

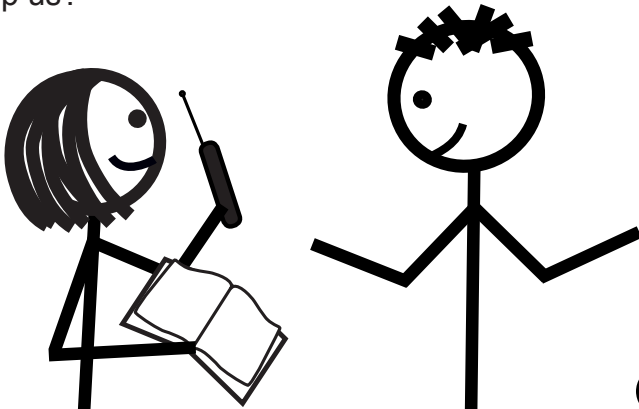
Fortunately for Billy and Beth there are steps they can take to pay down their debt more quickly. My job is to help them understand their options.



98

“Billy, there’s only so much reading I can do ... Would you object if I call that Randel guy and see if he will help us?”

“No, Beth, I guess that’s OK.”

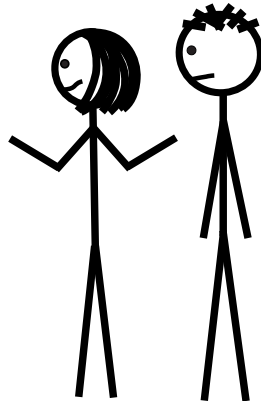


99

"Hey guys, thanks for inviting me over. I brought a bottle of wine."



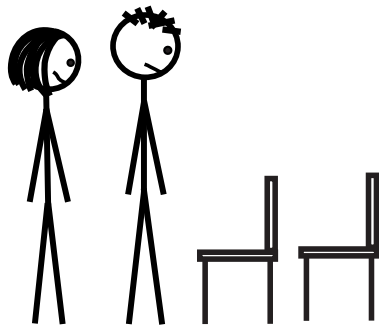
"Gee, Jim, thanks, but I hope you didn't think it was a dinner invite. We need your help to learn more about credit cards."



100

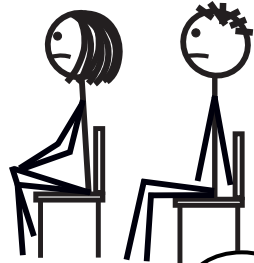
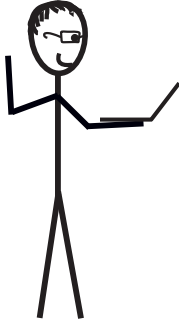
Gosh, I'm so hungry!

○ "Oh, my misunderstanding, Beth.
○ No worries ... I'm happy to help....
○ Why don't you guys sit down?"



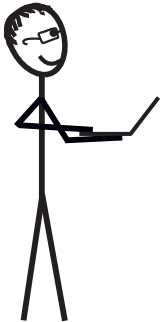
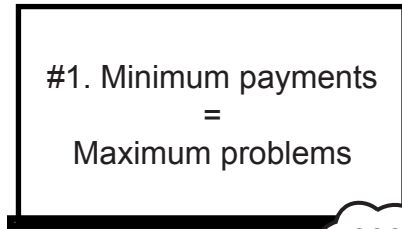
101

“Fortunately, I always carry a PowerPoint® presentation with me.”



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“We need to discuss how to reduce your credit card debt, and I have a three-point plan.... #1. Minimum payments equal maximum problems.”



103



I stole that phrase from author Harvey Z. Warren (actually, he told me I could use it) because it explains so well how people get into debt ... and can't get out.

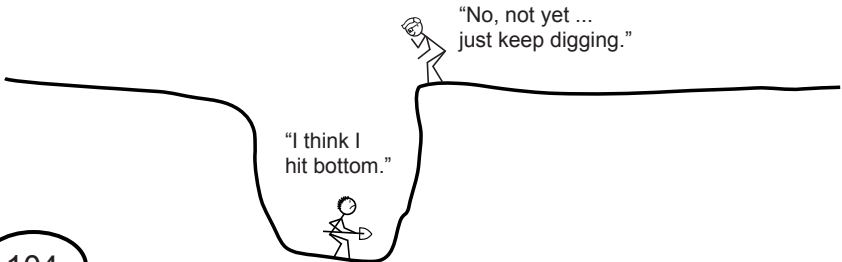
About twenty-five years ago, credit card companies were requiring monthly minimum payments that were about 5% of card balances. Then along came a smart credit card consultant named **Andrew Kahr**, who convinced his clients to lower minimum payments.

Kahr was very shrewd. He knew that the less that people were required to pay every month, the more they would use their card, and the longer it would take to reduce debt. In both cases, his card company clients were making more interest.

Kahr also understood psychology. He knew that people who were making the required payment would believe that they were acting prudently.

