GETTING OUT AND STAYING OUT!
Your No-Nonsense Guide to Surviving Debt
“There’s an expression: ‘what you don’t know can’t hurt you,’ but when it comes to debt what you don’t know can can hurt you.”

- Andrew Housser, Co-Founder of Freedom Debt Relief
INTRODUCTION: YOU’RE NOT ALONE!

If you’re overwhelmed with debt, don’t panic and don’t get off track. You’ve already taken two of the most important steps toward resolving your debt. You’ve recognized that you have a problem and you’re seeking help. Congratulations on making the right decision to get into better financial shape!

When dealing with debt, the first thing you need to realize is that you’re not alone. Credit card debt is something that plagues millions of Americans. Our society encourages us to consume more and more, even when we don’t have the funds to do so. However, due to the last economic crisis and current economy, many Americans have had to resort to credit cards just to cover their bills. And chances are if you’re reading this guide, you’ve been impacted as well.

“When total U.S. consumer debt over $2 trillion and more than 44 million American households carrying average credit card balances of $8,025, it’s clear many Americans need more support.”

- Brad Stroh, Co-Founder of Freedom Debt Relief

The deck may seem to be stacked against you, but it is possible to improve your financial situation. When creditors only require you to make minimum payments, it creates a false sense of what you can afford. One of the most enticing features of a credit card is being able to make the purchases you want and only having to pay for a fraction of the cost when your credit card statement arrives in the mail. However, minimum payments do very little to reduce debt. It’s even worse if you fall behind, because creditors have the ability to charge you higher interest rates, late fees, and over-the-limit fees. Unfortunately, these fees come when you are typically least able to afford them. That’s why it is so important to be informed so that you know your options and have a plan to manage your debt.

Don’t be like one of the millions of Americans who’ve become slaves to their debt burdens. Getting out of debt can be difficult, especially on your own. If you are ready to take the next step, but are unsure of how to face the problem, you’ve come to the right place. We’ve put together the ultimate guide to surviving debt and coming out healthier on the other side – at least financially speaking.

We’ll explore good debts vs. bad debts, help you figure out if you’re in financial trouble, how to create a spending plan to cover your expenses, show you what your options are, and how to get professional help. So…if you’re ready, let’s dive right in!

Financial freedom is just around the corner!
DEBT RELIEF OPTIONS

Minimum Payments:

It’s true: making your minimum payments keeps you looking “decent” on paper. You avoid late fees and you aren’t reported to the credit bureaus as “delinquent”, nor do you have to worry about your credit score being lowered. So what’s the catch? Interest. You pay a very, very heavy price for making only your minimum payments.

Minimum payments are how credit card companies make serious money from you. When you make only the minimum payment, a significant portion of your payment goes towards your interest or finance charges. Consider the example below, which illustrates how, with a minimum monthly payment of 4% of the remaining balance and an annual interest rate of 18%, a $25,000 starting debt will ultimately cost $39,494 to pay off AND take more than eleven years, even if you never miss a payment and don’t use your credit cards to make any additional purchases!

The True Cost of Making Minimum Payments

<table>
<thead>
<tr>
<th>Assumptions:</th>
<th>Repayment Summary:</th>
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<tbody>
<tr>
<td>Starting balance</td>
<td>Total Amount Paid</td>
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<tr>
<td>$ 25,000</td>
<td>$ 39,494</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>Interest Paid</td>
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<tr>
<td>18%</td>
<td>$ 14,494</td>
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<tr>
<td>Initial Min. Payment</td>
<td>Number of Months</td>
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<tr>
<td>$ 1,000</td>
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Repayment Schedule

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<tr>
<th>Year</th>
<th>Starting Balance</th>
<th>Avg. Monthly Payment</th>
<th>Interest Payment</th>
<th>Principal Payment</th>
<th>Total Cost</th>
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<td>12</td>
<td>$ 589</td>
<td>$ 58</td>
<td>$ 53</td>
<td>$ 589</td>
<td>$ 641</td>
</tr>
</tbody>
</table>

Total | $ 14,494 | $ 25,000 | $ 39,494

1. Assumes no additional purchases are made.
2. Assumes an interest rate of 18% APR. We also assumed that your account is not past due and that your balance does not exceed the credit limit for your account.
3. Assumes you make a minimum payment of 4% of your balance or $60, whatever is greater. Your creditors may calculate this differently.
If you are struggling to make ends meet and only paying the minimum on your accounts, it may feel like your balances never come down. Fees and interest accumulate quickly and you'll be paying way more than you originally owed. Not to mention, it could literally take you decades to pay off. If your debts are being reduced at a very slow pace, it may be time to seek another alternative.

