



8

GETTING OUT OF DEBT

MY FOUNDATION PRINCIPLE

- Work: Take Responsibility and Persevere

FINANCIAL PRINCIPLES AND SKILLS

1. Stop Incurring Debt
2. Pay Off Your Debts



REPORT—Maximum Time: 25 Minutes

LAST WEEK'S COMMITMENTS:

- Ⓐ Practice and share last week's My Foundation principle.
- Ⓑ Create a debt inventory.
- Ⓒ Discuss the debt inventory and ways to overcome "natural man" tendencies in my family council.
- Ⓓ Contact and support my action partner.

STEP 1: EVALUATE WITH ACTION PARTNER (5 minutes)

Take a few minutes to evaluate your efforts to keep your commitments this week. Use the "Evaluating My Efforts" chart at the beginning of this workbook. Share your evaluation with your partner and discuss with him or her the question below. He or she will then initial where indicated.

Discuss: What challenges did you have with keeping your commitments this week?

EVALUATING MY EFFORTS					
INSTRUCTIONS: Evaluate your effort to keep the commitments you make each week. Share your evaluation with your action partner. Ponder why you can continue to improve as you practice forming these important habits.				KEY: ● Minimal Effort ● Moderate Effort ● Significant Effort	
	Ⓐ Practice and share the My Foundation principle	Ⓑ Plan and Manage My Finances	Ⓒ Hold a Family Council	Ⓓ Contact and Support My Action Partner	Action Partner's Initials
Example	Be obedient ●●●	Track expenses ●●●	Counsel about obedience ●●●	●●●	<i>[Signature]</i>
Week 1	Self reliance is a principle of salvation ●●●	Track expenses ●●●	Counsel with the Lord ●●●	●●●	_____
Week 2	Exercise faith in Jesus Christ ●●●	Track expenses ●●●	Counsel about income and expenses ●●●	●●●	_____
Week 3	Repent and be obedient ●●●	Track expenses ●●●	Counsel about tithes and offerings ●●●	●●●	_____
Week 4	Live a balanced life ●●●	Build a budget ●●●	Counsel about budgeting ●●●	●●●	_____
Week 5	Solve problems ●●●	Choose a budgeting system ●●●	Counsel about budgeting ●●●	●●●	_____
Week 6	Use time wisely ●●●	Put money toward financial priority ●●●	Counsel about emergency funds, insurance ●●●	●●●	_____
Week 7	Show integrity ●●●	Put money toward financial priority ●●●	Counsel about debt ●●●	●●●	_____
Week 8	Work, take responsibility and persevere ●●●	Put money toward financial priority ●●●	Counsel about debt ●●●	●●●	_____
Week 9	Communicate, petition and listen ●●●	Put money toward financial priority ●●●	Counsel about crisis management ●●●	●●●	_____
Week 10	Seek learning, resolve where you are going and how to get there ●●●	Put money toward financial priority ●●●	Counsel about saving, home ownership, education ●●●	●●●	_____
Week 11	Become one, serve together ●●●	Put money toward financial priority ●●●	Counsel about retirement planning ●●●	●●●	_____

STEP 2: REPORT TO THE GROUP (8 minutes)

After evaluating your efforts, come back together and report your results. Go around the group and each state whether you rated yourself “red,” “yellow,” or “green” for each of last week’s commitments.

STEP 3: SHARE YOUR EXPERIENCES (10 minutes)

Now share as a group the things you learned from striving to keep your commitments during the week.

- Discuss:**
- What experiences did you have practicing or sharing the My Foundation principle?
 - What did you learn from creating a debt inventory?
 - How does it feel to have a complete inventory of your debt?

STEP 4: CHOOSE ACTION PARTNERS (2 minutes)

Choose an action partner from the group for this coming week. Generally, action partners are the same gender and are not family members.

Take a couple of minutes now to meet with your action partner. Introduce yourselves and discuss how you will contact each other throughout the week.

Action partner's name

Contact information

Write how and when you will contact each other this week.

SUN	MON	TUES	WED	THURS	FRI	SAT



MY FOUNDATION: TAKE RESPONSIBILITY AND PERSEVERE—Maximum Time: 20 Minutes

Ponder: Why does Heavenly Father want me to take personal responsibility for my life?

Watch: “Sedrick’s Journey,” available at srs.lds.org/videos. (No video? Read page 129.)

