

# Invest In Your Debt Part One: The Basics

Second Edition

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First Printing 2004

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ISBN 0-9713073-5-0



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This Educational Text is produced by  
The Premier Institute for Financial Freedom.

Invest in Your Debt...The Basics,  
is the first in a series of Educational Materials  
designed to help you rid yourself of burdensome  
debt. This text will introduce you to the basic  
philosophy of Invest in Your Debt, along with  
some specific aspects of the program that you can  
apply to your current situation.

## Invest in Your Debt...An introduction

**There is a great financial opportunity out there. It is just for YOU, and it is right at your doorstep. You are interested in financial opportunity, aren't you?**

### Debt Freedom Leads to Financial Achievement

At some point in our lives, we've all dreamed about financial achievement. Maybe we didn't call it that...but we did think about it.

How nice would it be if all your bills were paid...  
How little stress would you have if you weren't worried about job security...  
How wonderful would it be to have no financial worries...

If you've ever dreamed of these things...you've dreamed of true financial achievement.

Traditionally, for most of us financial achievement has meant the same thing as wealth. You know – filthy, stinking rich – rolling in the dough. We have grown up also believing that “it takes money to make money”; that to be financially free you must have a great deal of money invested. This pile of money must be so big, that it generates huge amounts of interest income.

What does conventional wisdom tell us about how you build this big pile of money? The familiar advice of “Pay yourself first” and “Save 10% of your income” is what most of us were taught. Conventional wisdom says if we just save some of our money, we will realize financial achievement.

How has conventional wisdom worked for you? Have you begun saving and investing – **On A Serious Basis?** I'm not talking about \$50 or \$100 per month - I'm talking about saving and investing enough on a monthly basis so in the near future you will be financially free? For the typical baby boomer, this could mean needing to save about \$2,000 per month to realize true financial achievement at retirement.

**“\$2,000 per month! You’ve got to be kidding – there’s no way I could invest \$2,000 each and every month.” I am lucky to be able to make my payment to my debt settlement program each month so they can payoff my credit card debts.”**

Do you even believe you can free up enough of your income from expenses to begin saving? And if you can begin saving, do you believe saving and investing will lead you to true financial achievement? Most people have lost their faith in this conventional approach.

**A 1999 poll sponsored by the Consumer Federation of America shows that less than 50% of people believe saving and investing some of their income was the most reliable route to wealth.**

Because most people equate financial achievement with huge piles of wealth, is it any wonder that most families give up on becoming financially free? Most families are living payday to payday with little or no savings, and no real options to break free from the cycle. They are resigned to the fate of “getting by.” They feel financial achievement is outside of their control, unless they “get lucky.”

**The poll sponsored by the Consumer Federation of America also shows that 28% of people believe winning a lottery or sweepstakes is “their best chance to obtain a half million dollars or more in their lifetime.”**

Now just why do people feel this way?

**People believe “it takes money to make money” (e.g. investments). They just simply have no idea how they will ever be able to save and invest the amount of money needed to realize true financial achievement.**

Let’s take a quick time-out to communicate a very important message:

**The Invest in Your Debt™ program is YOUR best opportunity to obtain a half million, or one million, or even more dollars in your lifetime. In fact, for the typical family, IYD is the only realistic chance they have to create real wealth and to reach true financial achievement.**

The Invest in Your Debt program is your roadmap to true financial achievement. Financial achievement can seem so far away that it is hard to imagine it ever happening for you. But suspend your disbelief and trust the process. IYD works regardless of your current financial status! In fact, it’s guaranteed to work because it is based on simple mathematical principles.

These principles boil down to some basic facts. Compound interest is the magic ingredient for creating true financial achievement. When it works for you everything is terrific. When it works against you, your financial life quickly becomes a disaster. IYD teaches you how to turn compound interest into your most important wealth-building tool

instead of letting it steal your wealth from you.

An important perspective in the Invest in Your Debt program is that debt freedom equals financial achievement. Think about it for a moment. How many of you are making enough money? Anyone? If you think you are not making enough money think about this...

**IF YOU HAD NO DEBT, HOW WOULD YOU BE DOING ON YOUR CURRENT INCOME?**

What would your financial life be like if you had no credit card payments, no student loan payments, no car payments, no home equity loan payments, NO MORTGAGE payment? You'd be doing pretty darn well, wouldn't you?

**If you had \$1,000, \$2,000 or even more left over to save and invest each month, DO YOU THINK YOU COULD CREATE REAL WEALTH AND REACH TRUE FINANCIAL ACHIEVEMENT?**

Of course you could, and that's the beauty of Invest in Your Debt. We show you how to...

**Reach the point where you are able to save and invest a huge amount of money each and every month.**

We teach you how to get to that point by...

**First investing in your debt; then once your debt is eliminated, redirecting the money you had been wasting on debt payments into traditional investment vehicles.**

Here's the good news for most of you – YOU ALREADY HAVE ENOUGH MONEY IN YOUR LIFE TO REACH TRUE FINANCIAL ACHIEVEMENT. At least for most people, the amount of money they earn is not the problem. The amount they keep is the problem. Once you are able to keep enough, you can invest enough to quickly build a nest egg large enough to retire on.

Different people have different definitions of retirement. Our definition of retirement is simple. If you can get up in the morning (or afternoon if you like to sleep in!) and do what you want, not what some company or boss wants you to do, then you are retired!

How do you get to the position where you keep enough to create your own financial achievement? You first invest in your debt and put the power of compound interest to work for you by eliminating your debt. Right now, compound interest is working against you because it is earning money for your creditors (based on your debt) – compound interest is costing you money. If you can shift this paradigm from one where you pay compound interest on your money to one where you earn compound interest on your money, then true financial achievement is within your grasp.

Does this give you a better understanding of why we say...

### **Debt Freedom leads to true financial achievement.**

Once you eliminate your debt, you are then in a position to save and invest enough money to build a nest egg you can live off of forever.

Now the cynics will say, “Yeah, but it still takes a long time to build a big enough nest egg, even when you are putting \$2,000 a month into investments.” This is true. If we assume that it takes a \$1 million nest egg to reach financial achievement, even if you invest \$2,000 each month, and assume an average of 10% growth, it will take about 17 years for your nest egg to grow to a million dollars.

