Debt Freedom Plan

For

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Debt Freedom

Credit is a useful and important tool in today's modern financial world. Mortgages, loans and credit cards allow people a way to purchase the goods and services they want now, then pay for the costs over time. With good planning and in the proper amount, credit is an affordable expense. Excessive debt can wreck even the best financial intentions.

Understanding and controlling debt is one aspect of long term financial well being. This part of the repo offers guidance on efficient repayment strategies. Being in control of debt is the first step toward de freedom.

Too Much Debt is Costly

Costs of excessive borrowing can be heavy, both psychologically and economically. Psychologically, too much debt is a burden that squeezes family finances and increases stress as monthly payments eat up too much income. On the economic side, interest on debt increases the effective cost of purchases, and the benefits of credit are overwhelmed by the price over time

Three Step Debt Freedom Program

1 Accelerated Debt Reduction or Elimination

Develop a written plan to follow for efficient debt elimination.

Save money on interest payments by following a payment strategy.

Shorten payment schedule by increasing monthly payments.

2 Accelerated Wealth Accumulation

Enhance your present lifestyle with increased cash flow.

Invest more money for future needs such as college education or retirement.

3 Debt Education

Be knowledgable about debt and understand when it makes sense to borrow.

Part 1: Accelerated Debt Reduction or Elimination

Your Personalized Plan to Get out of Debt

Here you will learn:

Which debts to pay off first

How much money you can save in interest payments

The effect of increasing debt repayments

Your Current Plan: The following is your existing debt repayment plan if you do nothing:

2 Loans

Monthly Payment: $797.00

Total Debt: $20,000.00

Loans paid off in 5 Years 2 Months

Total Interest Payments: $3,090.10

Current debt plan: Detail

Creditor Name	Debt Amount	Monthly Interest	Current Monthly Payment	Monthly Minimum Payment	Interest Rate
Credit Card Debt	$5,000.00	$46.00	$500.00	$115.00	11.00 %
Car Loans	$15,000.00	$88.00	$297.00	$297.00	7.00 %

Part 1: Accelerated Debt Reduction or Elimination

Proposed Debt Reduction Plan: The following is your plan for debt freedom:

2 Loans

Monthly Payment: $997.00 (an increase of $200.00 over total current loan and mortgage payments)

Total Debt: $20,000.00

Loans paid off in 1 Years 11 Months

Total Interest Payments:$1,412.40

Proposed debt plan: Detail

Creditor Name	Amount	Interest	Monthly Minimum Payment	Interest Rate	Debt Freedom Monthly Payment
Credit Card Debt	$5,000.00	$46.00	$115.00	11.00 %	$700.00
Car Loans	$15,000.00	$88.00	$297.00	7.00 %	$297.00

Good News

You will...

1. Save $1,678 in loan interest
2. Reduce debt payoff time by 3 Years 3 Months

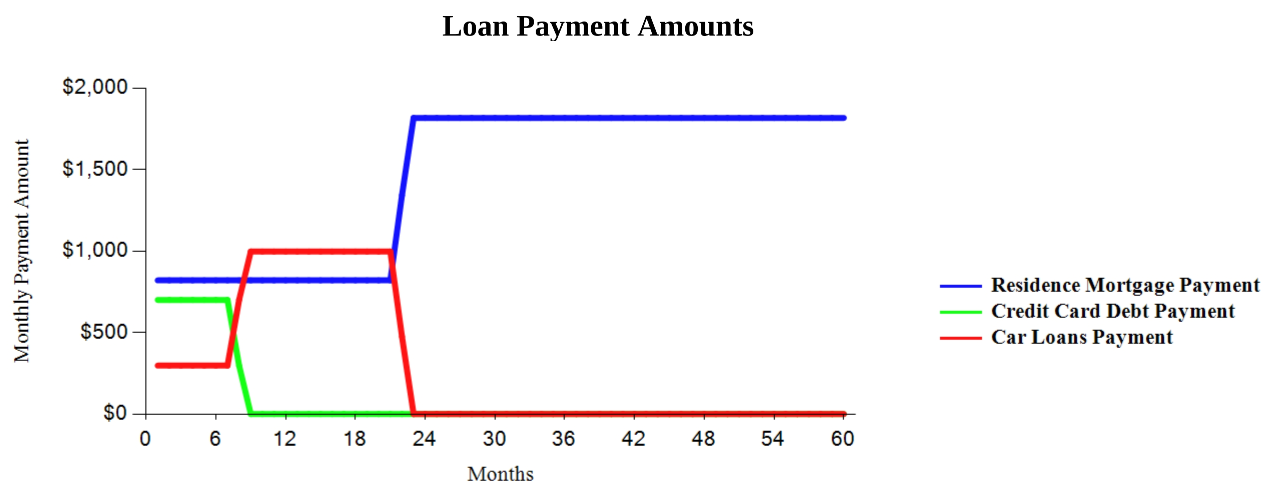
Part 1: Accelerated Debt Reduction or Elimination

