FINANCIAL LEGACY BUILDERS

STEP #6
Debt & Credit Management

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THERE IS NO SUCH THING AS GOOD DEBT vs. BAD DEBT.

Debt is not inherently good or bad. It is a tool that provides you with something of value. The only question that matters is: How much value does it provide **YOU**, and what are **YOU** willing to sacrifice for it?

THE BOTTOM LINE

Debt is a personal decision, not a universal rule. What works for one person may be a disaster for another. There is no good or bad debt—only what is right for **YOU**.

EXAMPLES: WHAT'S "GOOD" FOR ONE PERSON MAY BE "BAD" FOR ANOTHER

SOME PEOPLE CONSIDER THIS GOOD DEBT

Owning 5 Rental Properties

They believe the potential cash flow and long-term appreciation are worth it. They could handle all 5 going into foreclosure and move on.

THE VALUE: Wealth, freedom, legacy

THE SACRIFICE: Risk, capital, time, management, volatility

VS.

SOME PEOPLE CONSIDER THIS BAD DEBT

Student Loans

They feel overwhelmed by the payments, interest, and impact on their life goals. It creates stress and limits their financial progress.

THE VALUE: Education, opportunity, higher earning potential

THE SACRIFICE: Monthly cash flow, stress, time, flexibility

DEBT ALWAYS PROVIDES SOMETHING OF VALUE

Debt gives you something today in exchange for something you'll give up in the future.

WHAT YOU GET	WHAT YOU GIVE UP
A home to live in	Monthly cash flow
An education	Financial flexibility
A business to grow	Time & freedom
Cash flow potential	Peace of mind
Lifestyle & experiences	Potential risk
Solutions to problems	Opportunities elsewhere
Opportunities	Stress & pressure

Debt is a trade. You get something now.
You give something up later.
The question is: Is the trade worth it to **YOU**?

IT ALL COMES DOWN TO YOUR LIMIT

Only YOU can decide what is acceptable. Use this framework to evaluate any debt.

1. **WHAT IS THE PURPOSE?** What value does this debt provide me? Why is it important to me?
2. **WHAT IS THE COST?** What will this cost me—financially, mentally, and emotionally?
3. **WHAT ARE THE RISKS?** What could go wrong? What happens if my situation changes?
4. **WHAT ARE MY ALTERNATIVES?** What are my other options? What would I gain or lose by choosing them?
5. **WHAT IS MY LIMIT?** What level of debt aligns with my goals, values, and peace of mind?

Your limit is personal. Honor it. Crossing it has a cost.

THE TRUTH ABOUT DEBT

- Debt is not good or bad. It is a tool.
- Value is in the eye of the beholder.
- Your situation, income, goals, and tolerance are unique.
- What matters most is how the debt impacts **YOUR** life.
- Smart debt management is what wins.
- Use debt intentionally. Live abundantly.

WHAT IS A HEALTHY AMOUNT OF DEBT?
THE ACCEPTABLE RANGE BY PERCENTAGE

Debt is a tool—not the enemy. The key is keeping it within a healthy range that supports your goals without creating financial stress.

THE BOTTOM LINE

These ranges are guidelines, not rules. Your ideal debt level depends on your income, goals, cash flow, risk tolerance, and life situation.

ACCEPTABLE DEBT RANGES BY PERCENTAGE OF GROSS MONTHLY INCOME

DEBT CATEGORY	HEALTHY / ACCEPTABLE RANGE	WHAT IT MEANS	EXAMPLES
HOUSING COSTS (Mortgage, Rent, Property Taxes, Insurance)	**25% – 30%** of gross monthly income	Keeping housing costs in this range helps ensure you have enough room in your budget for savings, investments, and other financial goals.	• Mortgage or rent • Property taxes & insurance • HOA fees (if applicable)
TOTAL DEBT PAYMENTS (All monthly debt payments combined)	**20% – 36%** of gross monthly income	This includes all debt payments. Staying within this range helps maintain financial flexibility and reduces the risk of becoming overextended.	• Mortgage / rent • Auto loans • Student loans • Credit cards • Personal loans
AUTO LOAN PAYMENT	**10% – 15%** of gross monthly income	Cars depreciate. Keep payments in this range to avoid long-term financial strain.	• Auto loan or lease • Insurance • Fuel & maintenance
STUDENT LOAN PAYMENT	**5% – 10%** of gross monthly income	Lower is better. High student loan payments can delay other important financial goals.	• Federal student loans • Private student loans
CREDIT CARD BALANCES (Revolving Credit)	**Below 10%** of credit limit used	Utilize less than 10% of your total credit limit to maintain a strong credit score and financial flexibility.	• Credit cards • Lines of credit

Overall Guideline: Total debt payments (including housing) should ideally be **no more than 36% of your gross monthly income.**
The lower your percentage, the more financial freedom and peace of mind you'll have.

