

Eliminating Debt

CASE STUDY

ALLODIUM®
INVESTMENT CONSULTANTS

Challenge

Mark and Molly, a married couple in their late forties, knew they were heading in the wrong direction. They made over \$1 million per year from their combined salaries, but they were spending almost 50% more than their income per year. They had two children enrolled in expensive colleges and two younger children still in private high schools. They also owned a large house with two mortgages, a summer cabin on the lake, three new cars, and a boat. In addition, they had to make several monthly payments for various high interest rate credit cards and loans that further drained their income. To maintain their lifestyles, they were borrowing even more money and increasing their debt at a rapid pace. Mark and Molly owed more than they owned when they realized they needed help from a professional financial advisor. A friend suggested that they find a fee-only NAPFA-registered financial advisor. They found Allodium online and made an appointment.



Recommendation

Allodium met with Mark and Molly several times and helped them to identify their values and priorities while creating a comprehensive financial plan to eliminate their debt and to save for their future. Allodium suggested a debt reduction plan and helped them to create a monthly budget to prioritize their spending. In addition, Allodium recommended eliminating all credit card use for three years.

Result

Mark and Molly agreed to implement Allodium's recommendations. They struggled with staying on the plan at first, but Allodium helped them through the adjustment period with monthly meetings to offer support. Mark and Molly followed Allodium's advice and were able to stick to their plan. They refinanced their home loans and aggressively paid down multiple credit card loans by applying the payment from the first loan that was paid off toward the next loan, and then the two payments combined toward the third loan, and so on until all credit cards were paid off. They were also both able to contribute the maximum to their 401(k) plans and open an additional IRA during the debt reduction process. In a few years, they eliminated all debt other than their mortgage and car loan, and they grew their net worth to over \$1 million. The monthly meetings were gradually reduced to two meetings per year as Mark and Molly were able to apply the financial principles they learned from Allodium. They grew comfortable with living within their means and knew what to do to prepare for retirement. Mark and Molly now have peace of mind as they approach the future.

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