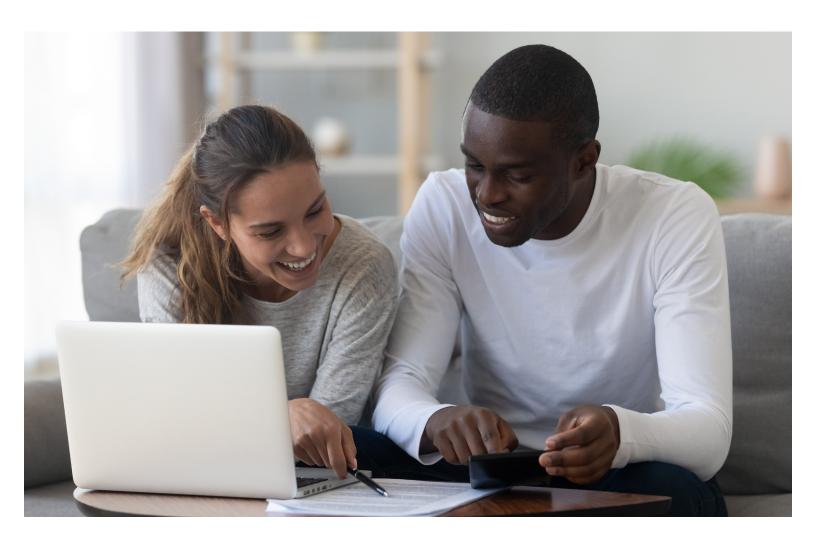




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Welcome!

Welcome to The USAA Educational Foundation Debt Destroyer Program. This workbook is designed to empower you and your family to get out - and stay out - of debt.

You will learn proven techniques to overcome your problematic consumer debt, make the most of the money you have coming in, and get on track to a more secure financial future.

As you work through this six-step program, know that you are not alone on the journey. Others have done it and so can you.

Congratulations on taking this critical step! Your path to a better financial future starts today.

Overview

The Debt Destroyer Program consists of six steps. Each step includes a video explanation and activities you will need to complete. The six steps are:

- 1. Stop the Bleeding
- 2. Build a Safety Net
- 3. Confront Your Debt
- 4. Know Your Cash Flow
- 5. Adjust Your Cash Flow
- 6. Pay It Down!

Preparation

Before you embark on your Debt Destroyer journey, you'll need to collect the following:

- 1. A list of all creditors (include all loans, lines of credit, and credit cards) with the following information:
 - Total balance due
 - Due date
 - Minimum monthly payment
 - Annual percentage rate (APR)
- 2. Accurate details of your income and expenses. Reference your Leave and Earnings Statement (LES), other sources of income, mortgage/rent, utilities, groceries, entertainment, etc.
- 3. The Debt Destroyer learning guide found on USAAEF.org.

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Fuel Your Success

Countless studies show that setting specific goals and visualizing success helps you achieve higher levels of focus, productivity, motivation, and persistence.

Take a minute now to identify the "why" behind your mission.

Two primary motivators tend to drive most people wanting to take control of their debt: the avoidance of pain or the promise of a better future. Viewed another way, negative emotions or positive emotions. Which better describes you? Is it both?

My top three motivations for wanting to destroy my debt are:

1.

2.

3.

Keep this list handy as you move through the six steps of the Debt Destroyer Program and review it frequently as you work your plan. Once the real work starts, it will be important to regularly remind yourself why it's important for you to gain control of your debt.

Imagine Your Future

Getting control of your debt and becoming more financially secure usually takes a while, and during the journey it can be hard to stay the course if you don't have a clear image in your mind of where you're headed.

Take a few minutes right now to think about your future and imagine how your life will be different once you've done the work. What will change? How will things be different? Describe the future in the space below.

Now that you know your motivations and have a vision for your future, make a commitment to yourself and your family to put in the work and complete the steps of this program.

Step 1: Stop the Bleeding





Watch the video for Step 1, then return here.

Key Points:

- <u>Survive</u> this step by not adding more debt.
- Evade new debt by paying with cash only.
- Resist the temptation to take on new debt by identifying and changing problematic behaviors.
- Escape late fees and penalties by making payments on time.

Activity 1: SERE Training for Your Debt

Now it's time to put your **SERE** training into action. Reflect on the decisions and behaviors that led to your current debt situation. Then brainstorm strategies in the space below to "Stop the Bleeding" and commit to implementing at least one strategy per category.