If you are one of the cynics, what is your current plan for achieving true financial achievement? Are you going to be able to retire when and how you want to? Or are you going to retire the way many people do – **THEY DIE BEFORE THEY RETIRE FROM THEIR JOB!**

The Invest in Your Debt system helps people address the largest financial concerns they typically face in their lifetimes. Can I pay off my mortgage before retirement? How will I ever be able to save for retirement? Can I afford to send my kids to college? While there are many financial advisors available to help people answer these questions, too often their advice is biased by commission-generating products the advisors sell.

**If you are currently able to invest enough money each month so that you can achieve your financial dreams, then we congratulate you! If however, you are like most people, and are not on the road to true financial achievement, we hope for the sake of you and the people you love you will take action. We believe the best action you can take for your financial future is to FIRST INVEST IN YOUR DEBT!**

If you are like many people out there you probably have been thinking that you have missed out on financial opportunity altogether; or that you wouldn't know where to begin to look for even one such opportunity. You may have thought that even if you did find such an opportunity it would be wasted because you don't have the time, money or knowledge to make a go of it.

Well hold on to your hats! By having your debt elimination program take care of most or all of your unsecured debt through the Negotiator Program, you are taking the first step to true financial achievement.

We call our book and our class Invest in Your Debt because it teaches you how to build real wealth and realize true financial achievement by treating your debt as an investment. An investment is nothing more than a financial opportunity and the purpose of this book is to show you...

**Your debt is actually a financial opportunity waiting to happen!**

Now you're probably thinking we must be crazy to say debt is an opportunity. Most people look at debt as a burden with seemingly never-ending monthly payments. While we agree that for most people debt is a burden that can destroy future wealth, your debt can actually be turned into a financial opportunity, **if** you make the right decisions and choices. Invest in Your Debt is all about choices and changing our perceptions in order to realize true financial achievement.

How on earth, can debt be an opportunity you ask? Consider your debt...how much money do you have going out the door each month for car payments, credit card payments, mortgage payments, debt consolidation loans, home equity loans, student loans and other credit payments?

Is it \$500? \$1,000? Do you spend \$2,000, \$3,000 or more, each month on "payments?" We see people in our classes spending \$5,000 or more on debt each month! As you'll learn later in this book, the sad thing is people are giving away their future wealth and they don't even realize it because they are just using "smart money" as conventional wisdom says.

**Invest in Your Debt is your opportunity to RECLAIM the money currently going out the door to make your debt payments!**

Think about that concept, "reclaiming" the money you are currently wasting on debt. Why do we use the word "reclaim?" Because you gave up your claim to the money in interest and payments you send the creditors when you bought something on credit. Investing in your debt will allow you to say to your creditors "I decided to keep this money for myself and my family."

**The opportunity of IYD is to take the money you've been giving to your creditors and find a better use for it.**

This is your opportunity to put this money back in your pocket! What would your life be like if you could take this money you've been sending to your creditors and use it for something else? What else might you be doing? Where else might you be going? Who else might you be helping? If you had no debt payments, how would you be doing on your current income? You can build your motivation to follow IYD when you ask yourself these questions.

Most people have some debt payments, at least a few hundred dollars a month, so the IYD program applies to almost everyone. If you can eliminate your debt, quickly, then you would have \$500, \$1,000, maybe even \$2,000 or more "extra" each month. With that extra money, couldn't you then begin to do something better with it? Maybe you could begin building real wealth and achieving true financial achievement?

The typical family actually has debt payments of a little less than \$2,000 each month. Now, if your monthly debt payments are \$2,000 or more, don't feel **too** bad. This just

means you have a BIGGER OPPORTUNITY. Yes, it might take more time (or it might take less time) to eliminate your debt, but when you do, you will have more money available each month to use towards your financial achievement! This will make more sense as you read on.

Don't get us wrong on this "bigger opportunity" concept however. If your payments are only a few hundred dollars a month, we don't want you running out and buying a new car or maxing out your credit cards, **just so you can have a bigger opportunity!**

The Invest in Your Debt program is a whole new strategy. Have you ever heard Paul Harvey on the radio? He tells fascinating stories known as "The Rest of the Story." Think of this book as "the rest of the story" regarding your financial life. We are absolutely convinced that once you know "the rest of the story," and realize the opportunity that lies ahead, you will make the decision to begin your personal journey to true financial achievement using these life-changing concepts and strategies.

### **What is this Invest in Your Debt Program?**

The overall view of Invest in Your Debt is rather simple. First, follow Financial Strategies that are appropriate to today's times and to your personal financial situation. Second, follow a specific program that can take you from where you are to where you want to be. First let's discuss Financial Strategies.

### **Traditional Financial Strategies**

So, what about these traditional, or typical, financial strategies you have heard about all of your lives? You've heard the cliché called "conventional wisdom." Most people approach their financial lives by following conventional wisdom. Conventional wisdom is usually thought of as "what the smart people say." What is some of the popular conventional wisdom in the financial arena? Have you ever heard some of these?

- Pay yourself first!
- Build a six month safety net of cash.
- Your house is your biggest asset.
- Don't pay off your mortgage – it's the last tax shelter you have left!
- Credit cards are financial tools because you can use someone else's money for a month.
- You need to invest any extra money you have in your 401K, IRA, mutual funds, etc.

Unfortunately, conventional wisdom in the financial arena often comes from people with a vested interest, or a reason, for getting you to see things their way. Often their "wisdom" is shaped by the fact that they want you to buy their products (insurance, investments, real estate, etc.). Not that these people are bad, but their advice is biased so at the very least, it should not be accepted without question. Conventional Wisdom will not help most people realize **TRUE** financial achievement.

From the perspective of Conventional Wisdom, Financial achievement today is basically defined as “Keeping up with the Joneses.” It’s having the big \$600,000 house up on the hill (with a \$750,000 mortgage because it’s cheap money!). It is leasing both cars so you can drive “more car for the money.” It is belonging to the best country club and sending your children to the best private school. It is having everything you could possibly want and GETTING IT NOW because you need instant gratification.

We are not saying there is something wrong with having these dreams and aspirations for our children and ourselves. In a free country, life is about choices as it should be. However, don’t confuse true financial achievement with the type of life described above, where you give away your future wealth in order to feed your need for instant gratification.