Given the size of some people's balances, there were times when a minimum payment was not even covering interest due the card company. Card companies are now required to bill at least an amount that covers the interest due.

The reality is that by inducing people to pay just the 2% minimum, credit card companies were helping people dig themselves into deeper and deeper holes.

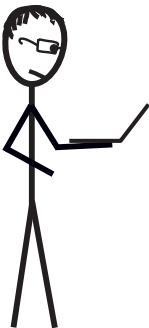


To see a rare interview of Andrew Kahr (the guy is kind of secretive) and an excellent video about credit cards – a PBS special called “The Secret Life of Credit Cards” – go to:

<http://www.pbs.org/wgbh/pages/frontline/shows/credit/view/>

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“Let me ask a question:
Do you think you can
pay an extra \$250
a month toward your
credit card balance?”



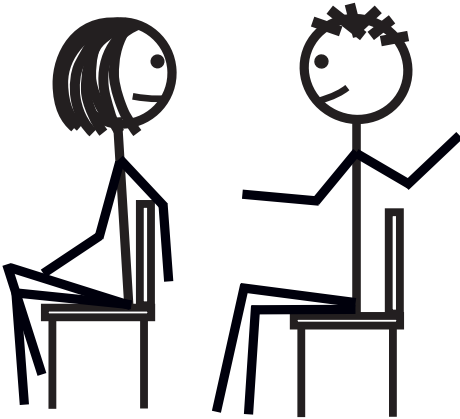
#1. Minimum payments
=
Maximum problems

“Jim, we’re pretty
tight right now.”



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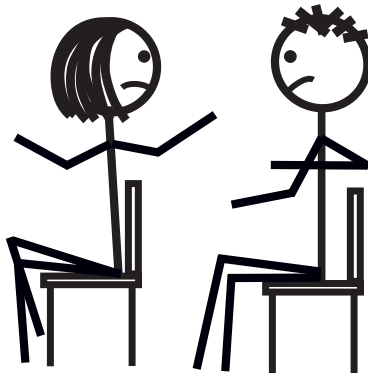
“Actually, Beth, I think we can. If I carpool with Jon and resign from my bowling league, we would save at least \$250 per month.”



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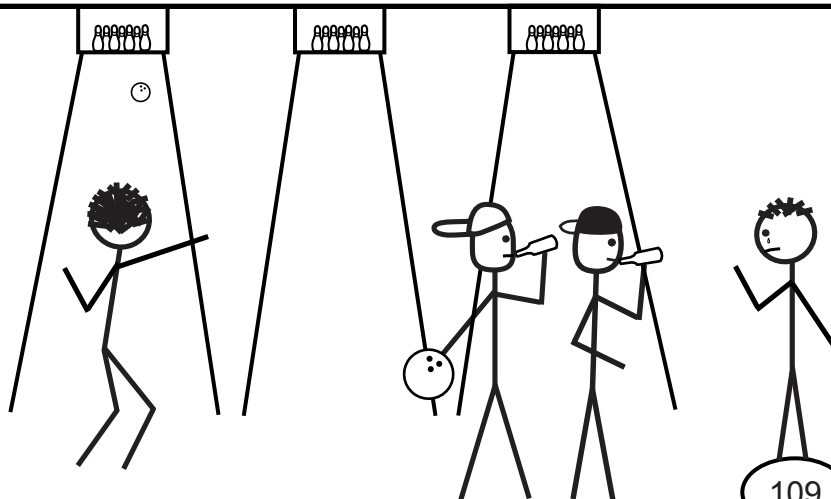
“But you love your bowling league!”

“Beth, I got us into this mess. I can live without bowling.”



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BOWLING!



Good for Billy. He is trying to make changes to find additional money for debt reduction.

An author named David Bach has created a series of successful books around the idea that by saving small sums every day, one can use that money (with compound interest) to build up a healthy net worth.

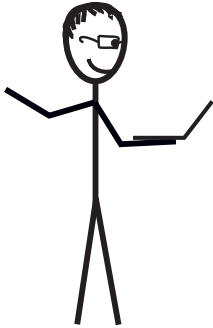
You may have heard of his idea, “The Latte Factor”:

“how we dribble away what should be our fortunes on small things....”

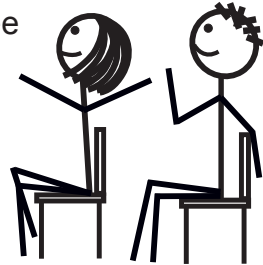
The Automatic Millionaire

“That’s great, Billy ... and by paying \$750 a month instead of \$500, you can pay off your debt in 44 months instead of 79!”

\$25,000
15%
\$720/month
44 months



“Wow, we can shave three years off.”



111

It is easy to ascertain how an increase in your monthly payment (or a reduction in your interest rate) will reduce the time it takes to pay down debt.

Several websites have good calculators to perform this math in seconds. Here are two that we have used:

<http://www.cardratings.com/creditcarddebtcalc.html>

<http://www.bankrate.com/brm/calc/creditcardpay.asp>

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