Evade (Avoid taking on new debt)	Resist (Changing behaviors or circumstances)	Escape (Avoid new fees or charges)
Examples:	Examples:	Examples:

- Use only debit card and cash
- Set daily spending limits

- Delete shopping apps
- Avoid impulse purchases
- Set up automatic bill pay
- Make payment earlier in billing cycle to reduce average daily balance



Making Changes That Last

One of the most important steps to destroying debt is to embrace the "Resist" step in Activity 1. Whether your debt is the result of bad decisions or bad circumstances, honestly identifying how your got here and taking steps to keep it from happening again it are crucial for lasting success. The information below may help.

Create Healthy Credit Habits

If you identify bad decisions as one of the causes of your debt, consider implementing the steps below to put you on a better path.

- Create and follow a spending plan, so you don't overspend and take on extra debt.
- Pay bills on time. Do not skip payments.
- Strive to fully pay off your credit cards each month. If you have to carry a balance, keep it as low as possible.
- Do not apply for credit you do not need.
- Keep receipts and compare charges when your statements arrive. Contact your bank, credit card or finance company immediately if there is a discrepancy.

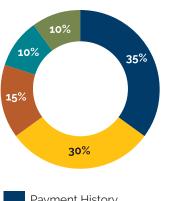
Understand Your Credit Reputation (Credit Report)

As you examine what led to your debt, it's often helpful to also analyze your past credit behaviors. A good way to do this is to review your credit report, since it is a record of your payment history with creditors.

Your credit report shows the following:

- · How much credit you are using
- How well you pay your debts
- Who is inquiring about your credit
- Information on bankruptcies

Lenders, employers, landlords, insurers, and other businesses also use credit reports to make decisions about whether or not to lend you money.



Payment History

Amounts Owed

Length of Credit History

Types of Credit Used

New Credit

Understand Your Credit Score

As you begin to make changes, you can use your credit score as a way to measure your success. Credit scores may range from 300 to 850 depending on the credit scoring model. Most lenders consider people with scores above 670 to be good credit risks. Scores below 580 may indicate credit problems.

The FICO® Score is one of the most widely used credit score models and is considered by lenders to be the industry standard for determining how likely a person is to repay a debt. The chart on the left indicates the five key components of a FICO® credit score. Exercising good credit habits like those outlined in this program should be helpful in raising your score.

The three nationwide consumer reporting agencies — Equifax, Experian, and TransUnion — offer the following resources:

- A free annual copy of your credit report (also available through) www.annualcreditreport.com)
- Free credit monitoring for eligible Service members

Step 2: Build a Safety Net





Watch the video for Step 2, then return here.

Key Points:

- Build a safety net of \$1,000 to pay for emergencies.
- Understand a true emergency fund is typically 3 6 months of living expenses, but when getting out of debt \$1,000 will cover many financial setbacks.
- Do not borrow to build this cushion.

Activity 2: \$1k Savings Sprint Strategies

If you don't already have one, it's time to get your emergency fund started! Come up with a plan to get at least \$1,000 in a savings account as quickly as possible.

Think about what you have available or what you can do to bring in extra money right now. List three things you will do to accumulate a \$1,000 safety net as soon as possible.

1.			
2.			
3.			

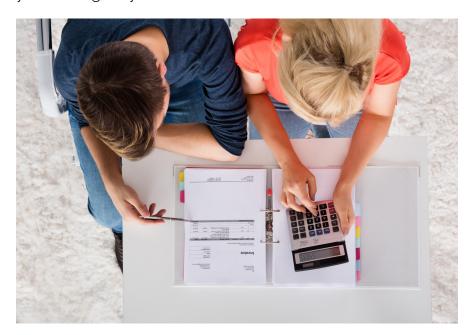
One More Thing

It would be great if everything goes according to plan and nothing unexpected happens while you're implementing your Debt Destroyer plan, but unfortunately that's not realistic. Unexpected expenses will almost certainly pop up along the way. When they do, use your emergency fund to cover them, then rebuild your \$1,000 balance as quickly as possible, even if you need to redirect the extra money you would otherwise use to pay down debt to do it.



Tips for Building an Emergency Fund

A critical component to getting out of debt is to have an emergency fund available when unexpected expenses occur. An emergency fund serves as a financial "safety net" and helps eliminate the need to borrow more money and sink further into debt. Here are a few tips to help you build your emergency fund.



