



DEBT
DESTROYER®
WORKSHOP
Participant Workbook

Welcome!

Welcome to the United States Navy Debt Destroyer Workshop! This course is designed to empower you and your family to get out – and stay out – of debt. You will learn proven techniques to overcome your high-interest rate consumer debt, make the most of the money you have coming in, and get on track to a more secure financial future.

As you work through the six-step program, know that you are not alone in this journey. The Personal Financial Managers (PFMs) and Command Financial Specialists (CFSs) on your installation are available to assist you.

Congratulations on taking this critical step! Your path to a better financial future starts today.

Overview

The Debt Destroyer Workshop consists of six steps. Each step includes a video explanation and activities you will need to complete. The six steps are:

1. Stop the Bleeding
2. Build a Safety Net
3. Confront Your Debt
4. Know Your Cash Flow
5. Adjust Your Cash Flow
6. Pay It Down!

Preparation

If you are attending this workshop in person, you should have been given the list below of items to bring with you to the course. If you are going through the course on your own, you will need to collect the following before beginning:

1. List of all creditors (include all loans, lines of credit and credit cards) with the following information:
 - a. Balance due
 - b. Due date
 - c. Minimum monthly payment
 - d. Annual percentage rate (APR)
2. Accurate details of your income and expenses. Reference your Leave and Earnings Statement (LES), other sources of income, mortgage/rent, utilities, groceries, entertainment, etc.
3. Microsoft Excel file for the Debt Destroyer Tool opened and ready to complete. Download this file for free at: <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/DebtDestroyerWorkshop>.

The strategies presented in this Debt Destroyer Participant Guide are not intended to be or to provide financial, tax, investment or legal advice. They are only a general overview of the subject presented and are provided solely for your information. Applicable laws are complex, the penalties for non-compliance may be severe, and the applicable law of your state may differ. Consult your tax and legal advisers regarding your specific situation.

Understand Your Motivation

Two primary motivators tend to drive most people wanting to take control of their debt: The avoidance of pain or the achievement of something important. Viewed another way, negative emotions or positive emotions. Which better describes you? Is it both? Whatever your motivation, you'll have better odds of succeeding if you take a few minutes before diving into the work and really think about, then write down, your top drivers for wanting make this change.

My top three motivations for wanting to take control of my debt are:

1.
2.
3.

Keep this list handy as you move through the six steps of the Debt Destroyer® Workshop and review it frequently as you work your plan. Once the real work starts, it will be important to regularly remind yourself *why* it's important for you to gain control of your debt.

Imagine Your Future

Getting control of your debt and becoming more financially secure usually takes a while and during the journey, it can be hard to stay the course if you don't have a clear image in your mind of where you're headed.

Take a few minutes right now to think about your future. Imagine how your life will change after taking action and putting in the work. What has changed? How are things different? Write down your vision of the future with no debt.

Now that you know your motivations and have a vision for your future, make a commitment to yourself and your family to put in the work and complete the steps of this workshop.

Step 1: Stop the Bleeding



Watch the video for Step 1 then return here.

Key Points –

- **S**urvive this step by Evading, Resisting, and Escaping new debt.
- **E**vade new debt by paying with cash only.
- **R**esist the temptation to take on new debt by identifying and changing problematic behaviors.
- **E**scape late fees and penalties by making payments on time.

Activity 1: SERE Training for Your Debt

Now it's time to put your **SERE** training into action. Reflect on the decisions and behaviors that led to your current debt situation. Then brainstorm strategies in the space below to “Stop the Bleeding” and commit to implementing at least one strategy per category.

Evade (Avoid taking on new debt)	Resist (Changing behaviors or circumstances)	Escape (Avoid new fees and charges)
<p>Examples:</p> <ul style="list-style-type: none"> • Use only debit card and cash • Set daily spending limits 	<ul style="list-style-type: none"> • Delete shopping apps • Avoid impulse purchases 	<ul style="list-style-type: none"> • Set up automatic bill pay • Make payment earlier in billing cycle to reduce average daily balance

One More Thing

The Resources section of this workbook contains helpful tips and practical strategies to aid every step of your Debt Destroyer journey.

Turn to page PW - 13 for information about how to request a free copy of your credit report and where to sign up for free credit monitoring.

Step 2: Build a Safety Net



Watch the video for Step 2 then return here.

Key Points –

- Build a safety net of \$1,000 to pay for emergencies.
- Understand a true emergency fund is typically 3 – 6 months of living expenses, but when getting out of debt \$1,000 will cover many financial setbacks.
- Do not borrow to build this cushion.

Activity 2: \$1K Savings Sprint Strategies

If you don't already have one, it's time to get your emergency fund started! Come up with a plan to get at least \$1,000 in a savings account as quickly as possible. You will start putting these ideas into action at the conclusion of this workshop

Think about what you have available or what you can do to bring in extra money right now. List three things you will do to accumulate a \$1,000 safety net as soon as possible.

1.

2.

3.