Years of exposure to advertising have shaped our picture of financial achievement. From the “Madison Avenue” perspective, we have come to believe that we can have any and everything whenever we want it if we just use credit to get it. The promise of debt is that it will allow us to have the good life now. **The irony of this promise is that in order to have everything we want now, we have to promise our future wealth to our creditors.**

The idea behind credit is how you can get what you want if you don’t have enough cash for the purchase, but you do have enough cash so that you can make “low monthly payments.” That way you can fill your need for instant gratification now! Of course, over the future, you will make many monthly payments and pay 3 or 4 or 10 or 20 times more when you buy something with credit rather than buy something with cash.

Thanks to the truth in lending laws passed in the 1970s, the mortgage companies now tell you that a house you buy for \$100,000 will really cost you \$300,000 in payments spread out over 30 years. However, the same laws don’t require the credit card companies to tell you that the \$2,000 sofa you just bought will cost you \$10,000 in payments if you pay only the minimum monthly payment.

**True financial achievement can never be realized by paying 3 or 4 or 10 or 20 times more than you need to.**

Madison Avenue’s version of financial achievement is one where you buy a lot of stuff, usually on credit, because you must have it now!

True Financial achievement is about owning not buying. And it’s not about just owning “stuff.” **True Financial achievement is realized when you own your life, your time and your future!**

For most of us today, money is often the most important consideration when making decisions. This happens because we are close to the limit on our monthly budgets where we have as much money going out each month as we have coming in. Now we are not

saying money should not be considered when making decisions. But if you could eliminate one of your largest expenses, so that you have “extra” money each month, that would probably impact your financial decisions, wouldn’t it?

Debt is the largest expense for most people.

**Unless you rid yourself of your largest expense (debt payments), you probably will not experience True Financial achievement!**

The IYD process will teach you how to eliminate all debt. You will learn how to get rid of all your consumer debt and then get rid of your 30-year mortgage. You will see you can do this on the income you make today; you don’t need a second job, you don’t need to live like a hermit in the Himalayas. With the IYD process, you get to have fun and enjoy life while you invest in your debt.

So conventional wisdom says financial achievement is about buying stuff. It goes without saying that there is nothing wrong with buying things. But when you buy on credit, you will be able to buy much less over a lifetime because of the additional costs of credit. We know from experience that true financial achievement is about owning your life. You will see throughout this book many instances where we compare conventional wisdom to IYD. It is important to study these contrasts to better understand what you can do to stay on track for your goals while avoiding the detours and dead ends of credit and debt.

We take a different perspective with our IYD process. We say...

- Pay your banker first (usually all the bankers stand and cheer when they hear this) by paying off your debt.
- If you don’t have a six-month safety net by now, forget about the safety net until you are debt free.
- Your house is your biggest liability (until you pay it off!).
- The mortgage tax deduction is the worst reason in the world to keep your mortgage.
- Credit cards always cost you more than cash.
- The first step in investing is to invest any extra money you have in your debt!
- Once your debt has been eliminated, invest any extra money you have in your 401K, IRA, mutual funds, etc.

You can see that Invest in Your Debt is a very different approach to your financial situation than conventional wisdom. We believe conventional wisdom, especially about debt, needs to be changed. Consumer debt is still a relatively new phenomenon of the last 40 years. We only now have the second generation of credit users hitting the market. Conventional wisdom has not taken consumer debt into account.

Our grandparents didn’t have credit cards. They bought their “stuff” with cash. If they didn’t have the cash, they waited and saved until they did! (Remember lay-away?) They usually didn’t even have a mortgage, or if they did, it was for 5 years or less. Yet today

our kids graduate from high school and college not knowing that credit cards aren't "free money." They don't realize that making minimum payments can stretch your payments out 30 years or more.

### **How is Invest in Your Debt Different?**

So, is Invest in Your Debt just about paying off debt? What's so new or different about that? As you may know, there are dozens of books about "Managing" or even "Eliminating your debt." Maybe you've even been to a class or a seminar that teaches the benefits of debt freedom. As you start reading this text, it is important that you understand how...

**Invest in Your Debt is unique and different from any other debt management/elimination or financial self-help book you may have read!**

First, this is different because it is not based simply on the "thinking" of some "self-appointed" expert. Walk into any bookstore, check out Amazon.com or go to your local library and you will find many books from "financial gurus" who are surely well-meaning people. But how much of what they teach goes beyond theory and is based on their own "real world" experience?

This information represents **tried and true methods and strategies**. Invest in Your Debt represents the best of the best. What we teach has been compiled from the best teachings from the best debt elimination teachers in the world today. It is the financial plan we ourselves follow.

We don't believe in debt management. Debt management means keeping debt and debt is the obstacle, the 800-pound gorilla that prevents most people from achieving true financial achievement. We believe in debt elimination. By investing in your debt first, and eliminating your debt, you can then begin traditional investing using the payment money you had been wasting on debt.

We teach Invest in Your Debt in colleges, universities, high schools, corporations, churches and any place where people who have this great debt opportunity gather. The Premier Institute for Financial Freedom, the developer of this program, is the organization that provides the materials and the central point through which these teachers share their knowledge, ideas and experiences.

These teachers are on a mission. At one time, they were searching for financial solutions in their own lives and they attended a debt elimination class. For many of them, the class had such a profound impact on their financial lives that they have felt compelled to share this life-enhancing program with others. Invest in Your Debt has grown and evolved in their classrooms.

So this is the result of the experience of many teachers, teaching classes for tens of thousands of students. What we teach is real, not "pie-in-the-sky" theory. We especially

welcome skeptics to bring their own debt numbers to class, so by the time they leave they have a written plan, based on their current financial situation that shows how IYD can work for them. We also know it works because we get letters, emails and phone calls from former students telling us about their success! And of course, we also know IYD works because of what it is doing for ourselves and other people we work with. The second reason IYD is different from other financial self-help or debt-management/elimination programs is that...

**We actually teach a practical method for financial success which begins with eliminating your debt instead of simply preaching about the benefits.**

The key word here is “practical.” Many books teach how to invest wisely in pork bellies, real estate, the stock market and so forth. But most families don’t have enough money left over at the end of the month to really invest seriously. Investment advice doesn’t do you much good if you don’t have money to invest.

