

70-10-10-10 Debt Reduction Rollover

- Credit Cards

If your debt is primarily on credit cards, cut and cancel your cards. If necessary, acquire—or keep—one low interest rate card that you will pay off monthly.

- Rollover Formula:

Pay more on the card with the highest interest rate. Once paid off, add that payment amount to the payment you've been making on the second highest interest rate card. Once the second card is paid off, add that amount to the payment on the third card, etc., until all card balances are paid off.

- Example:

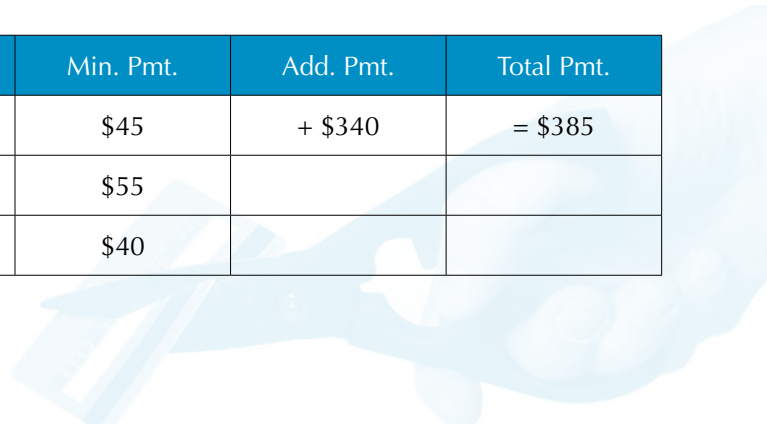
Assume you have three credit cards—MasterCard, Visa and Discover.

Combined, you owe a total of \$5,350 and are making monthly minimum payments as outlined below. Determine a percentage of your income—such as the 10% in this example—that you will add to your minimum payments to help pay off the debt.

- Additional payment of \$340

On a net monthly income of \$3,400, allocate 10% as an additional payment to pay off MasterCard—the highest interest rate card—while maintaining minimum payments on the other 2 cards:

Credit Cards	Balance	Int. Rate	Min. Pmt.	Add. Pmt.	Total Pmt.
MasterCard	\$1,850	@ 21.9%	\$45	+ \$340	= \$385
Visa	\$1,925	@ 15.9%	\$55		
Discover Card	\$1,575	@ 11.9%	\$40		



70-10-10-10 Debt Reduction Rollover

- Rollover \$385

After 5 months, MasterCard will be paid off, Visa will be down to \$1,772 and Discover, \$1,448. Now rollover the \$385 payment to the Visa payment of \$55, totaling \$440 per month and continue the minimum on the Discover Card:

Credit Cards	Balance	Int. Rate	Min. Pmt.	Add. Pmt.	Total Pmt.
MasterCard	0				
Visa	\$1,772	@ 15.9%	\$55	+ \$385	= \$440
Discover Card	\$1,448	@ 11.9%	\$40		

- Rollover \$440

After 4 months, the Visa Card will be paid off and the Discover Card balance will be down to \$1,342. Rollover the \$440 payment, adding it to the \$40 Discover Card payment for a total of \$480 per month:

Credit Cards	Balance	Int. Rate	Min. Pmt.	Add. Pmt.	Total Pmt.
MasterCard	0				
Visa	0				
Discover Card	\$1,342	@ 11.9%	\$40	+ \$440	= \$480

- Credit card debt is eliminated!

In 3 months, the Discover Card will be paid off leaving you credit card debt FREE!

Credit Cards	Balance	Int. Rate	Min. Pmt.	Add. Pmt.	Total Pmt.
MasterCard	0				
Visa	0				
Discover Card	0				= \$480

After twelve months, your total credit card debt is eliminated and you now have \$480 per month available for investment!

What's important is that you now rollover this amount to investments and continue to use the compounding effect, but this time to increase wealth instead of debt!