One More Thing

It would be great if everything goes according to plan and nothing unexpected happens while you're implementing your Debt Destroyer plan, unfortunately, that's just not realistic. Unexpected expenses will almost certainly pop up along the way. When they do, use your emergency fund to cover them, then rebuild your \$1,000 balance as quickly as possible, even if you need to redirect the extra money you would otherwise use to pay down debt to do it.

Need a little help getting started? Go to page PW - 14 in this workbook for some great Tips for Building an Emergency Fund.

Step 3: Confront Your Debt



Watch the video for Step 3 then return here.

Key Points –

- Analyze and record the balance, minimum payment and interest rate of each of your debts.
- Strategize ways to minimize the cost of your debt. Speak with who you owe. Seek an interest rate reduction, explore a balance transfer, and research the Servicemembers Civil Relief Act.

Activity 3: Debt Details Scavenger Hunt

Now it's time to get this mission organized. In this next activity, you will go on a scavenger hunt through the statements you gathered in preparation for this course to uncover the details of each of your debts and record them below. We will be using this information again in Step 6.

Creditor	Type	Current Balance	APR	Minimum Payment

A supplemental video, "How to Read My Credit Card Statement," is available at: <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/DebtDestroyerWorkshop>.

One More Thing

Confronting your debt can be a little easier with help from the Resources section of this workbook. Review the information provided on pages PW - 15 to learn more about the Servicemembers Civil Relief Act, Tips for Minimizing the Cost of Debt, and strategies for Communicating with Creditors.

Step 4: Know Your Cash Flow



Watch the video for Step 4 then return here.

Key Points –

- Update or create your spending plan.
- Document all your inflows and outflows for the last 30 days.
- Reduce expenses and if possible, earn more.

Activity 4: Start Your Spending Plan Worksheet

For this activity, please locate the Spending Plan Worksheet on page PW - 11 and PW - 12 in your workbook or in the Debt Destroyer Tool (Excel file) and complete the LEFT column.

Reference your most recent Leave and Earnings Statement (LES), pay stub (civilian employers), bank and credit card activity or statements to complete this exercise.

Once you complete the left column, check your results. If your Spending Plan Worksheet shows a monthly surplus, but your bank account does not confirm this result, go back, and review all your inputs.

One More Thing

To help track future expenses, a handout entitled “Track Your Expenses” is available in the Resources section in the Resources section on page PW - 23.

Spending Plan Worksheet

Use this fillable worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

	Monthly (current)	Monthly (goal)
Income		
Service member's take-home pay (after taxes, benefits and other deductions)	\$	\$
Spouse's take-home pay (after taxes, benefits and other deductions)	\$	\$
Other income (child support, second job, etc., after taxes)	\$	\$
TOTAL MONTHLY TAKE HOME INCOME	\$	\$
Saving and Investing		
Savings	\$	\$
Investments (IRA, other investment accounts)	\$	\$
TOTAL MONTHLY SAVINGS AND INVESTING	\$	\$
Housing		
Monthly mortgage and property taxes (enter "0" if renting)	\$	\$
Monthly rent payment (enter "0" if you only have a mortgage)	\$	\$
Renters insurance or homeowners insurance not included in mortgage	\$	\$
Utilities (electricity, gas, etc.)	\$	\$
Internet, cable and phones	\$	\$
Other housing expenses (pest control, lawn service, etc.)	\$	\$
Food		
Groceries and household supplies	\$	\$
Dining out	\$	\$
Other food expenses	\$	\$
Transportation		
Vehicle loan/lease payment(s)	\$	\$
Auto/motorcycle insurance	\$	\$
Auto/motorcycle fuel	\$	\$
Auto/motorcycle maintenance (1/12 of annual total)	\$	\$
Public transportation (rail, bus, etc.) parking, tolls, ride sharing	\$	\$
Other transportation expenses	\$	\$
Health		
Medicines and supplements	\$	\$
Health insurance deductibles/copays	\$	\$
Other health expenses (dental, glasses, contacts, etc.)	\$	\$

Debt Destroyer Workshop | Participant Workbook | PW - 11

Step 5: Adjust Your Cash Flow



Watch the video for Step 5 then return here.

Key Points –

- Determine how much extra cash you’ll need to pay down your debt
- Decide where that extra money is going to come from (make more or spend less)
- If cutting expenses is your plan, target variable expenses first

Activity 5: Complete Your Spending Plan Worksheet

For this activity, please refer to the Spending Plan Worksheet and complete the RIGHT column, looking for places where you think you can reduce spending and free up money to put toward paying down your debt.

We will call this “new” money Debt Destroyer Dollars and refer to it in Step 6.

Once you complete the right column, review the spending categories with the largest values. Do these categories truly reflect your priority to pay down debt? If certain categories such as vehicle payments or housing are too large to allow for debt reduction, then changes to these expenditures may need to be considered.

One More Thing

The Financial Educators at the Fleet and Family Support Center (FFSC) are available to help with a wide array of personal financial matters. For additional assistance on cash management and budgeting attend the Developing Your Spending Plan workshop offered through the FFSC.