Discuss: How do we learn to keep going, even when the work is difficult?

Read: Doctrine and Covenants 42:42 and the quote by President James E. Faust (on the right)

Discuss: Read the quote by Elder D. Todd Christofferson (on page 129). Why does the Lord expect us to work for what we receive?

“Thou shalt not be idle; for he that is idle shall not eat the bread nor wear the garments of the laborer.”

DOCTRINE AND COVENANTS 42:42

“Perseverance is demonstrated by those who . . . don’t give up even when others say, ‘It can’t be done.’”

JAMES E. FAUST, “Perseverance,” Ensign or Liahona, May 2005, 5

ACTIVITY

Step 1: Choose a partner and read together each step in the pattern below.

Step 2: Ask each other to talk about a very hard task or challenge the other currently faces.

Step 3: Help each other apply the four steps below to the difficult task or challenge.

<p style="text-align: center;">1</p> <p style="text-align: center;">KEEP A POSITIVE ATTITUDE</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">REMEMBER TO WORK TOGETHER</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">REPLACE FEAR WITH FAITH</p>	<p style="text-align: center;">4</p> <p style="text-align: center;">MOVE FORWARD WITH PATIENCE AND COURAGE</p>
List your blessings.	Ask friends, peers, group members, and others for help.	Avoid doubt. Remember that the Lord has all power. Call upon Him and accept His will.	Never, never, never give up; endure with faith. Look for lessons the Lord might be teaching you.

Step 4: Write two or three ways you can move forward with faith, trusting that God will provide.

Ponder: Read the quote by President Thomas S. Monson (on the right). How do I react when I experience failure?

Commit: Commit to do the following actions during the week. Check the box when you complete each action.

Choose something that is hard or uncomfortable and finish the task. Write it below.

Share what you've learned today about work and perseverance with your family and friends.

SEDRICK'S JOURNEY

If you are unable to watch the video, read this script.



SEDRICK: My name is Sedrick Kambesabwe. I live in the Democratic Republic of the Congo. I'm a member of the LDS Church.

I'm a branch missionary in the village of Kipusanga. I need to prepare to go on a foreign mission. In order to go on a mission, I need a passport, which now costs 250 U.S. dollars.

To earn money, my father and I buy bananas. Some villages produce a lot of bananas: Tishabobo, Lusuku, and Kamanda.

Tishabobo is about 9 miles from here. Lusuku is 18 miles. Kamanda is 18 as

well. We go there and buy bananas, and we bring them back here to sell.

To go to the villages we use a bicycle. We can take four or six bunches of bananas.

When I go by bike, it can take an hour and a half each way, if the bike is working and I have the strength. When it is midday and the heat is oppressive, I move slowly because of the heat and the sun.

I can do two trips per day if I wake up very early in the morning. It is a good way to help pay for my passport.

Now I'm earning money, little by little, so I'm saving for both school expenses and the mission. And now, after four years of work, I have enough money for my passport, plus 70 dollars saved.

"God has designed this mortal existence to require nearly constant exertion. . . . By work we sustain and enrich life. . . . Work builds and refines character, creates beauty, and is the instrument of our service to one another and to God. A consecrated life is filled with work, sometimes repetitive, . . . sometimes unappreciated but always work that improves, . . . lifts, [and] aspires."

D. TODD CHRISTOFFERSON,
"Reflections on a Consecrated Life,"
Ensign or Liahona,
Nov. 2010, 17

"Our responsibility is to rise from mediocrity to competence, from failure to achievement. Our task is to become our best selves. One of God's greatest gifts to us is the joy of trying again, for no failure ever need be final."

THOMAS S. MONSON,
"The Will Within,"
Ensign, May 1987, 68

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LEARN—Maximum Time: 45 Minutes



TODAY'S DISCUSSION:

3

ELIMINATE DEBT

Read: Last week we discussed three principles we identified for getting out of debt:

1. Understand your debt realities.
2. Desire to get out of debt.
3. Overcome the “natural man” tendencies that lead you into debt.

Today we will discuss two more principles:

1. Stop incurring debt.
2. Pay off your debts.

Discuss: What were some of the most meaningful things you learned last week?