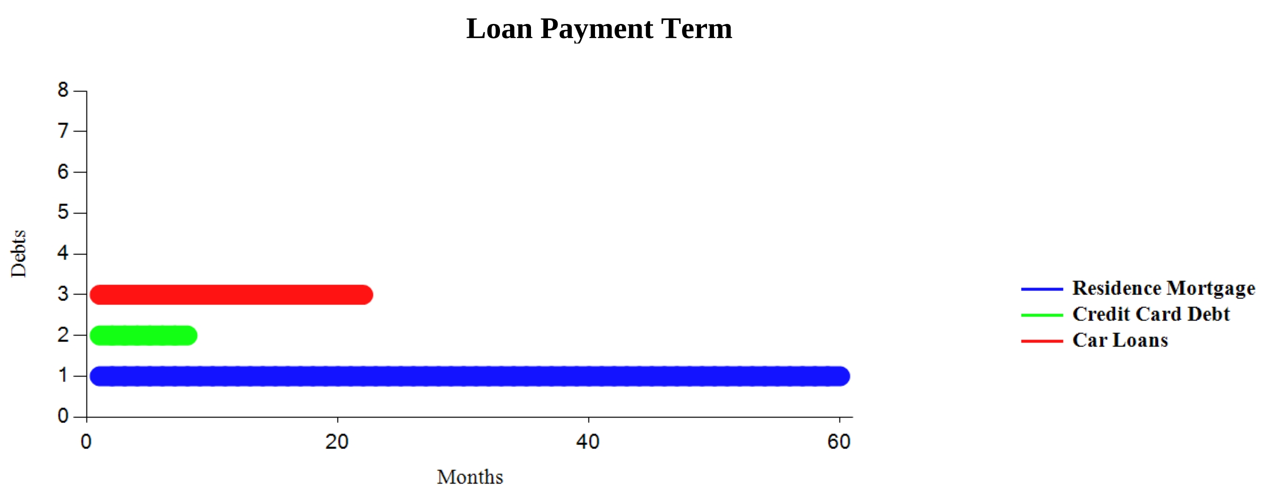
How the Accelerated Debt Repayment Plan works

1. Debt Freedom calculates the most efficient method of debt repayment.
2. Total monthly payment is larger than minimum payments.
3. When Loan #1 is paid off, the payments that were being applied to #1 are paid toward #2 . This continues as each loan is paid until all your debts have been eliminated.
4. Assumptions: Interest rates remain the same and you don't borrow more money.

