

Ask the Budget Guy

Submitted by Allen Gunter

The Noose Is Tightening... Is Your Neck In It??

Good grief, Budget Guy...what a grim title! Why so dramatic?

Because I'm deadly serious about this month's topic.

Okay, I'll bite. What's got you so concerned?

Too many people are carrying too much debt, and I'm afraid it's all going to come crashing down.

You sound like Chicken Little – "The sky is falling, the sky is falling!"

Yeah, I suppose I do sound a little melodramatic. But consider this:

⇒ As a nation, we are carrying **more than \$10 TRILLION** in debt! That's **not** the national debt – that's strictly **consumer debt** like credit cards, car notes and mortgages. And it's **25% more** than the national debt which is "only" \$8 trillion.

⇒ **70%** of our economy depends on consumer spending!

⇒ The personal savings rate, which used to be around **8%**, has been steadily declining and actually went **negative** last September.

How do you maintain, let alone grow, an economy that depends on spending by a bunch of people who are in hock up to their eyeballs, have little or no savings, and are spending more than they're making?

Well, yeah, I guess those are some pretty scary numbers. But credit cards, mortgages, car loans – they've all been around for a long time. And so far, so good.

Hmmm...energy bubble, savings and loan scandal, tech bubble...yeah, I know..."It's different this time." Look, just because your car is still running even though your gas gauge is approaching empty and you got by the last gas station okay doesn't mean it's smart to drive past the next one.

The truth is that a major portion of our economy now depends upon you being in debt as much as possible for as long as possible. Borrow against your house or your 401(k)? No problem! Need credit? Take a look at our great 0% balance transfer offer!! Need a little extra cash for a

vacation? Just borrow against the equity in your home!! But what happens when the well runs dry?

⇒ There have been **more than 1 million bankruptcies** in each of the past 8 years, and the number of filings has **doubled** in the last 10 years.

⇒ **One out of every 73** households enters bankruptcy.

⇒ The fastest growing group of bankruptcy filers is people over age 55, which also happens to be the fastest growing segment of our population. The biggest culprit? Medical bills.

And there's more. Credit card interest rates are starting to move up. Home foreclosures are setting new records, increasingly due to defaults on *home equity loans*. Be late on

your phone bill and the interest rate on your VISA could increase. And the beat goes on...

Okay...I'm convinced. But what can I do other than be depressed? I certainly can't change the country's credit habits!

No, but there are two ways you can protect yourself from some of the worst that could happen:

* First, start working your way out of debt. Credit cards first, then car loans and finally even your mortgage. And when you get there, stay there!

* Second, start a savings plan and stick with it.

Look at it this way. If you have no debt and some money in the bank, you'll be in the best possible shape to weather whatever comes along. And if nothing bad happens? Just think how cool that would be – no debt and money in the bank!

Want some help getting out of debt or starting a savings plan? Try one of these:

- Crown Financial Ministries small study group classes (Margaret Fetty, 288-9034)
- Finding Financial Peace (Sundays at 9:45am in the church library)
- Personal budget counseling (free and confidential; Allen Gunter, 292-4035 or BudgetGuy@SHPC.org)

The borrower is servant to the lender.
--Proverbs 22:7

You were bought at a price; do not become slaves of men.
--1 Corinthians 7:23

Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellow man has fulfilled the law.
--Romans 13:8