Most debt management/elimination books will tell you that you should spend less, carry less debt and have a six-month cash reserve, but they don’t tell you how to do it! A few such books will provide a method for “how-to” eliminate your debt, but they offer no flexibility to handle changing circumstances. Invest in Your Debt also has a step-by-step process we refer to as the “linear math, variable path methodology.” IYD is unique because the process we teach is flexible. It recognizes that “life happens” – financial surprises arise in the midst of any good plan. We teach you “how to” keep your debt elimination plan rolling along, even when surprises happen. From our perspective, the most important aspect of any financial plan is not how long it takes, or whether one approach or another is promoted.

**The most important aspect of a financial plan is “does it work?”**

The fact of the matter is that most financial plans will work if people stick to the plan. The plan usually isn’t the problem. Commitment to the plan is. So persistence is the real variable here.

**With most plans, “Does it work?” really means “will people stick with it?”**

Can people stick to the plan? Most financial plans are strict and rigid. We have learned over the years of teaching that in order to help as many people become financially free as possible, we need a plan that can adapt to changing circumstances. People cannot feel that the plan is “all or nothing” because then when something happens that wasn’t planned for, it is too easy to give up on the plan. We don’t want people to give up and say “IYD doesn’t work” when the first minor problem occurs. Without flexibility, giving up happens all too easily when things do not go exactly as planned.

For example, have you ever been on a strict diet? Perhaps it was one where you could not have any sweets. When you know you cannot have ice cream, doesn’t that sometimes make you want it even more? So then if you decide – “Oh, one spoonful of

ice cream won't hurt" doesn't that one taste often lead to more ice cream and then some more until finally you've finished all the ice cream. Now you think to yourself, "I knew that diet wouldn't work" as you begin looking for a bag of cookies.

Many diets today recognize that it is important that people not feel like they are denying themselves, so they allow "cheating." We don't want you to have something unexpected come up and then decide that "IYD doesn't work" because you can't follow the IYD plan and handle the "surprise" at the same time.

The debt elimination methodology at the heart of this program recognizes that intentional "cheating" does not destroy your plan, but it does require a balancing adjustment. For example, let's say your plan included an allowance for the purchase of a used car, but when the time came you instead bought a new car. That choice certainly will not wreck your program, but it certainly will require an adjustment of how long it will take you to pay off all of your debts. Of course if you cheat all the time you'll never get out of debt. But we recognize that most everyone, ourselves included, will "cheat a little" every once in a while. Recognize the effects of that slip, make the adjustment, and move on. The important thing is to keep your eye on the prize – freedom from all debt and True Financial achievement.

IYD is flexible because we realize that financial surprises come up in our lives, like needing new tires, a new refrigerator or some other household item. More importantly, with IYD, we encourage people to have fun!

**You enjoyed getting into debt, didn't you? So you need to have fun getting rid of it as well!**

You need to have fun while investing in your debt. If you don't enjoy getting out of debt, you won't stick to your plan. If you don't stick to the plan, you cannot eliminate your debt. If you don't eliminate your debt, compound interest will be working against you forever and you will not experience true financial achievement.

Everything in IYD is based on simple mathematics. The mathematics can be summarized like this:

- 1) Compound Interest working against you (debt) will prevent financial achievement – when you pay compound interest you **make others wealthy.**
- 2) Compound Interest working for you (investments) will create true financial achievement – when you earn compound interest you **make yourself wealthy!**

Compound interest is much like fire. Fire isn't inherently good or bad, but it can cause good and bad outcomes. Think of the good fire does...it can warm your body...it can cook food...it can warm your house. But what else can fire do to your house? IT CAN BURN YOUR HOUSE DOWN TO THE GROUND!

Depending on how we handle fire, if we are careful or not, we can get different results from working with it. Compound interest is the same. When it works for us in investments, compound interest is terrific. When it works against us in debt, **Compound Interest can Burn Us! Big Time!**

The third reason IYD is different is because we take a positive approach. We don't want to make people feel bad about debt. We don't want people to feel like dummies and beat up on themselves. But we do want to wake people up to "The rest of the story." The way we do that is by focusing on debt as an investment opportunity, instead of a problem. We want to set a tone, establishing a mindset for you when reading this book. Most people don't perceive debt to be a problem. Some don't even think of themselves as having a debt problem because they are able to make their payments. "Everyone else has debt, don't they? Heck, even our parents still make mortgage payments, lease cars and use credit cards." It is this type of "follow the crowd" thinking that contributes to the fact that most people would probably never read a book about debt elimination until...until a financial catastrophe strikes. Maybe an illness or a death in the family happens. Maybe someone loses a job or just starts worrying about saving for college for the kids or for retirement.

The bottom line is most people never look at debt as an obstacle to their financial success. Advertising has taught us that using credit cards is "smart money," and getting a home equity loan is "cheap money." It is difficult to recognize the dangers of debt when we are bombarded with so many messages to the contrary.

One person recently used the term "intentional naivety." He uses this to describe the phenomenon of people who don't perceive their personal debt as a problem. As E.G. puts it, "most people are in a state of denial or avoidance about their finances. They are intentionally naïve. They avoid learning about finances because that lack of knowledge provides a handy excuse when they fail."

We know these people (who don't view debt as a problem) and most others can benefit from IYD because we have studied massive amounts of financial statistics. These statistics show a growing amount of debt and a shrinking amount of traditional savings and investing. People know they should invest, but they don't have any money left after making debt payments to work on building wealth. The statistics show that if people eliminate their debt, they will be able to reach true financial achievement. We would rather have people learn of this debt opportunity before it becomes an emergency situation. This is why we hope to catch their interest, and maybe your interest, by explaining the process from an opportunity perspective.

**Invest in Your Debt is not just for people who are having debt problems. In fact, quite the contrary is true.**

IYD is equally beneficial for those people that are able to make their debt payments each month, but realize that they don't want to have to do that forever! They have spent years building up debt, and they now want it to go the other direction.

This is the IYD opportunity. Free yourself from the conventional wisdom that leads most people to financial failure. Follow the IYD process. Eliminate your debt and then use the money you had been wasting on debt payments to create real wealth and reach true financial achievement.

