

The Daniel Fast for Financial Breakthrough

Six Easy Steps to the Debt Reduction Snowball

Follow these six easy steps:

1. Gather the most recent bills from your mortgage and all your consumer and credit card debts. Sort them by the amount of the monthly payment so the one with the largest monthly payment is on the top and the lowest monthly payment is on the bottom.
2. List the bills on the Debt Reduction Snowball Worksheet on the following page. The loan with the largest monthly payment should be on the top of the list then proceed until the loan with the smallest monthly payment is on the bottom.
3. Pay the minimum monthly payment on all the loans, except the last one on the list (the loan with the lowest monthly payment). For this debt, pay at least the monthly payment plus any other money you can allocate to the debt so you can pay it off sooner.
4. When the bill is paid, add the amount of what you would normally pay for the minimum monthly payment and add that amount to the payment to the next bill on the list (now the bill with the lowest monthly payment). And add any additional money you may be able to generate to this bill.
5. Every time you pay off a debt, you add its usual minimum payment to the amount you will pay for the next bill and pretty soon you start making such momentum (the snowball effect) that your list of loans will vanish!
6. Every time you pay off a loan, redo the Debt Reduction Snowball Worksheet and update the figures. Keep the worksheets so you can enjoy and celebrate your progress!

Example:

Loan	Balance	Minimum Payment	Snowball Payment
Mastercard	\$ 4,526	\$ 145	
Visa 3574	\$ 3,365	\$ 133	
Visa 1744	\$ 906	\$ 94	
Target	\$ 350	\$ 39	
Chevron	\$ 200	\$ 25	\$ 45
* When the Chevron card is paid off, the Target bill is the next to attack . . . add the \$25 (minimum payment on Chevron) to the minimum payment of the Target bill (\$25) for your Snowball Payment (\$39 + \$25 = \$64). Then add any other additional money as it becomes available. Continue the same process when the Target bill is paid is full.			
Target	\$ 350	\$ 39	\$ 64

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Debt Reduction Snowball Worksheet

Date: _____

Loan	Balance	Minimum Payment	Snowball Payment
_____	_____	_____	_____
_____	_____	_____	_____
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