

Getting out of



Practical Tips from
Personal Experience

By

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Introduction

Getting out of debt is a topic that is very near and dear to our hearts, but we have to warn you, it's not an easy task. But we know that God HATES debt... it keeps us from being able to serve Him with all that we have. The journey is hard, but the end result is so worth the struggle.

We grew up in with very different values when it came to money. While Joanne had a great example from an early age, Fred experienced the opposite. By the time we got married in San Francisco in 2000, we had accumulated over \$75,000 in debt. It wasn't until we moved to Dallas in 2001 that we got serious about getting out of debt. I think we finally realized that it wasn't our money, it was God's and that we were losing out on many opportunities to bless Him and others because we were slaves to our debt. We started doing the envelope budget, stopped using credit or debit cards, cut out most things we could do without, met with a financial advisor, started a savings account and began putting as much money as we could towards paying down our debt.

The four years that followed were tough, and at times very tough. Even though we felt like giving up on many occasions, we kept going. No one's perfect and we made a few mistakes along the way but we stayed focused and though at the time it felt like an eternity, looking back, it doesn't feel that long anymore.

Towards the end we were even able to buy a house (something that we had only dreamed of) which moved our debt-free date out five months but it was well worth it.

We became debt-free in May 2005 and we hope that our story and our tips bring you encouragement and, if you haven't started yet, kick-start your journey to becoming debt-free.

Make a budget

This is the most important step. There are three parts to the budget: the annual budget where you figure out all your expenses, the monthly budget where you actually make sure you've got everything that needs to be paid on a monthly basis covered and the envelope budget where you take out a certain amount of money every time you get paid and divide it into different categories. If your debt is out of control, the annual budget is not as important from a practical standpoint as the monthly budget and the envelope budget is key component.



Here are the categories that we use for the envelope budget: groceries, gas, entertainment, prescriptions and miscellaneous. When we started out, we didn't give ourselves an allowance but as we made progress, we started doing that as reward (we started at \$10 for each every two weeks and then increased it to \$20).

Make sure that you include every single expense when you make your annual or monthly budgets so there aren't any surprises: tithe, mortgage/rent, envelope budget, savings, electricity, gas, water, phone, car insurance, house/apartment insurance, prescriptions, pet food, vet, house maintenance, car maintenance, Internet, etc.



Love to eat out, but it doesn't fit into your budget? Every time you receive change back from a purchase, put it into a jar. Every two or three months, count your coins and you'll be surprised at how much can accumulate! Roll them, cash them in at a bank and treat yourself to a nice dinner out... guilt free!

This is how the envelope budget works: collect up enough envelopes for each budget category (a coupon holder can work nicely). Take out your pay period allotted cash from the bank and divide into the different categories according to your budget. This amount is your spending money for that pay period – once the money in that category is gone, it's GONE. This method requires a lot of discipline but it works, because you never spend more than you have!



We try not to spend all the money in every category because the leftover money goes into our fun fund. It's not a lot every week but after a year of saving, you can have enough money to pay for a nice getaway or to buy something you couldn't afford before (we use our fun fund for our annual whitewater rafting trip).

Don't forget to keep track of what you spend and to pay bills on time. Late payments can increase your interest rate, even if it's not a credit card bill being paid late.

Cut it out or minimize

When we finally started getting serious about getting out of debt, we realized that there were certain things we could cut out or minimize. The bottom line is that you can rationalize pretty much anything and convince yourself that you either need or deserve something. Be smart and save!

Cable

Even though we were paying over \$40 a month, we were mostly watching local channels. So we cancelled our cable. At first, we missed channels like A&E and Discovery but after a while, we got used to it.



Clipping coupons can be time consuming but they can save you a lot of money. When we buy the Sunday paper, Joanne goes through all the manufacturers' coupons and then puts all the coupons in a plastic, portable coupon holder divided into categories. Look for supermarkets that double and triple manufacturer's coupons.

Phone

We also simplified our phone plan. We took off all the extras, bought a cheap, old fashioned answering machine and bought a calling card for long distance calls.



Watch out for prices! Some supermarkets give you a item for free if the price scanned is incorrect. We average about a free item every other week... You can also compare store brands prices to the name brands because a lot of times you're paying almost double for the exact same thing in pretty packaging.

Internet

We found the cheapest Internet provider. Dial-up is not fun, but you save a lot of money.



