

The background of the entire slide is a blue-tinted photograph of a large crowd of people, likely at a conference or event. Overlaid on this image are various white geometric shapes, including triangles, squares, and circles, some of which are semi-transparent. In the top-left corner, there is a yellow diagonal banner.

LESSON

02

“YOUR
income
IS YOUR MOST
POWERFUL
wealth-building
TOOL.”

— DAVE RAMSEY

BABY STEP

KEY POINTS

Baby Step 2 is paying off all debt (except the house) using the debt snowball.

Debt is not a tool used to build wealth, and payments don't have to be a way of life.

It takes gazelle intensity to get out of debt.

BABY STEP



Pay Off All Debt (Except the House) Using the Debt Snowball

You've got \$1,000 in the bank and you're ready for Baby Step 2: paying off all your debt except your house using the debt snowball! Attack the smallest debt first while making minimum payments on the others. Once you pay off the first one, you'll move to the next smallest debt, taking your freed-up money, newfound motivation, and momentum with you—until you pay off the last, largest debt!

LESSON 2 //

BABY STEP 2



GUIDE

Dave Ramsey

BABY STEP 2

Pay off all _____ (except the house) using the debt snowball.

“

**THE RICH RULE OVER THE POOR,
AND THE BORROWER
IS SLAVE TO THE**

lender.

”



PROVERBS 22:7 (NIV)

MYTHS & TRUTHS

MYTH: I need a credit card to rent a car and make purchases online.

TRUTH: You can do both of these things with a _____ card.

MYTH: Car payments are a way of life. You can't live without a car payment.

TRUTH: You can stay away from car payments by paying cash for reliable used cars.

ANSWER KEY

Debt
Debit

LESSON 2 //
MYTHS & TRUTHS



MYTH: I need to take out a credit card to build up my credit score.

TRUTH: The FICO score is an “I love _____” score.

.....

MYTH: I pay my credit card off every month. And I can earn points and airline miles.

TRUTH: When you use a credit card instead of cash, you actually spend _____ because you don’t feel it.

.....

MYTH: A credit card is more secure than a debit card.

TRUTH: Debit cards and credit cards have the _____ amount of protection.

.....

MYTH: My teenager needs a credit card to learn how to be responsible with money.

TRUTH: More students drop out of school because of _____ trouble than from academic failure.

.....

MYTH: Leasing a car is smart. You should always lease things that go down in value. There are tax advantages.

TRUTH: Consumer Reports and a good calculator will tell you that a car _____ is the most expensive way to operate and finance a vehicle.

ANSWER KEY

- Debt
- More
- Same
- Financial
- Lease

LESSON 2 //

MYTHS & TRUTHS

////////////////////////////////////

MYTH: I can get a good deal on a new car.

TRUTH: A new car loses _____ of its value in the first five years.

.....

MYTH: A home equity loan is a good option for consolidation and a great substitute for an emergency fund.

TRUTH: You don't go into debt when you're in the middle of an emergency. You'll make the emergency a _____.

.....

MYTH: Debt consolidation is smart. It saves interest and gets you a smaller payment.

TRUTH: Debt consolidation does nothing to change the _____ that got you into debt. So, many actually end up with more debt.

.....

MYTH: Cosigning a loan is okay if I'm helping a friend or relative.

TRUTH: The bank requires a cosigner because the person isn't likely to _____.

.....

MYTH: You can't go to college without taking out student loans.

TRUTH: _____ of millionaires with a college degree never took out student loans.

ANSWER KEY

60%
Crisis
Behavior
Repay
68%



BIGGEST MYTH OF ALL

MYTH: Debt is a tool and should be used to create prosperity.

TRUTH: Debt is proof that the borrower is _____ to the lender.

“

**GIVE NO SLEEP
TO YOUR EYES, NOR** *slumber*
TO YOUR EYELIDS.

DELIVER YOURSELF
like a gazelle

**FROM THE HAND OF THE HUNTER,
AND LIKE A BIRD FROM THE HAND OF THE FOWLER.**

”

 PROVERBS 6:4-5 (NKJV)

Notes

ANSWER KEY
Slave



HOW TO GET OUT OF DEBT

- Quit borrowing more _____!
- You must _____ money.
- _____ something.
- Take a part-time _____.
- _____ really works.

