

How to Get Out of Debt Faster

Intro

Welcome Rockstar Nation to the Financial Rockstar show. I'm your host Scott Alan Turner ready to help you get out of debt, save more money, and retire early. In the studio with me is producer Katie, who's favorite thing to collect is glassware. On the show today we will be answering your questions about money, business, and life. If you have a question you would like answered on the show visit GoAskScott.com

Thanks for joining us today. On yesterday's show we talked about how to save money on everything. If you missed those tips please check it out.

Segment

If you haven't already, I hope you've made the decision to get yourself out of debt. You're sick of living paycheck-to-paycheck, the bills piling up, and never getting ahead. Congratulations! It's now time to kick it into high gear and get out from under it as fast as possible.

1. Focus like a laser

It's very hard to get out of debt when you create multiple priorities in your life. Stop investing for now. Stop contributing to your 401(k). Stop saving for the kids college fund. Stop saving for vacation - you can't afford one. Stop saving for a downpayment on a new house - you can't afford that either, get your financial house in order first. You must have one singular, clear goal that you focus your money on with a singular, burning desire above everything else.

2. Get a brand new car

And by brand new, I mean new to you. Preferably with 100,000 miles on it and that you can pay for in cash.

The quickest way to get out of debt is to turn your car payment into a credit card or student loan payment. The only way to do that is to sell your car and get a reliable used car that you can buy in cash.

3. Refinance your car payment

If you can't unload the car either because you owe much more than the car is worth or you prefer to be remain in debt for another 3-5 years with a car payment, refinance the loan.

Most likely you financed with the car dealer which is the worst place you can get a car loan. Find a credit union or local bank and see what their auto interest rates are. See if they can get you into a loan with a lower interest rate, under the same loan length. Don't stretch out the payment period from 36 months to 72 months. That's dumb - you're just spending more on interest.

4. Refinance your home

If you have private mortgage insurance, a high interest rate, two mortgages, consider checking interest rates and see if you can refinance your mortgage.

Your goal should be to get a lower interest rate so more of your money can be applied towards principal.

I refinanced my first home two different times. Both times I got new 30-year mortgages. The first time I refinanced my house had appreciated, I had paid down the principal a little, and I did it to get rid of my \$130/month PMI payment. The second time I refinanced interest rates had come down a lot and it took me 18-24 months to make back the closing costs I paid.

5. Sell your home and rent

Seventy-percent of people have a mortgage, and home ownership is typically your biggest expense. Renting can be a cheaper alternative. If you're not upside down on your mortgage, selling your home and renting for a while may give you some extra money to throw at debt.

When Katie and I we're planning our move to Texas we sold our townhouse and moved into a rental house. We were already debt free at that point, but it saved us a couple hundred bucks a month. Then we moved in with the in-laws for what turned into a year because Katie couldn't find a job. We banked huge money during that time by only having to rent a room.

You have to decide if it makes financial sense for you to do, but it worked for us.

6. Cut up the credit cards

You cannot build wealth using credit cards. For most people its the credit cards that got you into trouble to begin with. You'll never get out of debt until you stop creating more debt.

7. Brown Bag It

The average worker spends \$3,000 a year on buying coffee and lunch. \$1,000 for coffee, and \$2,000 on lunch. Pack your peanut butter+jelly and chips and start saving.

A side benefit of eating at your desk or the break room is you will get more face time with everyone else in the company. If you want to get ahead at work, people have to know who you are.

8. Make more

Do a great job at work and ask for a raise or get promoted. If you are a rock star employee and you don't see yourself making more at your current employer, start looking for another one.

9. Sell your stuff

The quickest way to make some extra cash is to sell your junk, er stuff. Go through the closets, drawers, garage, attic, shed - and unload. Have a garage sale. Sell it on Craigslist. Sell it in Facebook community groups. You can always buy more stuff later when you're debt free.

10. Make extra money

Get creative here. Pick up side hustles to earn some extra money. Deliver papers in the morning, mow lawns, paint homes, chop wood, shovel snow, deliver pizzas, make and sell crafts, teach yourself a new skill and sell your talents to others.

There are hundreds of ideas of how you can make extra money. You can be a stay at home mom and earn extra money. If you have an hour extra in the day, you can make extra money.

11. Say No

Saying Yes to getting out of debt means saying No to many other things during the process. No to eating out with friends. No to the family vacation. No to spending a bunch of money on Christmas, anniversary and birthday presents. No to the guys. No to the girls.

It's not no forever. It's not today, thanks.

12. Stick with the plan

Follow your spending plan and your get out of debt plan. The people who stick with it consistently and consciously win.

13. Sacrifice

It's going to take a sacrifice on your part to get out of debt now. Sacrificing the short term pleasures so you can have the long term benefits. It will be worth it!

