

“Debt Snowball” Repayment Plan

You may have heard budget experts or debt elimination consultants refer to a debt repayment technique known as the **Debt Snowball**. The reason the tool is so named is because it operates like a snowball rolling down the side of a snowy hill. It starts off small and moves slowly. But as it rolls down the hill, the snowball gets bigger and picks up speed.

The **Debt Snowball** method of debt repayment uses extra cash to eliminate debt from the lowest to the highest balance. When the debt repayments start, the amount of money used to repay debt begins small. But once the repayment plan starts, the payments begin to get bigger and pick up speed, just like the snowball as it rolls down the hill.

The **Debt Snowball** is a 10 Step Process to payoff all of our debt with the ultimate goal of becoming Debt Free.

Here’s how it works:

Debt Repayment Plan – Setup

1. Develop your Budget (or Spending Plan).
2. Commit yourself to **No New Debt**. (This is important!!)
3. List your debts from the lowest to the highest based on the payoff amount.
4. Pay as much as you can on the first debt with the lowest balance and make the minimum payment to the rest (this will start getting creditors **“OFF THE LIST”**).
5. Commit to spending the monthly amount that covers all your payments every month until all the debt is paid off.

Debt Repayment Plan – Payoff

6. Payoff the 1st debt.
7. Pay the additional amount (from eliminating the 1st debt) to the next debt on the list (stay committed to the total monthly amount).
8. Keep saving for emergencies, remember the thresholds:
 - a. \$1,000 for an emergency fund, then grow to
 - b. One month expenses, and then
 - c. 3-6 month expenses.
9. After credit cards, consumer debt and any student loans are paid, start paying the home mortgage.
10. Once all debt is paid, continue writing the monthly committed amount to **YOU!**

That’s it!! Be patient. It may take some time to get to the end but it’s worth it!!