

Say No To Debt

Maximizing your personal cash flow will set you on the path to financial freedom. But that path will be filled with many challenges and obstacles that may cause you to stumble or stray. Saying no to debt will keep you on the path.

Debt: Easy Money, Easy Credit

The problem with easy credit is that there are always banking institutions willing to give you more money than you have the ability to repay. If you need to borrow a thousand dollars for an unexpected need because you have not set aside dollars for that purpose, the lending institutions will try to give you several thousand more than you actually need. While at first blush that may give you great pride and confidence, thinking that someone really believes in you, in reality, the only way a bank makes money is to lend it out.

“You should only incur debt when it makes good economic sense. The expense of borrowing should be less than the economic benefit that you will receive”

If you receive three or four thousand dollars and you only needed one thousand, rest assured, you will find a way to spend the extra. It will disappear before you know where it went. The less you borrow, the less you pay back and the more you have available to give to

missions and the needs of others. Credit should always be the exception and not the rule.

One of the problems with obtaining credit is that you are presuming that nothing is going to change for the worse in the future. You are assuming you and your spouse will have adequate income for repayment, that your jobs are secure and that your income stream will be the same or more in later years.

There is a danger in making assumptions. It could be that your intended source of repayment changes. Jobs are lost; the value of stocks and bonds can decline or even disappear; assets may not appreciate as quickly as anticipated or may even lose their value.

Now listen, you who say, “Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money.” Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead, you ought to say, “If it is the Lord’s will, we

will live and do this or that.”
James 4:13-15 NIV

Debt: Nothing More Than Bondage

A person who is deep in debt feels like they are in bondage. They are so burdened down with the heavy load of debt, it is like becoming a servant to your creditors. You work all day for days on end just to meet your payment obligations to your debtors. You gladly volunteer for all the overtime you can get and work a part-time job in the evenings or on weekends, all for the purpose of getting a larger paycheck so you can turn it over to someone else. Well, all of this is not breaking news. You knew about it long before you borrowed the money. You read about it in Scripture.

The rich rule over the poor, and the borrower is servant to the lender.
Proverbs 22:7 NIV

Debt: Dangerous Credit Abuse

Americans are literally trillions of dollars in debt. That is the danger of credit, which is simply the ability to borrow money. In short, it is the spending of money today that will be tomorrow's income. Most economists would say that credit is an important part of the ability of individuals, families, cities and ultimately nations to function in a financial world. Credit consists of unpaid balances on auto loans, credit cards, student loans and generally any non-mortgage debt.

One of the real dangers of excessive borrowing is that it creates high monthly payments, which often strain even well-planned budgets. The pace of borrowing often exceeds the family's growth in income and leads to a form of credit-debt bondage. The interest expense of credit debt is often very high. Banks and other lending institutions often will loan to people with a higher credit risk, but do so at the expense of the borrower.

This is a huge profit opportunity for the company. Often those that do not qualify for the terms of a regular loan still get money, but at an interest rate several points higher than normal. Of course, most individuals, families and businesses will quickly agree to this because, in reality, they need the money at any cost.

People that have high monthly credit payments often sacrifice their other financial goals just to make their payments. This is a very serious offense. By not investing in a house,

savings account or other forms of investment, they seriously put their future retirement in question.

Excessive debt cannot be ignored. It will not go away. You can ignore past-due bills, but you do so at the risk of finding yourself in even worse circumstances. A chain of events is triggered when you do not pay your bills. Creditors can take action against you, the past-due bills can be turned over to a debt collector, your property can be repossessed and your wages garnished.

While debt bondage is the result of unwise decisions and excess credit purchases, there is no easy way out. The reason why people find themselves in this position is because they spend more than they earn and the only way out is to spend less and pay the difference on their debt balance. The only way out of this dangerous situation is to get control of your spending and put yourself on a budget, which we defined earlier as a written plan that provides oversight and guidance to your spending habits.