

Debt Snowball Savings Plan

This playbook describes the debt snowball method, a strategy for paying off debts in order from smallest to largest balance, thereby gaining momentum as each balance is paid off. This method prioritizes quick wins to keep you motivated throughout your debt repayment journey.

Step 1: **List Debts**

List all of your debts from smallest to largest by balance regardless of interest rates, excluding your mortgage if you have one.

Step 2: **Minimum Payments**

Continue making minimum payments on all your debts to avoid penalties.

Step 3: **Extra Payments**

Focus any extra available money on the smallest debt to pay it off as quickly as possible.

Step 4: **Eliminate Smallest**

Once the smallest debt is paid off, use the money you were putting towards it to help pay off the next smallest debt.

Step 5: **Repeat Process**

Continue the process of eliminating each smallest debt and rolling over the payments to the next, creating a 'snowball effect' until all debts are paid off.

Step 6: **Build Savings**

After all debts are paid, redirect the funds you were using for debt repayment into savings or investment.

General Notes

Motivation

The key to the debt snowball method is the psychological boost from paying off debts, which can be more motivating than strategies focused on interest rates.

Emergency Fund

It's advisable to maintain a small emergency fund while paying off debt to avoid taking on new debt in case of unexpected expenses.