GUIDE 06 · DEBT & CASH FLOW

The Debt Payoff Method That Actually Works

It's the one you'll stick with. Snowball vs. avalanche honestly compared, why the emergency fund comes first, and a budget that takes ten minutes a month.

First: the emergency fund comes before aggressive payoff

Without a cash buffer, the next surprise expense goes right back on the card and the cycle restarts — that whiplash is where most payoff plans die.

A PRACTICAL SEQUENCE

1) Starter emergency fund: $1,000–$2,000 or one month of essentials. 2) Attack high-interest debt hard. 3) Grow the fund to 3–6 months of essentials. Keep it in a separate high-yield savings account you don't see daily.

Snowball vs. avalanche — the honest comparison

Both start the same: minimums on everything, every extra dollar at one target.

	Snowball	Avalanche
Target	Smallest balance first	Highest interest rate first
Advantage	Fast visible wins keep you motivated	Mathematically optimal — least total interest
Weakness	Can cost more if the biggest balance has the highest rate	May grind a year with nothing 'finished'
Best for	Anyone who's tried and quit; progress-motivated people	Disciplined planners; one towering rate

The honest part: for most real debt profiles the interest difference is smaller than people expect — often a few hundred dollars total. Quitting costs far more than picking the 'wrong' method. Behavioral research finds

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people who start with small wins are more likely to finish. In doubt? Snowball. One brutal rate? Kill it first, then snowball the rest.

A budget you'll keep: 50/30/20

1. **50% — Needs**
   Housing, utilities, groceries, insurance, minimum payments, transportation.

2. **30% — Wants**
   Dining out, streaming, travel. A budget with zero fun is abandoned by March.

3. **20% — Future you**
   Extra debt payments, emergency fund, retirement. While attacking high-interest debt, most of this bucket goes there.

- Automate everything — minimums, extra payment, savings transfer, all on payday.
- Beware consolidation as a shortcut — a lower rate helps only if the freed-up cards don't refill.
- Celebrate milestones cheaply — every account closed is a real win.

Ready to talk it through?

Every situation is different. Book a free, no-pressure call — no cost, no obligation, just clarity.

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