Spending Plan Worksheet

Use this fillable worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

	Monthly (current)	Monthly (goal)
Income		
Service member's take-home pay (after taxes, benefits and other deductions)	\$	\$
Spouse's take-home pay (after taxes, benefits and other deductions)	\$	\$
Other income (child support, second job, etc., after taxes)	\$	\$
TOTAL MONTHLY TAKE HOME INCOME	\$	\$
Saving and Investing		
Savings	\$	\$
Investments (IRA, other investment accounts)	\$	\$
TOTAL MONTHLY SAVINGS AND INVESTING	\$	\$
Housing		
Monthly mortgage and property taxes (enter "0" if renting)	\$	\$
Monthly rent payment (enter "0" if you only have a mortgage)	\$	\$
Renters insurance or homeowners insurance not included in mortgage	\$	\$
Utilities (electricity, gas, etc.)	\$	\$
Internet, cable and phones	\$	\$
Other housing expenses (pest control, lawn service, etc.)	\$	\$
Food		
Groceries and household supplies	\$	\$
Dining out	\$	\$
Other food expenses	\$	\$
Transportation		
Vehicle loan/lease payment(s)	\$	\$
Auto/motorcycle insurance	\$	\$
Auto/motorcycle fuel	\$	\$
Auto/motorcycle maintenance (1/12 of annual total)	\$	\$
Public transportation (rail, bus, etc.) parking, tolls, ride sharing	\$	\$
Other transportation expenses	\$	\$
Health		
Medicines and supplements	\$	\$
Health insurance deductibles/copays	\$	\$
Other health expenses (dental, glasses, contacts, etc.)	\$	\$

Debt Destroyer Workshop | Participant Workbook | PW - 11

Step 6: Pay It Down!



Watch the video for Step 6 then return here.

Key Points –

- **Avalanche Method** prioritizes applying extra dollars to the highest interest rate debt first, while paying minimums on all others
- **Snowball Method** prioritizes applying extra dollars to the lowest balance debt first, while paying minimums on all others

Activity 6: Use the Debt Destroyer Tool

Complete the Debt Destroyer Tool using the data you collected in Step 3 and Debt Destroyer Dollars you uncovered from Step 5.

After reviewing each strategy, select yours and complete the “My Plan of Action” section below.

DEBT DESTROYER

Debt Obligations						
#	Creditor	Type	Balance	APR (%)	Payment	Exclude
1						<input type="checkbox"/>
2						<input type="checkbox"/>
3						<input type="checkbox"/>
4						<input type="checkbox"/>
5						<input type="checkbox"/>
6						<input type="checkbox"/>
7						<input type="checkbox"/>
8						<input type="checkbox"/>
9						<input type="checkbox"/>
10						<input type="checkbox"/>
11						<input type="checkbox"/>
12						<input type="checkbox"/>
13						<input type="checkbox"/>
14						<input type="checkbox"/>
15						<input type="checkbox"/>
16						<input type="checkbox"/>
17						<input type="checkbox"/>
18						<input type="checkbox"/>
19						<input type="checkbox"/>
20						<input type="checkbox"/>
TOTALS	N/A		\$ -	N/A	\$ -	N/A

Repayment Option Comparison				
Payment Method	Total Time	Total Amount	Time Saved	Amount Saved
Minimum Payment	0 Months	\$ -	N/A	N/A
Avalanche Method	0 Months	\$ -	0 Months	\$ -
Snowball Method	0 Months	\$ -	0 Months	\$ -

Debt Destroyer Dollars		
Payment Type	Date	Amount
Extra Payment (Monthly)	N/A	
One-Time Payment		

Repayment Methods				
Avalanche Payment Schedule				
Pay minimum on each, then pay all extra toward the principal balance of the debt with the highest interest rate until all are paid.				
Snowball Payment Schedule				
Pay minimum on each, then pay all extra toward the principal balance of the debt with the smallest balance until all are paid.				
Minimum Balance Payment Schedule				
Pay minimum statement payment due on the each, with no roll over payments until all are paid.				

Debt Destroyer Dollars can be a one-time payment (tax refund) or the money you “find” in **Step 5** cutting expenses or increasing income.

A supplemental video, “Completing the Debt Destroyer Tool,” is available at: <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/DebtDestroyerWorkshop>.

My Plan of Action

- My Debt Destroyer plan of action is the _____ method.
- The debt I will focus on first is _____.
- I plan to be debt free by _____.