You might have to work more. It will be worth it.

You might have to sleep less. It will be worth it.

You might have to miss your family a little. It will be worth it.

You might have to say No. A lot. It will be worth it.

Sacrifice is not forever. Renting is not forever. Bringing your lunch to work is not forever. Driving an old car is not forever. Being out of debt is forever.

Now on to your questions.

QUESTION: Todd writes in I would be interested in strategies for investing that are not overly complicated, moderate risk and fun. Like day trading for people with ADD.

ANSWER:

In my money moron days I invested in individual stocks, IPOs, penny stocks, day trading, and commodities. After losing tens-of-thousands of dollars I've become what I call a 'boring investor'. I now invest in quality, low-fee index funds that require me to review my portfolio once per year. I recommend people invest in the same types of funds because it's too difficult to consistently beat the market. Fun for me is not having to think about my investments and pursuing a life of leisure and hobbies. That's one of my money philosophies, so I'm not the best person to give recommendations on the types of investments I now avoid. If you want to know a good index fund to check out that will 'be the market' instead of trying to 'beat the market', I recommend checking out Vanguard. They have a total stock market index fund which buys you a little piece of every company. It's an easy way to get started investing. That fund has a minimum investment of \$3,000 to get started. If that's too much consider getting started with Betterment. They are a robo advisor that invests in only Vanguard funds.

Thanks for the question Todd. You can find out more to get started investing at HowToGetStartedInvesting.com.

QUESTION: Oscar says my current struggle right now is eating out. I am currently a college student who works on campus so it is very easy to just eat all of my meals at the cafeteria. I'm usually at school from 9am for work, until around 10pm for class. I also live with my parents and brother, and in the past when I have created my meals for the week, usually they'll end up taking a few. It can get frustrating, so instead of saying anything I just stopped making my meals at home. So now I make breakfast at home, and usually have Chik-fil-et or subway from the cafeteria, or drive off campus to get something else. This is eating away a large portion of my money, and I see that a lot of my money is going towards eating out.

ANSWER:

I love subway but at \$10 a pop it gets expensive quick. When we don't plan ahead with groceries + cooking the eating out adds up quickly as you realized.

One suggestion is to make a giant batch of something that can feed you and your family for the week if they decide they are going to dip into your food stash. When I lived alone I cooked on Sunday enough food for the week. I always made one thing that I wouldn't mind eating every day. Some people hate leftovers - I don't. Then you would have enough for you and your family too.

When I worked summers in college I brought sandwiches every day for lunch. If you're making breakfast it shouldn't take too long to slap something between some bread, grab a bag of chips and some ding-dongs. Yeah, I can't eat that every day now but in college I could. Part of your planning depends on how many calories you need to put away to stay full. When I worked outside during the summers I would eat an entire box of Uncle Ben's rice as my morning snack. There are plenty of cheap snacks you can buy to graze on during the day instead of eating a big lunch and dinner. Nuts are a great choice.

If you work on campus - is there a refrigerator you can store your meals in? Can you buy a \$75 mini-fridge and stick it in a corner somewhere? Or if you have your own room at your parent's house, can you put a mini-fridge in your bedroom and hide your meals?

Finally another option is to make something your family hates to eat. :)

Don't go hungry Oscar!

QUESTION: Kizzy would like to know if I have any financial advice for first time entrepreneurs who are bootstrapping their business? How do I know the right amount of money I can set aside every week to invest in my business? What are the financial steps someone can take before starting a business which will be bootstrapped?

ANSWER: I'm very risk averse and try to start my businesses with as little money as possible. And this is coming from someone who could spend a bundle on new ventures.

There are no rules for the 'right amount' to bootstrap a business. The amount is whatever you are comfortable with investing - and losing. Every business venture has a risk, whether it's your time, your money, your relationships, or your sanity. You can spend more money and it may take you less time. You can spend more time and not spend as much money. My personal preference is to spend more time and less money. This philosophy reduces the risk of losing too much money. However there are some people that go out and invest their life savings in a business idea, restaurant, etc. Sometimes it works, many times it doesn't.

The bottom line is to invest something - just go for it. Your only regret will be if you didn't go for it and spend your life wondering - what if?

When I left my corporate job to work on my own I had a 6-month emergency fund stored up. So I could go without making any money for 6-months before I would have had trouble paying the mortgage. When jumping to your own thing full-time that is my recommendation. You should already be generating income before you start out on your own. The 6-month emergency fund makes it much easier to sleep at night.

Kizzy there is no right amount. I would say there is a wrong amount though - investing everything you have.

