How to Get Out of Debt and Stay Out of Debt Forever

Debt is not a theoretical topic for me. I’ve been there and done that with debt.

I know what it feels like to stare up at a huge mountain of debt. I know what it feels like to spend over four years leveling that mountain. And I know the freedom that comes from living without debt (except a reasonable mortgage).

This article is designed to help guide you out of debt and to help you avoid ever slipping back into debt.

Searching for the Source

Whenever I teach workshops on getting and staying out of debt, I ask people to fill out an anonymous survey. One key question is, “What is the cause of your debt?”

People can choose more than one answer, including: unemployment, divorce, medical problems, small business failure, overspending, lack of a budget, lack of an emergency fund, and others.

Many participants check boxes indicating they have been through some very tough times, such as a divorce, medical problems, or extended periods of unemployment. However, the people with the best chance of getting and staying out of debt are those that also check one or more of the boxes that indicate some acceptance of personal responsibility.

Not a Victim

The one car accident I’ve been involved in was clearly the other person’s fault. He was the one who got the ticket. However, according to state law, the fact that my vehicle was moving meant I had to accept a portion of the responsibility.

At first, I was upset about that. “Hey, he cut right in front of me, put me through a somewhat traumatic experience, inconvenienced me as I had to get my car repaired, and by the way, my back didn’t feel so great.”

But the law states that because I was moving, there was probably something I could have done to lessen the severity of the crash.

It’s the same thing with debt, and pretty much most things in life. As someone once said, if you think about all the many things that happen in your life, the one consistent factor is you.

A key step in my journey out of debt was facing the facts and taking responsibility: I wasn’t using a budget, had no emergency fund, and was using
money to support a consumer's worldview I didn't even realize I had at the time. Life was all about me – my pleasure, my comfort, my happiness. The most casual observer would have easily seen that I believed money and what it could buy were the keys to my identity, happiness, and self-worth.

How's that for a recipe for financial failure?

**What's the Source of Your Debt?**

My bad habits and misguided thinking left me approximately 100 percent responsible for my debt. Chances are, you had other contributing factors.

Still, just as with my car accident, you probably weren't standing still when debt happened to you.

Asking you to take some responsibility for your debt is not intended to add insult to injury. It's intended to help you get out of debt in a way that is likely to keep you out of debt.

We'll get to some helpful, practical steps for getting out of debt in a minute. But before we do I want to make sure we trace the problem to its source so that we don't just treat the symptoms.

If you have debt or once did, what personal responsibility factors contributed to your debt? Don't read any further until you've identified one or more such factors.

**Practical Steps for Getting Out of Debt**

People often think of a budget as a ball & chain. In truth, it's the exact opposite – a tool that leads to great financial freedom. But there is such a thing as a financial ball & chain. It's called debt.

Debt is a drag. It creates stress, keeps us from achieving our financial goals, and messes with our happiness. An important key to a financial life that works is carrying no debt except a reasonable mortgage.

**Make a Commitment**

No matter how much debt you have, it's possible to get out of debt and to stay out.

But it'll need to be more than a good idea or something you'd like to do someday one day. You'll need to be committed.
Even if you have no idea how you’ll ever get out of debt, even if it seems impossible, make a commitment that from this day forward you will do what it takes to get out and stay out of debt.

If you need a little inspiration for facing up to tough circumstances, read and watch the story of Team Hoyt.

**Go Public With Your Commitment**

As with anything challenging, it’ll be much easier to achieve your ditch-the-debt goal if you’re not in it alone.

Think of a relative or good friend you’d be willing to talk to about your debts. Contact them today. As nerve-wracking as the conversation may be, let them know that today you decided to be done with debt and you’d like their support.

Ask them to pray for you and encourage you. Invite them to ask you about your progress from time to time.

**Face the Truth**

Contrary to the sentiments expressed in a memorable scene from “A Few Good Men,” you can handle the truth. And it’ll serve you well to know the truth about your debts.

