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# DEBT ELIMINATION

**FEBRUARY 19, 2015**

**PLEASE READ THIS DISCLOSURE CAREFULLY.**

This information may help you analyze your financial needs. It is based on information and assumptions provided by you regarding your goals, expectations and financial situation. The calculations do not infer that the company assumes any fiduciary duties. The calculations provided should not be construed as financial, legal or tax advice. In addition, such information should not be relied upon as the only source of information. This information is supplied from sources we believe to be reliable but we cannot guarantee its accuracy. Hypothetical illustrations may provide historical or current performance information. Past performance does not guarantee nor indicate future results.

# DEBT ELIMINATION

## Introduction

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### DEBT – USE IT SPARINGLY

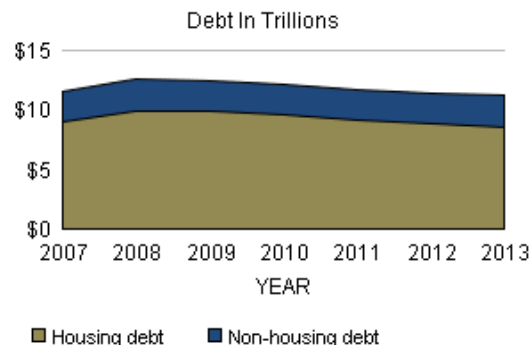
Debt allows you to make purchases which you cannot afford. In other words, it allows you to live beyond your means or to spend more than you earn. On the surface, this may appear to be a good thing, but there are some serious side effects. These side effects include 1) paying more for an item than what it's worth in the form of interest, 2) your possible inability to pay off the debt, 3) added pressure and stress which could lead to medical and relationship problems, and 4) becoming a "slave" to the lender. While some debt may be a necessity in today's world, it should be used sparingly, possibly only for a modest home, an education, or a dire emergency.



### TOTAL DEBT

"According to the Federal Reserve Bank of New York, American households owe more than \$11.28 trillion dollars in consumer debt. Factoring in only indebted households, rounded averages look like this:

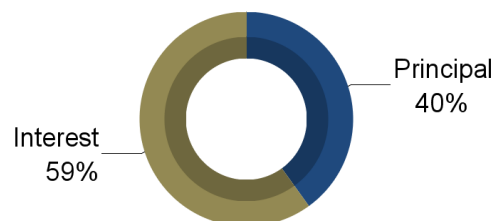
- Mortgage debt: \$147,000
- Credit card debt: \$15,000
- Student loan debt: \$32,000
- Auto loan debt: \$23,000
- Other debt: \$7,800



### COST OF DEBT

"Borrowing is not free. The price tag comes in the form of the interest rate. Paying interest each month is what most Americans do—it is the price for our standard of living. But looking at the numbers reveals that the cost of debt is pretty steep. The average indebted household pays over \$10,000 per year in interest! A typical indebted household could pay hundreds of thousands of dollars in interest over the life of their loans.

REMAINING BALANCE: **\$432,760**  
REMAINING INTEREST: **\$648,344**  
ADDITIONAL COST: **59% MORE**



# DEBT ELIMINATION

## Your Current Situation

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### CURRENT LIABILITIES

DESCRIPTION/CREDITOR	BALANCE	MINIMUM PAYMENT	ACTUAL PAYMENT	INTEREST RATE	CURRENT LIABILITIES	
					CURRENT	*ROLL-OVER
US Bank	\$317,400	\$1,792	\$1,792	4%	23.0	14.2
GMAC Auto	\$22,500	\$453	\$453	3.5%	5.0	3.3
Wells Fargo	\$83,600	\$725	\$725	6.6%	15.4	8.0
Capital One	\$9,260	\$375	\$450	12%	2.0	2.0

### ADDITIONAL DEBT PAYMENTS

Extra Monthly Payment	\$0
One-time Payment	\$0
One-time Payment Month	January
One-time Payment Year	2014

### OTHER ASSUMPTIONS

Debt Ordering	Lowest to Highest Balance
Interest Earned On New Savings	8%

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## Results & Recommendations