QUICK REFERENCE GUIDE

HOUSING COSTS
25% – 30%

TOTAL DEBT PAYMENTS
20% – 36%

AUTO LOAN
10% – 15%

STUDENT LOANS
5% – 10%

CREDIT CARD BALANCES
Below 10%
of credit limit used

REMEMBER

It's not about how much debt you have—it's about how well it fits your life, goals, and cash flow. Use debt wisely. Live intentionally.

DAVE RAMSEY
Personal finance expert, best-selling author, and host of The Ramsey Show.

THE DAVE RAMSEY PLAN

— BUILD WEALTH. LIVE DEBT FREE. GIVE GENEROUSLY. —

A proven, step-by-step plan to take control of your money, eliminate debt, and build lasting wealth.

— *Dave Ramsey* —

THE 7 BABY STEPS

1. **$1,000 STARTER EMERGENCY FUND**
Save $1,000 for emergencies while you follow the plan.

2. **PAY OFF ALL DEBT**
Use the debt snowball to pay off all debt (except the house) smallest balance first.

3. **3–6 MONTH EMERGENCY FUND**
Save 3–6 months of expenses in a fully funded emergency fund.

4. **INVEST 15% OF HOUSEHOLD INCOME**
Invest 15% of your household income into Roth IRAs and pre-tax retirement accounts.

5. **FUND COLLEGE**
Save for your children's college fund with cash, not loans.

6. **PAY OFF YOUR HOME EARLY**
Pay off your mortgage early and own your home free and clear.

7. **BUILD WEALTH & GIVE**
Build wealth, live generously, and leave a legacy.

THE PLAN IS BUILT ON FOUR PRINCIPLES

LIVE ON LESS
Create a budget and spend less than you earn.

GET OUT OF DEBT
Eliminate debt using the debt snowball.

BUILD WEALTH
Invest consistently and live with discipline.

GIVE GENEROUSLY
Use your resources to bless others and make an impact.

> *We buy things we don't need with money we don't have to impress people we don't like.*
> – Dave Ramsey

THE DO'S AND DON'TS

DO'S

- Follow the plan in order
- Use cash or debit and avoid credit card debt
- Have a written budget and stick to it
- Build and protect your emergency fund
- Invest consistently for the long term
- Live below your means
- Be generous and give intentionally

DON'TS

- Don't get more debt
- Don't co-sign loans
- Don't use credit cards for everyday spending
- Don't skip steps
- Don't try to get rich quick
- Don't compare your journey to others

WHY IT WORKS

SIMPLE
Easy to understand and follow.

PROVEN
Helped millions of people get out of debt.

DISCIPLINE
Builds financial habits that last a lifetime.

LONG TERM
Focuses on wealth, not just income.

COMMUNITY
You don't have to do it alone.

FREEDOM
Financial peace leads to life on your terms.

SNOWBALL vs. AVALANCHE
TWO PROVEN WAYS TO PAY OFF DEBT

Both methods work. The best method is the one you'll stick with.
Choose the strategy that fits your personality and keeps you motivated to become debt-free.

THE GOAL

Become debt-free as efficiently as possible and build long-term financial freedom.

THE SNOWBALL METHOD
Focus on smallest balances first

- Pay minimums on all debts except the smallest balance.
- Put any extra money toward the smallest balance.
- Once it's paid off, roll that payment into the next smallest balance.

Best for:
People who need quick wins and motivation.
Builds momentum and confidence.

VS.

THE AVALANCHE METHOD
Focus on highest interest rates first

- Pay minimums on all debts except the one with the highest interest rate.
- Put any extra money toward the highest interest rate.
- Once it's paid off, roll that payment into the next highest interest rate.

Best for:
People who want to save the most money and pay off debt the fastest.

KEY COMPARISON

TIME TO PAY OFF
Avalanche is usually faster.

TOTAL INTEREST PAID
Avalanche saves you more money.