I want to hear from you

If you have a money-related question you would like answered, please visit GoAskScott.com to get in touch with me. That website has my email address, twitter, and you can also leave me a voicemail. Please contact me, I'm here to help you.

BUMPER MUSIC

Segment: 007

This is a Star Trek red alert.

I to a flat tire not too long ago and needed to get the tire replaced. Costco wouldn't do it because they would put on a new tire that was a different brand than my other three tires. So I had to call around. One tire place I was quoted \$131.00 over the phone for a new tire. They carried the same brand as my existing tires so I decided to go with them. I get to the store and they give me an estimate of \$179.02. There was \$11.02 in tax, but that's still \$37.00 more than I was quoted on the phone. That's outrageous. But like most people in that situation, you need a new tire, you kind of need it now so you can drive your car, and you're stuck.

Now for legal reasons - we don't want to get sued - we can't call that bait and switch, but that's what it felt like. I found out later had I gone to Walmart I would have saved \$60.00.

If you need a new set of four tires, or you have a flat tire. Here's what you need to do:

- Call around and tell them about your car - year, make, model, and the type of tires you have currently. Remember Costco won't put on a different brand of tire.
- Ask for the out-the-door price and get them to email you the quote right now. Get the price in writing. You want the out-the-door price because when you ask for the price of the tire they conveniently leave out the install charge, the junk fees, the tire disposal fee, the flippity floppity fee. Taxes too.

Once you get the total then you can be closer to comparing apples to apples between stores.

If you need to get all your tires replaced, consider this.

My old co-worker Bryan - Hi Bryan, hope you're listening - owned a BWM. One day the UPS man showed up at the office with four big boxes. Stacked on top of each other the boxes were eye level. We we're all wondering - Bryan, what did you order? Tires for my car he said. They're cheaper if you order them online. Then you just go somewhere and have them installed.

Now it's easier than ever to hop online and search for tires to compare prices. WalMart, Costco, the no-discount tire stores, independent tire websites. You need to shop around to get the best prices. And you need to ask for the out-the-door total to avoid these shenanigans of getting you in the store and having all these extra fees you knew nothing about. Now you do. Keep more of your money.

Now back to your questions rockstar nation.

QUESTION: Gerwyn wrote in I'm not sure if this is a topic you could cover but I work where there is a good pension and other benefits. My wife and I have recently entered in an payment arrangement to avoid bankruptcy as we have quite a bit of unsecured debt. This will run for at least 6 years.

Basically, I would love to start a business but I don't have any marketable skillsets. I have a number of ideas I would like to pursue but I don't know if any would be viable without significant investment, something which I couldn't finance myself and would have little hope of securing given my current credit status.

I would be too frightened to take the plunge and leave a fairly secure job with good benefits. Plus any additional money I earn I am legally obliged to declare so a proportion of it will go to our creditors. We are continually trying to reduce our expenditure but I hope your ebook can help even further. But as for starting my own business i really don't know what to do. I don't want to wait until the end of the repayment period (I'll be 45 by then) and regret not doing something about it but i have no idea where to start.

ANSWER: Sorry to hear about your financial situation. I applaud you for taking the first step in being an entrepreneur - gathering info.

Don't let having a certain skill set stop you! Nobody starts with having the right skills to start or run a business. Desire trumps lack of knowledge. Most people go for it and learn 99% of their business knowledge while working on the business. What's more important is to identify a business you're passionate about that you can start in your garage (or basement or spare bedroom). Then learn the skills you need. There really isn't any business you can't start nowadays for cheap (unless you're trying to open a restaurant). Most online services are free to get started. If you're building a physical product materials can be bartered for or found in bulk for cheap or at recycling places. You can also find people giving away material for free online.

Have you asked your target audience if they would pay for your product or service? You don't have to give away your idea completely, but you can inquire in general terms to get some idea.

I would never suggest for someone to leave their full time job until they have 6 months of expenses saved up in cash and their side business is generating enough income to meet your basic monthly expenses. This security blanket helps avoid getting into debt.

I would not wait until your repayment period is up. Realistically it will take several years for a new business to grow. By the time your repayment is complete your business should be rolling along nicely. If you have to pay your creditors during the six

years, so what? That's a good problem to have - it means you're making money. I hate paying lots of taxes, but it means I'm making money.

If you have a passion you know nothing about - take the time to learn it. As I said - nobody has ever started out as an expert. We all start from zero. Where you go from there is up to you.

QUESTION: Bart writes in an area we struggle with as a digital family and cord cutters is all of the downloadable content. It's so (too) easy to click buy, download, GET, etc and watch that movie, buy that app etc. Is there a good way to fight these urges or track them. I wish Apple would allow a \$\$ cap per month on downloadable content. You hit \$20 so no more downloads until next month.

