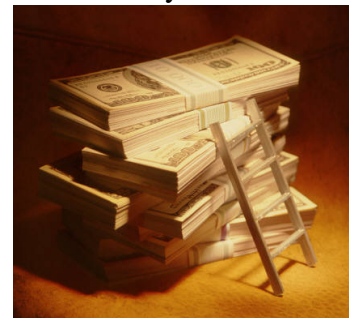


The Eight Steps in the Ladder of L.I.F.E. (Living In Financial Excellence)

There is a sound process for eliminating debt and building wealth. We call it the Ladder of L.I.F.E. No goal worth achieving can be reached in one step. Rather, the best way to reach the highest goal is one step at a time. The Ladder consists of the following eight steps:

1. The foundational rung of the Ladder of L.I.F.E. and the most important step is to **Establish a sound, balanced budget and get current on all bills.** You can't get ahead if you can't figure out the difference between wants and needs. A budget is a planning tool that lets you be proactive with your money. But you've got to be willing to stick to the budget and spend according to your plan. You also can't gain financial traction if you are behind on payments. Late fees, interest and eventually law suits will bleed you to financial death. Hand in hand with this step comes the decision to stop borrowing money. Period. You can't climb out of a hole by digging deeper. Make the commitment to change your life and stop borrowing money.
2. **Get \$1,000 in the bank for emergencies.** Do whatever it takes to gain traction. It starts with a good spending plan (budget) but often requires selling things or getting a second job. It takes intense effort to stop a moving train. But you absolutely have to get some money set aside for when life happens to you. If you don't, every time you get going on reducing your debts you will get hit with an emergency and wind up back where you started. Having money in the bank for emergencies reduces the stress and emotional load when you do have the emergency. When the car breaks down, you simply fix the car. No more borrowing or using credit cards to get by.
3. **Pay off all debts beginning with the smallest balance.** Make minimum payments on all but the smallest debt. Throw everything you can at the smallest balance until it's gone. Then throw everything you can at the next smallest debt. Once you get the wheels turning in the right direction you will gain momentum. Once momentum takes over, it gets easier to maintain the direction and speed of the vehicle. Logic may tell you to pay off the account with the highest interest rate first, but you gain much more traction, confidence and momentum by knocking off debts as quickly as possible.
4. **Fully fund your emergency fund.** A good, fully funded emergency fund is three to six months of expenses set aside for emergencies. The purpose is to self-insure yourself for when life happens. If you lose your job and you have six months of expenses in the bank, you are able to make do for six months while you hunt for a new job. When the roof leaks, you fix the roof. When the water heater breaks, you replace the water heater. It's that simple.



5. **Fund your retirement.** Invest 15% of your income into good mutual funds for retirement. If your company offers a retirement plan with a match, such as a 401(k), invest up to the match. Next, fully fund a Roth IRA up to the contribution limit. After that, if you haven't reached the 15% of your income, invest the rest in traditional IRAs or put it back into the 401(k).
6. **Develop an education plan.** Once you are debt free except the house and funding your retirement, you are ready to invest and save for college and continuing education. Education Savings Accounts (ESAs) and 529 Accounts are the best two (in order) vehicles to invest for long term college savings. You also should start planning early for scholarship opportunities, which can play a big role in reducing college costs.
7. **Pay off the house early.** Everything you can throw at the mortgage after completing all the other steps will get you to complete debt freedom sooner than you realize. Similar to the debt snowball, paying extra on the mortgage gains more and more momentum as you go.
8. **Build wealth like it's going out of style!** When you are completely debt free you have unlimited power to build wealth. There are only three things you can do with tons of money. Save it, spend it, or give it away. I prefer giving it away, and I firmly believe that is one of the primary reasons for building wealth. Defining your own true purpose for money helps you determine what to do with your wealth. One thing is for sure. If you climb the Ladder of L.I.F.E. you will reach a new level of financial wealth. If you incorporate generous giving into the Ladder you will reach a new level of spiritual wealth you have never experienced before.

This process works, and it works extremely well when followed with intensity. There's nothing revolutionary or magical about this process. It's easy to say but hard to do. But if you apply these steps to your financial life, you will begin to change inside. Take one step at a time, exercise patience and contentment, and commit to finishing the journey. You'll be at the top of the ladder in no time!