MOTIVATION FACTOR
Snowball gives quick wins and keeps you motivated.

BEST FOR
Snowball = behavior
Avalanche = math

RESULT
Both lead to the same goal: Debt Freedom!

EXAMPLE SCENARIO

You have $500 extra each month to put toward debt.

DEBT	BALANCE	INTEREST RATE	SNOWBALL ORDER (Lowest Balance)	AVALANCHE ORDER (Highest Interest Rate)
Credit Card	$1,000	18%	1	3
Personal Loan	$4,000	10%	2	2
Student Loan	$15,000	6%	3	1

KEY TAKEAWAY:
Snowball wins with motivation.
Avalanche wins with math.

Pick your plan.
Stay consistent.
Become debt-free.

TIPS FOR SUCCESS

- Track your progress every month.
- Cut unnecessary expenses and redirect that money to debt.
- Build a small emergency fund ($1,000) to avoid new debt.
- Stay consistent and don't stop—momentum is powerful.
- Celebrate small wins along the way!

THERE IS NO PERFECT METHOD—ONLY CONSISTENCY.
Choose your strategy. Commit to the process. Enjoy the freedom.

Debt freedom is possible.
One payment. One decision. One step at a time.

DEBT RELIEF COMPANIES

THE PROS, THE CONS & WHAT YOU SHOULD KNOW

Debt relief companies negotiate with your creditors to reduce, manage, or settle your debt. They can help in certain situations—but they are not the right solution for everyone.

THE PROS

Lower Monthly Payments

May negotiate reduced payments that better fit your budget.

Settle Debts for Less

Some companies negotiate settlements for less than the full balance owed.

One Monthly Payment

Instead of paying several creditors, you may make one payment to the debt relief company.

Structured Repayment Plan

Provides accountability and a roadmap for elimintating debt.

Avoid Bankruptcy (Sometimes)

Debt settlement or management may help some individuals avoid filing bankruptcy.

DEBT MANAGEMENT vs. DEBT SETTLEMENT

DEBT MANAGEMENT (DEBT MEDIATION)	DEBT SETTLEMENT
Pay back 100% of principal	Negotiate paying less than owed
Usually lower interest rates	Usually requires accounts to become delinquent
Less damage to credit	Greater credit score impact
Often through nonprofit credit counseling agencies	Typically offered by for-profit settlement companies

THE CONS

Credit Score Impact

Debt settlement frequently causes significant credit score damage while accounts become delinquent.

No Guarantee of Success

Creditors are not required to negotiate or accept settlements.

Fees

Most companies charge fees that can be substantial.

Collection Activity May Continue

Creditors may continue collection efforts or even file lawsuits before a settlement is reached.

Tax Consequences

Forgiven debt may be considered taxable income by the IRS unless an exception applies.

BEFORE YOU SIGN ANYTHING

- Compare multiple companies.
- Verify accreditation and reputation.
- Understand all fees in writing.
- Ask how your credit may be affected.
- Read every contract carefully.
- Never stop paying creditors unless you fully understand the consequences.

WHEN DEBT RELIEF MAY MAKE SENSE

- You're unable to make minimum payments
- High-interest unsecured debt has become overwhelming
- Bankruptcy is being considered
- You've already explored budgeting and repayment options

HOW DEADLY INTEREST RATES CAN BE

THE LONG-TERM PAYMENT TRAP

High interest rates don't just cost more — they keep you in debt longer — and make it harder to get ahead.

THE TRUTH

The higher the interest rate, the more of your payment goes to interest — not the balance.

HOW INTEREST WORKS AGAINST YOU

Interest Adds Up Daily
Interest is calculated every day on your balance.

Minimum Payments Cover Mostly Interest
At high rates, most of your payment goes to interest, not the balance.

You Stay in Debt for Years
High interest keeps your balance high — and the cycle repeats.

THE COST OF 30% INTEREST

Example: $10,000 Credit Card Balance
Paid with a $200 Monthly Payment

Interest Rate (APR)	10%	20%	30%
Total Paid	$13,358	$20,857	$31,102
Interest Paid	$3,358	$10,857	$21,102
Time to Pay Off	4 Years, 6 Months	7 Years, 9 Months	12 Years, 11 Months

At 30% interest, you pay more than **3 TIMES** your original balance and stay in debt nearly 13 YEARS with just a $200 payment.

