

RECOMMIT TO WEALTH !

START OVER, FINISH RICH

10 Steps to Get You

BACK ON TRACK IN

2010

Author of **7** NEW YORK TIMES Bestsellers

DAVID BACH

Dear Friend,

Welcome to the free download of my new book, *Start Over, Finish Rich!* You have taken the first step in putting your finances—and your dreams—back on track in 2010. As you'll see, this is a very powerful book. It's super short and super simple. You'll be able to read it in a couple of hours. But it's going to change your life and totally motivate you to join in the economic recovery that comes after a recession. The recovery is starting now—and you cannot afford to miss it! This book gives you your action plan for 2010. I'll show you how to:



- Get out of debt
- Fix your credit
- Rebuild your 401(k) plan
- Take SMART risks
- Make your financial recovery automatic
- Rebuild with real estate
- And much more

Whatever you may have lost in the last few years—that's behind you. Life is too short to stay down. So please take this book—take your dreams—and START OVER.

Thank you for reading this, and please know that I am honored and grateful that you spent this time with me. I want to hear about how 2010 works out for you so email me your success story at success@finishrich.com and stay connected in the following ways:

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Now start reading—and take your first steps on the new road to wealth in 2010!

Your friend,

A handwritten signature in black ink that reads "David Bach". The signature is fluid and cursive, with a large loop at the end.

David Bach
January 4, 2010



This book is designed to provide accurate and authoritative information on the subject of personal finances. While all of the stories and anecdotes described in the book are based on true experiences, most of the names are pseudonyms, and some situations have been changed slightly for educational purposes and to protect each individual's privacy. It is sold with the understanding that neither the Author nor the Publisher is engaged in rendering legal, accounting, or other professional services by publishing this book. As each individual situation is unique, questions relevant to personal finances and specific to the individual should be addressed to an appropriate professional to ensure that the situation has been evaluated carefully and appropriately. The Author and Publisher specifically disclaim any liability, loss, or risk which is incurred as a consequence, directly or indirectly, of the use and application of any of the contents of this work.

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DEAL WITH YOUR CREDIT CARD DEBT

If you don't have credit card debt, congratulations! You can move on to Step 4. But if you are like millions of Americans, the past year may have pushed your debt situation from not-great to red alert. As the economy got tight, the credit card companies have increased interest rates, lowered credit ceilings, and canceled accounts in an attempt to shore up their bottom line. Even before the recession made them more creative, their schemes worked so well that American consumers currently owe nearly \$1 trillion in credit card debt—and are paying an additional \$15 billion or so each year in fees they don't deserve.

If you are among the millions of Americans who are drowning in credit card debt (and some experts estimate this group may include as many as 50 million of us), there are two things you should know—you are not alone and you truly can fix this problem. It won't be easy, but you *can* get out of debt. In fact, you can probably do it without any outside help!

This chapter will provide you with a road map to get you back on a solid financial footing once and for all. In the next few pages I will teach you what I call my DOLP® system. DOLP stands for Dead on Last Payment. It's a simple, proven way to prioritize your debts and figure out in literally minutes how to pay them off as quickly and efficiently as possible. I'm also going to share with you how the new credit card laws enacted in 2009 can protect you from the credit card companies that helped you get in this mess in the first place.

ARE YOU IN CREDIT CARD DEBT? HOW DID YOU GET THERE?

According to Federal Reserve statistics, the average family that carries a credit card balance owes nearly \$17,000. That's the average. In my experience as a "money coach" for nearly two decades, I've seen firsthand that when it comes to credit cards, many of us operate way, *way* above the average. On *Oprah's Debt Diet Series* and on the weekly "Money 911" seg-

ments I did on the *Today* show in 2009, I met people who had \$25,000, \$50,000, \$75,000—even more than \$100,000—in credit card debt.

The amazing thing about this is that credit cards don't have arms or legs. They can't jump out of your wallet or your purse and go on a spending spree on their own. So if you are over your head in credit card debt, how exactly did you get there? Be honest. Did you buy things you wanted or things you needed? Did you live beyond your means? Or did you run into a crisis, like having to pay for an expensive medical problem or feeding your family after you lost your job?

Everyone's situation is different. But there is one thing I can tell you that I know is true: Whatever got you into credit card debt is going to keep you there *if you don't change how you spend money*. My grandmother used to say, "If you can't pay cash, you can't afford to buy it." So if you are drowning in debt, my best advice is this: STOP USING YOUR CREDIT CARDS. Once you are in a hole, YOU MUST STOP DIGGING.