1. STOP INCURRING DEBT

Read: You can't expect to get out of debt until you stop incurring more debt. There are two simple steps to stop incurring debt:

1. Build an emergency fund.
2. Quit using credit cards and consumer loans.

First, continue to build an emergency fund until you have three- to six-months' worth of expenses saved. Use this money when needed rather than credit. But remember to use it only for actual emergencies and to budget for everything else.

Second, stop relying on consumer debt and credit cards. Elder Jeffrey R. Holland suggested financial "plastic surgery." He said, "This is a very painless operation: Just cut up your credit cards. . . . No convenience known to modern man has so jeopardized the financial stability of families, especially young struggling families, like the credit card" (Jeffrey R. and Patricia T. Holland, "Things We Have Learned—Together," *Ensign*, June 1986, 30). Cutting up your credit cards will help you stop getting into more debt.

Discuss: What are you willing to do to stop incurring debt?

2. PAY OFF YOUR DEBTS

Read: We have been counseled to pay down our debts as quickly as we can: "If you do incur debt, . . . work to repay it as quickly as possible and free yourself from bondage" (*True to the Faith* [2004], 49).

Here are four steps that will help you make and follow a plan to get out of debt.

1. Decide to pay extra toward your debts.
2. Decide where to pay extra.
3. Use the rollover method.
4. Take additional steps as needed.

Decide to Pay Extra toward Your Debts

Read: One of the most expensive ways to get out of debt is making minimum payments. Often the minimum payment is a percentage of the balance. As the balance goes down, so does the minimum payment. This extends the time it takes to pay off the balance and costs you more in interest. To get out of debt much more quickly, you will need to pay more than the minimum payment.

DESCRIPTION	BALANCE	INTEREST RATE	MONTHLY PAYMENT
Credit card #1	4,000	17%	97
Credit card #2	6,500	19%	168
Car	5,000	3.00%	145
Student loan	18,000	5.50%	300
Mortgage	170,000	4.50%	1,050

For example, if we used our debt inventory (above) from the last chapter and made just the minimum payment on credit card #1, how long do you think it would take to get out of debt? How much interest do you think it would cost? By making only minimum payments:

- It would take 20 years and 9 months to pay it off!
- It would cost 5,107.62 in interest.

But what if you paid the current minimum payment of 97, plus an extra 100 a month?

- You would pay it off in 2½ years—that's 18 years sooner!
- You would save 4,357.49 in interest!

Discuss: Why do creditors want you to make only minimum payments?

Read: Paying more than the minimum payments will shorten the time it takes to get out of debt and will save you a lot of money in interest. You have been tracking your expenses and have developed a budget. How can you free up some money in your spending to make extra payments on your debts? One of your commitments this week

will be to determine how much extra money you can set aside to put toward paying down your debt. When considering your first debt to pay off, pick a fixed amount that includes extra above the minimum payment, and pay at least that until the debt is paid off.

ACTIVITY (15 minutes)

Step 1: Pair up with your action partner. Review your budget, and see if you can find 100 or more that you could apply to paying down your debts. Write your ideas below.

Step 2: As a group, share your ideas.

Decide Where to Pay Extra

Read: Here are a couple of options for deciding which debts should be paid first. You can:

- Pay extra toward the debt with the highest interest first.
- Pay extra toward the debt with the lowest balance first.

Both options have advantages and disadvantages, but they will both lead you to be debt free. One of your commitments this week will be to determine which debt you will pay down first.

METHOD	ADVANTAGES	DISADVANTAGES
Highest interest first	<ul style="list-style-type: none"> ○ Eliminates most expensive debts earlier 	<ul style="list-style-type: none"> ○ Could take longer to reduce the number of creditors ○ Delayed psychological wins
Lowest balance first	<ul style="list-style-type: none"> ○ Reduces number of creditors more quickly ○ Reduces number of minimum payments more quickly ○ Provides quicker psychological wins 	<ul style="list-style-type: none"> ○ Could be more expensive since you aren't paying off the debts with the highest interest first

ACTIVITY (5 minutes)

Use the example debt inventory below to do the following:

Step 1: Put a check next to the loan with the highest interest rate.

Step 2: Circle the loan with the smallest balance.

DESCRIPTION	BALANCE	INTEREST RATE	MONTHLY PAYMENT
Credit card #1	4,000	17%	97
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Mortgage	170,000	4.5%	1,050

ACTIVITY (5 minutes)

Use your own debt inventory (page 123) to do the following:

Step 1: Put a check next to the loan with the highest interest rate.