WHERE YOUR PAYMENT GOES (AT 30% APR)

Example: $10,000 balance, $200 payment

$175
GOES TO INTEREST

$25
GOES TO PRINCIPAL
(Your actual balance)

It can take years before more of your payment starts going to the balance instead of interest.

THE PAYMENT TRAP

HIGH INTEREST RATE → Up to 30% APR adds interest every single day.

PAYMENT COVERS INTEREST FIRST → Most of your payment goes to interest.

BALANCE GOES DOWN VERY SLOWLY → Little is left to reduce what you owe.

THE CYCLE REPEATS → You stay in debt longer and pay thousands extra in interest.

FINANCIAL FREEDOM DELAYED — Your goals, savings, and future are put on hold.

BREAK FREE FROM THE TRAP

- Pay more than the minimum whenever possible.
- Focus on paying off high-interest debt first.
- Consider balance transfer offers or lower-rate options.
- Build an emergency fund to avoid new debt.
- The lower the rate, the faster you win.

LOWER RATES. LOWER COSTS. MORE FREEDOM.

HIGH INTEREST RATES DON'T JUST COST YOU MONEY — THEY COST YOU TIME, FREEDOM, AND PEACE OF MIND. Understand the power of interest, make a plan, and take control of your financial future.

STUDENT LOANS IN 2026

WHAT YOU NEED TO KNOW

Key updates, repayment options, and strategies to help you make informed decisions about your student loans.

2026 KEY UPDATES

SAVE Plan Discontinued for New Borrowers

The SAVE Plan is no longer available to new borrowers. Existing enrollees will be transitioned to a new plan.

New Income-Driven Repayment Plan

A new Repayment Assistance Plan (RAP) is replacing SAVE for eligible borrowers in 2026.

Interest Accrual Continues

Interest continues to accrue on most loans, even during income-driven repayment.

Collections Resume

Federal collections on defaulted loans have resumed. Wage garnishment and tax refund offset are back.

Payment Due Dates Matter

Missing payments can result in late fees, credit impact, and loss of repayment plan benefits.

REPAYMENT PLAN OPTIONS IN 2026

PLAN	BEST FOR	KEY FEATURES
Standard Repayment	Borrowers who can afford higher monthly payments	• Fixed payments • Pay off loans in 10 years
Graduated Repayment	Expecting income to increase	• Payments start lower • Increase every 2 years
Income-Driven Repayment (IDR) Plans	Borrowers with lower income or high debt	• Based on income & family size • Payments may be $0 • Forgiveness after 20–25 years (taxable)
Income-Based Repayment (IBR)	Partial financial hardship	• 10–15% of discretionary income • Forgiveness after 20–25 years
Pay As You Earn (PAYE)	Borrowers with higher debt vs. income	• 10% of discretionary income • Forgiveness after 20 years
NEW New Repayment Assistance Plan (RAP)	Replacing SAVE for eligible borrowers	• Lower payments for many • Based on income & family size • Details at studentaid.gov

LOAN TYPES AT A GLANCE

FEDERAL LOANS

- Fixed interest rates set by the government
- Access to income-driven plans & forgiveness
- Consumer protections
- Managed by your loan servicer

PRIVATE LOANS

- Rates vary by lender and credit
- Fewer repayment protections
- Limited or no forgiveness options
- Consider only after federal loans

IMPORTANT UPDATE

The SAVE Plan is no longer available to new borrowers. Existing enrollees are being moved to alternative plans. Check **studentaid.gov** for your specific options.

SMART STRATEGIES

Pay More Than the Minimum

Even small extra payments can save you thousands in interest and time.

Refinance (If It Makes Sense)

If you have good credit and stable income, refinancing may lower your rate.

Explore Forgiveness Programs

Programs like PSLF, Teacher Loan Forgiveness, and income-driven forgiveness can help.

Stay Informed

Policies and options continue to change. Check studentaid.gov regularly.

Understand Your Loans

Know your loan types, rates, and repayment terms before deciding.

WHERE TO GET HELP

Official federal student aid site

1-800-4-FED-AID (1-800-433-3243)
Federal Student Aid Information Center

Loan Counselor or Financial Advisor
Get personalized guidance

KNOW YOUR CREDIT. BUILD YOUR FUTURE.
THE BUREAUS. THE SCORES. THE OPPORTUNITY.

Your credit score is a snapshot of your financial trustworthiness.
Understanding how it works puts you in control of your financial future.