- Pay yourself first. Establish an allotment or bank transfer to set aside money each paycheck.
- Consider selling unused household items online or through a garage sale.
- Explore adding another source of income either with a second job (with command approval) or spouse employment.
- Visit the IRS Witholding Calculator to see if you should adjust your witholding to get more money per paycheck. https://www.irs.gov/ individuals/tax-withholding-estimator
- Skip one month of TSP or 401(k) contributions to jump start your emergency fund, but only one month.
- Explore the possibility of a one-month deferral on your auto loan payment. Ask your lender about any fees or additional interest changes associated with a deferral.

Step 3: Confront Your Debt





Watch the video for Step 3, then return here.

Key Points:

- Analyze and record the balance, minimum payment, and interest rate of each of your debts.
- · Strategize ways to minimize the cost of your debt. Speak with your creditors. Seek an interest rate reduction, explore a balance transfer, and research the Servicemembers Civil Relief Act.

Activity 3: Debt Details Scavenger Hunt

Now it's time to get this mission organized. In this next activity, you will go on a scavenger hunt through the statements you gathered in preparation for this course to uncover the details of each of your debts and record them below. We will be using this information again in Step 6.

Creditor	Туре	Current Balance	APR	Minimum Payment



Tips for Minimizing the Cost of Debt

Now that you've confronted your debt, it's time to reduce its impact on your finances. After all, a penny saved is a penny earned. Here are a few tips to help reduce the interest you pay every month:

· Lower your rate -

Ask your creditor(s) to lower your current interest rate.

· Utilize SCRA -

Take advantage of the Servicemembers Civil Relief Act to reduce the interest rate to 6% for any pre-service debt.

Transfer your balance –

Explore the possibility of moving higher interest rate debt to a lower interest rate account. This is typically done by transferring one credit card balance to another. To help evaluate if this makes sense for you, ask about balance transfer fees, how long the introductory interest rate remains valid, and what the annual percentage rate will be after the introductory period ends.

Shop for a consolidation loan -

These loans can be unsecured, meaning there is no collateral such as a vehicle or home tied to the debt. Still, they may offer better interest rates than other unsecured debt like credit cards. A few precautions to consider with consolidation loans include:

- The potential loss of SCRA benefits by consolidating pre-service debt into the loan
- A potentially worse financial situation if the root cause for your debt has not been addressed
- A possible repossession of a vehicle or foreclosure on your home if you use them as collateral and default on repayment

Evaluate using home equity –

Tapping into the equity in your home, either through a home equity line of credit, home equity loan, or cash-out refinance, can be an excellent way to pay off high interest rate debt. However, the same precautions mentioned for consolidation loans apply here too.

Consider a retirement plan loan –

Take a loan against your Thrift Savings Plan (TSP) or employer-sponsored retirement plan to pay off higher interest rate debt.

- Visit the FINRA website first to learn the pros and cons of taking a loan against your retirement plan: https://www.finra.org/investors/learn-to-invest/types-investments/ retirement/401kinvesting/401k-loans-hardship-withdrawals-and-other-importantconsiderations
- Visit the TSP website at www.tsp.gov and search the keyword "Loans" to learn more.

Pay sooner –

If you are carrying a balance on a credit card, make your payment earlier in the billing cycle to reduce your average daily balance and therefore, the amount of accumulated interest due.





Communicating with Creditors

When it comes to credit cards, the rates are not set in stone, so it can be worth the conversation to request an interest rate reduction. Here are a few tips for negotiating a lower rate when speaking with your creditors:

- Take an active interest in interest rates –
 Research and compare credit card rates from
 numerous companies and ask if your current
 lender will match.
- Be honest about your situation Explain your plan to pay down debt and state your case for a lower rate.
- Leverage the positive –
 If you are a longtime cardholder or have a squeaky clean payment history, leverage these points in your conversation.
- Build a strong case –

 If you've been late on making your payments in the past or even missed a payment, your lender might not feel compelled to lower your rate. So, change the narrative and begin making at least the minimum payments on time, every time. After six to 12 months of timely payments, call to state your case.
- Keep your cool –
 The credit card company is not obligated to lower your interest rate, so speak to the customer service representative in a respectful manner when making this request.
- Go up the chain of command –
 A customer service representative might not have the authority to lower your interest rate.
 If you have a strong reason for reducing your interest rate, ask to speak with a supervisor and state your case.
- Destroying your debt can take months or even years. So, be persistent and periodically call to request a lower rate. Remember to be courteous when speaking to the lender and keep a record of your conversations.