Debt Destroyer® Workshop | Participant Workbook | PW - 8

Resources

Spending Plan Worksheet	11
Credit Monitoring	13
Tips for Building an Emergency Fund	14
Servicemembers Civil Relief Act (SCRA)	15
Tips for Minimizing the Cost of Debt	17
Communicating with Creditors	18
Debt Relief Services	20
Track Your Expenses	23
Debt Destroyer® Tool	25

Use this fillable worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

Income	Monthly (current)	Monthly (goal)
Service member's take-home pay (after taxes, benefits and other deductions)	\$ <input type="text"/>	\$ <input type="text"/>
Spouse's take-home pay (after taxes, benefits and other deductions)	\$ <input type="text"/>	\$ <input type="text"/>
Other income (child support, second job, etc., after taxes)	\$ <input type="text"/>	\$ <input type="text"/>
TOTAL MONTHLY TAKE-HOME INCOME	\$ <input type="text"/>	\$ <input type="text"/>

Saving and Investing		
Savings	\$ <input type="text"/>	\$ <input type="text"/>
Investments (IRA, other investment accounts)	\$ <input type="text"/>	\$ <input type="text"/>
TOTAL MONTHLY SAVINGS AND INVESTING	\$ <input type="text"/>	\$ <input type="text"/>

Housing		
Monthly mortgage and property taxes (enter "0" if renting)	\$ <input type="text"/>	\$ <input type="text"/>
Monthly rent payment (enter "0" if you only have a mortgage)	\$ <input type="text"/>	\$ <input type="text"/>
Renters insurance or homeowners insurance not included in mortgage	\$ <input type="text"/>	\$ <input type="text"/>
Utilities (electricity, gas, etc.)	\$ <input type="text"/>	\$ <input type="text"/>
Internet, cable and phones	\$ <input type="text"/>	\$ <input type="text"/>
Other housing expenses (pest control, lawn service, etc.)	\$ <input type="text"/>	\$ <input type="text"/>

Food		
Groceries and household supplies	\$ <input type="text"/>	\$ <input type="text"/>
Dining out	\$ <input type="text"/>	\$ <input type="text"/>
Other food expenses	\$ <input type="text"/>	\$ <input type="text"/>

Transportation		
Vehicle loan/lease payment(s)	\$ <input type="text"/>	\$ <input type="text"/>
Vehicle maintenance (1/12 of annual total)	\$ <input type="text"/>	\$ <input type="text"/>
Public transportation (rail, bus, etc.) parking, tolls, ride sharing	\$ <input type="text"/>	\$ <input type="text"/>
Other transportation expenses	\$ <input type="text"/>	\$ <input type="text"/>

Health		
Medicines and supplements	\$ <input type="text"/>	\$ <input type="text"/>
Health insurance deductibles/copays	\$ <input type="text"/>	\$ <input type="text"/>
Other health expenses (dental, glasses, contacts, etc.)	\$ <input type="text"/>	\$ <input type="text"/>

Personal and Family

- Child care
- Child and/or spousal support
- Clothing and shoes
- Laundry service/dry cleaning
- Money given to family members
- Entertainment (movies, streaming services, magazines, etc.)
- Vacations
- Pets
- Memberships and subscriptions
- Other personal or family expenses

	Monthly (current)	Monthly (goal)
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$

Other Expenses

- Credit card minimum payments
- Student loan payments
- Other loans (furniture stores, appliances, HVAC systems, etc.)
- School costs (tuition, supplies, etc.)
- Non-monthly expenses (if annual ÷ by 12)
- Life insurance (monthly premiums paid for private policies)
- Gifts (estimated annual expenses ÷ 12)
- Other expenses (bank, credit card, ATM, and other fees)

\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$
\$		\$

TOTALS

- Income
- Savings and Investments
- Monthly Expenses
- Debt Destroyer Dollars (Surplus/Deficit)

\$		\$
\$		\$
\$		\$
\$		\$

Credit Can Be Both Good and Bad

Credit can be a valuable part of your long-term financial plan. It can help you make large purchases that would be difficult to pay for with cash, like a new vehicle, a home, or a college education. However, credit can also be dangerous if misused. It can cost you a lot of money, increase your stress, and even damage your career if you can't get or keep a security clearance as a result of a poor credit reputation. Understand how credit works and make wise decisions with these tips.

Create Healthy Credit Habits

Boost your overall financial well-being by using credit responsibly. Practice the following healthy credit habits to improve your credit reputation:



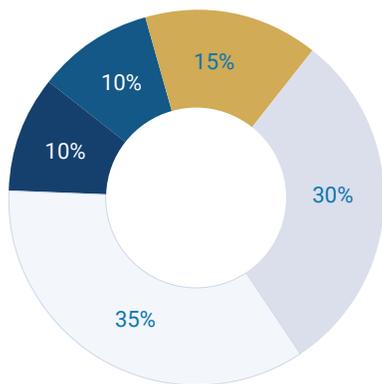
- Create and follow a spending plan, so you don't overspend and take on extra debt.
- Pay bills on time. Do not skip payments.
- Strive to fully pay off your credit cards each month. If you have to carry a balance, keep it as low as possible.
- Do not apply for credit you do not need.
- Keep credit card and loan information in a safe, secure place to reduce the risk of identity theft.
- Keep receipts and compare charges when your statements arrive. Contact your bank, credit card or finance company immediately if there is a discrepancy.

