

# Debt Backfill Plan

The burden of debt can be likened to a hole that has been dug, creating an unsightly blemish on life's landscape. Regardless of how the hole got there, the reality often is that those who hate the hole simply do not know how to deal with it. A debt backfill plan can help you acknowledge and address an ugly hole of accumulated debt and identify the stages and steps to dealing with it.

**From Confused to Organized.** A person with multiple debts is often confused about where to focus their attention. This usually results in a disorganized and sporadic response to debt repayment. See the worksheet on the facing page to help you create an organized and consistent approach to paying off your debts.

**From Digging to Backfilling.** A person deep in a debt hole needs to realize that the hole was created by digging. If you are in a debt hole and want out, the first thing you need to do is stop digging. Then you can turn your attention to backfilling. Just as you dug the debt hole one scoop at a time, you will make repayments to backfill one scoop at a time.



**From Small to Large.** Think of each of your debts as a different hole in the ground. Start by filling the small holes as quickly as possible. This simple step creates momentum. If debt hole #1 takes 5 scoops to fill it in, then fill it in and move to the next hole. Put the required number of scoops in debt hole #2, plus the 5 scoops you are no longer using to fill hole 1. As each hole is filled, take the number of scoops that were going in it and dump that number in the next hole. Keep this momentum going until all your debts are paid.

**From Debt to Debt Free.** Debt is a master you don't like to serve. However, being free of debt does not guarantee you are serving the right master either. It's possible to be a debt-free, money-smart, yet self-serving individual who disregards how the True Master wants us to use resources. Debt freedom provides greater opportunities to either indulge yourself or better serve the Master. Think about what master you will serve when you become free of debt, and create goals and commitments now to guide you when that time comes. What will you do with the opportunities of your debt freedom?

*Amos and Mandy were weary of the disorganization, confusion, and stress of debt. They followed the steps listed on the next page to organize and understand their debt. They made two critical decisions: First, they decided not to take on any more debt, no matter what. Second, they decided to pay an extra \$175 per month to jump start their debt backfill plan. The results summarized below demonstrate the powerful momentum that can be created by making a small additional payment each month.*

<b>NO PLAN</b> (no extra payment)	<b>NEW PLAN</b> (\$175 additional payment)
<ul style="list-style-type: none"> <li>They are confused by having five creditors.</li> </ul>	<ul style="list-style-type: none"> <li>They have five creditors and understand the expectations of each one</li> </ul>
<ul style="list-style-type: none"> <li>They pay \$1,325 each month to service their debts</li> </ul>	<ul style="list-style-type: none"> <li>They pay \$1,500 each month to service their debts</li> </ul>
<ul style="list-style-type: none"> <li>At this rate they will be in debt for 261 months (22 years)</li> </ul>	<ul style="list-style-type: none"> <li>At this rate they will be in debt for 155 months (13 years)</li> </ul>
<ul style="list-style-type: none"> <li>At this rate they will pay \$104,401 in interest</li> </ul>	<ul style="list-style-type: none"> <li>At this rate they will pay \$61,586 in interest</li> </ul>

## Amos and Mandy's Debt Backfill Worksheet

Creditor	Principal Balance (\$)	Interest Rate (%)	Payment Amount (\$)	Interest Cost	# of Payments Left
Bass Pro Mastercard	200	18%	25-\$200	0	1
Lowe's credit card	2,300	15%	50	<del>\$1,144</del> \$185	69-11
Vehicle loan	5,600	6%	100	<del>\$988</del> \$467	66-26
Home equity loan	3,600	7%	150	<del>\$290</del> \$290	26-26
Mortgage	158,867	5%	1,000	<del>\$118,801</del> \$60,644	261-155
<b>Totals</b>	<b>170,567</b>		<b><del>1,325</del> \$1,500</b>		

Follow the steps in order.

1. Communicate clearly with each creditor. Make sure you understand:
  - a. The total balance owed
  - b. The minimum payment due
  - c. The rate and amount of interest being charged
  - d. If there are fees being added, and why
  - e. If the creditor is willing to reduce high interest rates
2. Fill out the debt backfill worksheet following the example above:
  - a. List your debts from lowest principal amount to highest principal amount
  - b. Reckon with the fact that you owe \$1,325 every month in minimum payments.
  - c. Decide to pay \$175 extra per month toward these debts** (Total payments of \$1,500 per month instead of \$1,325 per month)
  - d. Pay the \$175 extra toward the first debt and pay the minimum on the rest of your debts.
  - e. After the first debt is paid, take that monthly payment amount and add it to the second debt payment the next month. For example:
    - a. Pay off \$200 to Bass Pro Mastercard in June (\$25 + \$175)
    - b. In July take the \$200 payments you are no longer paying to Bass Pro and add it to the \$50 for a total payment of \$250 toward Lowe's card (pay the minimum on the rest of your debts, which means you are still paying \$1,500 per month)
  - f. After the Lowe's card is paid off, take the \$200 from Bass Pro and the \$50 from Lowe's and add it to your \$100 vehicle payment. You are now making a total payment of \$350 toward your vehicle loan.
  - g. Following this debt backfill worksheet allowed Amos and Mandy to be free of consumer and personal debt after just 26 months. The only thing they have left to pay is their mortgage! When that is paid, they will be completely debt free! If they continue to pay their mortgage at a rate of \$1,500 per month, they will pay it off in 155 months. If they go back to the standard \$1,000 payment per month it will take 261 months to pay.

Amos and Mandy's decisions to refuse more debt and accelerate their debt repayments by \$175 per month saved them \$42,815 in interest and 9 years of debt. A small decision with a huge impact. Now that Amos and Mandy are debt free, they feel blessed with the opportunity to give more, save for future needs, help their growing children get started in life, and even have time available for the volunteer services they always wanted to do.