Step 4: Know Your Cash Flow





Watch the video for Step 4, then return here.

Key Points:

- Update or create your spending plan.
- Document all your inflows and outflows for the last 30 days.
- Reduce expenses, and if possible, earn more.

Activity 4: Start Your Spending Plan Worksheet

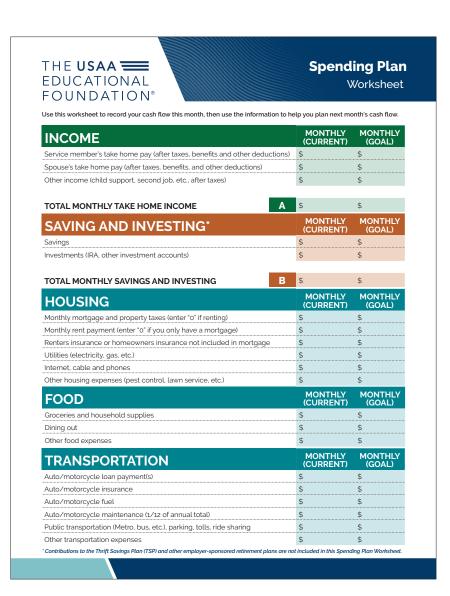
Use the Spending Plan Worksheet on pages 14-15 of this workbook to complete the activity.

First, complete the LEFT column of the worksheet. Leave the RIGHT column blank – we'll tackle that in the next step. Reference your most recent Leave and Earnings Statement (LES), pay stub (civilian employers), and bank and credit card activity or statements to complete this exercise.

Once you complete the left column, do the math at the bottom. If your Spending Plan Worksheet shows a monthly surplus, but your bank account does not confirm this result, go back and review all your inputs.

One More Thing

To help track future expenses, a worksheet entitled "Track Your Expenses" is available in the Resources section on pages PW - 24 and PW - 25. This is important for adjusting your cash flow in Step 5.



Step 5: Adjust Your Cash Flow





Watch the video for Step 5, then return here.

Key Points:

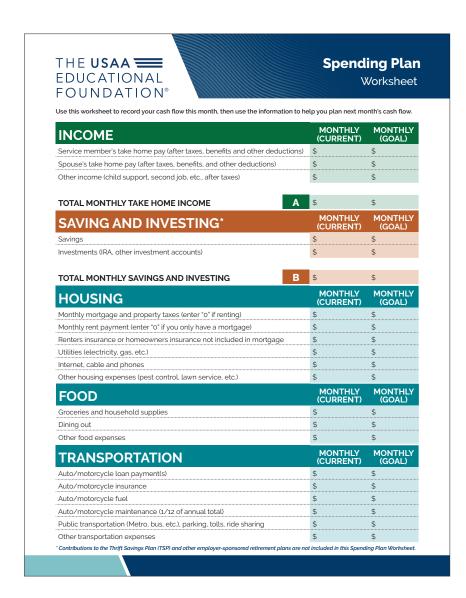
- Determine how much extra cash you'll need to pay down your debt.
- Decide where that extra money is going to come from (make more or spend less).
- If cutting expenses is your plan, target variable expenses first.

Activity 5: Complete Your Spending Plan Worksheet

For this activity, refer to the Spending Plan Worksheet and complete the RIGHT column, looking for places where you think you can reduce spending and free up money to put toward paying down your debt. We'll call this "new" money Debt Destroyer Dollars and refer to it in Step 6.

One More Thing

Need to get a better handle on your spending plan? Visit the Budget section of our site for tips and strategies to help improve your money management game!