**Snowball vs. Avalanche:**

If you plan on dealing with debt on your own, there are two popular approaches that you might take. The first is the snowball method where you start paying off your smaller debts first before moving on to the larger ones. Quick wins can give you the momentum you need to continue on your path to financial freedom. When using the snowball approach, make sure you are still making minimum payments on your larger debts.

The other approach is the avalanche method, which is essentially a more evolved version of the snowball method. You order your debts by interest rate, from highest to lowest. The objective is to pay as much as possible on the debts with the highest interest rates while making at least the minimum payments on the rest. After you succeed in paying off the debt with the highest interest, proceed with the next one. Keep doing so until your debts are resolved!

Mathematically speaking, the avalanche approach is cheaper and faster. You get rid of the more damaging debts first because higher interest means you’ll have to pay back more over time. However, the snowball method takes your emotions into account, assuming that early success will motivate you to pay off the rest of your debts.

So, which is the better choice? Both methods can help lead you out of debt-territory, but you should choose the method that is best suited for your personality and needs. If you prefer to see quick results and want a debt reduction plan that's simple to follow, the snowball method may be the way to go. On the other hand, if you’re looking for an option that will potentially save you more money, the avalanche method may be right for you. No matter which option you choose, make sure to develop a sound financial plan, stay disciplined, and remember that getting out of debt is possible!
Debt Resolution:

If you have fallen behind on your payments, a viable option may be debt resolution. It is often referred to as debt settlement or debt negotiation and is available for people with serious financial hardships. In a debt resolution program, the company negotiates with the creditor to lower the outstanding balance of the debt. The company does not negotiate lower interest rates and does not distribute a monthly payment to creditors. Under debt resolution, a client will make a monthly deposit into a special purpose account. As the balance of the fund increases, the debt resolution service provider will reach out to your creditors to negotiate settlements for less than what is owed.

Based on the below assumptions, we estimated that you will pay approximately $18,750 (including all program fees) over a 40-month program. Our estimate is $6,250 less than what you owe today and $20,744 less than what we estimated your minimum monthly payments would otherwise be. Below is a time and financial comparison of your proposed program results versus the results you should expect if you make only your minimum creditor payments on your own.

Current & Plan Eligible Debt $25,000

Debt Resolution Program:

- Monthly Program Payment: $469
- Total Amount Paid - includes fees: $18,750

Minimum Payments:

- Estimated Initial Monthly Payment (4% of balance): $1,000
- Estimated Principal & Interest: $39,494

1. Assumes debt is resolved for 50% of enrolled balance and program fees of 25% of enrolled balance.
2. Both scenarios assume that you make timely and consistent payments. Minimum monthly payment scenario assumes a minimum monthly payment of 4% of the prior unpaid balance and a constant annual percentage rate of 18%.
3. Assumes an interest rate of 18% APR. We also assumed that your account is not past due and that your balance does not exceed the credit limit for your account.
Credit Counseling:

If you are having difficulty paying your bills each month and need only moderate debt relief, credit counseling may be an effective option. A credit counselor can help you set up an affordable payment plan and offer lower interest rates that have been pre-negotiated with your creditors. However, if your situation is more severe, credit counseling may not be enough to help you reduce your debt. In credit counseling, you make one monthly payment to the credit counseling company and they disperse it to your creditors. It is different from debt resolution because your debts are not settled for a lesser amount.

