

Sahireny:

[Speaking in Spanish "Hey Everyone"], Sahireny here. And welcome to PNC's Financial Academy Spotlight Series. In today's video, we're going to be talking about debt and the strategies that you can use to take back control of your finances. Now, trust me, you are not alone. Whether you have student loans, credit cards, auto loans, et cetera, millions of Americans are struggling with debt. And my family was fortunate enough to be able to pay off \$99,000 of debt within five years. And I'm going to share with you guys the exact same strategies that we used to pay off all of that debt. So before we start, let's jump into my journey. When it comes to personal finances, a lot of people believe this is something that should be taught at home. Well, I was learning about personal finances while I was losing my home during the oil recession.

See, my dad was in real estate. So his industry was getting hit the hardest, without a doubt. My parents sat us down and they let us know that they couldn't maintain the home nor the car payment anymore. And this was a lot to take in. I still remember how terrified I was every time I would borrow my dad's car to go back and forth to work. Oh, my gosh. Every time I would clock out, I would jet to the parking lot running, just to make sure that the car was still there. I was so scared for the car to get repossessed on my watch. And it's crazy thinking back on it because I was living under such constant fear. And that fear didn't go away until it happened, until that fear became a reality. It literally felt like a regular Tuesday. I was just waiting for my mom to pick me up from class. But instead, my neighbor picked me up. And she informed me that it happened.

The sheriffs came and they kicked us out. And I could still remember my mom telling me the story in tears of how she got kicked out in her pajamas and that they told her that if she went back into the house, she would get arrested. So naturally, that night, I felt like a criminal breaking into my own home. I had nothing. Everything that I owned was in that house. And it was devastating because I didn't have my work clothes, I didn't have my books for school, clothes to change. And it was very overwhelming for me. And right before I left, I remember taking one last look at my living room with tears in my eyes and I realized, "I can't do this anymore. I can't live like this anymore." And I decided I need to turn my fear into power. And that week, I literally changed my college career path. I changed my values and even my priorities.

[Speaking in Spanish "Listen to me."] When I first started college, I initially picked a career in pharmacy, which I was not interested in and I was picking for all of the wrong reasons. But what I really wanted was a career that I was passionate about, and that would help me learn how to take care of myself financially. So luckily, when I transferred to my university, they started a new program in financial planning. Oh, my goodness, the signs were clear as day. I felt like I was finally going to learn the tools that I needed to take control of my finances and turn my fear into power. You guys, I was pumped. That is until I graduated college and got into the financial planning space that I started to learn that I couldn't file bankruptcy. And don't get me wrong, this makes total sense. How are you going to help other people with their finances if you're struggling with your finances? It makes sense.

I think it's just the notion that if I did hit hard times and did have to file bankruptcy, I would end up unemployed and still having to deal with student loan debt. How does that even work? And again, I knew that I didn't have a lot of student loan debt, but my fiance did. I saw him making the payments, but I didn't really know how much he actually had. So I had to bring up this financial topic regardless if I wanted to or not. He knew my past and how hard I was working to get my degree. So what we didn't want to do is start the marriage off on the wrong foot. So we decided on something a little bit crazy. We actually decided to pay off our student loans before our wedding date. And this was really hard because we were also trying to cash for our wedding, so that we wouldn't get into any more debt.

Now, I know this sounds crazy. It sounds crazy saying it out loud. But it didn't feel like that to us because we knew our why. We knew why we were in debt, why we were trying to get out of debt, and what we were willing to sacrifice in order to get out of debt before we walk down the aisle. And for me, that just showed how understanding my husband was going to be and how communication is so vital when it comes to relationships and personal finances. There are some prerequisites before starting your debt-free journey that I am no exception to, starting with [Spanish language 00:04:46], the budget. Because let's be real, it's very difficult to figure out how much money you can really push towards debt if you don't know where your money is really going. I go over this topic in a lot more detail in the budgeting video of this series. So if you haven't checked it out, definitely do.

Second, we need a starter emergency fund. And if you live in the big city, \$1,000 is just not enough. So instead, we actually saved about one month of our mandatory bills in a high-yield savings account. Once we had this foundation, we had our budget, our starter emergency fund, at this point, it was time, time to pick the strategy we're going to use to pay off all of our debt. To start, you want to put all of your debts on the table. And the best way to do this is to simply get a pen and paper and start listing out your debts. How much you owe, minimum payments, interest rates, and due dates. And to be honest, I was really humbled. I did not know how much debt we actually had. It really started stacking up on me, especially when you're starting to add everything up. And you start realizing that you have to list out your debt this way before you start picking a plan of how you're going to handle everything.

You want to be very clear on what you're concerned about, what you're prioritizing, and how much does debt is actually costing you. And for us, the student loans, it was evident. We really were concerned about this. And it wasn't just on a financial standpoint, it was also on a mental standpoint as well. One of the main reasons you want to organize your debts like this before you pick a debt-free strategy is because you want to be very crystal clear on what you're concerned about, what you're prioritizing, and how much your debt is actually costing you. And for us, it was very evident. It was our student loans. And we were very concerned about that, not just on a financial standpoint, but also on a mental standpoint as well. Now, when you're doing your research online of how to pay off debt, you're going to come across two different strategies: the snowball method and the avalanche method. So let's jump into both of those right now.

So let's start with the snowball method, which is honestly the most popular of the two methods, where you start by organizing your debt from smallest balance to largest balance while ignoring interest rates altogether. Once you've organized your debt this way, the next thing you want to do is you want to pay the minimum payments on all of your debts, except for the smallest one. Here's where the magic happens. Any extra money that you have, you want to throw it at the smallest debt until you've paid it off in full. And then all you do is you rinse and repeat this until you've paid off all of your debt. Now, the benefit of using the snowball method is that realistically, it motivates you by seeing the quick wins along the journey.

Now, the avalanche method technically makes the most mathematical sense, where you're focusing on the debt that's charging you the most interest. So you're going to organize your debt from the highest interest rate debt to the lowest interest rate debt while making the minimum payments on the rest of your debts, except that high interest rate debt. What you're going to do instead is exactly like you did with the snowball method. You are going to throw every penny that you have towards demolishing that debt. And once you finish paying off that debt, you are just going to rinse and repeat. Now, this is a great strategy, but it can be very difficult to accomplish if your highest interest rate debt is also your largest debt. [Speaking in Spanish "This may be difficult."]

During our journey, we decided to use the snowball method to pay off our student loans first. But since we were trying to cash for our wedding at the exact same time, we realized that our income

can only go so far. So I decided to get certified at work, so I can get a raise. And my husband picked up freelancing on the side. This allowed us to increase our income and accomplish these goals faster. Once we successfully paid off our student loans and got married, we quickly found ourselves transitioning to having a lot more responsibilities. We were going to become parents. So we decided to postpone our debt-free journey and build up our emergency fund. And good thing we did because life really gave us a run for our money. [Speaking in Spanish “What a shame.”]

It took us almost an entire year to jump back into our debt-free journey. And from beginning to end, it took us five years to complete all of this. But we learned so many lessons along the way with the most important one being it's okay to modify, pivot, and even postpone your debt-free journey. There are going to be good times and bad times. And the most important thing is that you want to make sure you are not quitting because this journey is for you to conquer. And as someone who has went through it, the satisfaction of taking control of your finances, that's powerful. [Spanish language 00:09:11]. On that note, I'm going to let you guys go. I hope you enjoyed my debt-free journey of paying off over \$99,000 of debt within five years. And I hope that you guys are also able to put some action behind the tips that I share because knowledge is nothing without putting some action behind it. [Speaking in Spanish “You already know.”] Until next time.