

Shrink Your Time Target

Write down the number of months that it will take to become debt-free, based on your initial plan. Now cut the goal in half. This will shock you, but just do it—cut the goal in half. If you have determined that it will take you four years, 48 months, to get out of debt, then write down a figure of half that time. You may think it's crazy, but here is a formula for cutting your debt repayment in half.

George Fooshee, Jr. gives this illustration in his book, **You Can Be Financially Free** (Fleming H. Revell Company, 1976). Assume you have set aside \$111.23 monthly to repay your debt of \$5,000 with an interest rate of 12 percent. It will take you five years of monthly payments to pay off this debt. In order to cut your time schedule in half, it would take a monthly payment of \$193.75 for just 2 1/2 years.

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Total cost to you, including all debt repayment and interest charges over a 30-month period would be \$5,812.50. Taking five years (60 months) to pay the same \$5,000 back at \$111.23 a month would cost you a total of \$6,673.80. That's \$861.30 more in interest and

that should give you sufficient incentive to look hard at this plan.

Here's how it works. Subtract the \$111.23 monthly payment from the \$193.75. Your additional monthly cost to pay off your debt in half the time is not twice the \$111.23, but only \$82.52. The only way to save money while paying off debts is to pay them off faster. The faster you pay, the less it costs.

“But,” you ask, “how can we come up with \$82.52 a month above our payment of \$111.23? Haven't we cut our budget to the bone? Perhaps so. The solution to your problem will depend totally upon the creativity of your family.

What is the objective? In this case it is to cut your debt repayment time in half.

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Certainly to do that you do not have to double your income or cut your expenses in half. In the illustration, you only need \$82.52 more each month to pay on your debt.

One idea is to find a family in your neighborhood who wants their house cleaned and who would be willing to pay your family to do the job at a family hourly rate. Investing every Saturday to cut your debt-repayment time in half would be a worthwhile family project.

Weekend part-time work is another alternative to earning extra money. Keep your eyes open for lawns that need mowing or shrubs that need trimming, right in your own neighborhood. You'll be surprised how much you're worth if you're willing to invest a few hours a week.

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Another way to hasten your escape from debt is to agree in advance to add any extra income to debt repayment. This would include raises, bonuses, tax refunds, garage sale income, or any other extra income that comes into your family.