

## Five-Step “Financial Snowball Plan” to Be Debt Free ASAP

Consumers in America today are accumulating burdensome credit card debt more than ever before. Precept Financial Solutions has created a five-step “Financial Snowball Plan” to further educate consumers on how to reduce debt loads more efficiently.

Personal savings on a monthly basis is essential in reaching debt freedom. Through the process of closely reviewing actual monthly expenditures and creating a concrete budget, many people realize that they are able to save abundantly more than originally thought. Follow the five-step plan below to create your own “Financial Snowball Plan” and achieve a debt free lifestyle sooner than anticipated.

### *Five-Step Financial Snowball Plan*

1. **Categorize** credit card bills by interest rate amounts from highest to lowest.
2. **Apply** as much of your monthly budget to the highest interest credit (Card X) card so that minimum payment is applied to remaining cards.
3. **Continue** this approach until Card X is paid in full. Use the budgeted amount for Card X to add to the next highest interest credit card (Card Y). Finance charges for Card Y will shrink quickly as much larger payments are being applied to the principal balance than before. The “Snowball Effect” is now underway.
4. **Monitor** finance charges regularly on remaining cards, and notice finance charges decreasing as principal amounts gets paid off. The goal is to simply accelerate principal balance payoff which in turn reduces finance charges. Monitoring this often creates awareness which promotes change.
5. **Complete** the plan by paying off each card as discussed. Congratulate yourself for completing the plan and developing a new and effective approach to managing debt.

**Example:** One has two credit cards with the following minimum monthly payments due and a \$190 monthly debt repayment budget:

Card X \$100 Card Y \$80 Total: \$180

Paying the highest interest rate account first (Card X), and applying \$110 to the Card X instead of \$100, while making a minimum monthly payment to Card Y.

The second month, because balances have been reduced, the minimum monthly payment amounts are reduced as well. While the reduction in minimum monthly payment for Card Y may be small initially, the minimum continues to decrease each month and the difference is applied to Card X. See below for an example:

Card X \$95 Card Y \$77 Total: \$172 (The \$3 reduction from Card Y is applied to Card X payment in month 2.)

**Results:** By committing to save more than minimum payments required, in the above example, budgeting to save and pay \$190 per month instead of \$180, month two will jump-start the snowball effect. In month two, \$18 over the minimum is paid to Card X compared to \$10 in month one. It is important to note that every dollar spent over the minimum required goes directly to reducing principal balance.

*Total time and money savings can be thousands of dollars and several years depending on the size of the debt and the interest rates.*

**Summary:** “The key to applying the Financial Snowball Plan to get out of debt is to budget consistently,” says Russell Yarbrough, Managing Director of Precept Financial Solutions. “The credit card budget must exceed minimum monthly payments to be effective. When setting a debt repayment budget, it is important to remember that the more set aside and applied to the highest interest rate credit card, the more money and time saved.”

**For Debt Help:** Precept Financial provides a free and confidential debt analysis, [click here](#) to know your options.

The Precept Financial Solutions '[Customer First](#)' client service program has set industry standards. To see how Precept Financial may be able to assist individual cases of credit card or unsecured debt problems, please [click here](#).

Precept Financial is a leading debt assistance company dedicated to helping consumers and businesses with financial hardship in resolving unsecured debt. Precept Financial works with creditors and collections agencies on the client’s behalf, to help find mutually agreeable solutions. By providing an effective alternative to financial hardship, Precept Financial provides a service for both debtors and creditors. Notable memberships include: The Association of Settlement Companies, Greater Dallas Chamber of Commerce, American Bankers Association, and the International Association of Professional Debt Arbitrators. Contact 1-800-866-4447 or visit <http://www.preceptfinancial.com>.