Understand Your Credit Reputation (Credit Report)

Your credit report is a record of your payment history with creditors. Lenders, employers, landlords, insurers and other businesses often evaluate this report to determine if you are dependable and to make decisions about whether or not to lend you money. Your credit report shows the following:



- How much credit you are using
- How well you pay your debts
- Who is inquiring about your credit
- Information on bankruptcies



- Payment History
- Amounts Owed
- Length of Credit History
- Types of Credit Used
- New Credit

Understand Your Credit Score

Credit scores may range from 300 to 850 depending on the credit scoring model. Most lenders consider people with scores above 670 to be good credit risks. Scores below 580 may indicate credit problems.

The FICO Score is one of the most widely used credit score models and is considered by lenders to be the industry standard for determining how likely a person is to repay a debt. The chart on the left indicates the five key components of a FICO credit score.

Payment history and amounts owed are responsible for approximately 65% of your credit score, so be sure to make payments on time and keep debt levels low.

Be sure to exercise good credit habits, so you can maintain the highest possible score.

The three nationwide consumer reporting agencies, Equifax, Experian, and TransUnion offer the following resources:

- A free annual copy of your credit report (also available through www.annualcreditreport.com)
- Free credit monitoring for eligible Service members

A critical component to getting out of debt is to have an emergency fund available when unexpected expenses occur. An emergency fund serves as a financial “safety net” and helps eliminate the need to borrow more money and sink further into debt. The Debt Destroyer program suggests that you quickly accumulate at least \$1,000 in a savings account as soon as possible. Here are a few tips to help you build your emergency fund.

- Pay yourself first. Establish an allotment or bank transfer to set aside money each paycheck.
- Consider selling unused household items online or through a garage sale.
- Explore adding another source of income either with a second job (with command approval) or spouse employment.
- Research adjusting your federal tax withholding to receive more money per paycheck. If you typically receive a large income tax refund, adjusting your withholding could increase your take home pay. However, be careful not to take this strategy too far, and end up owing taxes when you file. Visit the IRS Withholding Calculator to see how this strategy may work for your situation.
<https://www.irs.gov/individuals/tax-withholding-estimator>
- Skip one month of TSP or 401(k) contributions to jump start your emergency fund. A little extra money could be exactly what you need to create a cash cushion. Be careful with this strategy, since you will likely miss out on free employer matching contributions. Reducing your retirement contributions can negatively impact your financial future and should only be used on a short-term basis.
- Seek a one-month deferral on your auto loan payment. Some lenders will allow a loan payment to be deferred without negatively impacting your credit score. However, the interest continues to accumulate on the loan balance and this strategy could create negative equity, meaning your loan obligation is higher than the vehicle is worth.

If you need additional assistance, please speak with a Personal Financial Manager or Command Financial Specialists on your installation.

The SCRA Simplified

This handout provides a basic overview of the provisions of the Servicemembers Civil Relief Act. For full text and a comprehensive discussion of the act, visit <https://www.justice.gov/servicemembers>. For guidance and answers related to your specific situation, contact your base legal office (locator at: <https://www.jag.navy.mil>).

What Is It?

The SCRA is a law designed to ease or eliminate certain financial burdens on Service members that might arise because of military service.

Potential Service member benefits offered under the act:

- 6% interest rate caps on pre-Service debts
- Ability to terminate certain:
 - Vehicle leases
 - Residential leases
 - Mobile phone contracts
- Eviction protection
- Foreclosure protection
- Repossession protection
- Court proceeding deferrals
- Insurance protection
- Income tax deferrals
- State income tax options
- Certain other matters

Who Is Covered?

01

Active-duty
Service members

02

Reservists on
federal active duty

03

Service member
dependents
(in some situations)

04

Co-signers or
those who took out
loans with a
Service member
(in some situations)

Some protections extend for a limited time beyond active-duty discharge or release and are tied to the discharge or release date.

Additional Details

The protections under SCRA can sometimes be complicated so Sailors are encouraged to seek the assistance of their base legal office for any SCRA-related matters.



6% Interest Rate

Service members can request a 6% interest rate cap on any debts incurred before military service (credit cards, loans, mortgages, etc.) for the duration of the Service member's military obligation and one year thereafter for mortgages. This applies to individual debts of the Service member as well as those incurred jointly with his or her spouse.



Vehicle Leases

Service members entering active military service of at least 180 days can terminate vehicle leases that were executed prior to going on active duty. Vehicle leases executed after beginning military service can be terminated upon receipt of certain PCS orders involving locations outside the continental United States or deployment orders of at least 180 days. Joint leases with the Service member's spouse or dependents are also covered.



Residential Leases

Service members entering active military service can terminate residential leases that were executed before going on active duty. Residential leases executed after beginning military service can be terminated upon receipt of PCS orders or deployment orders of at least 90 days. Joint leases with the Service member and his or her spouse or dependents are also covered.



Mobile Phone Contracts

Service members can cancel mobile phone contracts after receiving orders to relocate for a period of at least 90 days to a location that does not support the contract.



Eviction from Housing

Service members and their families cannot be evicted for nonpayment of rent without a court order while on active duty, provided the rent is below a certain amount. Eviction can still occur if ordered by the court.