The chart below introduces the credit counseling option. Again, for simplicity purposes, we’re keeping the assumptions the same - $25,000 of current debt with an 18% APR. If you can make timely and consistent payments each and every month, credit counseling could save you a few thousand dollars in interest charges over 57 months. Although this is not a large financial savings, it may be the structure you need to get out of debt. Part of the reason why the savings are so low is due to the average monthly fee that’s charged to administer your plan each month.

| Current & Plan Eligible Debt | $25,000 |

**Debt Resolution Program:**

- **Monthly Program Payment**
- **Total Amount Paid - includes fees**

**Credit Counseling:**

- **Monthly Program Payment**
- **Estimated Principal, Fees & Interest**

**Minimum Payments:**

- **Estimated Initial Monthly Payment (4% of balance)**
- **Estimated Principal & Interest**

<table>
<thead>
<tr>
<th>Monthly Program Payment Comparison</th>
<th>Time Comparison</th>
<th>Amount Paid Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>$469</td>
<td>$660</td>
<td>$469</td>
</tr>
<tr>
<td>$660</td>
<td>$32,550</td>
<td>57 mo.</td>
</tr>
<tr>
<td>$1,000</td>
<td>$39,494</td>
<td>143 mo.</td>
</tr>
</tbody>
</table>

1. Assumes debt is resolved for 50% of enrolled balance and program fees of 25% of enrolled balance.
2. Assumes a minimum payment of 2.5% and a monthly program fee of $35.
3. Assumes a 10% interest rate, a one-time set-up fee of $50, and a monthly fee of $35.
4. Assumes you make a minimum payment of 4% of your balance or $60 (whichever is greater). Your creditors may calculate this differently.
5. Assumes an 18% APR. We also assume that your account is not past due and that your balance does not exceed the credit limit for your account.

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Debt Consolidation:

If you are making many payments every month to different creditors, you may consider getting an unsecured debt consolidation loan. Making a single payment for your debts may be more convenient, but you need to consider how much it will be costing you overall. While debt consolidation loans may offer a lower monthly payment, you could pay higher interest rates over the course of the loan. Only take out an unsecured debt consolidation loan if you are prepared to make the payments on time and in full.

The most common type of debt consolidation loan is a cash-out refinance. People who qualify for a cash-out refinance must have sufficient equity in their homes, strong incomes and good credit. If you have many high interest rate debts and are juggling multiple accounts, this option may help you lower your monthly payments and get out of debt faster. The cash-out refinance effectively shifts several of your unsecured debts into a single, new debt that is secured by your home. Make sure to keep up with your payments though, or else you could end up losing your house.

Bankruptcy:

Bankruptcy is something to be considered only as a last resort. Due to changes in the bankruptcy laws, it is now much more difficult to qualify for Chapter 7 bankruptcy, in which the filer is cleared of any obligation to repay his/her unsecured debts. It’s much like starting over with your financial life but the consequences are huge. You could lose your possessions because your assets may be sold to pay off your debts. Also, the bankruptcy tarnishes your credit for many years to come. Keep in mind that Chapter 7 bankruptcy does not affect most tax obligations nor will it rid you of your federal student loan debt, so if you have a balance, you are still responsible for paying it back.

Since it is harder to qualify for Chapter 7 bankruptcy, more people are filing for Chapter 13 instead. If you file for Chapter 13 bankruptcy, you will still need to repay some or all of your debts over time. The repayment plan can be worked out with the court. In some instances, your debts may be reduced but not eliminated. Once the terms have been negotiated, you will make payments to the court, and they will distribute the money to your creditors, at the direction of a court appointed trustee.

While Chapter 13 bankruptcy takes longer and usually costs more than Chapter 7 bankruptcy, the upside (for a homeowner who can work out a repayment plan with their bank) is that they can keep their house. Both types of bankruptcy will damage your credit. The decision to file for bankruptcy should not be taken lightly. The effects are serious and may be one of the biggest financial decisions you’ll ever make.

If you need help deciding which route is right for you, Freedom Debt Relief has a team of debt specialists that can analyze your situation and help you figure out which option may be most suitable.

Call (800) 443-9056 today for a FREE consultation. It just might be the best call you can make. So do it now!
FIRST THINGS FIRST: PRIORITIZE YOUR DEBT PAYMENTS

Debt Spending Plan

In order to get started with a plan to resolve your debt, you will need to take a look at your overall debt picture and come up with a practical spending plan. This usually starts with tracking your monthly expenses and deciding how to distribute payments. Tailor your spending plan to your needs and adjust it as your needs change. If you haven’t done so already, create a spending plan and/or budget.