The typical family can achieve debt freedom (and an important measure of financial achievement) in just 10 years (even less if you don't have a mortgage). Best of all, you don't need to get a second job, live like a hermit in the Himalayas or a monk in the monastery. You can do this with the income you currently bring home!

Let that sink in for a minute. IYD offers the promise of true financial achievement based on your current income. How many times have you thought "I'll never get ahead until I make X dollars." Do you know of any other financial plan that can get you where you want to be financially – based on your current income and expenses?

Please know that we are not solely focused on money. We don't believe that being financially free, wealthy, or well-off is the objective of life. But most would agree, that if we have the money we need, if we decrease our money worries it is far easier to concentrate more on the important things in life like family, friends, charity work, etc.

The good news is this – for most of us, all the money we need already exists in our lives. We just need to re-channel it in a different direction. The process is here. You just simply need to decide how badly you want to change your current financial situation. If true financial achievement is important enough to you, you will find a way to make IYD work in your life!

We've been teaching people to invest in their debt for a number of years. Most people who come to our in-class workshops are searching for solutions to common financial problems and challenges. Here are some examples of the situations we see...

"I'm making a good income but I can't seem to get ahead."

"I need to start saving for retirement, my children's college or a down payment for a house, but there's never any money to do so."

"All of my money goes to bills – there's nothing left for me!"

Do any of these scenarios sound familiar? They all boil down to a common thread. People feel like they don't have enough money to realize their goals. They feel like their finances are controlling their lives rather than them being in control of their finances. What's the solution? Should they get another job? Wouldn't things be better if they just could make more money? Maybe they just need to win the lottery and all their financial problems will disappear!

Our experience shows that "more money" is seldom the solution to financial problems. Don't take this the wrong way – making more money is great. But the real issue isn't

how much money you make – the issue is how much is left at the end of the month after you pay your bills.

Most of us have been fortunate through our careers to see our incomes rise over time, even when inflation is factored in. Are you making more money now than you did five years or ten years ago? Most of us are making more money now, so wouldn't we expect to have more money left over at the end of the month?

The truth, however, is that for most people just making more money hasn't helped them get ahead financially. As their incomes have risen, so have their expenses! In fact, during the 1990s spending, or expenses, rose faster than incomes. This means as incomes rose, the amount of money left over at the end of the month actually decreased! What a diabolical correlation! Worse yet, many have had inflation eat up most if not all of their increases, necessitating second jobs, spouses having to work instead of staying home with the children and a lowering of expectations of what life may have to offer.

We see people in class who make \$10,000 a year and \$250,000 a year and every income level in between. Amazingly these folks all share one significant characteristic. The majority of their disposable income is being used to service their debt. This means that regardless of income, most people have about the same percentage of their income going towards debt.

**The best way for most people, regardless of income, to improve their financial situation is to eliminate their debt! So, just how do you do that?**

### **Linear Math / Variable Path Methodology**

Now that sounds powerful doesn't it? The phrase inspires people to believe that maybe there is a secret and they didn't know about it. So over the years, the linear math, variable path methodology has become the core of the IYD process.

Let's get into the process, explain it, dissect it, and get it out of the way. I want you to see how it is absolutely mathematically possible for you to eliminate your debt as quickly as we promise. Of course, to make the possibility of debt elimination a reality, you need to go beyond the math, but the math is our starting point. You can eliminate your debt much faster than you ever imagined by simply investing in your debt. Best of all, you can do it all on your current income.

Here is an overview of the debt investing process. To begin, make a list of the payments you are making on all of your debts. Begin that list with your payment to your debt elimination program for the debts that are on the Negotiator program. The next payment listed would be for your remaining smallest balance interest-bearing debt, then the next largest balance debt, etc.

In regard to those debts, **to invest in your debt...**

**Step 1 – Pay off your debt settlement program debt as fast as you can.**

**STEP 2 - Take the money you had been using to pay your debt settlement program and ADD this money to the payment you are making on your remaining smallest balance debt each and every month until it is paid off.**

**STEP 3 - When your smallest balance debt is paid off, take the full payment amount you had been paying on that debt, and add it to the payment you are making on your next-smallest debt.**

**STEP 4 - Continue this process until all your debts are paid, much faster than you could ever imagine.**

This is simple common sense, folks. If you follow this debt investing process, you will eliminate all of your consumer debt fairly quickly. Then if you take the money you had been paying on consumer debt and add it to your 30-year mortgage payment, your mortgage will be paid off very quickly also.

Let's take a look at a typical family that wants to be rid of their debt. They're on a debt settlement program, paying \$400 a month towards a credit card debt of \$18,157, while continuing to make their normal minimum monthly payments on their remaining debts (two car loans, a home equity loan and a mortgage).

They will finish their debt settlement program and be free of credit card debt in about three years. This will "free up" the \$400 they had been sending to their debt settlement program, which can now be used to pay down their remaining debts faster. The "extra" money someone pays against their debts to get them paid off faster is what we call a **Spend Smart Factor**. This means they have an extra \$400 per month to be put towards a different debt. Following the Linear Math, Variable Path Methodology (which is explained in detail below), they add this \$400 to the normal payment they have been making, up to this point, on their smallest debt. Their payment on the first car loan now becomes \$759 instead of \$359; the car is paid off in just 12 months instead of 25 months. Once Her Car is paid off, the \$759 they had been paying on it now gets added to the \$308 payment they had been making on His Car, and the process continues until all debt is paid off.

