

The debt list: every debt, on one page

Chapter 7 and Appendix G. The first thing to write down, before any method is chosen: what is owed, at what rate, and how much of this month's payment actually reaches it.

Name		Prepared by	
Month		Date	

Debt	Balance	Rate %	Minimum rule	Interest this month	First payment	Reaches the debt	Rank: rate / size
The book's five debts							
Store card	680.00	29.9	2.5% of balance, floor 20	16.94	20.00	3.06	1 / 1
Credit card A	3,200.00	22.9	2.5% of balance, floor 25	61.07	81.53	20.46	2 / 4
Credit card B	1,450.00	18.9	2.5% of balance, floor 25	22.84	36.82	13.98	3 / 2
Personal loan	2,100.00	12.5	fixed 95.00	21.88	95.00	73.12	4 / 3
Car loan	6,500.00	7.9	fixed 180.00	42.79	180.00	137.21	5 / 5
Total	13,930.00			165.51	413.35	247.83	
Yours							
Total							

Read the list	The book	Yours
Total owed	13,930.00	
Required each month, all debts, month one	413.35	
Of which reaches the debts	247.83; the rest, 165.51, is interest	
Surplus available beyond the minimums	250.00	
Most expensive debt; smallest debt	The store card; the store card	

The interest is balance times rate divided by twelve. The first payment follows each lender's rule; on the cards it is 2.5 per cent of the balance after interest, with a floor.

The one calculation to do tonight

Chapter 7. For each debt: balance times rate, divided by twelve, is what it costs this month. Subtract that from what you pay. The difference is all that reaches the debt.

Name		Prepared by	
Month		Date	

Debt	Balance	Rate %	Costs this month	You pay	Reaches the debt	Share that is interest %	Verdict
The book							
Store card	680.00	29.9	16.94	20.00	3.06	84.7	shrinking slowly
Credit card A	3,200.00	22.9	61.07	81.53	20.46	74.9	shrinking slowly
Credit card B	1,450.00	18.9	22.84	36.82	13.98	62.0	shrinking
Personal loan	2,100.00	12.5	21.88	95.00	73.12	23.0	shrinking
Car loan	6,500.00	7.9	42.79	180.00	137.21	23.8	shrinking
Yours							

If what reaches the debt is ...	It means	What to do
Negative	The balance grows while you pay it	Seek reputable local help now; free and confidential debt advice exists in most countries
Under a third of the payment	Most of the payment stands still: card A, 20.46 of 81.53	Stop paying the falling minimum; hold the payment level (case one)
Most of the payment	The debt is being repaid	Keep going; send the surplus to the highest rate

It is arithmetic, not character. A minimum set as a percentage of a balance that interest keeps refilling does the same to anybody.

The minimum, read over time: card A

Chapter 7 and case one. The minimum falls every month the balance falls. Beside it, the first minimum of 81.53 held level. Fill the last two columns from your own statements.

Name		Prepared by	
Month		Date	

Month	Minimum paid	Of which interest	Owed after	Held payment	Owed after	Your payment	Your balance
1	81.53	61.07	3,179.54	81.53	3,179.54		
2	81.01	60.68	3,159.21	81.53	3,158.69		
3	80.49	60.29	3,139.01	81.53	3,137.44		
6	78.95	59.14	3,079.19	81.53	3,071.23		
12	75.97	56.91	2,962.93	81.53	2,927.00		
24	70.34	52.69	2,743.43	81.53	2,584.48		
36	65.13	48.79	2,540.18	81.53	2,154.75		
48	60.31	45.17	2,352.00	81.53	1,615.60		
60	55.84	41.83	2,177.75	81.53	939.15		
74	51.04	38.23	1,990.72	10.87	0.00		
120	38.00	28.46	1,482.07	0.00	0.00		
180	25.86	19.37	1,008.62	0.00	0.00		
240	25.00	7.35	367.47	0.00	0.00		
258	10.42	0.20	0.00	0.00	0.00		

	Minimums only	Held at 81.53	Yours
Months to clear	258	74	
Total interest	7,469.24	2,762.32	
Times what was borrowed	3.33	1.86	

Holding the payment costs nothing in month one. By month 60 the minimum is 55.84 and 2,177.75 is still owed; the held payment has 939.15 left.

Choosing the method: highest rate or smallest balance

Chapter 7: attack the highest rate for efficiency or the smallest balance for motivation, and pick the one you will stick with. This page puts the price on the choice before the argument starts.

