve financial freedom.

## **Where Did All Your Money Go?**

If you keep it up, a year from now, three years from now, or whenever, you're going to look at your finances and ask yet again: "Where did all my money go?" or "What do I have to show for all my hard work?"

There could be a trigger event: Maybe you'll be getting married, so you and your prospective mate want to examine your finances. Maybe you'll experience a death in the family, and you'll realize that nothing is promised. Could be that you have or are expecting a baby, and now you're ready to get serious about your finances. Or perhaps you'll simply hit a certain age ... like 35, 50 or 65... whatever age gets you thinking about where you are and what you've accomplished thus far. Whatever trigger event happens, you're going to take stock of your life and wonder: "What in the world have I been doing with my money?"

Well, you don't have to wait. I can answer your question right now: What you've been doing is taking part in the craze of excessive consumerism that all of us – to greater or lesser degrees – have been seduced by. It's insanity. This cycle of wanting things, and spending more, then owing more, only to spend more and owe even more is outrageous. What you're doing to yourself – to your relationships, to your family—it's pure madness. To stop being a slave to debt, you've got to put a halt to this vicious, dead end, no-win cycle of excessive spending.

## Zero Debt

There is no other way. You've got to stop. Once and for all. Keep reading, and I'll show you how – one day at a time.

If you follow the Zero Debt Plan, I promise you that 30 days from now, you'll be infinitely better off than you are today. You'll feel better about your financial situation, you will have taken practical steps to protect your economic future, and you'll be able to see specific areas of progress where you've turned your finances around.

If you want to have Zero Debt and achieve financial freedom, you need a day-by-day plan to guide you to your destination. You must also know precisely what you need to *do* to get there.

This book is your plan. It's simple. It's easy to understand. And it works.

### **If It's So Simple, Why Doesn't Everyone Do It?**

On paper, the process of reducing your debt as quickly as possible is actually fairly simple and straightforward. In basic terms, it really only requires three steps:

1. Stop digging (in other words, stop piling on additional debt).
2. Renegotiate your current debts (get your creditors to lower your interest or drop late fees).
3. Apply as much cash as you can toward your debt (by cutting back on expenses or generating additional income).

## Lynnette Khalfani

That's it. There's no magic formula. Simple -- right?

Well, reducing your debt may be *simple*, but it certainly isn't *easy*. That's why so many people remain buried under a mountain of debt. Additionally, there are numerous reasons you might be heavily indebted. So, depending on what threw you into debt, there could be many issues to address to dig yourself out of your financial hole.

Achieving true financial freedom also takes time, knowledge, and action – all based on the understanding that there has to be a better way to live a truly prosperous life. As a result, financial freedom always starts in the mind, not in your bank account. No one gets on the path to financial freedom without first *wanting* it and then *believing* it. Proverbs 23:7 says “As a man thinks, so he is.” Put another way, the Bible teaches that a man *becomes* what he *practices* – in thoughts, words, and actions. From now on, you have to have *faith* that your money problems can become a thing of the past. And for most of us, that usually only happens *after* you've had your fair share of financial troubles.

But more than anything, becoming financially free requires a plan. And most people just don't have one.

Starting today, though, *you* will.

As your money coach, I'll tell you how to approach eliminating your debt, what steps to take and in which order. I'll lead you by the hand through your first 30 days, and after that – well, after that the rest is up to you.

## **All The Motivation You Need**

How motivated are you to turn your life around? No, let me rephrase that question: How angry are you that you're not where you want to be, where you *should* be at your age?

You should be angry at your current circumstances. Actually, you should be *really* ticked off. Take that righteous indignation and use it constructively. I'm counting on that anger, because I intend to teach you to take what each of you already has – a burning desire to be free from money worries, and a willingness to learn – and use those things to your advantage. Use what you're feeling now to help cast a vision for yourself, an image of where you'd like to be when you get out of your debt dilemma. Hold that picture in your mind as you read *Zero Debt*.

Before we get started with the day-by-day steps to slash your debt, there's one other thing you should know.

## **Diagnosis: You're Suffering From The Debt Disease**

I have to reveal a personal bias of mine when it comes to credit card debt. I feel strongly that excessive debt is the worst possible financial cancer you can have. In fact, I believe that debt for many people is a byproduct of a terrible disease – an insidious malady known as consumerism – and as a symptom of a disease, debt should be treated as such.

If you think about it, many aspects of chronic spending, and the debt that results from it, are really no different than alcoholism. Check out the following 10 similarities.

**Excessive consumerism and alcoholism both:**

1. Generate stress and physical illness (migraines, ulcers, etc. can result from money worries)
2. Tear families apart (70% of all couples that divorce cite financial strife as a major problem in their marriage)
3. Produce short-term euphoria or escapism from daily problems
4. Can be generational (Don't you know people whose behavior just mimics what their mom or dad did?)
5. Make individuals feel shame, guilt and embarrassment
6. Have complex underlying or root causes for the behavior
7. Cause victims to feel out of control with their actions
8. Produce hangovers (for the alcoholic, a drinking binge leads to a physical hangover; for the shopaholic, a spending binge creates a debt hangover that lasts months or years)
9. May require individuals to change their habits, their friends, the places they frequent, etc. to reduce temptations
10. Have similar and predictable phases of deterioration:

**- Denial**

The phase where the person refuses to admit he/she has a problem, as in: "I don't have too much debt," "I don't shop too much" or perhaps: "I can handle my bills."