Foreclosure And Repossession Protection

Active Service members are protected from foreclosure and repossession under certain circumstances, including the common requirement that lenders must obtain a court order before taking such actions.



Court Proceedings

If a Service member is a defendant in a civil court proceeding, the court may grant a delay if he or she is deployed. The provision applies to civil lawsuits, suits for paternity, child custody suits, bankruptcy debtor/creditor meetings, and administrative proceedings.



Residence for State Taxes

Under certain circumstances, the SCRA prohibits states from taxing Service members and their spouses solely due to their presence in a state because of compliance with military orders. This means if a Service member and his or her spouse are residents of another state, they may not be required to pay certain taxes in the state in which they are stationed.

Tips for Minimizing the Cost of Debt

As the old saying goes, a penny saved is a penny earned. This is especially true when it comes to lowering the cost of your debt. Here are a few tips to help reduce the interest you pay every month:

- Ask your creditor(s) to lower your current interest rate.
- Take advantage of the Servicemembers Civil Relief Act to reduce the interest rate to 6% for any pre-service debt.
- Seek a balance transfer, which is when you move debt from a higher interest rate account to a lower interest rate account, typically, using a credit card. To help evaluate if this makes sense for you, ask about balance transfer fees, how long the introductory interest rate remains valid, and what the annual percentage rate will be after the introductory period ends.
- Shop for a consolidation loan to lower your interest rate. These loans can be unsecured, meaning there is no collateral tied to the repayment, or secured using collateral such as a paid off vehicle or home equity. A few precautions to consider with consolidation loans include:
 - The potential loss of SCRA benefits by consolidating pre-service debt into the loan
 - A potentially worse financial situation if the root cause for your debt has not been addressed
 - A possible repossession of a vehicle or foreclosure on your home if you default on repayment
- Evaluate a home equity loan or cash out refinance of your existing mortgage. Tapping into the equity in your home can be an excellent way to pay off high interest rate debt. However, the same precautions mentioned for consolidation loans apply here too.
- Take a loan against your Thrift Savings Plan (TSP) or employer sponsored retirement plan to pay off higher-interest rate debt.
 - Before considering this strategy, visit the FINRA website to learn about the pros and cons of taking a loan against your retirement plan.
<https://www.finra.org/investors/learn-to-invest/types-investments/retirement/401k-investing/401k-loans-hardship-withdrawals-and-other-important-considerations>
 - To learn more about TSP, loans visit the TSP website at www.tsp.gov and search the keyword "Loans."
- Make credit card payments earlier in the billing cycle to reduce your average daily balance. If you are carrying a balance on your credit card, avoid waiting until the due date to make a payment. An earlier payment will reduce your average daily balance and reduce the amount of accumulated interest due.

The strategies presented in this Debt Destroyer Participant Guide are not intended to be or to provide financial, tax, investment or legal advice. They are only a general overview of the subject presented and are provided solely for your information. Applicable laws are complex, the penalties for non-compliance may be severe, and the applicable law of your state may differ. Consult your tax and legal advisers regarding your specific situation.

Negotiating a Lower Interest Rate

Credit card rates are not set in stone, so it can be worth the conversation to request an interest rate reduction. Here are a few tips for negotiating a lower rate when speaking with your creditors.

- **Take an active interest in interest rates** – Research and compare credit card rates from numerous companies and ask if your current lender will match.
- **Be honest about your situation** – Explain your plan to pay down debt and state your case for a lower rate.
- **Leverage the positive** – If you are a longtime card holder or have a squeaky clean payment history, leverage these points in your conversation.
- **Build a strong case** – If you've been late on making your payments in the past or even missed a payment, your lender might not feel compelled to lower your rate. So change the narrative and begin making at least the minimum payments on time, every time. After six – 12 months of timely payments, call to state your case.
- **Keep your cool** – The credit card company is not obligated to lower your interest rate, so speak to the customer service representative in a respectful manner when making this request.
- **Go up the chain of command** – A customer service representative might not have the authority to lower your interest rate. If you have a strong reason for reducing your interest rate, ask to speak with a supervisor and state your case.
- **Be persistent** – Destroying your debt can take several months or even years. So, be persistent and periodically call to request a lower rate. Remember to be courteous when speaking to the lender and keep a record of your conversations.

Dealing with Debt Collectors

When a debt collector calls, it's important to know your rights and what you need to do. The Federal Trade Commission (FTC) enforces the Fair Debt Collection Practices Act (FDCPA), which makes it illegal for debt collectors to use abusive, unfair, or deceptive practices when they collect debt. The FTC offers the following answers to frequently asked questions to help you know your rights.

What types of debts are covered under the law?

Your credit card debt, auto loans, medical bills, student loans, mortgage, and other household debts are covered under the FDCPA. Business debts are not.

Can debt collectors contact me at any time or place?

No. Debt collectors can't contact you before 8 a.m. or after 9 p.m., unless you agree to it. They also can't contact you at work if you tell them you're not allowed to get calls there.

How can a debt collector contact me?

Debt collectors can call you, or send letters, emails, or text messages to collect a debt.