Name		Prepared by	
Month		Date	

Debt	Rate %	Balance	Rank by rate	Rank by size	Your rank by rate	Your rank by size
Store card	29.9	680.00	1	1		
Credit card A	22.9	3,200.00	2	4		
Credit card B	18.9	1,450.00	3	2		
Personal loan	12.5	2,100.00	4	3		
Car loan	7.9	6,500.00	5	5		

The comparison	Highest rate first	Smallest first	Difference	Yours
Months to clear, surplus fixed	30	31	1	
Total interest, surplus fixed	2,032.93	2,256.81	223.87	
Per month of the plan			7.46	
Months to clear, payment held (case two)	24	24	0	
Total interest, payment held (case two)	1,816.53	1,942.04	125.52	

Before choosing	The book	Yours
Is the smallest debt also the most expensive?	Yes: the store card; both methods start there	
Where do the two orders first differ?	Second target: card A by rate, card B by size	
Which would you still be doing in month twenty?		

If clearing whole debts early is what keeps you going, buy the motivation. It costs 223.87 with the surplus fixed, and 125.52 if the payment rolls on.

The payoff calendar: highest rate first, the workbook's plan

Chapter 7 and Appendix G. The minimums on every debt, and the 250 surplus to the target debt. Tick the month off when the statement agrees.

Name		Prepared by	
Month		Date	

Month	Surplus goes to	Interest	Owed at month end	Cleared this month	Your owed	Tick
1	Store card	165.51	13,432.17			
2	Store card	156.93	12,926.63			
3	Store card	148.19	12,413.21	Store card		
4	Credit card A	139.84	11,914.82			
5	Credit card A	132.78	11,416.57			
6	Credit card A	125.74	10,918.44			
7	Credit card A	118.71	10,420.41			
8	Credit card A	111.71	9,922.44			
9	Credit card A	104.73	9,424.51			
10	Credit card A	97.77	8,926.60			
11	Credit card A	90.82	8,428.67			
12	Credit card A	83.90	7,929.47			
13	Credit card A	76.97	7,423.66			
14	Credit card A	69.93	6,911.13			
15	Credit card A	62.78	6,391.76	Credit card A		
16	Credit card B	55.94	5,894.06			
17	Credit card B	49.95	5,394.01			
18	Credit card B	43.93	4,887.94			
19	Credit card B	37.83	4,375.77			
20	Credit card B	31.65	3,857.42	Credit card B		
21	Personal loan	26.47	3,358.89	Personal loan		
22	Car loan	22.11	2,951.00			
23	Car loan	19.43	2,540.43			
24	Car loan	16.72	2,127.15			
25	Car loan	14.00	1,711.16			
26	Car loan	11.27	1,292.42			
27	Car loan	8.51	870.93			
28	Car loan	5.73	446.66			
29	Car loan	2.94	19.61			
30	Car loan	0.13	0.00	Car loan		

The target is the most expensive debt still owed. The calendar assumes nothing new is borrowed and the surplus arrives every month.

Finding the surplus: the monthly budget

The budget the book asks for, reduced to one page. Chapter 7 calls the surplus the weapon you use to attack your debt: this is where it has to come from. The book's case gives only the debt lines; the rest is yours.

Name		Prepared by	
Month		Date	

Line	The book's case	Yours: planned	Yours: actual
Money in			
Income after tax			
Other income			
Total in			
Fixed costs			
Housing: rent or mortgage			
Utilities and council tax			
Insurance			
Transport			
Phone and internet			
Variable costs			
Food and household			
Personal and clothing			
Subscriptions			
Everything else			
Debt and saving			
Minimum payments, all debts	413.35 in month one		
Starter emergency fund, while building	125.00 a month until 1,000		
Surplus to the target debt	250.00 (125 while the fund builds)		
Total out			
In less out: must be nought or more			

Three checks on the budget	Answer
Is every minimum covered before anything variable?	
Is the surplus a number you can pay every month, not a hope?	
What happens to the surplus when a debt is cleared: does it roll on?	

A surplus that is paid eleven months out of twelve is worth less than a smaller one paid every month.

The spending log: thirty days

Budgeting starts from what was actually spent, not from what was meant. One line per purchase, for a month; then total the categories into the budget on the previous page.

Name		Prepared by	
Month		Date	

[illegible]

The wants column is not a judgement. It is the list from which the surplus is found.

The starter emergency fund: what it costs, and what it buys

Chapter 7: building a starter emergency fund even while paying off debt is wise. It is, and this page puts the price on it, so that the decision is made with a number.

Name		Prepared by	
Month		Date	

Input	The book	Yours
Emergency amount	800.00	
Arrives in month	9	
Fund target	1,000.00	
Held back each month to build it	125.00	
Months to build it	8	

Outcome	No fund	Fund built first	Difference	Yours
Emergency arrives: months to clear	31	32	1	
Emergency arrives: total interest	2,236.51	2,584.02	347.51	
No emergency: total interest	2,032.93	2,371.42	338.49	

What the premium buys	Answer
Where does an 800 surprise go without a fund?	Onto the store card at 29.9 per cent, in month 9
Where does it go with one?	Out of the fund; the plan does not move, and the fund is rebuilt at 125 a month
Is about 350 of interest worth removing that failure mode?	