<b>Name of Debt</b>	<b>Starting Balance</b>	<b>Minimum Monthly Payment</b>	<b>Spend Smart Factor</b>	<b>Invest in Your Debt Amount</b>	<b>Debt Free Date Factor</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Her Car</b>	<b>\$8,150</b>	<b>\$359</b>	<b>\$400</b>	<b>\$759</b>	<b>12 months</b>
<b>His Car</b>	<b>\$11,650</b>	<b>\$308</b>	<b>\$759</b>	<b>\$1,067</b>	<b>10 months</b>
<b>Home Equity</b>	<b>\$31,242</b>	<b>\$389</b>	<b>\$1,067</b>	<b>\$1,456</b>	<b>22 months</b>

**Invest In Your Debt™**

<b>Mortgage</b>	<b>\$110,286</b>	<b>\$757</b>	<b>\$1,456</b>	<b>\$2,213</b>	<b>56 months</b>
				<b>Financial Achievement can be reached in:</b>	
<b>TOTALS</b>	<b>\$ 161,328</b>	<b>\$ 1,813</b>		<b>8 years, 4 months</b>	

<b>Total Balances</b>	<b>1.</b>	<b>\$161,328</b>
<b>Total Monthly Payments</b>	<b>2.</b>	<b>\$1,813</b>
<b>Initial Spend Smart Factor</b>	<b>3.</b>	<b>\$400</b>
<b>Total Monthly Debt Payment</b>	<b>4.</b>	<b>\$2,213</b>

After the three short years of being on the debt settlement program, this family will only be 8 years and 4 months away from reaching their financial achievement. That's a total of only 11 years and 4 months to be entirely debt-free!

Use this method to figure out when you will be debt free:

<b>Name of Debt</b>	<b>Starting Balance</b>	<b>Minimum Monthly Payment</b>	<b>Spend Smart Factor</b>	<b>Invest in Your Debt Amount</b>	<b>Debt Free Date Factor</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>

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<b>TOTALS</b>					

**Total Balances 1.**

**Total Monthly Payments 2.**

**Initial Spend Smart Factor 3.**

**Total Monthly Debt Payment 4.**


The linear math, variable path methodology saves you time. And when dealing with compounding interest, time literally is money. How much money can this process save you? Let's take a look at just how far ahead the methodology can put you once your debt settlement program has taken care of your credit card debt for you:

Name of Debt	Balance	Minimum Monthly Payment	Interest Rate	Months to Pay	Total Interest Paid
<b>Her Car</b>	<b>\$8,150</b>	<b>\$359</b>	<b>7.12%</b>	<b>25</b>	<b>\$629.98</b>
<b>His Car</b>	<b>\$11,650</b>	<b>\$308</b>	<b>12.6%</b>	<b>49</b>	<b>\$3,273.86</b>
<b>Home Equity</b>	<b>\$31,242</b>	<b>\$389</b>	<b>10.11%</b>	<b>135</b>	<b>\$21,105.81</b>
<b>Mortgage</b>	<b>\$110,286</b>	<b>\$757</b>	<b>7.11%</b>	<b>337</b>	<b>\$144,621.37</b>
<b>TOTALS</b>	<b>\$161,328</b>	<b>\$1,813</b>			<b>\$169,631.01</b>

The above chart is a summary of the same debt scenario, with the family just making the minimum monthly payments. The calculations assume steady payments on the credit cards are made each month. Currently this family is paying \$1,087.34 per month just in interest charges. At this rate, it will take this family over 28 years to pay all of their debts off. When it's all said and done, they will have paid close to \$170,000 in interest alone. Now let's see what a difference the linear math/variable path method makes once their debt settlement program is completed and they take the \$400 they had been paying their debt elimination program and begin adding it to their remaining debts.

Name of Debt	Balance	Months to Pay	Interest Paid	Interest Saved
<b>Her Car</b>	<b>\$8,150</b>	<b>12</b>	<b>\$296.41</b>	<b>\$333.56</b>
<b>His Car</b>	<b>\$11,650</b>	<b>22</b>	<b>\$1,838.78</b>	<b>\$1,435.08</b>

## Invest In Your Debt™

Home Equity	\$31,242	44	\$8,251.69	\$12,854.13
Mortgage	\$110,286	100	\$46,803.82	\$97,817.55
<b>TOTALS</b>	<b>\$161,328</b>		<b>\$57,190.70</b>	<b>\$112,440.31</b>

Not only will this family be able to pay off their debts in about a third of the time it would normally take, they're going to save \$112,440.31 in interest charges! And this doesn't even count the thousands of dollars they saved by having their debt settlement program settle their credit card balances for pennies on the dollar!

If they invest the money saved from interest charges in the time they saved with this plan, this family's retirement years will prove to be quite different than if they had just made the minimum payments for 28 years.

This is the IYD process in its simplest form. It is your roadmap to true financial achievement. Of course, life isn't simple. There are many other considerations. Review the debt investing process and make sure you understand it.

### **How does the Process Work?**

"How can this really happen?" you ask. The key aspect that allows you to wipe out your debt FAST is FOCUS. Focus is a critical element of the debt elimination and debt investing process. What do we mean by focus?

Focus means keeping the money you are currently spending on debt **FOCUSED on debt until your debt is eliminated**. In other words, even when that first debt (debt elimination program debt) gets paid off, you should continue using the monthly payment from the first debt – just redirect that payment to another debt. This means the total amount you pay on your debt remains the same, even though you have one less debt now that the first is paid off.

**Focus also means concentrating on one debt at a time**, maximizing your payment on one debt. In order to "maximize your payment" on a debt you need to invest any "extra" money you have by adding it to the regular payment. Now we don't want you to have to worry about getting a second job in order to have "extra" money to invest in your debt. So where does this "extra" money come from? One of the places "extra" money comes from is payment you are making on other debt. When you pay off a debt, the money you had been using for payments on that debt is now "extra" money! What should you do with this newly-found "extra" money? Invest it in your next debt!

This is what we mean by "Invest in Your Debt." It's a guaranteed, risk-free investment. And we don't know of any bankers who won't take your money for the extra payment!

When you pay significantly more on a debt by increasing your payment with the money from other paid-off debts, you "short-circuit" the power of compound interest. Remember though, these increased payments aren't extra money coming out of your pocket: they are money shifted from other debt payments – money that you were already spending on debt. When you shift this money to other debts you truly begin to invest in

your debt!

Unfortunately, for most people that don't know about this program, when one debt gets paid off, they usually create a new debt and new payment or that money gets spent in any number of ways. This is part of what we call the monthly payment trap. When we pay off a debt, the payment amount is often viewed as "now-available-to-spend" money. It's almost a family tradition that when we have room in our monthly budget we must find a bill to fill the budget! Think of it as the great debt treadmill. One debt falls off the back of the treadmill and a new one pops up on the front of the treadmill.