IF YOU'RE ABLE TO MAKE THE MINIMUM PAYMENT ON YOUR CREDIT CARD DEBT, HERE'S WHAT YOU SHOULD DO

Okay—you've accepted your share of responsibility for your problem and you've put your credit cards away. Now it's time to start reducing that mountain of

debt you somehow managed to run up. The first big question you need to answer is whether you can afford to make the minimum payments on all your credit card accounts. If the answer is yes, then you can—and should—immediately start using my DOLP® debt-reduction system. If the answer is no, then DOLP won't work for you, but later on in this chapter I'll have some other suggestions that will.

As I said earlier, DOLP stands for Dead on Last Payment—and it is meant to solve a problem that trips up most people who owe credit card debt. Generally speaking, people in real debt trouble owe money on more than one credit card. Often, there can be as many as a half-dozen accounts with balances due. So how do you handle that? Should you pay a little on all of them each month or concentrate on trying to pay off just one? And if so, which one?

Without a coherent plan of attack for paying off your debt, you really don't have a chance. The DOLP system is designed to give you that plan of attack by prioritizing your debts—that is, establishing the order in which you should pay down your various cards.

Are you ready? This will take no more than 10 minutes.

DOLPING YOUR WAY OUT OF DEBT

1. Pull out your credit card statements and get them organized. Make file folders for all your credit

accounts. Ideally, the folders should be red so they will stand out in your file drawer. On the front of each, use a big black marker to write the total amount you owe on that card. The point of all this is to get your debts organized. Having bills lying around your kitchen in a bowl, or in a drawer, or on top of the television, is not a system. So put down this book, go get the files, and start labeling them.

2. Get yourself a DOLP worksheet and fill it out. You'll find a blank worksheet on page 44. You can tear it out, photocopy it, or download and print out a copy for free from www.finishrich.com/dolp. Whether you do it by hand or use the interactive tool on the website, filling out the worksheet is really easy. You simply write in the name of the account, the outstanding balance you owe, the minimum monthly payment, and the payment due date. (For now, don't worry about the DOLP number and the DOLP ranking.)

3. Calculate each account's DOLP number. Give each account its own DOLP number. You calculate it by dividing the outstanding balance by the minimum monthly payment. For example, say you owe \$1,000 on your Visa card and the minimum monthly payment is \$50. Dividing \$1,000 by \$50 gives you a DOLP number of 20. Do this for all of your credit card accounts.

DOLP WORKSHEET

Account	Outstanding Balance	Minimum Monthly Payment	Payment Due Date	DOLP Number (Balance ÷ Min Payment)	DOLP Ranking

4. **Assign a DOLP ranking to each account.** The account with the lowest DOLP number is ranked #1. The account with the second-lowest number is #2. And so on. The table on page 45 gives you an example of how this might look.

5. **Calendar the due dates.** Enter the payment due dates for all your credit accounts in your computer's calendar system. Set your calendar software to remind you of each due date at least five days in advance so you don't make any late payments and add to your misery by getting hit with costly late fees and penalties. And sign up for those email alerts the credit card companies will send you when your bills are coming due.

DOLP WORKSHEET

Account	Outstanding Balance	Minimum Monthly Payment	Payment Due Date	DOLP Number (Balance ÷ Min Payment)	DOLP Ranking
Visa	\$500	\$50	10th of the month	10	1
Master-Card	\$775	\$65	15th of the month	12	2
Sears Card	\$1,150	\$35	1st of the month	39	3

6. Start paying down your debt—the DOLP way. Each month, as the payment due dates approach, make the minimum payment on every account . . . EXCEPT for the one with the #1 DOLP ranking. For that card, make as big a payment as you can manage. Ideally, your payment should be at least double the minimum. (Hopefully, finding your Latte Factor will make it easier to come up with the extra money you will need for this.) Using the examples in the sample worksheet, you would pay \$65 to MasterCard, \$35 to Sears, and at least \$100 to Visa. Once a card has been paid off entirely, you retire it and start paying down the card with the #2 DOLP ranking—in the example above, the MasterCard.

YOU NOW HAVE A SYSTEM TO FREE YOU FROM CREDIT CARD DEBT

The DOLP system works by identifying the card you can pay off most quickly and then having you pay it off first. The point of doing this is to reduce the number of different cards you owe money on as fast as possible.

This is super important, because the more balances you carry, the greater the chance that you will miss a payment or go over a credit limit—and get hit with a huge penalty. The fact is, a card with even a small balance can cost you a fortune. If you miss a payment on an account with a \$500 balance, the late fee could be as much as \$50. If you exceed your credit limit at the same time, the fee could be \$100. This is why credit cards with small balances are as dangerous as big ones.