Spending Plan

Worksheet

Use this worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

INCOME	MONTHLY (CURRENT)	MONTHLY (GOAL)
Service member's take home pay (after taxes, benefits and other deductions)	\$	\$
Spouse's take home pay (after taxes, benefits, and other deductions)	\$	\$
Other income (child support, second job, etc., after taxes)	\$	\$
TOTAL MONTHLY TAKE HOME INCOME A	\$	\$
SAVING AND INVESTING*	MONTHLY (CURRENT)	MONTHLY (GOAL)
Savings	\$	\$
Investments (IRA, other investment accounts)	\$	\$
TOTAL MONTHLY SAVINGS AND INVESTING	\$	\$
HOUSING	MONTHLY (CURRENT)	MONTHLY (GOAL)
Monthly mortgage and property taxes (enter "o" if renting)	\$	\$
Monthly rent payment (enter "0" if you only have a mortgage)	\$	\$
Renters insurance or homeowners insurance not included in mortgage	\$	\$
Utilities (electricity, gas, etc.)	\$	\$
Internet, cable and phones	\$	\$
Other housing expenses (pest control, lawn service, etc.)	\$	\$
FOOD	MONTHLY (CURRENT)	MONTHLY (GOAL)
Groceries and household supplies	\$	\$
Dining out	\$	\$
Other food expenses	\$	\$
TRANSPORTATION	MONTHLY (CURRENT)	MONTHLY (GOAL)
Auto/motorcycle loan payment(s)	\$	\$
Auto/motorcycle insurance	\$	\$
Auto/motorcycle fuel	\$	\$
Auto/motorcycle maintenance (1/12 of annual total)	\$	\$
Public transportation (Metro, bus, etc.), parking, tolls, ride sharing	\$	\$
Other transportation expenses	\$	\$

^{*} Contributions to the Thrift Savings Plan (TSP) and other employer-sponsored retirement plans are not included in this Spending Plan Worksheet.



Spending Plan

Worksheet

HEALTH	MONTHLY (CURRENT)	MONTHLY (GOAL)
Medicines and supplements	\$	\$
Health insurance deductibles/co-pays	\$	\$
Other health expenses (dental, glasses, contacts, etc.)	\$	\$
PERSONAL AND FAMILY	MONTHLY (CURRENT)	MONTHLY (GOAL)
Child care	\$	\$
Child and/or spousal support	\$	\$
Clothing and shoes	\$	\$
Laundry service/dry cleaning	\$	\$
Money given to family members	\$	\$
Entertainment (movies, streaming services, magazines, etc.)	\$	\$
Vacations	\$	\$
Pets	\$	\$
Memberships and subscriptions	\$	\$
Other personal or family expenses	\$	\$
OTHER EXPENSES	MONTHLY (CURRENT)	MONTHLY (GOAL)
Credit card minimum payments	\$	\$
Student loan payments	\$	\$
Other loans (furniture stores, appliances, HVAC systems, etc.)	\$	\$
School costs (tuition, supplies, etc.)	\$	\$
Life insurance (monthly premiums paid for private policies)	\$	\$
Other expenses (bank, credit card, ATM, and other fees)	\$	\$
TOTAL MONTHLY EXPENSES C	\$	\$
TOTALS	MONTHLY (CURRENT)	MONTHLY (GOAL)
Income A	\$	\$
Savings and Investments - B	\$	\$
Monthly Expenses - C	\$	\$
Debt Destroyer Dollars =	\$	\$

If your income is more than your expenses, you have money left to save or spend. If your expenses are more than your income, look for expenses to reduce or cut.

Step 6: Pay It Down!





Watch the video for Step 6, then return here.

Key Points:

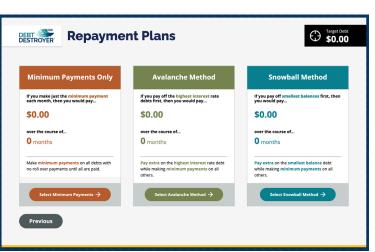
- Avalanche Method prioritizes applying extra dollars to the highest interest rate debt first, while paying minimums on all others.
- **Snowball Method** prioritizes applying extra dollars to the lowest balance debt first, while paying minimums on all others.

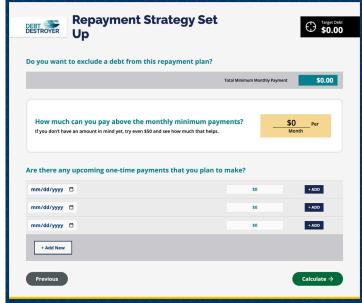
Activity 6: Use the Debt Destroyer Tool

Complete the Debt Destroyer Tool using the data you collected in Step 3 and Debt Destroyer Dollars you found in Step 5.

After reviewing each strategy, select yours and complete the "My Plan of Action" section below.









My Plan of Action

My Debt Destroyer plan of action is the	method.
The debt I will focus on first is	
plan to be debt free by	





Final Thoughts

Congratulations!

You now have a plan for gaining control of your debt, and even a date when that will happen if all goes according to plan.

Now, the real work begins!

Your success as a Debt Destroyer will depend on staying committed and sticking with your plan through the inevitable challenges that will come your way.

Here are a few tips to help you succeed on your journey.

