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From: Dave Ramsey [email@e.daveramsey.com]
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To: dsamples@amplifyadvisors.com
Subject: Why Debt Consolidation Is A Con

Dave Ramsey's*

Counselor Training

Training for **Counselors with the Heart of a Teacher.**

Why Debt Consolidation Is A Con



Have you ever had a client express interest in debt consolidation? Maybe they think it's a magic cure-all that will make their problems disappear.

The problem with debt consolidation is that it only treats the symptom, not the problem.

Consolidating makes you feel like you've done something about the debt problem. But the reality is that the debt—and the habits that caused it—are still there. It's simply been moved!

Most people who consolidate credit cards end up allowing the debt to grow back. Why? They haven't made a plan to either pay cash or not buy more stuff. They also haven't saved for unexpected events—which brings more debt.

So why does debt consolidation seem appealing?

Most people like debt consolidation because they get a lower interest rate and payment. But, in most cases, the lower rate exists not because the rate is actually lower but because the term is extended. If you stay in debt longer, you get a lower payment. But you also pay the lender more, which is why they make money off a debt consolidation business.

Here's an example of why it doesn't work: Let's say you have \$30,000 in unsecured debt, including a two-year loan for \$10,000 at 12% and a four-year loan for \$20,000 at 10%. Your monthly payment is \$471 on the \$10,000 loan and \$507 on the \$20,000 loan, for a total payment of \$978 per month.

The debt consolidation company tells you they have been able to lower your payment to \$541 per month and your interest rate to 9%

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With personal, on-site teaching from Dave Ramsey's lead financial counselor, Russ Carroll, and the rest of Dave's team in Brentwood, Tennessee, you'll be equipped with the

by negotiating with your creditors and rolling the loans together into one. Who wouldn't want to pay \$437 less per month in payments?

But they don't tell you that it will now take you six years to pay off the loan. This may not sound that bad to you at first, unless you realize how much more you will actually pay in additional payments. You will now pay \$38,952 to pay off the new loan versus \$34,640 for the original loans, even with the lower interest rate of 9%. This means you paid \$4,312 more for the "lower payment."

As a counselor, you know the best way to get out of debt. Help your clients see that debt consolidation doesn't work because it doesn't address the real problem: behavior. Help them get on a game plan and stick to it, to get an extra job and live on less than they make. Don't let them get conned by debt consolidation.



For more details on Counselor Training, please [contact Chad Nikazy](#)

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