Obviously, we need to break the habit of our willingness to create new debt, once an old debt is paid off, if we want to become debt free. So the first rule of investing in your debt is:

**Continue using the same total amount of money you had been spending on monthly debt payments, even as some of the debts are paid off.**

By doing this, instead of simply spending money on payments, you are now investing in your debt.

Do you believe this process can work for you? Suspend your disbelief for a moment. For the time being, let's focus on why this can work for you.

One of the great aspects of this process is that you simply take the money you are already spending on debt and use it a little differently. You don't need to increase your income to make this process work. You don't need to start eating macaroni and cheese for every meal. You actually don't even need to make more than your minimum monthly payments to get the program started.

Assuming you are currently making at least minimum payments, to begin the IYD process all you need to do is make a commitment to take the same total monthly debt payment that you are currently making and invest it in your debt until your debts are gone. Could you do this for 5 years, 8 years, or even 10 years if you had to?

Does that seem like a long time? You've probably been spending a fairly large amount of money on debt payments each month for some time now haven't you? In fact, your total monthly debt payment has probably not stayed the same, but in fact increased over the last few years, hasn't it? All we're suggesting you do is continue with the payments you have already been making. You'd do that even if you didn't follow the Invest in Your Debt plan!

Now this process makes a great deal of sense to most people. In fact, you may have heard of similar processes sometimes called "snowballing" your debt or "accelerating" your debt or "rolling up" your debt. The concept isn't new, so why doesn't everybody do this?

When we pay off a debt, all of a sudden that money that had been going towards the payment is burning a hole in our pocket. It feels like we have extra money in our

monthly budget. Many people are so excited when they pay off a debt, perhaps one they had been paying on for years, that they feel the need to celebrate! While there is certainly nothing wrong with celebrating a paid-off debt, unfortunately many people celebrate by “splurging” and making a big purchase on credit! Obviously, if we create new debt as soon as we pay off an old debt, we will never get ahead financially. Therefore, you probably will not be surprised to learn that second rule of focus when eliminating or investing in your debt is...

### **To become debt free, you must first stop creating new debt!**

What this means if you really want to get out of debt, if you really want to realize true financial achievement, you need to live on a cash basis. This leads us to the third rule of focus...

### **You should only buy those things that you can afford to buy with cash!**

WOW! That sure seems drastic doesn't it? Life without credit – impossible, many say. It's not impossible however, if you use the IYD process. With IYD, you can stop using credit cards, **even when emergencies happen**. With IYD, the next time you buy a car you will know how to buy it with cash! You will learn how to break the home equity loan cycle that has crippled the financial future of so many families.

We have a whole section about how to live on a cash basis, even when emergencies happen. In that section, we also discuss how you stay on track with the Invest in Your Debt process so that you don't create new debt. So while we won't go into detail about it now, for the purpose of explaining the IYD process, it must be understood that in order to be successful, you need to stop creating new debt.

The fourth and final rule of focus, which will help you get the most from investing in your debt, is again a common-sense idea that you may be familiar with, but have not yet been successful in making it a part of your financial life.

The fourth rule of focus is...

### **Take any extra money you have each month and use it to invest in your debt!**

We call this extra money your Spend Smart Factor. Again, we will have more on this later, but suffice it to say that the more extra money you invest in your debt beyond your minimum payments, the faster you will get out of debt and the more interest you will save. This interest you save is part of the “return” you get on investing in your debt. This “saved” money can then be used for traditional investments or whatever you desire instead of giving that money away to the credit card and finance companies.

As you become more familiar with how the Invest in Your Debt program works, and become comfortable with it, you will notice a common theme...

**The more you invest in your debt each month, the faster you will eliminate your debt and experience true financial achievement!**

Now you don't need to be a math whiz to understand why it takes increased debt payments to get out of debt sooner. But remember, we promised you wouldn't have to get a second job, live like a hermit in the Himalayas or eat macaroni and cheese like a college student. And you don't need to do any of this. All we are suggesting is that you...

**Continue to use the money you are now wasting on debt, but simply redirect it, in order to optimize your payments and get out of debt as soon as possible.**

You can see that the aspect of "focus," where we continue to use all debt payment money as investments in debt until all debts are eliminated, can truly get people debt free quickly. Even better, this approach of "using the existing money differently" means you don't have to increase your income to get out of debt! You can invest in your debt, right now, with your current income! But hold on before you get too excited; we're about to show you there are additional aspects of focus that can speed the debt elimination process even more!

Another aspect of "focus" is to maximize your payment on your first debt, again, not by earning more money, but by decreasing your payments on other debts. You see, for many people, "extra" money exists in your current payments.

Have you ever paid more than the minimum payment on any of your debts? Most people make "greater-than-minimum" payments on their debts. Most of us however, when we pay "extra" on debts, end up spreading the money over several debts. While on the surface this seems wise, and the intention is good, unfortunately this is the fastest, quickest way to nowhere!

In order to get out of debt as soon as possible, you need to stop paying extra on several of your debts and **MAKE ONLY MINIMUM PAYMENTS** on all but your first priority debt. We understand that it may seem contradictory to conventional wisdom to tell people to only make minimum payments. But the Invest In Your Debt process is much faster if you maximize payments on one debt, by minimizing payments on all other debt. In other words, if you are making extra payments on some debts, stop making those extra payments! Instead, invest all the extra payment money into your first priority debt. Once the priority one debt is paid, begin to invest in the priority two (next smallest balance) debt.

Why do we want you to focus on one debt at a time, instead of investing extra in several at a time? Think of this analogy. Let's say you have a flower garden with several types of flowers. You have enough water to water all the flowers with the minimum amount they need plus a little extra water. You give all the flowers the minimum they need then you sprinkle the extra water over all the flowers.

This approach will keep the flowers alive, but none of the flowers will ever blossom. Instead, if you took the extra water and poured it on one type of flower until those flowers blossomed, and then moved on to another type, soon you would have a garden full of blooming flowers.

The same thing happens when paying off your debt. When you have extra money for payments and you sprinkle it over several debts, you really will not make a very big impact on your debt. Those debts will hang around like unwanted guests at a party. If you instead focus all your extra money on one debt at a time, when that debt is paid off you can soon move to the next debt.

Many families today are not currently making regular monthly extra payments against their debts. They are already pushed to their financial limit, so all of their payments are currently the minimum payment amount. They cannot speed up the IYD process by taking extra money from other payments and investing it in their first priority debt.