DEBT SNOWBALL

List your debts smallest to largest. Make minimum payments on all of them and attack the smallest one with a vengeance.

ANSWER KEY

- Money
- Save
- Sell
- Job
- Prayer



IT'S TIME FOR A
PLASECTOMY



Remember, your situation will never change until you do! So, grab the scissors and slash your lifeline to stupid. You're done with debt, and you're never going back, which means you're done with credit cards. That's right. It's time for a plasectomy.

We get it, this step is hard. But debt has taken too much from you already. And it's the biggest thief of your financial future. So get the cards out of your life and start attacking debt with a vengeance! Goodbye, credit cards. Hello, freedom.

Whether you cut them up in your class or at home on your own, **write down the card information first!** Once you pay them off, you'll have to call and cancel the account.



	CREDIT CARD NAME	PLASECTOMY DATE	CANCEL DATE
1			
2			
3			
4			
5			
6			
7			

HOW TO CLOSE OUT YOUR CREDIT CARDS

The plasectomy is a mental and physical sign that you're done with debt—forever. *No more. No way. No how.* But there are **three steps** to breaking up with your credit cards for good!



1 PAY OFF THE BALANCE

Go ahead and cut up the cards. But before you can cancel the accounts, you'll need to pay off the balance. No matter how much you have to pay off, just list the payments in your debt snowball and attack them with gazelle intensity when it's time to pay them off!

2 CALL THE CREDIT CARD COMPANY

Once you pay off the balance, call the credit card company and say, "I'm calling to close my account." Spoiler alert: They're going to say whatever they can think of to keep you from leaving. Don't fall for their gimmicks or counter offers. Just repeat, "I'm calling to close my account." Be firm and remember, you're *done* with debt.

3 GET IT IN WRITING

When you call to cancel your account, keep a record of the conversation details. You'll want written proof from the company that your account is clear and closed. It's also a good idea to check your credit report later in the year to verify that these accounts are actually closed.



LESSON 2 //

BABY STEP 2



DISCUSSION

Whether you're in a class or online, be honest with your answers and remember to encourage one another!



Look over the list of myths and truths Dave covered in the video. Which myths have fooled you in the past? How can you make sure you don't get duped again?



What fears or concerns do you have about living without credit cards?



Proverbs 22:7 says, "... the borrower is slave to the lender" (NIV). What would your life look like if you were totally debt-free? What could you do that you can't afford to do now?



Dave says, "You can wander into debt, but you can't wander out." You'll have to make some tough decisions and sacrifices moving forward. What's one area you can cut back—or cut out—to reach your money goals?



You need serious passion and motivation to get out of debt. What's one thing you can do to kick-start and keep up your gazelle intensity?



**KEEP THE
CONVERSATION
GOING!**

Answer these questions
online in the Financial Peace
community!

financialpeace.com

LESSON 2 //

BABY STEP 2

ACTION STEPS

It's time to live out what you just learned! Complete each of the Action Steps before the next lesson.

☐ CUT UP YOUR CREDIT CARDS

If you didn't do it as part of the Activity, gather the family, grab some scissors, and host a plasectomy party! This should be a celebration because it's the moment you decided to stop the crazy cycle of debt. Just remember that cutting up the cards isn't enough. You also need to call each credit card company and close those life-sucking accounts once and for all.

☐ COMPLETE THE DEBT SNOWBALL

Enter your non-mortgage debts in the Debt Snowball Tool on **financialpeace.com**. The tool will automatically sort your debts from smallest to largest so you can start attacking the smallest debt first. Then set a target date for paying off your last, largest debt! Don't have any debt? Great. You're crushing it. Head to Baby Step 3!

☐ SELL EVERYTHING IN SIGHT

That old VCR? *It's out.* The bicycle you haven't ridden in years? *Gone.* Old books, old clothes, old furniture? *Sell. It. All.* Have a garage sale, post everything online—get whatever money you can to knock out your current Baby Step!

☐ READ *THE DEBT SNOWBALL ON THE NEXT PAGE*

Need a reminder on how the debt snowball really works? We've got you covered! Check out how this method is the fastest way to get rid of every last debt payment.

