



Financial Future Challenge

WEEK FOUR

Demolish Debt

Welcome to week four of the Financial Future Challenge!

Included in this packet is everything you need for your fourth week.



Demolish Debt

Sometimes debt can be an unintended consequence of living. You may overspend during the holidays, your child comes back from the dentist with 8 cavities, or you just really like buying a lot of tacos. Other forms of debt can be more useful and allow you to purchase things that you can't afford, but need, such as a home or a college education. Whatever it is, being in debt can weigh on you and affect all aspects of your life. In a study done at the Northwestern University Feinberg School of Medicine, those with high debt showed an 11.7% increase in perceived stress, and a 1.3% increase in blood pressure.

The process can seem daunting but there are some general steps you could apply to help get out of debt and become more financially responsible.

Organize Your Debt

If you can't seem to find an effective way to eliminate the burden of your credit card debts, do the following: rank each card from highest interest rate charged to lowest, list the current outstanding balance for each card, pay the minimum monthly payment on each card, except the one with the highest interest rate, pay as much as possible on the card with the highest interest rate, avoid making new purchases on the card with the highest balance then repeat each step until balances are paid in full. It's important to establish a set amount within your budget to go towards your debt each month. The minimum should cover all minimum payments. Once all debts are paid in full, allocate these funds to your Savings Account.

Create a Budget & Stick to It

Tracking your expenses is critical to building financial stability and good habits for the future. It helps you not only gauge where you currently are, but also establish a timeline for

when you'll accomplish your goals. Tracking your expenses is made easy by phone apps such as [Mint](#) or [Wally](#). Spend some time researching different resources that work best for you and some tips to sticking to your budget. Using a budget will help you plan for monthly expenses. Keep in mind, you should always include things that make you feel rich!

Establish a Starter Emergency Fund

Emergencies happen, so be prepared to pay for these unexpected events by having an emergency fund. Instead of using credit cards to pay for these sudden instances and increase your debt, turn to your emergency funds and keep following your budget. Remember to use your savings budget to replenish your emergency account after you use the money for unexpected events.

Any Extra Cash Goes Towards Your Debt

There are times when extra money that you don't accurately account for will fall into your lap, such as your tax refund, selling a car, or an inheritance. In these moments, you may be tempted to break your budget and splurge. Instead, take the excess money you earn and apply it towards your debt.



Financial Future Challenge



PAY OFF DEBT

Make a SMART Goal

My SMART Goal: _____



Specific



Measurable



Attainable



Relevant



Timely



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