It's obvious that investing extra money into your debt can eliminate debt very quickly. One of our promises, however, is that you can follow the IYD plan without increasing your income. So if you don't increase your income, how can you increase the money you invest in your debt? The answer is Spend Smart!

One of the most frequent questions we get during our workshops is "How can I find the money to increase my debt payments, or to begin investing in my debt?" Because so many people were interested in this topic, and because the subject is so vast, we developed a class and text dedicated to the topic. You will find a complete section on spending smarter in a later quarterly education issue and in most of your monthly newsletters.

We all make financial choices every day. These choices usually involve spending. Such choices can range from small decisions like "should I eat breakfast before I leave for work or pick something up on the way?" to large decisions such as "should I get a 15 or 30 year mortgage?" Spend Smart is a new approach to spending decisions.

Spend Smart focuses on how people can easily make small changes in their life in order to save money, without having to sacrifice their current lifestyle. In other words, you don't have to eat macaroni and cheese! Now knowledge about how to save money on spending is important, but don't most of us already have some good ideas on how to save money? We just need a good reason to dedicate ourselves to doing it. When you see how much an impact a little money saved on spending can have on your IYD plan – trust us – you will be motivated!

More than just knowledge about how to save money on spending, Spend Smart is a process just like the IYD program is a process. The Spend Smart process turns the money you save on spending into cash in your hand at the end of the month. This cash in your hand is what you can use to put your IYD plan into high gear!

We know that most people have some "fat" in their spending. That is, they could make

some different choices that would decrease their spending. If people choose to Spend Smart and their expenses are decreased, this makes more money available for investing in their debt. More importantly, these decreases in spending can be done without someone feeling like they are sacrificing or living like a pauper!

Spend Smart is not about doing without. It's about spending smarter to buy everything we need in life, not buying everything "they" want us to buy. If you buy everything they want you to buy, you'll have no money left at the end of the day, the end of the week, the end of the month – you'll have nothing left at the end of your life!

Therefore, we call the extra money people invest in their debt the Spend Smart Factor. If people want to get out of debt as quickly as possible, how big should their Spend Smart Factor be? The larger the Spend Smart factor, the sooner you will be out of debt, and therefore, financially free. Financial planners talk about "paying yourself first" with 10% of your monthly gross income when working towards financial achievement. For your personal IYD plan, you can use 10% of monthly gross income, 10% of monthly net income, 20% or 2% or whatever you want. Remember, the IYD process is about choices and it is your choice!

Spend Smart teaches you how to have a little less money leaving your household each month than you have coming in. In simple terms, it is about how to spend just a little bit less than you make. Does this sound oversimplified? Of course everyone knows that you need to spend less than you make. But what good does saving a little money on spending really do?

If we want to be financially successful, it makes sense to look at what others who are already financially successful have done. Would you agree that millionaires are financially successful people we might want to learn from? The number one most common trait amongst millionaires is that they spend a little less than they make.

We know from experience that once you are able to consistently spend a little less than you make, you can change your financial future. If you are going to eliminate your debt, we want you to be able to stay debt free once you get there. Spend Smart not only helps you invest in your debt; it helps you stay debt free.

**You see, money problems are not typically caused by a shortage of income. Rather, they are caused by too many expenses.**

Are you familiar with the "rest of the story" regarding lottery winners? Many lottery winners end up broke only a few short years after winning. These people all of a sudden had more money than they had ever imagined. Unfortunately, this extra money didn't solve their financial problems; it just increased their spending. Since they had never learned how to keep expenses just a little below income, the amount of income they had did not matter. They continued to spend a little more than they had.

So the first reason we want you to learn Spend Smart is to make sure that once you

achieve debt freedom, you continue on the road to true financial achievement. Now we realize that's not really a reason you can sink your teeth into. There is another reason why you should learn Spend Smart – and it is measurable in terms of dollars and cents.

We encourage people to begin building wealth by first investing in their debt. Once they are out of debt, we encourage putting money into traditional investments. The problem is most people never have any money left at the end of the month for investing. But once you have eliminated your debt, you now have the opportunity to invest the money they had previously been wasting on debt payments. This is where IYD really pays off with financial leverage!

One of the keys to building real wealth is time. The longer an investment is allowed to grow, the more it will grow. This makes the “time saving” aspect of IYD so powerful. The more time you save by investing in your debt, the more time you have for maximizing traditional investments. This is where you have compound interest and the time value of money really beginning to work for you instead of against you (as it does when you have debt).

Do you have any doubt that IYD is extremely valuable to people? Do you see how the typical family can truly get ahead financially, regardless of their income? They simply turn the power of compound interest into a power that is working for them instead of against them.

### **SUMMARY**

Let's do a quick review of the Invest in Your Debt program.

First, you want to FOCUS your efforts on paying off your debts in a specific order. You number your debts 1, 2, 3, 4, etc, beginning with your debt settlement program payment as your first priority debt payment, then with your remaining debts listed from the smallest balance up to the largest balance. This is the variable path methodology, deciding what debts to invest in, in what order. The variable path methodology can also be called prioritization. You want to make minimum payments on all debts other than your top priority debt.

You begin making payments (investments) as large as possible on your first priority debt. This means adding “extra” money to your payment. Where does this extra money come from? It can come from a variety of sources. It could be money that you were paying beyond the minimum payments on other debts. It could be money that comes from your Spend Smart Factor. It could be money that you were saving for a rainy day, money that comes from changing your W-2 withholding, it could be money from a tax refund. Remember however, even if you can find NO EXTRA PAYMENT MONEY you can still get out of debt much faster than conventional wisdom teaches by following IYD!

Once the first priority debt is paid off, you rollover your payment money from debt one, and add it to the minimum payment you have been making on priority debt two. When

debt two is paid off, you rollover the payment money from debt two and add it to the minimum payment you have been making on priority debt three. This is the linear math portion of the IYD process. You continue this process of taking the money you are investing in debt and rolling it over to the next priority debt once the previous debt is paid off.

So that's the overview of the linear math, variable path methodology. Make sure you understand the basics first. Once you understand the basics, figure out how to best apply the IYD program into your lifestyle.