LESSON 2 //
DEEP DIVE

THE DEBT *Snowball*

What could you do if you didn't owe anyone your paycheck? That means no student loans, no credit card bills, no car payments—no debt. With the **debt snowball**, you'll pay off the smallest debt first and work your way up to the largest. *But wait.* Doesn't it make sense mathematically to pay off the debt with the highest interest rate first? Maybe. But if you'd been paying attention to math, you wouldn't be in debt. It's time to pay attention to your behavior. Enter the debt snowball.

Attack!



1

LIST YOUR DEBTS FROM SMALLEST TO LARGEST.

Don't worry about the interest rates! Seriously—smallest to largest.

2

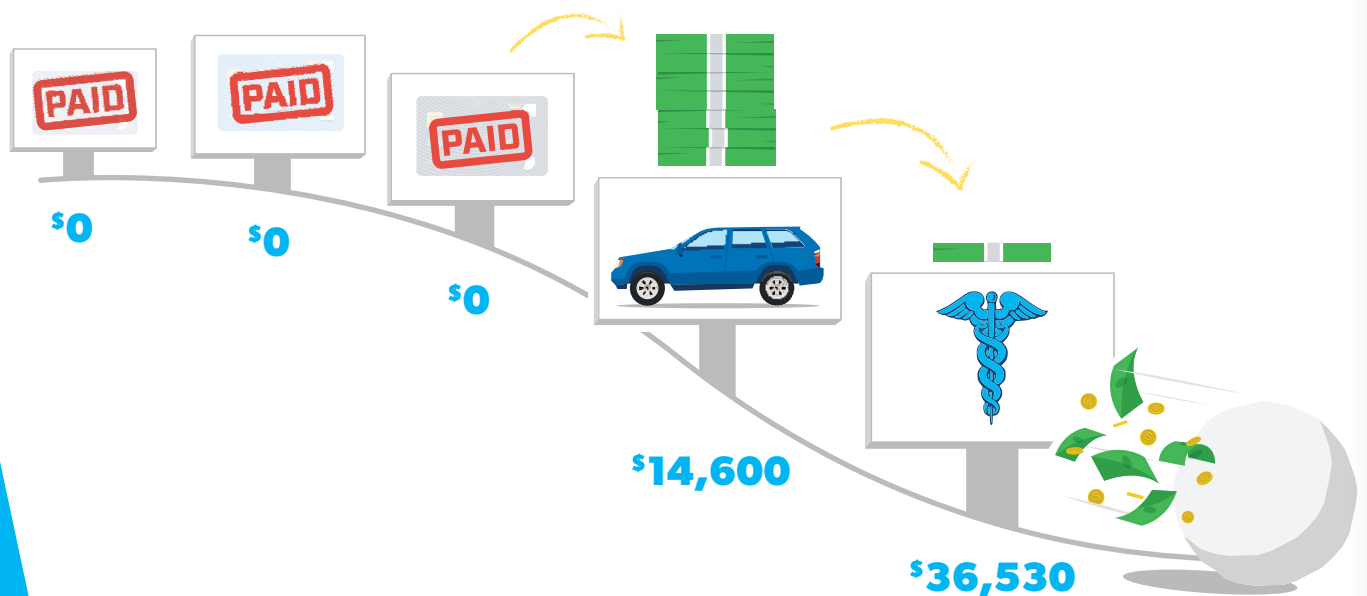
ATTACK SMALLEST DEBT WITH A VENGEANCE!

Make minimum payments on all your other debts while you pay off the smallest debt as fast as you can!

3

REPEAT THIS METHOD AS YOU PLOW YOUR WAY THROUGH DEBT.

Once that debt is gone, take its payment and apply it to the next smallest debt. The more you pay off, the more your freed-up money grows and gets thrown on the next debt—like a snowball rolling downhill.



TRACK YOUR PROGRESS ON [FINANCIALPEACE.COM](https://financialpeace.com).

Use our Debt Snowball Tool to keep up with your attack plan for debt!

BABY STEP

Take the total number from your debt snowball and write it below. Then, once you pay off that very last debt, celebrate and come back to this page to mark the day you became debt-free.

GOAL

\$

DATE COMPLETED

MONTH

DAY

YEAR

You can
WANDER
INTO DEBT
but you
CAN'T
WANDER
OUT.