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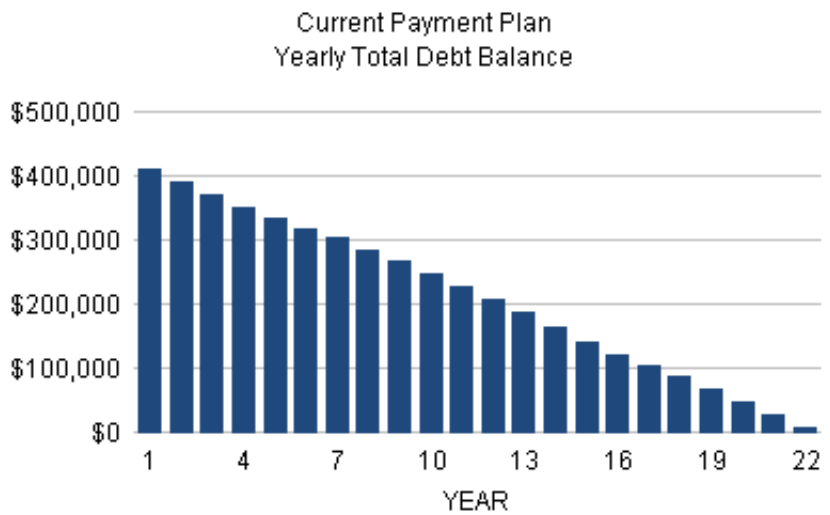
While keeping your total monthly debt payments at \$3,420 you could reduce your total debt payments (principal and interest) from \$648,344 to \$580,775 and be out of debt in 14.3 years instead of your current projected 22.5 years. This represents a reduction of \$67,569 and 8.2 years. Further, once all debts have been paid off, you could invest the same monthly payment amount at a 8.0% interest rate and accumulate a savings account balance of \$425,875 over that same time period.

	CURRENT PAYMENT PLAN	*ROLL-OVER PAYMENT PLAN	DIFFERENCE
Monthly debt payments	\$3,420	\$3,420	\$0
Total debt payments	\$648,344	\$580,775	\$67,569
Years until 'debt-free'	22.5	14.3	8.2
Savings account in 22.5 years	\$0	\$425,875	\$425,875



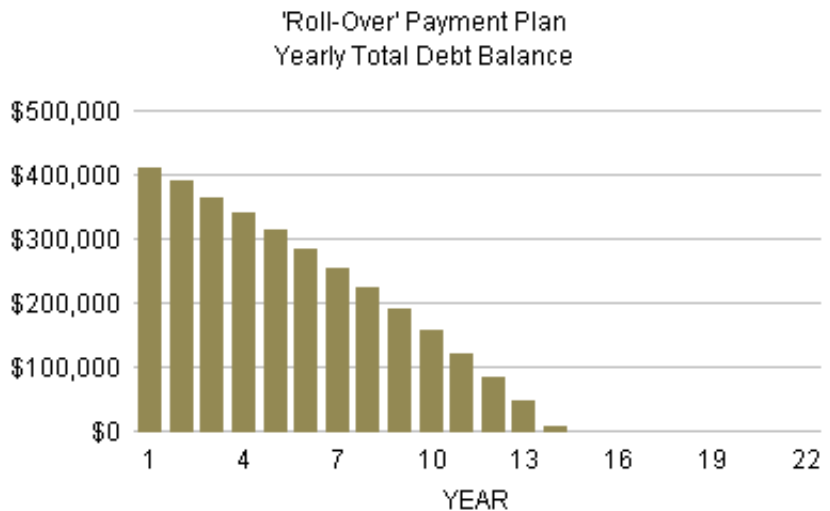
### CURRENT PAYMENT PLAN

This graph shows your projected debt payoff based on your current payment plan. You can see it will take 22.5 years to be debt-free