**- Worsening of the problem**

When the debts mount, late fees occur, bill collectors call, etc.

**- Hitting 'rock bottom'**

## Zero Debt

Characterized by traumatic financial events, such as foreclosure, bankruptcy, personal or business lawsuits, and so forth.

### **- Intervention**

Sometimes the intervention is from within the family, as when a husband takes away his wife's credit cards. Other times, the intervention/help comes from an external source, such as when a person voluntarily goes to a debt management program.

Now that you can see the common areas between excessive consumerism and alcoholism, is it any wonder that debt has such a stranglehold over you?

But don't despair. You don't have to remain drunk with debt. You can kick your spending addiction, if that is what has put you in this mess. Each of you can break the cycle of debt. With the right know-how and some positive action, you truly can fix your finances once and for all.

Again, it won't be easy. But I'm going to ask you to exercise a little faith – and a lot of *follow through*. In other words, don't just *read* this book. Over the next 30 days, put my recommendations into practice. Do what I'm telling you to do and see if your financial picture doesn't begin to drastically improve.

O.K. ... I know you're excited and ready now for the exact steps you need to take to begin turning your financial life around. Here they are ...



## Week Number 1



**This week you will:**

- Stop the flood of credit card offers you get
- Resolve to “stop digging” deeper into debt
- Put down everything you owe in writing
- Order your credit report and FICO<sup>®</sup> score
- Negotiate with your creditors to save money
- Switch credit cards if necessary
- Exceed your minimum payments due

## **Day 1** Stop the flood of credit card offers.

Ever notice how your mailbox seems to be flooded with credit card offers every week? If your residence is like the average U.S. household, you probably get dozens of credit card solicitations in the mail each year. To put an end to them, simply call 888-5-OPT-OUT. This will force the credit bureaus to stop selling your name and address to banks and other institutions that send you credit card offers each month.

The Consumer Federation of America (CFA) in Washington D.C. tracks the rate at which banks and other credit card issuers send out credit card offers. What CFA discovered is that some five billion credit card solicitations were sent out in 2001 ... Imagine that, five billion credit card offers, or 50 per U.S. household! According to Synovate, a Chicago-based research company, the numbers dropped slightly to 4.89 billion credit offers mailed in 2002 and 4.29 billion in 2003. Still, that's an awful lot of plastic being dangled before the public. Synovate's "Mail Monitor" report also found that 90% of credit card mail comes from the 10 largest credit card issuers.

Critics say that credit card companies are too aggressive in their marketing, often lure consumers with 0% offers or short-term teaser rates, and are quick to impose late fees, penalties or other unfavorable terms for the slightest misstep by consumers.

Interestingly, though, consumers are saying a resounding "No" to credit card companies, according to CFA, Synovate and other industry sources. More often than not, people are tearing up

those credit card applications or saying “thanks, but no thanks” to the telemarketers who call to offer new credit. For all the mail being sent out, direct mail doesn’t seem to be the most profitable way for credit card companies to do business. For starters, they have to send out about 200 solicitations just to acquire one new customer. That means roughly \$120 spent to attract every new cardholder because response rates are very low ... just 0.6%, according to the most recent figures available from Synovate.

## **Trends In Credit Card Marketing**

Even though this “thumbs down to new credit” trend is going on, credit card companies are finding other ways to win business. Some are focusing their efforts on keeping the clients they already have, and trying to keep consumers loyal to a particular brand. Other companies are emphasizing card benefits such as airlines miles or shopping-rewards programs, and are slowly backing away from blanketing consumers with balance transfer options and 0% deals. These companies have found that when 0% offers end, many consumers simply card hop, and go find another 0% offer.

The Consumer Federation of America highlights another tactic. It says that some credit card companies are raising the limits that are being offered to consumers. So in the past, if you might’ve received an offer for a Visa with a \$5,000 credit line, now you’re apt to get one with a \$10,000 credit line. From the CFA’s point of view, this is a way that credit card companies try to entice you, by making a sweeter offer that they hope you won’t be able to refuse.

### **A Sweeter Offer?**

I recall very clearly a time when I was up to my eyeballs in debt, but had just paid off one credit card in full. Suddenly, a barrage of new credit card offers appeared in my mailbox. One of them was a card with a pre-approved \$20,000 credit line. Was it tempting? Only for about two seconds. I declined the offer. But I saved the form to remind myself that credit card issuers were never going to stop tempting me. It was up to me – and me alone – to exercise restraint if I wanted to pay down my debts, and properly manage my credit.