HOW TO GET YOUR INTEREST RATES LOWERED

You can make your DOLP plan work even faster by lowering the interest rates on your cards. As I write this in the summer of 2009, the average fixed rate for standard cards is 13.46%, but the rate you are being charged is likely much higher than that. Many

of you have credit cards that charge rates approaching 30%.

Unfortunately, the interest rate game is one for which there is no clear road map. It used to be that to get the credit card company to lower your rate, all you had to do was ask. These days, it is a different story entirely. Indeed, some companies have been known to respond to customers' requests for lower rates by jacking them up!

Here's the approach I'd suggest for getting a better interest rate in this era of tight credit.

First, know the rate you are currently paying on each of your cards. You should find a listing for "annual percentage rate" (or APR) at the bottom of your most recent credit card statement.

Second, find out how your rates compare to the national averages. You can get the latest averages at websites like www.bankrate.com, www.lowcards.com, www.cardtrak.com, www.creditcard.com, www.cardweb.com, and www.credit.com.

The credit card companies offer five basic kinds of rates, depending on what kind of borrower they're dealing with: super-prime for the most creditworthy, prime for average borrowers, sub-prime for below-average types, promotional for new customers, and punitive for those who've broken the rules (say, by missing payments or exceeding their credit limits). The following table shows how the rates differ for each category.

FIVE KINDS OF CREDIT CARD RATES

	JULY 09	JANUARY 09	JULY 08
SUPER-PRIME	7.55%	9.00%	9.88%
PRIME	12.05%	13.37%	14.17%
SUB-PRIME	18.99%	19.49%	21.33%
PROMOTIONAL	2.01%	1.68%	2.32%
PUNITIVE	27.75%	28.57%	29.99%

Note: Average rates based on FICO credit scores.
 Super-Prime = 760–850; Prime = 660–759; Sub-Prime = 500–659.
 Source: CardTrak.com

When you compare your rates to the current averages, make sure you are in the right category. A “super-prime” borrower shouldn’t be paying a regular “prime” rate. If you are, call your credit card company and ask why. Remember, unless you make a little fuss, no one is going to help you.

When you call the card company, USE YOUR KNOWLEDGE. Don’t settle for the first person who happens to pick up the phone. Always ask to speak to a supervisor. Once you get one (and you may have to insist, since some credit card companies now train their customer-service people NOT to transfer your call), go over your rate, compare it to the competition’s, and ask whether they would be willing to work with you to give you a better deal.

If the answer is: “Sorry, but there is nothing we

can do,” ask them how is that possible? The fact is, there is *always* something they can do. The card companies lower their rates all the time, every day of the year, every minute of the day. On the Oprah Debt Diet, I worked with one couple who had 12 credit cards, and we were able to get all but one of them to lower their rates to below 5%. In some cases, it took multiple calls, but it paid off in the end.

TRY THE CREDIT CARD COMPANIES’ DEDICATED HELP LINES TO GET YOUR RATE LOWERED

Each of the major credit card companies has a dedicated help line devoted exclusively to assisting customers who are having problems with credit card debt. If calling the company directly does not get you a lower interest rate, the folks on the dedicated help line may be able to do better.

Here are the key phone numbers. (You can also find them on www.helpwithmycredit.org, which I will discuss in a second.)

1. Bank of America: (800) 500-5306
2. Capital One: (866) 929-5303
3. Discover Card: (866) 567-1660
4. FIA Card Services: (888) 635-0776

5. Citi: (866) 936-4814
6. Citi, for your Sears Card®: (866) 532-9532
7. Citi, for The Home Depot® Credit Card: (866) 532-9689
8. Citi, for your Macy's Credit Card: (866) 785-1079
9. Citi, for your retail and gas cards: (866) 683-0924

**IF YOU CAN'T AFFORD TO MAKE
THE MINIMUM PAYMENTS,
HERE'S WHAT YOU SHOULD DO**

The DOLP system works only if you can afford to make the minimum payments on all your cards. If you can't, please don't ignore the situation. That will only make things worse. Instead, reach out to the credit card companies. You'd be surprised how easy it can often be to work things out with them.

Here is what I suggest you do:

First, take advantage of Help With My Credit, a resource for struggling consumers created by a group of major card issuers, including Bank of America, Capital One, Citi, and Discover Card, plus the MasterCard and Visa networks. The service—which is available through both a toll-free number, (866) 941-1030, and a website (www.helpwithmycredit.org)—offers tips on managing your credit cards, communicating with the card companies, and finding an accredited credit counselor.

