

FINANCIAL FACT-FINDER: TOOLS TO FIX YOUR CREDIT

A Money Habit Action Guide to Crushing Debt and Boosting Your Score

Mike Michalowicz teaches that you can't fix what you won't face. These tools walk you through the essential steps of getting clear on your debt and using behavioral principles to achieve an elite credit score.

Tool 1: Get the Facts (Your Credit Reports)

Your first mission is to remove the “cognitive distortion” that magnifies your financial problems. Don’t guess what you owe; know it!

Action: Pull and Analyze Your Reports

- **Source:** All U.S. residents are entitled to one free credit report every year from each of the three major credit bureaus: Equifax, Experian, and TransUnion.
- **Method:** Visit [AnnualCreditReport.com](https://www.annualcreditreport.com) (the only official, federally authorized site) or use the tools at [mymoneyhabit.com](https://www.mymoneyhabit.com).
- **Review:** Look for any debt that is over and above your mortgage for your primary residence.
- **The “Awful” Moment:** Note what percentage of your income goes toward debt/fixes —this clarity is the “gateway of awareness” that leads to control.

Category to Log	Purpose
Balance	The exact amount you owe.
Interest Rate	The Annual Percentage Rate (APR)
Minimum Payment	The lowest monthly required payment.
Consequence	What is the personal cost of default (e.g., ruined friendship, repossession, high interest)?

Tool 2: Implement the Debt Freeze (Stop Digging)

Before you can pay down debt, you must halt the growth of your debt burden and fix your debt *habit*. This is your commitment device to counteract the “status quo bias”.

Step A: Cut the Bleed

- **Slash Expenses:** Stop the bleed fast by cutting back on anything you don't need to survive. It's easier to strip everything out at once and then let a few joys seep back in.
- **Stop Borrowing:** Commit to **not** adding new debt. Debt and you are “never, ever, ever getting back together”.

Step B: Use Commitment Devices

The biggest reason people stay in the red is the temptation to borrow more. Remove it!

Commitment Device	Action	Book Principle
Lower Credit Limits	Call your credit card company and ask them to lower your credit limit. This instills discipline and sets a lower ceiling for future spending.	Guarding Against Parkinson's Law
Hibernate the Card	Request a temporary deactivation of the card. This stops new purchases but preserves your credit history.	Remove Temptation
Request a Lower APR	While you have them on the line, ask for a reduction in your interest rate. Tell them you value their service but are considering a switch to a lower rate. Be persistent.	Negotiation is Power

Tool 3: Pay It Off Strategically (Snowball & Avalanche)

Use emotional wins first (Snowball), then shift to financial logic (Avalanche).

Phase 1: The Debt Snowball (Build Momentum)

This method gives you a “dopamine rush” with quick, satisfying wins.

1. **Prioritize:** List all non-asset-based debts from **smallest balance to largest**.
2. **Attack:** Pay the **minimum payment** on all debts except the smallest one. Throw every extra dollar at that smallest balance.
3. **Roll:** Once the smallest debt is paid off, take the money you were paying toward it and add it to the minimum payment of the next smallest debt.

Phase 2: The Debt Avalanche (Optimize Finances)

After gaining momentum, switch to the smartest strategy to minimize money lost to interest.

1. **Prioritize:** List remaining debts from **highest interest rate to lowest**, factoring in personal consequence (like a loan owed to a friend).
2. **Attack:** Pay the **minimum payment** on all debts except the highest-priority one. Throw every extra dollar at that debt to “crush the costly stuff”.
3. **Negotiate Collections:** If a bill is in collections, call and assertively negotiate a reduced lump-sum payment (e.g., \$150 for a \$300 bill). Be poised, polite, and persistent.

Tool 4: Invest in Future You

Once liability debt is gone, rename your **FIX** account to **FUTURE**. Start investing in the one vehicle with the fastest returns: **yourself**.

Investment	Action	Book Principle
Financial Future	Set up automatic allocations to invest in stock index funds using a dollar-cost average system (fixed amount at regular intervals).	Compounding (The power of small amounts over time)
Skill-Building	Use your FUTURE account funds for courses, certifications, or seminars that increase your mind and abilities, thus expanding your wallet.	Be Your Future Self Now

The ultimate win is to become so financially secure that you never have to worry about money again.