THE BOTTOM LINE

Good credit opens doors.
Great credit gives you options.
Strong credit builds wealth.

THE 3 MAJOR CREDIT BUREAUS

Lenders use information from these three bureaus to generate your credit reports and scores.

EQUIFAX
www.equifax.com
One of the largest credit reporting agencies.

experian
www.experian.com
Known for data accuracy and consumer tools.

TransUnion
www.transunion.com
Provides credit insights and monitoring services.

EACH BUREAU MAY REPORT DIFFERENT INFORMATION
It's a good idea to check your reports from all three regularly.

THE CREDIT SCORE SPECTRUM

300 – 579	580 – 669	670 – 739	740 – 799	800 – 850
POOR	FAIR	GOOD	VERY GOOD	EXCEPTIONAL
High risk to lenders. Limited loan approvals. Higher interest rates.	Below average credit. May qualify for some loans with higher interest rates.	Generally good credit. Better loan options and interest rates.	Low risk to lenders. Strong approval odds and favorable rates.	Excellent credit. Best interest rates and top-tier offers.

Higher scores = Lower risk = More financial opportunities

WHAT INFLUENCES YOUR CREDIT SCORE

35%
PAYMENT HISTORY
Paying bills on time is the most important factor.

30%
AMOUNTS OWED
How much credit you use compared to your total available credit.

15%
LENGTH OF CREDIT HISTORY
A longer history can positively impact your score.

10%
NEW CREDIT
Opening multiple new accounts in a short time can lower your score.

10%
CREDIT MIX
Having a mix of credit types (credit cards, loans, mortgage, etc.).

TIPS TO IMPROVE YOUR SCORE

PAY BILLS ON TIME
Set reminders and automate payments when possible.

KEEP BALANCES LOW
Aim to use less than 30% of your available credit.

KEEP OLD ACCOUNTS OPEN
Length of history matters. Don't close old accounts.

CHECK YOUR CREDIT REPORTS
Review all three reports at least once a year.

AVOID OPENING TOO MANY ACCOUNTS AT ONCE
Too many inquiries can lower your score.

Small habits today.
Stronger credit tomorrow.
Better life for years to come.

THE POWER OF GOOD CREDIT

Better rates. More approvals. Lower deposits.
Stronger financial future.

CREDIT ISN'T JUST A NUMBER—IT'S FREEDOM.
Understand it. Manage it. Master it.

CREDIT CARD DATES: WHAT THEY MEAN

KNOW THE DATES. PAY SMART. SAVE MONEY.

Understanding the key dates in your credit card billing cycle helps you avoid interest, late fees, and unnecessary charges.

THE GOAL

Pay on time. Avoid interest. Build credit. Stay in control. It all starts with knowing your dates.

THE 5 IMPORTANT CREDIT CARD DATES

STATEMENT DATE

The last day of your billing cycle.

It determines what transactions appear on your statement.

CLOSE DATE

The end of your billing cycle.

Balances are calculated and your statement is prepared.

BILLING DATE

The date your statement is issued.

This is when you receive your statement with your balance due.

DUE DATE

The last day your payment is due.

Pay by this date to avoid late fees and interest.

PAYMENT POSTING DATE

The date your payment is processed and applied to your account.

Payments typically post within 1–3 business days.

HOW THE BILLING CYCLE WORKS (EXAMPLE)

MAKE PURCHASES

May 1 – May 30

You use your card throughout the cycle.

STATEMENT DATE

May 30

Last day of the billing cycle. Transactions up to this date will appear on your statement.

CLOSE DATE

May 30

Billing cycle closes. Your balance is calculated.

BILLING DATE

May 31

Your statement is issued. You receive your balance due.

DUE DATE

June 25

Payment is due. Pay by this date to avoid late fees and interest.

PAYMENT POSTING DATE

June 26+

Your payment is processed and applied to your account.

WHY THESE DATES MATTER

AVOID LATE FEES

Pay by the due date to avoid late fees.

AVOID INTEREST CHARGES

Pay your statement balance by the due date to avoid interest.

BUILD & PROTECT CREDIT

On-time payments help your credit score. Late payments hurt it.

KEEP UTILIZATION LOW

Balances are reported after your statement date. Pay early.

REVIEW FOR ACCURACY

Check your statement when you receive it. Dispute errors quickly.

PRO TIP Pay before your statement date to keep your reported balance lower. | Set up autopay or reminders so you never miss a payment.

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Thank You