AOL usually has promotions for over 1,000 hours free. It also gives you credit for taking surveys up to \$4.50 every two weeks. When we had AOL, we paid \$9.95 but ended up getting \$9 back for surveys. That means we would usually only pay \$.095 a month for our Internet service.

Cell phone

When Fred didn't have a work cell phone for about a year-and-a-half, we went without a cell phone. Again, it's an inconvenience, but it's worth the savings. If you need a cell phone just for emergencies, get a pay-as-you-go phone, add it to your budget and limit the amount you put in it every month.



Coupons can also be a sharing experience. When you go through the coupons, look out for certain items that your friends may need (baby stuff for a pregnant friend, etc.) and keep coupons that you may not necessarily use but that may come in handy to another friend.

Clothes

We don't always need new clothes. Eliminate or minimize buying new clothes but if you have to buy something, check out discount stores – the savings are worth the extra time spent browsing.

Car

We all love that new car smell. The problem is most of us can't afford it but still end up buying one anyway. We bought a brand new 1999 Isuzu Rodeo 4WD when we knew for a fact that we could not afford it (we even did the math!). If you don't have the cash for it, don't buy it.



At the beginning of the week (either Sunday or Monday night), make a large meal that will provide enough leftovers to take to work for lunch for the whole week. This cuts down on spending money on lunch or saves you the time preparing your lunch every morning before you go to work.

Credit cards

Credit cards are useful but only if you're disciplined. We stopped using our credit cards and started putting as much money as we could towards paying them every month. We also called the credit card companies on a regular basis to request a lower interest rate.



Try making a dinner menu every week. One way you can decide what you make is by reading the ads for the grocery store and seeing what's on sale. Then, make a list AND STICK TO IT! We budget \$50 a week for groceries and we usually spend \$30-\$40. We also buy non-perishable items at Costco (toilet paper, detergents, etc).

Dining out

We used to go out to eat all the time. Now, we still go out but we're smart about it. On Tuesdays, we go to a chicken fast food place where we get a free kids meal when we buy a combo. We combine the two and share it. On Wednesdays, we have dinner at our church for \$2 each (can't beat that). On Sundays, we go out to eat after church with friends but stick to inexpensive restaurants.



When you go out to eat, try sharing an entrée and drinking water instead of soda. This not only saves you money but it also helps your diet – some restaurant portions are huge and you can always do without one more soda... If you're not sharing, you can get a to-go container before you start eating so you have some leftovers.

Movies

These days going to a movie can be expensive. Look for dollar theaters in your area or try going to a matinee or early showing for discount prices on movies.



Don't go for those enticing "no money down, no interest and do not pay for (insert number) years" offers. If you don't have the money to buy it, stay away from it. Even though it may sound like a great deal that you can't pass up, it will eventually come back to haunt you once the bill comes in.

Start a savings account

When we first heard of this concept, it didn't make a lot of sense because we were in so much debt. But you never know what tomorrow will bring and it's always a better plan to dig into your savings than to put it on your credit card. Start at \$50 or \$100 per month and watch it grow.

Get professional advice

It's always a good idea to talk to a professional financial advisor to make sure that you're on the right track. Talk to your friends to see if they know of anyone or if they have one they trust.

Make yourself accountable

A good way to stay the course is to let those close to you know what you're doing and asking them to keep you accountable. Give them permission to let you know when you're not sticking to your plan.

Tithe

We strongly believe in giving God what is His. The first ten percent of what Fred makes (Joanne can't work in the U.S.) goes right back to God.

*Bring the whole tithe into the storehouse, that there may be food in my house. **Test me** in this, "says the LORD Almighty, "and see if I will not throw open the floodgates of heaven and pour out so much blessing that you will not have room enough for it.*

Malachi 3:10 NIV

God asks us to test Him and promises to bless us when we do. Now, the blessings may not be monetary, but we can attest to all the wonderful things God has done in our lives, and we know it's because we are faithful with our tithe. Even when we didn't have enough money for food or rent, we would still tithe and somehow it would always work out. But you need to give with a glad heart; God doesn't want your money if you are not giving joyfully.

About the authors



Fred grew up in Lisbon but accumulated most of his debt in Toronto and Vancouver. He met Joanne in Vancouver and by the time they were married in San Francisco in May of 2000, they had a combined debt of over \$75,000. They became debt-free in May of 2005. Fred and Joanne live in Dallas with their dog, Seven.

Go to www.helpmefred.com/money to listen to their money testimony or email money@helpmefred.com with any comments.