Although coming up with a spending plan is important, it does not tell you which debts to pay-off first, especially if you can’t afford to pay all of your bills. This section will help you sort out which debts are your highest priorities.

Keep in mind that everyone’s situation is unique and priorities may differ.

Debt Prioritization

Family Necessities First – Never let a creditor pressure you into making a payment, especially if you can’t even cover household essentials. This is particularly important if you can only afford some of your payments and need to prioritize your debts more carefully. There are many ways you can approach the topic, but a good way to decide how to pay your accounts is to divide them by secured debt and unsecured debt.

Secured Debt – This type of debt is tied to an asset that is considered collateral. Two of the most common examples are car loans and mortgages. In these cases, your creditors can take possession of your physical property if you fail to make your payments. If the lender takes your asset because you’ve been delinquent on your bills, the asset will be sold. However, if the selling price for the asset doesn’t cover the debt, in some states the lender may still pursue you for the difference.

Unsecured Debt – This is the opposite of secured debt. Any debt that does not have a specific piece of property tied to it is considered unsecured debt. While you may have a number of items that you purchased with credit cards, they are not considered secured debt. In most cases, a credit card company cannot repossess the items you bought with credit cards. They would have to take you to court and obtain a civil judgment.

No matter what kind of debt you have, never carry more debt than you can reasonably pay off. However, if you’re strapped for cash and faced with the difficult decision of paying only some bills, the secured debts are typically the better choice. These payments are often harder to catch up with and could cost you essential assets, like your house or car, if you fall behind on payments.

In other instances, you might give more priority to unsecured debts if you’re making extra payments to pay off some high cost debts. Sometimes, unsecured debts have higher interest rates that make it expensive to spend a long time paying them off. Even when you’re repaying your debts, it’s important to attempt to keep up with the minimum payments on ALL of your accounts.
10 WARNING SIGNS THAT YOU’RE IN TROUBLE

If you’re still reading, we’re willing to bet that your finances could be in better shape. Here are 10 tell-tale signs that you may be in trouble:

1. **You are only paying the minimum amount, or less, required on your accounts.**
   Do you realize how much money you’re flushing down the toilet when you only make minimum payments? You’ll probably end up paying more in fees and interest than the item originally cost. If you can afford to pay more, do it. Otherwise look at other options such as Credit Counseling, Debt Resolution, or Debt Consolidation.

2. **You shuffle debt around from credit cards to credit cards.**
   You’re not really paying off anything when you use other credit cards to make the payments. Debt shuffling does not equal debt repayment.

3. **You are near the limit on each of your credit cards.**
   When you have high credit card balances relative to your credit limit, it decreases your purchasing power and lowers your credit score.

4. **You charge more each month than you make in payments.**
   This is something that needs to be nipped in the bud. Otherwise, the debt cycle will never be broken. It’s important to create a budget and aim to make payments on time and in full.

5. **You’ve received phone calls or letters about delinquent bills.**
   Are you constantly worried about getting calls from your creditors? Stop living in fear! It’s time to deal with the situation by resolving your debts and cleaning up your financial house.

6. **You use credit cards because you don’t have money.**
   We understand that times can be tough, but when you do this, you do greater damage to your finances in the long run.

7. **You are dipping into your savings to pay your monthly bills.**
   Any reputable financial advisor will tell you how important it is to have an emergency fund. If you are having trouble making payments and dipping into your savings, a professional debt relief company may be able to help get you back on track.

8. **You are embarrassed about your debt and don’t let people know about it.**
   Struggling with debt isn’t uncommon, but many debtors are ashamed of their situations. They want to appear fine to the outside world, but debt can be a serious problem. The earlier it is addressed, the easier it is to recover from.
9. **You sign up for every credit card that sends you an offer.**
Every time you sign up for a new card, your credit gets pulled. If you are maxed out on your current cards, don’t rush to get a new one! Instead, spend some time to get your current accounts healthy.

10. **You worry constantly about your next paycheck or income source.**
Are you always impatient for payday? It’s so stressful to live paycheck to paycheck, and it shouldn’t have to be that way. Perhaps it’s time to review your spending and savings habits, and develop a plan to make better financial choices.