How can I stop a debt collector from contacting me?

Mail a letter to the collection company and ask it to stop contacting you. Keep a copy for yourself. Consider sending the letter by certified mail and paying for a "return receipt." That way, you'll have a record the collector got it. Once the collection company gets your letter, it can only contact you to confirm it will stop contacting you in the future or to tell you it plans to take a specific action, like filing a lawsuit. If you're represented by an attorney, tell the collector. The collector must communicate with your attorney, not you, unless the attorney fails to respond to the collector's communications within a reasonable time.

Consider talking to the collector at least once, even if you don't think you owe the debt or can't repay it immediately. That way, you can get more information about the debt and confirm whether it's really yours. To avoid debt collection scammers, be careful about sharing your personal or financial information, especially if you're not already familiar with the collector.

Can a debt collector contact anyone else about my debt?

A debt collector generally cannot discuss your debt with anyone but you or your spouse. If an attorney is representing you, and you've told the collector, the debt collector must contact the attorney. A collector can contact other people to find out your address, your home phone number, and where you work, but usually can't contact them more than once, and cannot tell them you owe a debt.

To learn more about dealing with debt collectors, visit the link to the FTC website <https://www.consumer.ftc.gov/articles/debt-collection-faqs>.

For sample letters to help deal with common debt collector problems, visit the Consumer Financial Protection Bureau website at the link <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>

If your financial problems stem from too much debt or your inability to repay your debts, a credit counseling agency may recommend that you enroll in a debt management plan (DMP). A DMP alone is not credit counseling, and DMPs are not for everyone. Don't sign up for one of these plans unless and until a certified credit counselor has spent time thoroughly reviewing your financial situation, and has offered you customized advice on managing your money. Even if a DMP is appropriate for you, a reputable credit counseling organization still can help you create a budget and teach you money management skills.

In a DMP, you deposit money each month with the credit counseling organization. It uses your deposits to pay your unsecured debts, like your credit card bills, student loans, and medical bills, according to a payment schedule the counselor develops with you and your creditors. Your creditors may agree to lower your interest rates or waive certain fees. But it's a good idea to check with all your creditors to be sure they offer the concessions that a credit counseling organization describes to you. A successful DMP requires you to make regular, timely payments; it could take 48 months or more to complete your DMP.

Ask the credit counselor to estimate how long it will take for you to complete the plan. You may have to agree not to apply for – or use – any additional credit while you're participating in the plan.

Debt Settlement Programs

Debt settlement programs typically are offered by for-profit companies and involve them negotiating with your creditors to allow you to pay a "settlement" to resolve your debt – a lump sum that is less than the full amount that you owe. To make that lump sum payment, the program asks that you set aside a specific amount of money every month in savings. Debt settlement companies usually ask that you transfer this amount every month into an escrow-like account to accumulate enough savings to pay off any settlement that is eventually reached. Further, these programs often encourage or instruct their clients to stop making any monthly payments to their creditors.

Debt Settlement Has Risks

Although a debt settlement company may be able to settle one or more of your debts, there are risks associated with these programs to consider before enrolling:

1. These programs often require that you deposit money in a special savings account for 36 months or more before all your debts will be settled. Many people have trouble making these payments long enough to get all (or even some) of their debts settled, and end up dropping out the programs as a result. Before you sign up for a debt settlement program, review your budget carefully to make sure you are financially capable of setting aside the required monthly amounts for the full length of the program.
2. Your creditors have no obligation to agree to negotiate a settlement of the amount you owe. So, there is a possibility that your debt settlement company will not be able to settle some of your debts – even if you set aside the monthly amounts required by the program. Also, debt settlement companies often try to negotiate smaller debts first, leaving interest and fees on large debts to continue to mount.
3. Because debt settlement programs often ask or encourage you to stop sending payments directly to your creditors, they may have a negative impact on your credit report and other serious consequences. For example, your debts may continue to accrue late fees and penalties that can put you further in the hole. You also may get calls from your creditors or debt collectors requesting repayment. You could even be sued for repayment. In some instances, when creditors win a lawsuit, they have the right to garnish your wages or put a lien on your home.

Debt Settlement and Debt Elimination Scams

Some companies offering debt settlement programs may not deliver on their promises, like their “guarantees” to settle all your credit card debts for 30% to 60% of the amount you owe. Other companies may try to collect their fees from you before they settle any of your debts.

The FTC’s Telemarketing Sales Rule prohibits companies that sell debt settlement and other debt relief services on the phone from charging a fee before they settle or reduce your debt. Some companies may not explain the risks associated with their programs, including that many (or most) of their clients drop out without settling their debts, that their clients’ credit reports may suffer, or that debt collectors may continue to call them.

Before you enroll in a debt settlement program, do your homework. You’re making a big decision that involves spending a lot of your money that could go toward paying down your debt. Enter the name of the company with the word “complaints” into a search engine. Read what others have said about the companies you’re considering, including whether they are involved in a lawsuit with any state or federal regulators for engaging in deceptive or unfair practices.

