

## How I Conquered the Debt Mountain

*Sound Mind Investing Reader*

It's not easy to climb out of a difficult deep-in-debt situation, but it can be done. Here's my story -- I hope you find it encouraging.

Becoming debt-free is one of my most memorable achievements. It was also one of the most difficult personal challenges I've ever faced. When I was 26, I had debts totaling over \$135,000 dollars. I had a house mortgage, two car payments, and eight credit cards (most of them had balances above their credit limits). My marriage had deteriorated under the financial strain, and as most do under these circumstances, ended in divorce. The loss of income from my wife and the added burden of now maintaining two households brought me to the brink of financial ruin.

With a monthly income of a little over \$1,600, I no longer had the means to make the payments on all my bills. My creditors wanted their money, and they wrote and called daily to get it. Just the thought of having to open my mailbox or the sound of the phone ringing tied my stomach in knots.

My most immediate problem was making my mortgage payment. The house had been for sale for months, but mortgage rates were high and there had not been any offers. Just when all seemed lost, mortgage rates began to drop, and I was able to sell the house a few weeks later. I used the \$2,700 I made from the sale of the house to move into a small one-bedroom apartment. It also was around this time that I made a promise to myself that I would never again allow myself to get into such a financial mess, and I would do everything in my power to become debt-free.

My first step was to take a hard look at how I was spending my money. If it wasn't an absolute necessity, it was no longer in my budget. I stopped my newspaper and magazine subscriptions, canceled cable television, and discontinued all entertainment that I had to pay for (movies, sports events, etc.). This was probably my most profitable move because it forced me to search for alternative ways to better spend my free-time. Although I had always exercised regularly (running, biking & lifting weights), with my new rules now in effect, I began to spend twice as much time at it as I had previously. When I wasn't exercising, I was at the library reading everything I could find on personal finances. I read about budgeting, saving money, spending money, insurance, mutual fund investing, and ways to increase my income -- anything that might help me improve my financial situation.

I looked at where my money was going for "necessities." Do I really need it or do I just want it? (I ask this question before every purchase -- it saved me a lot of money.) Am I paying too much? Can I get by with less? I greatly reduced my grocery bill . . . water became my beverage of choice for most meals. I never ate more than twice a day. I began to budget my food much like I was budgeting my money.

Next, I placed classified ads in the newspaper to sell the things I no longer needed or didn't have enough space for (furniture, refrigerator, etc.). For the few dollars required, a classified ad in the newspaper is very effective -- there always seems to be someone looking for what you're selling.

By acting on the information I picked up from the books I read, I was able to free-up around \$400 a month to apply towards paying off my debts as well as begin a savings fund. From the start, I directed my attention to the credit cards with the smallest balance. I paid all that I could afford towards that card until it was paid-off. When that card was eliminated, I moved to the card with next smallest balance, applying the money that was used on the previous card to it, and so on. Although my decision to pay off credit cards with the smallest balance (versus cards charging the highest interest) may not have been in line with the most correct financial advice, the motivation that came with paying off the smaller cards quickly worked best for me.

Unquestionably, the changes I made in my lifestyle were an improvement, but they were not easy by any means. Life-style changes are the most difficult changes you can make, it's not like changing brands of coffee or toothpaste. Until the changes are ingrained in your soul, there's always that temptation to fall back to your old ways.

It took four years and a lot of desire, determination, self-discipline, self-sacrifice, and perseverance (qualities I didn't think I had in me), but I can now say I am debt-free. I also have an emergency cash fund large enough to manage almost any crisis, and I am currently saving and investing over 40% of my take-home pay. My financial problems didn't disappear when I became debt-free. There are still financial decisions to make and goals to meet. The difference for me now is that I control my finances -- they no longer control me.

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