Monthly Payment Schedule

(Shown for the next 5 years, debt payment may continue longer)





Part 2: Accelerated Wealth Accumulation

Your Personalized Plan to Get out of Debt and Obtain Financial Goals

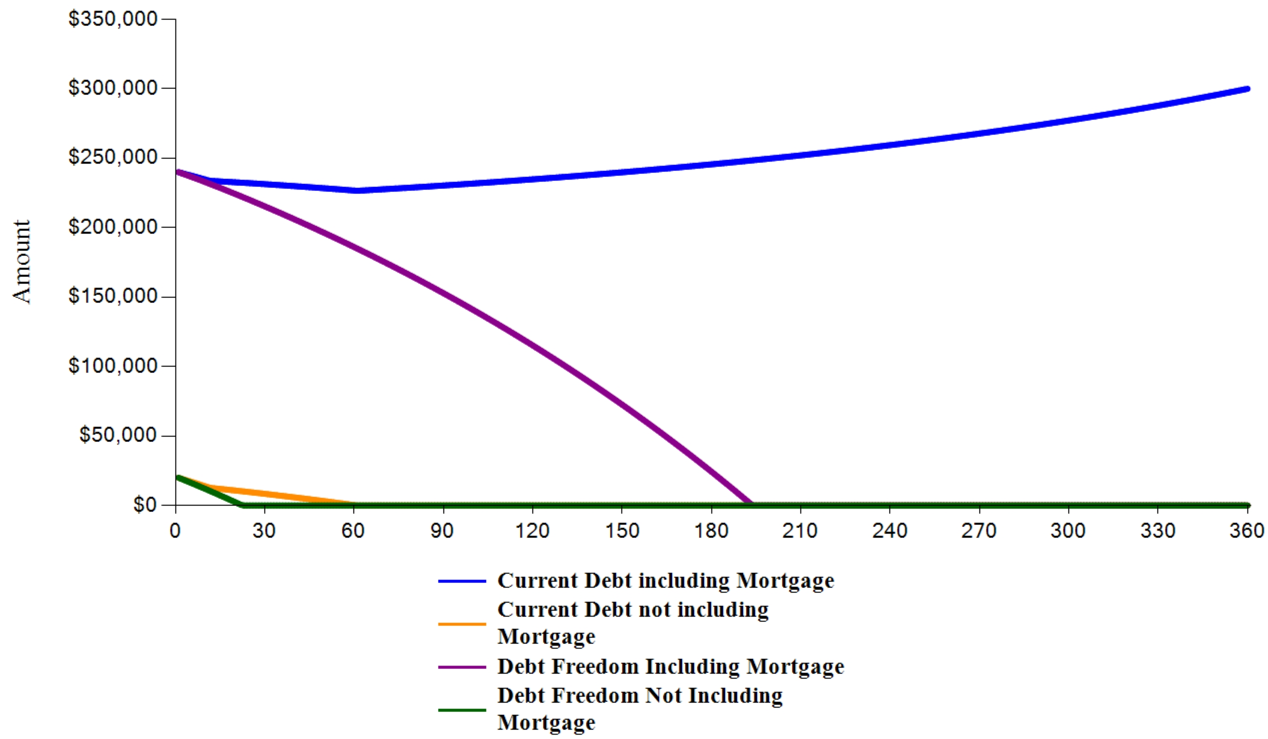
Enhance your present life style with increased cash flow.

Invest more money for future needs such as college education or retirement so that you can retire as planned or earlier.

How does the Accelerated Debt Repayment & Wealth Accumulation Plan Work

1. Eliminate debt as outlined in the proposed Accelerated Debt Repayment section by making a monthly loan payment of $997.00

2. Save and invest some or all of the amount that was going to loan re-payment: $997.00 starting in 1 years 11 months



Good News !

The Results of Accelerated Debt Repayment and Wealth Accumulation Program

1. If you follow your Debt Acceleration Plan, you will save $1,678 in loan interest

2. If you follow your Debt Acceleration Plan, you can reduce debt payoff time by 3 Years 3 Months

Part 3: Debt Education

Good Debt versus Bad Debt

Value	Tax Deductible Interest?*	Appreciating Asset?	Description
Good	**Yes**	**Yes**	**Home Loan** Home loans are considered good debt, because homes tend to be appreciating assets** and mortgage loan interest is deductible. For many, loans are the only way they could ever buy a home.
Okay	**Yes**	**Yes**	**Home Equity Loan** Home equity loans are considered acceptable debt, because they may be deductible. They make sense for home improvements, but probably not for consumer or luxury purchases.
Risky	**Yes**	**Yes**	**Margin Loan** Margin loans are secured by an investment portfolio to purchase additional investments.
Bad	**No**	**No**	**Consumer Credit** Consumer credit loans are used to purchase items that rapidly decrease in value like furniture, appliances, and automobiles.
Bad	**No**	**No**	**Credit Card** If not paid off each month, credit card obligations can lead to serious debt problems and increase the real cost of purchases
Good	**Yes**	**Yes**	**Business Loan** This is usually a term loan to invest in your business to increase its value and income