Fees

If you do business with a debt settlement company, you may have to put money in a dedicated bank account, which will be administered by an independent third party. The funds are yours and you are entitled to the interest that accrues. The account administrator may charge you a reasonable fee for account maintenance, and is responsible for transferring funds from your account to pay your creditors and the debt settlement company when settlements occur.

Disclosure Requirements

Before you sign up for the service, the debt relief company must give you information about the program:

- **Price and terms.** The company must explain its fees and conditions on its services.
- **Results.** The company must tell you how long it will take to get results – how many months or years before it will make an offer to each creditor for a settlement.
- **Offers.** The company must tell you how much money or what percentage of each outstanding debt you must save before it will make an offer to each creditor on your behalf.
- **Nonpayment.** If the company asks you to stop making payments to your creditors – or if the program relies on your not making payments – it must tell you about the possible negative consequences of your action.

The debt relief company also must tell you:

- that the funds are yours and you are entitled to the interest earned;
- the account administrator is not affiliated with the debt relief provider and doesn't get referral fees; and
- that you may withdraw your money at any time without penalty.

For more information about the tax consequences of debt relief services and personal bankruptcy options, visit the Federal Trade Commission website at consumer.ftc.gov.

Track Your Expenses

Keep track of your daily expenses for two weeks

Keep a record of how you spend your money for the next two weeks. The secret is to record it when you spend it. Using a sticky note in your wallet or purse will help you track your expenditures. When you go for your money, make a note on your sticky (write the amount and the item). At the end of the day, transfer the recorded amounts to this record. Be sure to include bills paid, along with sodas, lunches, etc.

Remember, this is for tracking your take-home pay. Do not include allotments.

TAKE-HOME PAY FOR TWO WEEKS				Dates			
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		Take-Home Pay: \$ _____ Amount Spent: \$ _____ Balance: \$ _____ (+ or -)	
Item:	Amount:	Item:	Amount:	Item:	Amount:		

TAKE-HOME PAY FOR TWO WEEKS

Dates

DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		Take-Home Pay: \$ _____ Amount Spent: \$ _____ Balance: \$ _____ (+ or -)	
Item:	Amount:	Item:	Amount:	Item:	Amount:		

1 Debt Obligations

	Creditor	Type	Balance	APR (%)	Payment	Exclude
1						<input type="checkbox"/>
2						<input type="checkbox"/>
3						<input type="checkbox"/>
4						<input type="checkbox"/>
5						<input type="checkbox"/>
6						<input type="checkbox"/>
7						<input type="checkbox"/>
8						<input type="checkbox"/>
9						<input type="checkbox"/>
10						<input type="checkbox"/>
11						<input type="checkbox"/>
12						<input type="checkbox"/>
13						<input type="checkbox"/>
14						<input type="checkbox"/>
15						<input type="checkbox"/>
16						<input type="checkbox"/>
17						<input type="checkbox"/>
18						<input type="checkbox"/>
19						<input type="checkbox"/>
20						<input type="checkbox"/>
TOTALS			\$ -	N/A	\$ -	N/A

2 Repayment Option Comparison

Payment Method	Total Time	Total Amount	Time Saved	Amount Saved
Minimum Payment	0 Months	\$ -	N/A	N/A
Avalanche Method	0 Months	\$ -	0 Months	\$ -
Snowball Method	0 Months	\$ -	0 Months	\$ -

3 Repayment Option Comparison

4 Debt Destroyer Dollars

Payment Type	Date	Amount
Extra Payment (Monthly)	N/A	\$ 500.00
One-Time Payment		
One-Time Payment		
One-Time Payment		

5 Repayment Methods

Avalanche Payment Schedule
Pay minimum on each, then pay all extra toward the principal balance of the debt with the highest interest rate until all are paid.

Snowball Payment Schedule
Pay minimum on each, then pay all extra toward the principal balance of the debt with the smallest balance until all are paid.

Minimum Balance Payment Schedule
Pay minimum statement payment due on the each, with no roll over payments until all are paid.

6 **7**

Debt Destroyer: **Avalanche** **Snowball** **Minimum Balance**

8 **9**

1. **Debt Obligations:** You will enter your information from Step 3 in this section. Remember to account for every debt.
2. **Repayment Option Comparison:** A breakdown of the specifics of each strategy including the time it will take, the amount you will spend, and total savings.
3. **Repayment Option Comparison Chart:** Information from section 2 displayed as a visual graph.
4. **Debt Destroyer Dollars:** You will enter the Debt Destroyer dollars you identified in your Spending Plan Worksheet in this section.
5. **Repayment Methods:** A brief synopsis of each repayment strategy.
6. **Debt Destroyer Tab:** You will enter all of your data here. This is the only tab where data entry occurs.
7. **Avalanche Workbook Tab:** Calculations and implementation steps for the Avalanche strategy.
8. **Snowball Workbook:** Calculations and implementation steps for the Snowball strategy.
9. **Minimum Balance Payment Schedule:** Calculations for the Minimum Payment strategy.