Most people who fail at debt payoff fail after a surprise, not because of the rate. The fund is insurance with a premium you can now see.

When the emergency arrives: the procedure

Chapter 7. Written in advance, so that a surprise changes one line of the plan and not the plan. The book's case: 800 in month 9, with 1,000 in the fund.

Name		Prepared by	
Month		Date	

#	Step	The book's case	Yours
1	Is it an emergency? Necessary, urgent and unexpected	Yes: 800	
2	Pay it from the fund, not from a card	1,000 less 800 leaves 200	
3	Keep every minimum and the surplus unchanged this month	Minimums paid; surplus 250 less the rebuild	
4	Rebuild the fund at the agreed rate	125 a month until it is back at 1,000	
5	Re-date the debt-free month	Month 32, one month later than without the emergency	
6	If the fund was short, the rest goes on the cheapest available credit, not the dearest	Not needed	
7	Write down what happened, and whether the target should be larger		

Date	What happened	Amount	From the fund	Onto a debt	Fund after	Rebuilt by

Without the fund the same 800 lands on the store card after that month's interest; the plan still ends in month 31, at 2,236.51 of interest.

One debt of your own: what an extra amount is worth

Sheet 5 of the workbook, on paper. The book's example is 2,500 at 22.9 per cent, paid at 100 a month. Add a little and read what it saves.

Name		Prepared by	
Month		Date	

Line	The book's example	Yours
What you owe on it	2,500.00	
The interest rate	22.9 per cent	
What you pay each month	100.00	
Interest this month	47.71	
Which reaches the balance	52.29	
Share of the payment that is interest	47.7 per cent	
Months to clear	34.30	
Total interest	929.69	

Added each month	Payment	Months to clear	Total interest	Months saved	Interest saved	Yours
0.00	100.00	34.30	929.69	0.00	0.00	
10.00	110.00	30.08	809.00	4.22	120.69	
20.00	120.00	26.81	717.07	7.49	212.63	
50.00	150.00	20.25	537.58	14.05	392.11	
100.00	200.00	14.42	383.27	19.88	546.42	

Months are counted as the annuity formula counts them, with the last payment a part payment. Adding 50 saves 392.11: nearly eight times the first extra payment.

Before you sign any debt offer

Case three. The companion page says the arithmetic cannot tell you whether an offer is reputable. It can tell you what the offer costs, and on what condition it saves. The offer below is ADDED; replace it with the one in front of you.

Name		Prepared by	
Month		Date	

The offer	Case three (ADDED)	Yours
Debts it replaces, and their balance	Store card and both credit cards: 5,330.00	
Their average rate, by balance	22.70 per cent	
Loan rate; fee; term	12.9 per cent; 4 per cent (213.20); 60 months	
New monthly payment against the old minimums	125.84 against 138.35	

The two numbers to ask for	Case three	Yours
Cost if I keep paying what I pay now (663.35), against not taking it	-127.46: a saving of 127.46	
Cost if I pay only the new lower payments, against the same	+1,649.85, and 60 months instead of 24	
The rate above which it stops saving, fee included	15.57 per cent	

Questions for the lender	Answer
Is the firm authorised by the regulator where you live?	
What is the total repayable, in money, over the full term?	
Is there a fee, and is it added to the loan?	
Can the loan be repaid early without a charge?	
What happens to the cards once they are cleared?	
Who is paid a commission if you sign?	

An offer that shows only the monthly payment is showing the one figure that does not decide it.

The debt-free date, and the levers that move it

Chapter 7, the workbook and the three cases on one page: the same five debts, 13,930 in all, under every plan in this pack. Write your own debt-free date beside the book's.

Name		Prepared by	
Month		Date	

Plan	Paid in month one	Months to clear	Total interest	Your months	Your interest
Minimums only	413.35	258	10,886.32		
First minimums held level, no surplus (case one)	413.35	45	4,377.52		
Minimums plus 250, smallest first	663.35	31	2,256.81		
Minimums plus 250, highest rate first	663.35	30	2,032.93		
Payment held at 663.35, smallest first (case two)	663.35	24	1,942.04		
Payment held at 663.35, highest rate first (case two)	663.35	24	1,816.53		
Consolidation loan, payment held (case three, ADDED)	663.35	24	1,689.07 with fee		
Consolidation loan, required payments only (case three)	400.84	60	3,466.38 with fee		

Lever	Worth, in months	Worth, in interest	Yours
Refuse the falling minimum	213	6,508.80	
Add 250 a month	228	8,853.38	
Roll what a cleared debt frees, highest rate first	6	216.40	
Highest rate rather than smallest, surplus fixed	1	223.87	
A starter fund, if no emergency comes	0	-338.49	

The method is the smallest lever on the page. The largest is the decision to keep paying what you paid last month.