ASK THE CREDIT CARD COMPANIES ABOUT THEIR “DEBT- MANAGEMENT PLANS”

In an effort to prevent too many consumers from defaulting entirely on their debts, the credit card companies are now offering customers what they call debt-management plans. In a typical DMP, you can get your interest rate slashed (and sometimes eliminated entirely) in return for signing on to a guaranteed repayment program, in which payments are automatically debited from your checking account each month.

I’ve coached people who had their interest rates cut from 29% to zero as a result of signing up for a debt-management plan. On top of that, card companies are often willing to waive the monthly over-the-limit fees for DMP participants who’ve exceeded their credit limits.

The downside to these programs is that once you sign up, the credit card company will usually close your account or at least “freeze” it so you can’t use it anymore. As we’ll see in the next step, this can lower your credit score. Indeed, simply reporting that an account of yours has been placed on a payment or settlement plan can hurt your credit rating.

An explanation of how your credit record may be

affected and whether they will notify the credit bureaus is usually included in the contract the card companies make you sign before they let you begin a DMP. Before you sign, READ THE CONTRACT! It is crucial that you understand just what you're getting into (including what happens if you don't stick with the program).

Some credit card companies won't report your participation in a DMP if you ask them not to. Not paying your cards at all will hurt your score a lot more than being in a DMP plan. So will having your debt "charged off," which is what happens if you stop making payments altogether. Anyway, once your debt is paid down, your credit score will head back up again.

IF THE CREDIT CARD COMPANIES CAN'T HELP YOU, GET COUNSELING

The more work I do with credit-challenged people, the more I am becoming an advocate for consumer credit counseling. The only catch is that you have to find an honest company to work with. If you can—and it's not all that hard—the benefits can be enormous.

A good nonprofit credit-counseling agency will show you how to deal with your spending and create

a payment plan to pay down your debt. They can also help you negotiate a debt-management plan with your creditors. In 2009, the credit card companies reached an agreement to make it easier for nonprofit credit-counseling organizations to help people in “hardship” situations. So ask about the new DMP rules when you call.

To get connected to a reputable nonprofit credit-counseling organization in your area, contact the National Foundation for Credit Counseling by calling toll-free (800) 388-2227 or by visiting their website at www.debtadvice.org.

In addition to the NFCC, you might also contact one of the following organizations for help with credit card debt:

Association of Independent Consumer Credit Counseling Agencies

www.aiccca.org
(866) 703-8787

Money Management International

www.moneymanagement.org
(866) 304-3818

Novadebt

www.novadebt.org
(866) 312-2887



Take Charge America

www.takechargeamerica.org

(877) 822-6060

AN IMPORTANT WARNING ABOUT “NONPROFIT” CREDIT COUNSELING

Not all credit counseling is created equal—and “nonprofit” doesn’t necessarily mean fair or honest. You must investigate whomever you use before you use them. Check with the NFCC as well as the local office of the Better Business Bureau. In addition, ask the agency you’re considering for references. You’ll want to speak to at least five customers they have helped.

Do not use a credit-counseling service that does any of the following:

1. Charges you high up-front or monthly fees to enroll in a debt-management plan
2. Pressures you to make “donations” for their services
3. Tries to enroll you in a DMP without first really looking at your situation, reviewing your bills and budget, or educating you about basic money-management skills
4. Demands that you make payments to a DMP

BEFORE the credit card companies have accepted you into a program

5. Refuses to put in writing what they are promising to do to help you
6. Won't provide referrals of people they have helped

BEWARE OF “DEBT-SETTLEMENT” COMPANIES

As much as I am an advocate of credit counseling, I am leery of “debt-settlement” companies. These outfits offer to negotiate a settlement on your behalf with the credit card companies, often promising that they can “wipe out your debt or cut it in half.” Their standard procedure is to tell you that if you stop paying the credit card companies and pay them instead, they will then be able to negotiate a settlement for you. In fact, there is no way to guarantee that your credit card company will accept a settlement from one of these companies.

Be very careful—it’s amazing how many people I have seen ripped off by debt-settlement companies. One couple I did a “makeover show” with made payments to a debt-settlement outfit for a year—only to find they never paid off any of their credit card debt. It almost pushed them into bankruptcy.

TAKE ADVANTAGE OF THE NEW CREDIT CARD ACT OF 2009 (IN EFFECT FEBRUARY 2010)

Now for some good news. As I mentioned earlier, as a result of new legislation enacted in 2009, the credit card industry has a new set of rules it must live by. Of course, you have to know your rights in order to be able to take advantage of them. So here is what you need to know about this new law.

