

# Visualizing and Achieving A Debt Free Life

I believe that consumer debt has become so commonplace in our society that we often approach it with a casual acceptance that belies its potentially harmful effects. Debt can take on many forms, including household mortgages, automotive financing, student loans, and revolving debt like credit card balances. While it may seem easy to justify our debt, such as the American dream of home ownership, the importance of getting a college education, or simply the desire to “keep up with the Joneses” by owning the latest material possessions, I don’t believe we have to spend our entire lives with debt.

Like most aspects involving money, debt can be a very emotional thing and I believe good decisions are rarely made when driven by our emotions. Many people misunderstand debt and fail to recognize its far-reaching implications on virtually every area of our lives, including our happiness and feeling of confidence.

The process of eliminating your debt begins with accepting the idea that lifelong debt is not a given. Visualize yourself being completely debt-free and imagine the freedom and empowerment you’d feel without any debt whatsoever. With this as your ultimate goal, you can begin your journey to being completely debt free.

## Five Steps to Achieving and Maintaining a Debt-free Life

**1 Stop Creating More Debt.** The most immediate and effective measure you can take in eliminating your debt is to stop creating more debt. No debt elimination plan will work if you continue to accrue more. This sounds simple, but it may require you to make behavioral changes as well as financial changes. Recognize and resist the financial fallacy of good debt versus bad debt—there is no such thing as good debt. Learn to recognize the difference between your wants and needs and live at or below your means.

**2 Take an Honest Look at your True Financial Self.** Your Financial Advisor can help you take an honest look at your complete financial picture by examining all of your assets and liabilities. For some individuals, this is often the first time they take a true fiscal self-assessment and embrace the reality of their financial status. Once this step is complete, a realistic budget can be established.

**3 Build an Emergency Cash Fund.** An emergency cash fund is a vital component of an effective debt elimination strategy. A good rule of thumb is enough cash reserves to survive three to six months without an income. Having ready access to cash on hand eliminates the need to tap into your investments or accrue more debt by borrowing money or using a credit card to pay for life’s unexpected expenses. High unemployment rates, business closures and other interruptions caused by the COVID-19 pandemic underscore the importance of expecting the unexpected.

**4 Create a Budget.** One of the most common financial fallacies is that having a budget in place takes away or reduces your financial freedom. In reality, the opposite is true. Creating a budget based on your income, financial goals, and debt repayment doesn’t limit yourself—it frees yourself. You’re far less likely to make costly financial mistakes with a budget in place and your money will go further when you have a purpose for every dollar.

**5 Attack your Debt with Maximum Intensity.** Make a worksheet of all your debts by listing each of them from smallest to largest and determine which have the highest interest rates. Pay the smallest debts with the highest interest rates first while making all necessary minimum payments on other debts. Once a debt is paid in full, cross it off your list and redirect your focus to the next debt. Continue this process until you have crossed off every debt on your list. This strategy will help reduce the interest you pay while



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creating a clear picture of your debt elimination journey. Ask your credit card companies about reduced interest options. As you pay your revolving or consumer debts, you can dedicate more money to paying down other debts such as your mortgage, student loan, or medical expenses.

## Begin your Debt Elimination Journey Today

A conversation with a financial advisor can help identify the most impactful strategy to reduce or eliminate your debt based on your entire financial picture. To discuss a long-term investment strategy that can work for you contact Hall Financial Advisors. Chris Hall, Managing Principal, has earned *Financial Times*, *FT Top 400 Advisors in the US*<sup>1</sup> (2019 & 2017).

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