

# DEBT SNOWBALL HANDBOOK

## DEBT MANAGEMENT 101



### What Is the Debt Snowball Method?

The debt snowball method is a form of accelerated debt repayment where your payment strategy aims to decrease your loans' outstanding balances faster. Dave Ramsey, a radio talk show host and personal finance author, popularized the term.

With the debt snowball method, you pay off your debts in order of their balances, regardless of their interest rate. The objective is to pay off the smallest first, then work your way up through your higher balances. As the name implies, the process creates a “snowballing” effect, allowing you to gain momentum as you pay one debt after another.

While it's not hard to set up the debt snowball method, you should understand how it applies to a real-life scenario before you start using it. The steps below help illustrate the small-to-large debts you may have in a month, taking into consideration minimum payments and interest.

### How to use the debt snowball strategy

**STEP 1:** Determine your disposable income for each month.

**STEP 2:** Order your debts by the smallest to highest balance.

**STEP 3:** Allocate the minimum contribution for each debt from your total disposable income per month.

**STEP 4:** Take what is left of your disposable income and add it to the monthly minimum of the debt with the lowest balance until it is paid off.

**STEP 5:** Once a debt is paid off, take your total monthly contribution from the recently paid off debt and add it to the monthly payment for the next debt on the list.

**STEP 6:** Repeat the process until all debts listed are paid off.

**I AM COMMITTING TO SETTING ASIDE: \$ \_\_\_\_\_**

### How do I determine my disposable income?

Determining your disposable income is integral to the success of the debt snowball strategy. You can get an idea of your disposable income by taking your gross income and subtracting the cost of essentials such as rent, utilities (electricity/water/internet), groceries, transportation and other fixed costs in your situation. **Whatever is left can be considered your disposable income.**



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# Tracking Your Success

Month	Balance Updates	Priority Debt ( )	Debt #2 ( )	Debt #3 ( )	Debt #4 ( )
	<b>Starting Balance</b>				
	<b>Payment</b>				
	New Balance				
	<b>Payment</b>				
	New Balance				
	<b>Payment</b>				
	New Balance				
	<b>Payment</b>				
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	<b>Payment</b>				
	New Balance				

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# How to Use the Debt Snowball Tracker

1 Month	2 Balance Updates	3 Priority Debt (Credit Card )	4 Debt #2 (Home Loan )	Debt #3 (Personal Loan)	Debt #4 (Credit Card 2 )
January	5 Starting Balance	\$3,000	\$5,000	\$8,000	\$8,500
	6 Payment	\$1,200	\$200	\$400	\$300
February	7 New Balance	\$1,800	\$4,800	\$7,600	\$8,200
	6 Payment	\$1,200	\$200	\$400	\$300
March	7 New Balance	\$600	\$4,600	\$7,200	\$7,900
	6 Payment	\$600	\$800	\$400	\$300

- 1 Month**  
Indicate the first month you're starting your debt snowball strategy. For example, January.
- 2 Balance Updates**  
This column serves as a guide to determine the "Starting Balance" of a debt and the "New Balance" after a payment has been made. Update these values under the debt columns (3, 4, etc.) as soon as your payment is confirmed!
- 3 Priority Debt**  
Place the debt you're looking to pay off first based on the criteria for the debt snowball strategy. In this case, the debt with the highest remaining balance.
- 4 Other Debts**  
Place the other debts from your list on Page 2 in each respective column. These should be the debts with the second, third, fourth and succeeding highest remaining balances.
- 5 Starting Balance**  
Write down the "Starting Balance" of the debt under the debt columns (3, 4, etc.) when you start following the debt snowball.
- 6 Payment**  
Write the minimum monthly payment for each debt under the debt columns (3, 4, etc.). For the "Priority Debt," this should be the minimum monthly + the remainder of your disposable income per month. (See the first page for your disposable income.)
- 7 New Balance**  
Write the "New Balance" of the debt for the month after making a payment. Update this regularly.