If one or more of these statements relate to you, then yes, you may benefit from help!

Good thing you came to the right place! It is possible to do something about the problem, and live without debt in your life. Freedom can help!
WE ALL NEED A LITTLE HELP SOMETIMES

Dealing with debt is hard, but it’s not something you have to do alone. If you feel like you aren’t making progress, there are services out there to help you successfully reduce your debt. If you’ve decided to seek professional help, it’s very important to sort out the best solutions.

Now that you know your options, do some research on companies that offer the services you need. When interviewing companies, keep these things in mind to figure out who’s trustworthy and who’s not:

• Shop around. It really pays to do your homework. Choosing a debt relief partner isn’t a decision you should take lightly. Take the time to do your research and choose a company that has your best interests at heart.

• Reputation is everything. Good companies offering debt relief will have a proven track record of success. They will be able to provide you with an honest assessment of the positives AND negatives of debt relief for your situation. It is extremely important to choose a reputable company, one that will become your partner in getting your finances back on track.

• Good customer service speaks volumes. The training and skills of employees can mean the difference between effective and shoddy debt relief. You can expect that if a representative is unprofessional in the way he/she communicates with you, the service you’ll receive in the program will be unprofessional too.

• Don’t pay until you see results! Some companies require you to pay upfront, but how in the world does that make sense? If you are in debt, you probably don’t have the extra money to spare. You shouldn’t have to pay until you see some results!

• If it sounds too good to be true, it probably is. No company is able to guarantee that your debt will be completely eliminated. There is no such thing as a magic solution to your debt problems because the road to financial recovery is not easy and often takes time. Check out the terms of the program and figure out all costs before signing up with a company.

The bottom line is you need to feel confident with the company you go with. This is a crucial decision, because the right company can help you effectively reduce your debt. Going with the wrong company could cost you even more money. Review all of your options carefully before deciding which service is right for you.

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FINALLY FREEDOM

Now that you are armed with the knowledge to make an educated decision, we encourage you to explore all that Freedom Debt Relief has to offer!

About Us

Freedom Debt Relief was founded in 2002 by two Stanford Business School graduates who had a vision of bringing innovative solutions to consumers who need it the most. Since then, we have grown to become the leader in the credit advocacy and debt resolution industry. Our team is passionate about helping clients through some of the toughest financial times in their lives and helping them establish solid financial footing as quickly as possible.

Our core services include alternatives to bankruptcy, such as debt resolution, credit counseling, and debt consolidation. We approach the business from a human perspective and pledge to be your number one advocate!

Here’s what sets us apart:

• We won’t charge you a dime until we’ve resolved a debt for you!
• We’ve resolved over $2 Billion in debt for our clients, more than any other company in the nation.
• We are one of a few companies in the country to be formally accredited by the American Fair Credit Council (AFCC).
• We’ll review your situation prior to enrollment and tell you if our program is right for you.
• We’ll refer you to other companies if our program isn’t a good fit.
• We build strong relationships with creditors and collectors, so that our clients can reap the benefits.
• We negotiate accounts with creditors as a large portfolio, giving us the leverage to get the best results for our clients.
• We get results for our clients, and our track record shows. Just check out our client retention and graduate rates!
• We care.

www.freedomdebtrelief.com
We believe in exceptional service.

You're in control. We provide 24/7 online account access to help you stay informed.

We will arm you with all the information you need to make your decisions, including 100% transparency of your options.

**Lifestyle Change**

Getting out of debt is one thing, but staying out of debt is another. If you want to be done with debt for good, you’ll need to make some changes in your financial life. Chances are, when you first went into debt, you were spending more money than you brought in. It’s never a good idea to rely on loans and credit cards to buy things you can’t afford, but there’s always time to change things around and start fresh.

Now that you’ve committed to living without debt, it’s time to get your finances in order and create a plan that will help you live within your means. Freedom can help show you the way!
Contact us to review your options!

Phone: Give us a call at (800) 443-9056

Email: Send us a message at Support@FreedomDebtRelief.com

Website: Visit us online at www.FreedomDebtRelief.com

Social Media:  

[Facebook icon] [Twitter icon] [Google+ icon]