Gather up your latest statements and make a list of all of your debts. Who do you owe? How much do you owe to each creditor? How much is the minimum monthly payment? And what’s the interest rate?

**Stop the Bleeding**

When I used to play a lot of golf, whenever things started going badly I would tell myself I needed to “stop the bleeding.” In essence, before I could allow myself to dream of pars and birdies again, I needed to stop making bogeys, double bogeys, and worse.

Before I could go forward, I needed to stop going backwards. The same is true with debt.

Take your credit cards out of your wallet or purse. Cut them up if you have to. Freeze them into a block of ice. At very least, put them in a drawer. Just do whatever it takes to make it as difficult as possible to go any further into debt.

**Fix Your Payments**
If you go no further into debt and you make the minimum required payments each month, then each month those minimum required amounts will *decrease* a little bit.

That may seem incredibly generous of your credit card company, but it has nothing to do with kindness. It has everything to do with math.

Your minimum payment is based on a percentage of your current balance – usually somewhere between two and four percent. If your balance is declining a little bit each month, so will your minimum required payment.

If you make this declining minimum payment, you will stay in debt for approximately… forever. But if you *fix* your payments on the amount that’s due this month, even when your credit card company lowers your required minimum payment, you’ll get out of debt much faster.

For example, let’s say you have a $2,000 balance on a card charging 18 percent interest and requiring a minimum payment of two percent of that balance. If you make the declining minimum payment each month, it’ll take you a whopping 289 months (24 years!) to get out of debt and you’ll pay nearly $4,400 in interest. But if you *fix* your payment on this month’s minimum of $40, you’ll be out of debt in 94 months and you’ll pay about $1,700 in interest.

So, take note of this month’s minimum and make sure you pay at least that much each month.

**Accelerate Your Payments**

Of course, you’ll get out of debt even faster if you pay more than the fixed minimum each month. In our $2,000 balance example, if you pay $60 each month, it’ll take you 47 months to get out of debt and you’ll pay about $800 in interest.

Use the [Accelerated Debt Payoff Calculator](http://www.debt pee.com) on my site to see how much faster you’ll be out of debt by paying various extra amounts each month. That should motivate you to do what you can to free up money from other spending categories to put toward your debts.

**Stay the Course**

We live in a quick-fix culture, but getting out of debt usually takes some time. When I was slogging my way through the four and a half years it took to pay off $20,000 of debt, it helped when I began to see the bigger picture.

Part of that bigger picture had to do with my faith. I saw that the discouragement I sometimes felt drew me closer to God.
Another part had to do with helping others. Very early in my journey out of debt, I began doing volunteer work with a financial ministry called Good $ense. I found it deeply satisfying to come alongside others who had debt to encourage them and show them some practical steps they could take to get out of debt.

Rest assured, there’s a bigger purpose for your debt. As you discover that bigger purpose, it’ll help you stay motivated to do what it takes to get out of debt and then stay out of debt.

There are two other important keys to staying out of debt. One is very practical. Always use a budget. A budget isn’t just for people who are in financial trouble. It’s for everyone. If you’ve never used one, read the Budget Quick-Start Guide to get started. Once you get in the habit, you’ll wonder why you never used a budget before. It’s not the ball & chain many non-budgeters imagine. It’s actually very freeing to walk into the grocery store knowing how much you can spend at any point in the month.

The other step is more a matter of the heart. It has to do with understanding and then remembering who you really are. You are not a consumer, as our culture suggests. If you’ve placed your faith in Christ, you are a child of God. Financially, you are a steward, or manager, of everything God has entrusted to your care. Another term I like is builder.

There’s a world of difference between being a consumer and being a steward. To better understand your identity, I suggest reading Money, Purpose, Joy and The Root of Riches.

A Final Word

You probably didn’t get into debt overnight, so you probably won’t get out of debt overnight. But you can do this—you can get out and you can stay out of debt. Follow the steps highlighted above. Pray for God’s guidance and encouragement. And just keep going.