List your debts smallest to largest by amount owed. Don't worry about interest rates. It doesn’t matter if one debt has a 2% rate and another one has a 22% rate. List the debts smallest to largest.

Pay minimum payments on all of the debts except the smallest one, and attack that with a vengeance. Once it's gone, take the money you were putting toward that debt, plus any extra money you find, and attack the next debt on the list. Once it's gone, take that combined payment and go to the next debt. Knock them out one by one.

**Here's an example.** Let's say you have the following debts:

* $500 medical bill (payment of $50 a month)
* $2,500 credit card debt ($63 payment)
* $7,000 car loan ($135 payment)
* $10,000 student loan ($96 payment)

In the debt snowball, you would list the debts in that order (remember, ignore the interest rates). Start by making the minimum payments on everything but the medical bill. For this example, let's say you find an extra $500 each month to go toward that debt by getting an extra job, slashing your lifestyle to nothing and going crazy. That's very doable.

Since you are paying $550 a month on the medical bill (the $50 payment plus the $500 extra), that medical bill won't even last a month. Now, take that $550 and attack the credit card debt. When that happens, you'll be paying $613 on the plastic (the freed up $550 plus the $63 minimum card payment). In about four months, wave bye-bye to the credit card. You've paid it off!

Now you’re at the car debt. Pay the care note to the tune of $748 a month (the freed up $613 plus the $135 monthly payment). In 10 months, it will drive off into the sunset. Now you're on fire!

Once you've gotten to the student loan, you will be putting $844 a month on it. It will only last about 12 months. Because of hard work and sacrifice, you have paid off $20,000 in debt in only 27 months using the debt snowball! Congratulations!

The point of the debt snowball is behaviour modification. In the above example, if you start paying on the student loan first because it's the largest debt, you won't see it leave for a while. You'll see numbers going down on a page, but that's it. But when you ditch the small debt first, you will see progress. That one debt is out of your life forever. Soon the second debt will follow, and then the next. When you see that the plan is working, you'll stick to it. By sticking to it, you'll eventually succeed in becoming debt-free!

By the time you are paying on the bigger debts, you have so much more cash freed up from paying off the earlier debts that it creates a "debt snowball" effect. You are putting hundreds of dollars a month on your bills instead of a few bucks here and there. It is a huge momentum switch in your direction that changes your behaviour and helps you to get out of debt and stay that way.

| Name of Debt | Interest Rate % | Balance Owing | Minimum Monthly Payment | Snowball Extra Amount | Total Combined Payment |
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