- Revisit your motivations.
- · Begin implementing your SERE plans to Evade, Resist, and Escape new debt.
- Build your \$1,000 safety net.
- Contact your creditors to negotiate more favorable terms.
- Implement your new spending plan.
- · Find an accountability partner.
- Set Debt Destroyer calendar reminders to track your progress.

Resources

Servicemembers Civil	Relief Act (SCRA) Sin	nplified -	 	 	 	 	- 19
Track Your Expenses			 	 	 	 	- 21

The Servicemembers Civil Relief Act (SCRA) Simplified



What is it?

The SCRA is a law designed to ease or eliminate certain financial burdens on Service members that might arise because of military service.

Potential Service member benefits offered under the act:

- 6% interest rate caps on pre-service debts
 - Ability to terminate certain:
 - Vehicle leases
 - · Residential leases
 - Mobile phone contracts
 - Eviction protection
 - Foreclosure protection

- · Repossession protection
- Court proceeding deferrals
- Insurance protection
- Income tax deferrals
- State income tax options
- Certain other matters

Who is Covered?



Active duty Service members



Reservists on federal Active duty



Service member dependents (in some situations)



Co-signers or those who took out loans with a Service member (in some situations)

Some protections extend for a limited time beyond Active-duty discharge or release and are tied to the discharge or release date.



Key protections under the SCRA include:

6% Interest Rate

Service members can request a 6% interest rate cap on any debts incurred before military service (credit cards, loans, mortgages, etc.) for the duration of the Service member's military obligation and one year thereafter for mortgages. This applies to individual debts of the Service member as well as those incurred jointly with his or her spouse.

Vehicle Leases

Service members entering active military service of at least 180 days can terminate vehicle leases that were executed before going on Active duty. Vehicle leases executed after beginning military service can be terminated upon receipt of certain PCS orders involving locations outside the continental United States or deployment orders of at least 180 days. Joint leases with the Service member's spouse or dependents are also covered.

Residential Leases

Service members entering active military service can terminate residential leases that were executed before going on Active duty. Residential leases executed after beginning military service can be terminated upon receipt of PCS orders or deployment orders of at least 90 days. Joint leases with the Service member and his or her spouse or dependents are also covered.

Mobile Phone Contracts

Service members can cancel mobile phone contracts after receiving orders to relocate for a period of at least 90 days to a location that does not support the contract.

Eviction from Housing

Service members and their families cannot be evicted for nonpayment of rent without a court order while on Active duty, provided the rent is below a certain amount. Eviction can still occur if ordered by the court.

Foreclosure and Repossession Protection

Active-duty Service members are protected from foreclosure and repossession under certain circumstances, including the common requirement that lenders must obtain a court order before taking such actions.

Court Proceedings

If a Service member is a defendant in a civil court proceeding, the court may grant a delay if he or she is deployed. The provision applies to civil lawsuits, suits for paternity, child custody suits, bankruptcy debtor/creditor meetings, and administrative proceedings.

Residence for State Taxes

Under certain circumstances, the SCRA prohibits states from taxing Service members and their spouses solely due to their presence in a state because of compliance with military orders. This means if a Service member and his or her spouse are residents of another state, they may not be required to pay certain taxes in the state in which they are stationed.

The protections under SCRA can sometimes be complicated so Service members are encouraged to seek the assistance of their base legal office for any SCRA-related matters.

Track Your Expenses



The secret to doing this exercise is to record the expense when it happens!

Use your phone to take a photo of the receipt and at the end of the day transfer the transactions to this record. Remember to include bills paid, along with small purchases like sodas, lunches, etc.

PAYDAY	•						
DAY 1	Date:	l		DAY 2	Date:	I	
Item:			Amount:	Item:			Amount:
DAY 3	Date:	1		DAY 4	Date:		
Item:			Amount:	Item:			Amount:
DAY 5	Date:	I		DAY 6	Date:		
Item:			Amount:	Item:			Amount:
DAY 7	Date:	I		DAY 8	Date:		
Item:			Amount:	Item:			Amount:



DAY 9	Date:		DAY 10 D	ate:		
Item:		Amount:	Item:			Amount:
DAY 11	Date:		DAY 12 Day	ate:		
Item:		Amount:	Item:			Amount:
DAY 13	Date:		DAY 14 Da	ate:	-	
Item:		Amount:	Item:			Amount:
DAY 15	Date:					
Item:		Amount:	AMOUN		T: -\$ _	
		•				