Proven Strategies to

Pay Off Debt

4 Smart Ways to Pay Off Debt & Build Wealth

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INTRO

Hi, my name is Bill Pratt. I've been supporting students, audience members, and readers with their finances since 2005. After working as an economist for the U.S. Federal Government and as a Vice President at Citigroup, I left the corporate financial industry to pursue education so I could help students achieve financial success – to ultimately share their success with others.

I got started on this journey in part because when I started out after college, I struggled to pay off my debt – and then again when we lost nearly $100,000 on the sale of our home during the housing recession – which happened the same year I took a 60% pay cut to start teaching!

Fortunately, I understood the various methods to pay off debt, knew which worked best for my situation – and got back to where my wife and I could enjoy our life while still paying off our debt.

In this report, you'll learn about 4 different models of paying off debt that have worked really well for me and my clients. You can consider each of the 4, and decide which method makes the most sense for your situation and lifestyle. If you apply what you learn in here, you're likely to pay off your debt years quicker, save tens of thousands of dollars in interest or more, hop off that cycle of working to pay off debt, and start enjoying your finances.

To your continued success,

Bill Pratt
Co-Founder
The Money Professors

The 4 proven strategies to pay off debt

Despite all the hype, all the articles, and all the advice, there are basically only 4 different approaches to paying off debt. Let's go through them and see which one is best for you.

Obviously, you can just keep making the minimum payments, and you will eventually pay off your debt. This doesn't count as a strategy, so we will ignore it. Instead, we will look at the 4 proven methods that can work to help you eliminate your debt. These strategies are proven because not only are they each mathematically sound, but they have worked for myself, my students, and my clients. The key is to recognize which is best for your situation at the moment. For some people, one strategy works best now, but another strategy may work even better later. So here are the options:

1 - Pay the highest interest rate first
2 - Pay the smallest debt first
3 - Pay the best debt for cash flow
4 - Use the DebtorADE(TM) system

Let's briefly take a look at each of these approaches and see which ones work best for which financial and life situations:

1

Pay the highest interest rate first

This is a sound strategy, especially for those who are finance people or math people (such as accountants, business analysts, etc.). Why? Because paying the highest interest rate debt first means you are saving the most amount of money from interest. You are "investing" in a larger return first.

With this strategy, you then add the monthly payment from the first debt you payoff to the next highest rate debt and so on. Some people have referred to this as the avalanche method since you are starting from the top (highest rate) and the size of the avalanche grows as you work your way to the lower interest rate debts.

Here is an example: Your monthly payments on your debts, from highest interest rate to lowest, are $400, $40, $175, $250, $1,500. You start by paying off the $400 high interest credit card. Once it is paid off, you add the $400 to your next debt, which is $40, so now you are paying $440 on the second debt. By the time you get to your mortgage, in this example, you will be paying an extra $865 for a total of $2,365 per month. You could save tens of thousands of dollars in interest.

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2

Pay the smallest debt first

This is a sound strategy, especially for those who like to make lists and check off their progress, those who have struggled with debt in the past, or those who like emotional victories. Why? Because going for the smallest debt first usually results in the quickest first win. That gives you the encouragement to keep going. Success on quickly paying off your first debt leads to more success as you move onto your next debt, etc.

With this strategy, you then add the monthly payment from the first debt you payoff to the next smallest debt and so on. This has also been called the snowball method since you start by paying off a small debt and your monthly amount grows bigger after each debt is paid off.

Here is an example: The amounts owed on your debts, from smallest payment to largest, are $750, $2,000, $15,000, $28,000, $200,000. The monthly payments on these debts are $40, $250, $175, $400, $1,500. You start by paying off the $750 debt. Once it is paid off, you add the $40 monthly payment from that debt to your next debt, which is the $2,000 debt, so now you are paying $290 on the second debt. By the time you get to your mortgage, in this example, you will be paying an extra $865 for a total of $2,365 per month. You could save tens of thousands of dollars in interest.

3

Pay the best debt for cash flow first

This is a sound strategy for those who have such a tight budget right now, that they need to free up as much money as possible as soon as possible. The smallest debt may work, but if the payment is only $25 per month, then that really doesn't help much. Maybe the highest interest rate debt is $20,000 and you still have 7 years left to pay on it. That really isn't helpful if you need cash sooner rather than later.

Sometimes there is a debt with a larger monthly payment, but it can be paid off in a reasonable amount of time. This would lead to a much more enjoyable lifestyle after paying it off. This is a good strategy to work on with a money coach.

Here is an example: Your amounts owed on your debts, from smallest payment to largest, are $750, $2,000, $15,000, $28,000, $200,000. The monthly payments on these debts are $40, $250, $175, $400, $1,500. In this case, the $750 debt is the smallest, but the payment is only $40, so that might not help your budget enough. But, the $2,000 debt has payments of $250 per month, so focusing on paying that debt off first would really help alleviate your monthly budget problems. If you have any extra money you can find at all, you want to put it on the $2,000 debt to free up your $250 monthly payment fast.

4

Use the DebtorADE(TM) system

This is the system that we, at The Money professors, prefer - when it makes the most sense for the client. We even created a DebtorADE calculator specifically using this method. It may mean going after the smallest debt first, but our calculations look at the payment as well. Simply put, you divide the amount owed by the monthly payment and see which debt has the smallest number. That is the one to go after first. With this strategy, you then add the monthly payment from the first debt you payoff to the next debt on the list using the same approach.

We utilize advanced strategies as well including the 50% Solution and the 50% Plus Solution that allows you to celebrate wins (paying off a debt) by increasing your monthly budget, while at the same time paying down your debt much faster. A typical homeowner could save well over $100,000 in interest with this approach. We then go further, and have the client take the monthly amount they were previously spending on debt and use those dollars to invest. This approach can result in hundreds of thousands of dollars for our client - all in the same amount of time they would have normally paid off their mortgage.

Here is an example:

DebtorADE

DebtorADE(TM)

Using this chart, you can see that the DebtorADE™ system placed the order of debt payoff in a unique position to get the fastest results.

Debt	Amount Owed	Payment	Debt Payoff Order
Credit Card 1	$750	$40	2
Credit Card 2	$2,000	$250	1
Student Loan	$15,000	$175	4
Vehicle Loan	$28,000	$400	3
Mortgage	$200,000	$1,500	5

In this scenario, the borrower would pay off their debt 8 years quicker and would save $52,000 in interest. In addition, if they used those same dollars and invested them, they could expect to have $317,000 in their account in 18.5 years – which is the same amount of time they would have spent just paying off their debt, including their mortgage, without using any debt pay off strategy.

Not only is it possible to pay off debt in a short amount of time, but **you can also accumulate wealth without sacrificing anything** or trying to find hundreds of extra dollars each month that you just don't have!

Next Steps

What are your next steps?

I hope this report has inspired you with some debt payoff models that you can use to quickly improve your financial situation.

If you haven't seen my 30-minute webinar on my DebtorADE™ approach to quickly paying off debt yet, please check it out here:

https://www.TheMoneyProfessors.com/DebtWebinar

Or reach out or reply to any email you get from me. I'd love to hear from you:

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