### \*ROLL-OVER PAYMENT PLAN

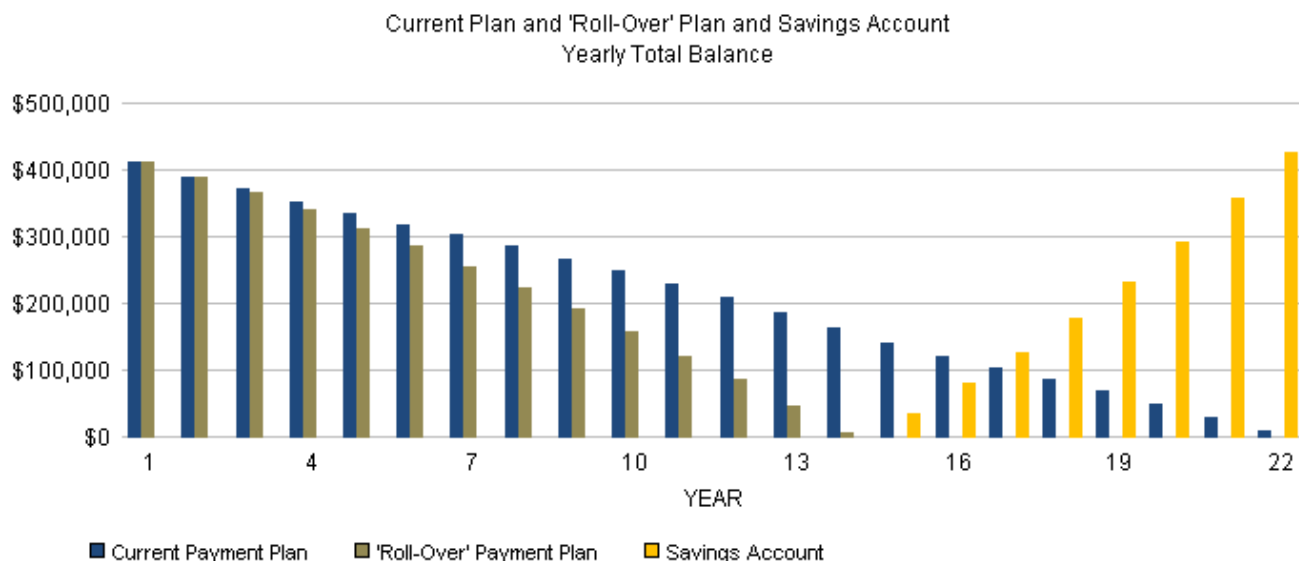
This graph shows your projected debt payoff based on the proposed roll-over payment plan. You can see it will take 14.3 years to be debt-free, 8.2 years sooner and saving you \$67,569 in debt payments.



\* The Roll-Over Payment Plan pays off your debts much sooner than your Current Payment Plan. Your overall monthly debt payment amount remains unchanged. The difference is that when one of your debts gets paid off, you apply (roll-over) the payment amount of that debt toward another debt. This process accelerates the payoff time of your debts. You continue rolling over the payment amounts until all debts are paid off.

### BUILD A SAVINGS ACCOUNT

Paying off your debts sooner is a great goal. Building a healthy savings account at the same time is an even greater goal. One way to do this is to continue paying your total monthly debt payment after you payoff your debts, but rather than pay it to a creditor, pay yourself. The graph below shows how you can build your savings account up to \$425,875, simply by continuing to pay your current monthly debt payment to yourself after you have accelerated the payoff of your debt.



### OTHER CONSIDERATIONS

In addition to the Rollover Payment Plan, there are other options to consider to help accelerate the payment of debt:

1. **Increase income with a second job** – Apply the majority of this income toward debt.
2. **Use a budget** – Plan where to spend your money and stick to the plan.
3. **Pay mortgage bi-weekly** – Save money in interest by paying mortgages bi-weekly.
4. **Seek financial advice** – A financial advisor or credit counselor may suggest other options available to you.

# DEBT ELIMINATION

## Additional Recommendations

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### PAYMENT CALENDAR

You will need both a plan and a lifestyle change in order to be successful at getting out of debt. Getting out of debt requires a mental shift, shifting from the mindset of "buy now, pay later" to "save now, buy later". You must discipline yourself not to add any more debt to your stack, but to pay cash for everything or to simply go without.

Here is your Roll Over Payment Calendar. Each of your debts is listed here in the order in which additional amounts should be added. For brevity, each individual payment is not shown. What is shown are the dates where a payment amount will change. Changes in payment amounts occur when a debt is being paid off in full."

CREDITOR	PAYMENT SCHEDULE	PAYMENT AMOUNT	ENDING BALANCE
<b>CAPITAL ONE</b>			
	February 2015 - December 2016	\$450	\$70
FINAL PAYMENT	January 2017	\$70	\$0
<b>GMAC AUTO</b>			
	February 2015 - December 2016	\$453	\$12,504
	January 2017	\$833	\$11,638
	February 2017 - March 2018	\$903	\$140
FINAL PAYMENT	April 2018	\$140	\$0
<b>WELLS FARGO</b>			
	February 2015 - March 2018	\$725	\$71,337
	April 2018	\$1,488	\$70,101
	May 2018 - June 2022	\$1,628	\$449
FINAL PAYMENT	July 2022	\$449	\$0
<b>US BANK</b>			
	February 2015 - June 2022	\$1,792	\$239,330
	July 2022	\$2,971	\$236,708
	August 2022 - February 2029	\$3,420	\$2,795
FINAL PAYMENT	March 2029	\$2,795	\$0