### **The Truth About Credit Card Companies**

In fairness, I have to say two things in defense of the credit card companies. First of all, believe it or not, they really don't want you to become so indebted that you can't pay your bills. I know that a lot of you mistakenly think that credit card companies love it when you're behind on your payments because then they can jack up the interest rate. After all, they're in business to make money. And one way they do that is by collecting interest charges on purchases you and I make. But creditors are also aware of the possibility that if things get really bad for you, you have the option to file for bankruptcy protection, which (at least under current law) would give you the right to wipe out your credit card debt entirely. So trust me, they really don't want you to sink into a financial hole.

## **Are You Playing The Blame Game?**

Additionally, every consumer has to take some level of personal accountability for his or her actions. The truth of the matter is that even with all the billions of credit card offers being extended each year, no one is putting a gun to your head and making you say “Yes.”

Are all those offers tempting? Sure they are. But the credit card company alone can't be held solely responsible for your decision to say “Yes” any more than the restaurant waitress who comes after dinner with a cart full of delicious cakes, mouth-watering pies, and tantalizing chocolates, and asks: “Dessert anyone?”

Is she to be blamed for your ever-expanding waistline if you say “Yes” to dessert every month when you patronize that restaurant? Of course not. Well, by the same token, your ever-growing credit card debt is not entirely the credit card company's fault if you choose to “bite” at their credit card offers and then find yourself in financial trouble.

What's the solution? If you don't have the restraint right now to say “No,” and you haven't yet learned to properly manage your credit or spending, do yourself a favor and opt out of most credit card offers by calling 888-5-OPT-OUT. Right now, you just don't need that temptation.

## One Easy Phone Call Can Help

The toll-free number I've given you, 888-5-OPT-OUT is an automatic phone service that's run by the four main credit reporting agencies: TransUnion, Experian, Equifax, and Innovis. (Many of you may be thinking: "What is Innovis?" I'll tell you more about that company – and the credit report you've probably never even heard of – later, in **Day 4**. For now, though, let's stay with this OPT-OUT number).

The reason this number works is because it takes you out of the credit bureaus' databases for pre-screened mailings. When you're ready to take your name off these marketing lists, follow these instructions:

- Step 1.** Call 1-888-5-OPT-OUT (888-567-8688)
- Step 2.** Select Option 2 to skip the message about an Internet email.
- Step 3.** Select Option 2 to opt out of mailings permanently. (Don't choose Option 1, because that will only opt you out for two years.)
- Step 4.** Follow the directions to enter your correct telephone number, address, name, and social security number.

The recording will tell you that the information you enter is confidential and will only be used to remove your name from the list. After you're done providing your personal information, you will get a message from this service advising you that your request will be handled within five business days. The recorded message will also state that a "Notice of Election" form will be mailed to

your address. This form simply confirms that you have chosen to opt out of receiving credit card offers. Be aware, though, that you may still get some credit card offers in the mail. How so? These offers may come from any credit-granting companies that do not use these credit card companies to secure their list of pre-screened consumers.

Finally, if you have other people in your household who want to opt out, the 888-5-OPT-OUT service also gives you the option to leave information for an additional family member. To do so, select Option 1 at the end of the message when prompted.

### **Opting Out By Mail**

If you don't want to use the phone, you can also write to each one of the credit bureaus and request that your name be removed from their pre-screened lists. In your letter, state clearly that you want to "opt out" of credit card offers. Be sure to provide the credit agency with your name, mailing address, city, zip and social security number. If you've moved within the past six months, don't forget to also include your old address.

### **End All – Well, At Least Most – Junk Mail**

While you're at it, if you really want to stem the tide of junk mail you're getting – not just credit cards – but all solicitations, you may want to consider writing to the Direct Marketing Association. Tell this group that you'd like to add your name to their Mail Preference Service. When you register for this service,

## Zero Debt

your name and address are placed on a “do not mail” list.” All DMA members must check their list of potential customers against the “do not mail” file. So if your name is on that list, the marketing company must remove you from its mailings. To get registered as soon as possible, you’ll have to pay \$5 and register online. In return, you’ll get about 95% less junk mail for five years. You can also get on the Mail Preference Service list free of charge, by writing The Direct Marketing Association. This is a slower process, but it works.

The Direct Marketing Association reports that its “do not mail” file is updated each month and distributed four times a year: in January, April, July and October. The organization says you usually see a drop in the amount of mail you receive about three months after registering for their service. Again, it’s faster if you use their online registration process. Also, if you move, you have to register your new address with the Mail Preference Service to make sure marketers don’t send you unwanted mail.

Here’s how to reach The Direct Marketing Association:

Mail Preference Service  
ATTN: DEPT. 13586375  
Direct Marketing Association  
P.O. Box 282  
Carmel, NY 10512  
<http://www.the-dma.org>

Remember: not all companies use the DMA Mail Preference Service to purge their mailing lists. So it’s possible [likely, in fact], that you will still get some companies’ promotions. When this happens, just contact the company directly and request that your name and address be placed on the company’s “do not mail” list.