Step 2: Circle the loan with the smallest balance.

Step 3: Decide which loan to pay extra to first, and indicate that on your debt inventory.

Use the Rollover Method

Read: The rollover method is a great way to pay off your debts. Let's say you can now pay an extra 100 a month toward your debts. When you pay off a debt, what should you do with the money that had been going to that loan? Roll it over to pay down other loans! This is where you really start to get out of debt more quickly.

For example, with the example debt inventory, if you paid an extra 100 a month to credit card #1, your monthly payment would be 197. After it was paid off, you would have an extra 197 you could

use to pay off another debt. If you used that 197 extra and put it toward the 6,500 balance for credit card #2, you would:

- o Pay off that credit card more than 23 years sooner than if you paid minimum payments!
- o Save over 8,500 in interest!

Once you paid that credit card off, you would have an extra 365 to pay toward other debts, and so on. The rollover method works well to eliminate debt quickly.

Discuss: How will the rollover method help you get out of debt faster?

Take Additional Steps

Read: If you are having a difficult time making minimum debt payments, then you may need to take additional measures (see below).

ACTIVITY (10 minutes)

Divide into groups of two to four people and discuss the additional measures below. Ponder whether any of these measures could help you.

Step 1: Find extra or better work: Remember the jar example? You may need a bigger jar! Additional income from a second job or side business can rapidly accelerate your debt elimination plan. You likely will not need a second job indefinitely. However, if you are struggling to accelerate paying off your debt, extra income can go a long way in helping you get your feet back under you.

Step 2: Sell some things that you can live without.

Step 3: Downsize: Sometimes your best move is to move—literally. A less expensive home, apartment, or car may be a good option.

Step 4: Refinance debt: In some circumstances it is possible to refinance your loans at a lower interest rate or to consolidate several of them to a single loan with a lower interest rate. There may be costs to refinancing or consolidating, so be sure to understand the expenses beforehand.

Step 5: Find help from mentors or financial counselors: In many areas of the world people can access financial counseling through local nonprofit services or financial institutions. Find and counsel with a trusted advisor.

DISCUSS DEBT ELIMINATION IN YOUR FAMILY COUNCIL

Read: In your family council this week, discuss how much money you can set aside each month to make extra payments toward your debts. Additionally, discuss which loan you would like to begin paying down first (highest interest or lowest balance). You may want to use the “Sample Family Council Discussion” outline below.

SAMPLE FAMILY COUNCIL DISCUSSION

Be sure to begin and end with a prayer to invite the Spirit.

Part 1: Review

- Are you still incurring debt?
- How much money can you afford to put toward extra payments? (Review your income and expenses, and indicate the amount you could pay extra on your debt inventory sheet on page 123.)

Part 2: Plan

- What can you do to ensure you stop incurring debt? Together, consider cutting up your credit cards.
- What expenses can you reduce to make room for extra payments on your debt?
- What loan (or loans) should you pay off first? (Indicate the order on your debt inventory on page 123.)



MORE THAN TWO PERCENT

I used to love my credit card! Once a quarter I would get 2% back on all my purchases. But when my husband and I started budgeting seriously, it became too difficult for us to compare our credit card balance with our checking account balance. I realized that we were regularly spending just a little more than we actually had. We cut up our credit cards, just like Elder Holland suggested! I know that we are now saving more than 2% by having clear boundaries and by knowing exactly how much money we have in our account at any given time.



PONDER—Maximum Time: 5 Minutes

Individually think about what you have learned today and consider what the Lord would have you do. Read the scripture or quote below and write responses to the questions.

“Release thyself from bondage” (D&C 19:35).

What are the most meaningful things I learned today?

What will I do as a result of what I learned today?



COMMIT—Maximum Time: 10 Minutes

Read each commitment aloud to your action partner. Promise to keep your commitments and then sign below.

MY COMMITMENTS

- Ⓐ I will practice and share this week's My Foundation principle.

- Ⓑ I will determine how much extra I can pay toward eliminating debt and which loan to begin paying off first and will create a debt elimination plan.

- Ⓒ I will discuss my debt elimination plan during my family council.

- Ⓓ I will contact and support my action partner.

My signature

Action partner's signature

