

# How the Debt Snowball Method Works

Do you remember building snowballs in the backyard as a kid?

You probably learned that the fastest way to get traction was to pack some snow into a tight ball and start rolling it through the yard. As it gained momentum and speed, the snowball grew into something more like a snow *boulder*.

It's a good technique for building snowballs, and it's an even better method for paying off your non-mortgage debt.

We call it the [debt snowball](#). It starts when you're on [Baby Step 2](#)—meaning you're current on all your bills and [have a \\$1,000 starter emergency fund](#) saved up—**and it's probably the most life-changing thing you'll experience in your total money makeover**. It's a *big deal*!

In this article:

- How does the debt snowball method work?
- Why does the debt snowball work?
- How quickly can you be debt-free?

## How Does the Debt Snowball Method Work?

The debt snowball method is a [debt reduction strategy](#) where you pay off debt in order of smallest to largest, gaining momentum as you knock out each balance. When the smallest debt is paid in full, you roll the money you were paying on that debt into the next smallest balance.

It looks something like this:

**Step 1:** List your debts from smallest to largest regardless of interest rate.

**Step 2:** Make minimum payments on all your debts except the smallest.

**Step 3:** Pay as much as possible on your smallest debt.

**Step 4:** Repeat until each debt is paid in full.

# THE DEBT SNOWBALL

Worried about how to pay off your debt?  
**HERE'S HOW TO GET STARTED**



**GATHER ALL DEBT**  
except for your mortgage



**MAKE A LIST**  
and order your debts from smallest to largest

Don't worry about renting the house!

- 1 Medical
- 2 Credit
- 3 Car
- 4 Student

Continue making **MINIMUM PAYMENTS** on all debts but the smallest



**FIND EXTRA MONEY**  
anywhere you can



**GET GAZELLE INTENSE**

Put all that extra cash toward the smallest debt



When the smallest debt is gone,  
**ROLL THAT PAYMENT OVER TO THE NEXT**



**REPEAT UNTIL YOU ARE**



Learn more about the 7 Baby Steps at [www.daveramsey.com/baby-steps](http://www.daveramsey.com/baby-steps)

## An Example of the Debt Snowball

Say you have four debts:

1. \$500 medical bill—\$50 payment
2. \$2,500 credit card debt—\$63 payment
3. \$7,000 car loan—\$135 payment
4. \$10,000 student loan—\$96 payment

Using the [debt snowball method](#), you would make minimum payments on everything except the medical bill. But let's say you have an extra \$500 each month because you took a side job and cut your expenses down to the bare minimum. **You are gazelle intense.**

Since you're paying \$550 a month on the medical bill (the \$50 payment plus the extra \$500), that debt will be gone in one month. Then, you can take the freed-up \$550 and attack the credit card debt, paying a total of \$613 (\$550 plus the \$63 minimum payment). In about four months, you'll wave goodbye to that credit card. You've paid it off!

Now, punch that car loan in the face to the tune of \$748 a month. In 10 months, it'll drive off into the sunset. Now you're on fire!

By the time you reach the student loan—which is your biggest debt—you can put \$844 a month toward it. That means it will only last about 12 months. After that, Sallie Mae better get used to living somewhere else, because you've kicked her out!

**Thanks to your hard work and sacrifice, you have paid off \$20,000 of debt in only 27 months using the debt snowball method! You're a rock star!**

Everything about money is learning to control your behavior.

### Why Does the Debt Snowball Method Work?

The [debt snowball works](#) because it's all about **behavior modification**, not math. When it all boils down, *hope* has more to do with this equation than *math* ever will.

If you start paying on the student loan first because it's the largest debt, you won't get rid of it for a while. You'll see numbers going down on the balance, but pretty soon you'll lose steam and stop paying extra. Why? Because it's taking forever to get a win! And you'll still have all your other small, annoying debts hanging around too.

When you do something with consistency over time, you will see results!

But when you ditch the smallest debt first, you see progress—quickly! You have hope! That debt is out of your life forever. The second debt will soon follow and then the next. When you [see the plan working](#), you're more likely to feel like you can stick it out. And when you keep at it, you'll succeed in becoming debt-free!

By the time you're paying on the bigger debts, you have so much cash freed up from paying off the earlier ones that it creates a debt snowball. Suddenly, you're putting hundreds of dollars a month toward your debts instead of slowly chipping away at them with minimum payments. You build momentum, and that changes your behavior and helps you get out of debt for good.

It's like Dave says: **"The problem with your money is not your math. It's the person in the mirror."** That's right. Winning with money is 80% behavior and only 20% head knowledge. If you can get that person to change their habits, there's no stopping you!

The decisions you make today will affect tomorrow. So make smart ones.

## Chart Your Progress With the Debt Snowball Payoff Calculator

To keep up your energy and motivation, sometimes you just need to see how quickly you could become debt-free. That's why we've created a quick, five-question self-guided payoff calculator. [Check it out here](#) and take the first step to becoming debt-free!

**Are you ready to dig in and get to work on your debt snowball?** Learn how to pay off debt, make wise spending choices, save for the future, and more with a [free trial of Ramsey+](#)