Types of Loans: Basic

Type	Description
Term Loan	A loan with a fixed maturity and an amortization schedule. These types of loans are usually used for autos and homes.
Line of Credit	When a lender extends an amount to a borrower, usually without a fixed maturity. Examples of these types of loans are credit cards and home equity.
Secured	When a lender loans money secured by some form of collateral, such as a home.

* Tax deductibility subject to many conditions and limitations, discuss with your tax advisor.

**Appreciation is a general assumption, market conditions and property condition will affect your actual outcome.

Part 3: Debt Education

Reasons for Growing Debt Levels

People owe more and are saving less than at any other time in modern history. There are many reasons, some of which include:

1. **Lack of Knowledge:**
   Limited money skills and a poor understanding of credit's true costs lead to ballooning debts.
2. **Instant Gratification:**
   Saving up for large purchases is more difficult than using credit.
3. **Loss of Employment:**
   Unemployment disrupts income. Credit is a stop gap measure between jobs.
4. **Health Bills:**
   Health care and insurance are a large percentage of budgets. Unexpected costs can lead to big debts.
5. **Student Loans:**
   Many people come out of college with large student loans that compound other credit problems.
6. **Inflation:**
   In recent years, average inflation has been relatively low. However, increases in health care, fuel, and suburban real estate taxes have taken a heavy toll on the middle class.
7. **Wages:**
   Many salaries have not kept pace with inflation. Easy credit is a tempting way to increase buying.
8. **Inflexible Lifestyle:**
   When financial times are tough, some people save less and borrow more to maintain their lifestyle.
9. **Lack of a Plan:**
   Too many people fail to make an overall financial plan that includes goals for saving and spending.

Part 3: Debt Education Continued

Tips for Borrowing

The following recommendations may help to improve your financial outlook regarding debt and borrowing:

1. **Credit Cards:**

   Pay off balances monthly. If you carry a balance, switch to a lower interest card for new purchases and work to transfer balances to the lowest rate cards.

2. **Depreciating Asset Loans:**

   a. **Automobile:**

      Avoid large automobile loans. Instead of buying new, purchase used cars with money you have saved. If you must borrow, try to keep your car for 10 years or more.

   b. **Automobile Leasing:**

      Don't lease so you can afford more car. For example if you could only really afford to buy a $25,000 car, don't lease a $40,000 vehicle. Look for lease "deals". Nearly all manufacturers offer low down payment lease plans from time-to-time with very low payments. Just remember that you have to obtain a new car at the end of the lease.

   c. **Furniture, Department Store, and Appliance:**

      These loans often have the highest interest rates. If at all possible, avoid these loans.

3. **Home Loans:**

   Recently, mortgage rates have been at historically low levels. These rates have allowed buyers to spend more on their homes. One way to improve your financial outlook is to buy a lower-cost home and save and invest more. In addition to the purchase cost, larger homes cost more over the long run in taxes, insurance, furnishings, maintenance, utilities and real estate taxes.

4. **Home Equity Loans:**

   These can be attractive for the purchase of automobiles, home improvement and business financing because the interest can be deductible (consult a tax advisor). However, as with all loans, consider your overall financial plan.

5. **Debt Consolidation Loans:**

   Home Equity loans are often marketed to consolidate credit cards and depreciating asset loans. These are attractive, because of the possibility of tax deductible interest and lower payments. However, many people use the lower payment to go out and buy/borrow more, and then later consolidate again. This never-ending cycle increases debt and eats away at the equity in the home from appreciation.