ANSWER: I know what you mean. My wife and I are Amazon Prime junkies. We used to rack up big credit card charges from Amazon because it's way too easy to click 'Buy Now'.

Here's what we did for one month:

1. Changed our password on the account to 'doyoureallyneedtobuythis'
2. Turned off the auto-save password / auto login feature of the website

It turned us instantly from unconscious shoppers to conscious shoppers. We had to think before we bought. We were forced to ask yourself the question 'Do you really need to buy this' as we were about to login and purchase.

It cut down our Amazon purchases from about 30 orders in a month to around 2 or 3. It saved us a huge amount of money, on stuff we didn't need to begin with.

Another solution is to try Mint.com (it's free) for budgeting.

Mint can be hooked to your credit card / bank account to automatically import your transactions each day. Let's say you only want to spend \$30 with Apple.

You can quickly setup a budget category named Downloads in Mint with a max allowance of \$30.

The first time an Apple charge gets imported automatically you assign it to the Downloads category and tell Mint to 'use this category for all future Apple transactions.'

Each day Mint will auto-import transactions and assign any to the Download category.

If you get close to exceeding your \$30 limit Mint will email you a warning 'Account exceeded for Downloads'.

I think there is also a threshold option for the email, such as if you hit 90% of the max. Even if you're not into budgeting you could use Mint for just this one option and get email notifications. It's an easy way to stay on top of your spending automatically.

A third option is to buy a prepaid credit card / Visa gift card. They work the same as a Visa card and you can pre-load a given amount at the start of each month. Then when the amount runs out the purchase will be declined. The kids might have to go outside and play in the yard instead.

Thanks for the question Bart.

Commercial break

Welcome back, everyone.

QUESTION: An anonymous user wrote in 'Help'.

ANSWER: My answer to that is: ok.

Next question.

QUESTION: Megan says I'm looking for ways to transition to being self employed. I've buckled down this year with my freelance writing and editing business, but I still have a full-time job. I'm hoping to move into doing more passive income streams but not sure how to get started. I've done really well this year, already surpassing my income from last year, but it's not been a large enough amount for me to justify leaving my full time job. On top of that, I have a lot of student loans acting as a barrier for entry for me.

ANSWER: I'll give you a few tips that let me make the leap from corporate life:

1. Build up a 6-month emergency fund

I was single and had a mortgage when I took a 65% pay cut to work on my own. The emergency fund I built up beforehand gave me peace of mind.

2. Strip down your lifestyle

When I left my day job my first business only paid me enough to cover my basic necessities. There was no extra for vacation/eating out/fun/etc. But within a few months because I was able to focus on my own business, I had more time to grow the business. Within a few years I had made up for my pay cut and eclipsed my corporate salary by 50%.

3. Jump

At some point you have to take the leap. Some people wait until their side hustle is earning more than their day job. Others like me just go for it, but have a big cushion (6-month emergency fund) to fall back on.

In one of my later companies I was making 2x more than another company I owned, and I was still reluctant to leave the slower performing job because of the bad economy.

For me I can say it's always nerve racking to leave something you know for something you don't, especially for less money. But had I not done it, I certainly wouldn't be where I am today. I love self-employment, I recommend it for anyone that has the mindset and drive to do it.

For student loans check out refinancing them to get a lower interest rate so more of you payment will be applied towards principal instead of interest. Refinancing is a good way to lower your interest rate and give you some temporary breathing room.

Thanks for writing in Megan.

Daily inspiration

Edmunds, the car research site, had some research awhile back estimating 65 percent of Mercedes C-Class buyers were lease customers. 60 percent of BMW's 3-Series customers were leasing their cars. Infinity is another car with lease rates above 50%.

The next time you pull up to the stoplight in your dented, scratched, dirty, outdated, obsolete, rattling, vehicle. And you look over to your left or right or behind you or in front of you and you see a beautiful new luxury car. And you start feeling sad or depressed, envious, jealous, and wondering when you'll ever be able to afford a car that nice. Remember the person who's in that car can't afford it either. They're a renter. They're renting the luxury. And at the end of the lease they are left with nothing. It's a grand facade that you shouldn't fall for or be impressed by. If you want to be impressed, impress yourself by not having a car payment. Then when you see the BWM, Mercedes, the Infinity - you can smile to yourself and say 'yeah, but mine's paid for'.

Those are the words.

Outro

That's it for this episode. I'm your host Scott Alan Turner. Rockstar Katie is my producer. All the links mentioned in the show are available in the show notes on ScottAlanTurner.com

On tomorrow's show I'm revealing Myths That Broke People Believe. You won't want to miss that.

Today's episode was powered by Ben & Jerry's ice cream. We won't quit until we get a flavor named after the show.

Thanks for listening!