It's called the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (or Credit CARD Act, for short). Although it was passed and signed into law in May 2009, it wasn't meant to take effect until February 2010. Under it, pretty much all the confusing and contradictory practices that were deliberately designed to get consumers to run up bigger balances are now prohibited. **Among other things, the act bans:**

1. Arbitrary “any time, any reason” rate increases on existing balances
2. Double-cycle billing (under which interest charges are based not on your current balance but on your average daily balance for the past two billing cycles—which means you could be charged interest on balances you paid off on time)
3. Universal default (a provision in credit card

agreements that gives the card company the right to jack up your interest rate if you are more than 30 days late paying any bill you owed to anyone—even a telephone or utility bill that has nothing to do with your credit card)

4. Late-fee traps such as weekend deadlines, due dates that change each month, and deadlines that fall in the middle of the day

At the same time, the new law requires banks to play fair with cardholders, which includes:

1. Applying partial payments to the highest interest balance first
2. Obtaining your permission before processing any transaction that would put you over your credit limit
3. Giving you a 45-day notice of any interest rate increases (which should be enough time to get yourself a new card with a better rate)
4. Giving you a reasonable amount of time to pay your monthly bills (at least 21 calendar days from time of mailing)
5. Writing credit card contracts and billing statements in clear, understandable English (including spelling out how long it will take you to pay off a balance if you make only minimum payments)

6. Clearly identifying temporary promotional rates as such—and keeping them in effect for at least six months

These new rules are great, but they won't enforce themselves. If you find a credit card company playing the old games with you, you need to get in the driver's seat and call them to account. Don't be shy about threatening to report them for violating the new law, if that's what you think they've done. As my grandmother used to tell me, you only get back what you ask for.

WHAT SHOULD I DO IF MY CREDIT CARD DEBT HAS ALREADY BEEN “CHARGED OFF”?

At some point, if you've gotten really behind on your credit card payments, the credit card company may throw up its hands and “charge off your debt”—meaning they write off the debt as a loss and sell it to a collection agency. If this has happened to you, here is what you need to do.

First, get copies of your credit reports (see page 68 for details on how to do this for free) and check if the debt shows up as having been “charged off.” If it does, the damage is basically done. The charge-off will stay on your report for up to ten years, depending on the state, and it will bring down your credit

score. But here's the good news: It also means that whoever is now calling you and harassing you to pay them is a collection agency that has bought your debt from the credit card company and is simply trying to make money on their investment.

TIME BARRED DEBTS— READ THIS BEFORE YOU SETTLE!

If you have fallen behind on payments on your debt, and you are now being harassed by a “debt collection agency” you may have rights you don't realize. The rules vary from state to state, but in most states there is a statute of limitations on your “time barred” debt—usually between three to ten years (in some cases longer). First, I want you to go to the government website, www.ftc.gov, and in the search box enter “time-barred debts.” You may find that your debt has already cleared the date from which you can be sued by a creditor or debt collector. Also if you settle now, you may restart the time this negative mark appears on your credit record!

According to the FTC website most debts that have been delinquent more than seven years cannot appear on your credit report. Also there are laws to protect you from being harassed by creditors and debt collectors. Google Fair Debt Collection Practice (FDCPA) to know your rights.

Finally, if you think you are being unfairly ha-

passed based on your rights, call the FTC toll-free hotline at 1-877-FTC-HELP. There is a wealth of information at www.ftc.gov. Do not settle anything, even if it's for pennies on the dollar, until you know your rights.

EXCELLENT—NOW LET'S LOOK AT YOUR CREDIT SCORE

You are taking action on your debt and doing great! Now it's time to consider your credit score. Let's go look at what you can do quickly not only to protect your score, but also to push it back up if it has dropped in the last year or two.

TO DO IN 2010 ✓

- If you are drowning in debt, STOP USING YOUR CREDIT CARDS!
- Pay the minimum on every card except one (use the DOLP system described on page 42 to decide which one). Pay as much as you can on that one card until it is paid off. Repeat with the next card.
- Use the chart on page 48 to determine what kind of interest rate you should be getting on your credit cards, from Super-Prime to Punitive. Find out how your cards' rates compare to the

national averages. Armed with this knowledge, contact the credit card companies and ask for the lower interest rate you deserve.

- If you can't afford to make your minimum payments, ask your credit card companies about their debt-management plan—and if they can't (or won't) help you, get credit counseling from a reputable nonprofit agency recommended by the National Foundation for Credit Counseling.
- If your debt has been sold to a collection agency, prioritize this debt last and, when you are ready, negotiate to pay a fraction of the debt.