

# BETTER MONEY HABITS HIGH SCHOOL LESSON: STEPS TO HELP YOU GET OUT OF DEBT

## TEACHING SUPPLEMENT 1.1

### VIDEO TRANSCRIPT FOR STEPS TO HELP YOU GET OUT OF DEBT

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#### **Transcript: Steps to Get Out of Debt**

Steps to help you get out of debt. Most of us have some kind of debt, right? I mean, uh, maybe a car loan, uh, mortgage, even, uh, even school loans. And not all debt is bad, but sometimes you find yourself having more debt than you can handle, and being in that kind of debt stinks. No doubt, plain and simple. 'Cause not only does it mean you owe money you don't have – yikes – uh, it can add a large amount of stress and anxiety to your life, and, and you don't want that. You know, you don't need that. No one needs that.

So, what to do? Well, okay, it might be the easiest thing to hear, I know, but you, you need to make some changes in your life, 'cause it's the only way to climb out of the hole that seems to just get deeper and deeper every month.

**STOP: TELL STUDENTS TO ANSWER QUESTION 1 ON THEIR HANDOUT. AFTER COMPLETING QUESTION 1, TELL STUDENTS THE NEXT SECTION TALKS ABOUT GETTING OUT OF DEBT. RESTART THE VIDEO.**

First off, think about how long it took you to get into the position you're in, and then realize that it'll probably take some time to crawl out. Uh, that will take hard work, perseverance, patience, and motivation. So, what can get you started on the road to being debt-free? Uh, a budget. Now, if you already have one, make sure to, uh, update it to include all your debts and current monthly payments. Uh, if you've never used one, now would be the time to start. If you need some help, you can look online or download a budget worksheet from the "What To Do Now" section when you finish this video.

***(NOTE: You may choose to download this budget sheet at the end of the lesson as an extension or use Lesson 8 in Financial Fitness for Life, Grades 9-12).***

Why create a budget? Well, a good budget will help you see where your spending goes every month. And that means everything from, uh, from mortgage or rents, uh, to credit cards, even to, uh, to auto loans and, uh, electric bills, even those little things that you buy on a daily basis.

Now, it's going to require a little time and effort, but believe me, it'll be worthwhile in the long run, really. Uh, and if you want even more tips on making one, we have a video – yes we do – called "How To Set a Budget and Stick To It" that can help. Once your budget is good to go, you'll have a better handle on what you have coming in, uh, what's going out, and, uh, what you can actually afford every month.

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**STOP: TELL STUDENTS TO ANSWER QUESTION 2 ON THEIR HANDOUT. AFTER COMPLETING QUESTION 2, TELL STUDENTS THE NEXT SECTION FOCUSES ON SECURED AND UNSECURED DEBT. RESTART THE VIDEO.**

From there, you can make a plan. Start by taking a look at the kind of debt you have, and focus on addressing your secured loans. They usually, uh, have fixed payment amounts and are for things like, uh, like your car loan, uh, or mortgage. It's not that they're more important, but if you miss payments on them, you can end up losing whatever is being secured. Then, tackle your unsecured debts, like, um, your credit cards and school loans. Start by listing them out from highest interest rate to lowest, and then continue to pay at least the minimum monthly payment on everything, but where you can, yes, pay more than your minimum, starting with the loans with the highest interest rates first, of course. Uh, and if you're having trouble even making the minimum monthly payments, you can always call your creditors and let them know that you're having troubles.

Now, okay, yes, this may seem intimidating, but there are people on the other end of the phone who can help you come up with a plan, and, and think about, really, it's in their best interest for you to pay your bills, right?

**STOP. TELL STUDENTS TO COMPLETE QUESTION 3. AFTER COMPLETING QUESTION 3, TELL STUDENTS THE NEXT SECTION DISCUSSES DEBT CONSOLIDATION LOANS. RESTART THE VIDEO.**

Another option to consider is a debt consolidation loan. This can help you by rolling all of your unsecured debt into one, but, uh, it's only beneficial if it saves you interest and helps you avoid adding more to your debt. So, this is the part where you get some tough love, yes. Now is the time to stop adding to your debt. There's no magic bullet here. It's the best way to reduce what you owe, and if you want to do this right, you're going to have to make some concessions in your life, which may mean you – you know, you need to stop spending on nonessentials. Um, do, do you buy your lunch everyday? Hmm? Uh, you know, at seven bucks a day, 50 weeks a year, that habit costs a whopping 1,750 bucks a year. Yeah. So why not make the effort brown bag it instead or, or, hey, how about your morning Joe? You make it at home and you can save over 700 bucks a year. Yeah.

**STOP. TELL STUDENTS TO COMPLETE QUESTION 4. AFTER COMPLETING QUESTION 4, TELL STUDENTS THE NEXT SECTION INCLUDES WAYS TO REDUCE SPENDING OR EARN EXTRA MONEY. RESTART THE VIDEO.**

Just think about where you can trim the fat in your budget, and then make changes in your life. Um, take public transportation to work, uh, use coupons when you shop, don't buy the latest and greatest device when what you have just works fine. Another way to stop adding to your debt is to use this rule of thumb, which I love: If you can't afford it, you can't have it. That will help you avoid buying things you'll end up paying for down the road.

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Finally, be creative. Let's face it, some of us live a little larger than we need to, so figure out what you can do without and get some cash for it. Hey, I mean, whether you clean your closet and, and visit a consignment shop, hold a yard sale or sell something online, I mean, there are plenty of ways to make some extra cash. Or, if you have a little time on your hands, why not try to pick up some extra hours at work or get a part time job? And, with the average tax refund around \$3,000 – according to CNBC – think hard before you blow it on a vacation or something you don't really need. What you should be doing with that money instead is using it to pay down your debt. No excuses. Being in debt can make you feel isolated, and probably pretty bummed out, but if there's one thing to remember, it's that you're not alone, and there are people you can turn to for help.

So, if you find yourself in a spot that you can't manage on your own, check with an accredited non-profit consumer credit counseling agency, one that's a member of the National Foundation for Credit Counseling. So, now that you've taken the first step toward getting out of debt, simply acknowledging that you need to take action can help you start down the right path. And if you follow these steps, you'll slowly but surely chisel away at what you owe.

**STOP. TELL STUDENTS TO COMPLETE QUESTION 5. AFTER COMPLETING QUESTION 5, HAVE THEM COMPLETE QUESTION 6 AS A REVIEW OF WHAT THEY LEARNED FROM THE VIDEO. RETURN TO PROCEDURES FOR THIS LESSON.**