

Got Debt? Try Milk!

Got some debt you'd like to get rid of? Maybe some credit card debt that just doesn't seem to go away? Maybe it's even getting a little bigger and bigger each month?

Well, I tell you what you do. First, get yourself some ice cold milk. Not cool, not just kind of cold, ice cold. Pour exactly 8.413 ounces into a glass. No more, no less. You can add a little chocolate or strawberry syrup if you like, but no more than .892 teaspoons.

Now sit back and relax, slowly sipping that milk, savoring the wonderful flavor as it cools its way down your throat.

What's that you say? How is drinking milk, syrup or no syrup, going to help you get out of debt? Well, maybe it will help you relax a little bit and get realistic about how you're finally going to deal with your debt. Particularly if you find yourself thinking about trying one of those debt reduction programs being so heavily advertised these days.

You know the ones I mean. Maybe it's a program that claims to have access to "secret programs that the credit card companies don't want you to know about" to reduce what you owe. Or maybe it's one that claims you have the power to "settle your debt for a fraction of what you owe—eliminating 40, 50, as much as 60%." Whoa! You got da power! You da man!! How cool is that?!

Before you get all excited and call one of those companies, though, take another long swig of that milk, clear your mind and read my lips. There *ain't no secret programs!* And while

it's possible to get credit card companies to forgive some of your old debt, there are some serious side affects which don't get seem to get mentioned in the ads.

Have you noticed that many of these ads want you to have "at least \$10,000 in credit card debt" to qualify for their program? That's because they want you to have enough debt to get the attention of the credit card companies. And guess what the first thing is that they will have you do? Stop *all* payments on that debt for several months! This is to get the credit card companies concerned that they won't collect any part of what they are owed. (Have fun watching your debt jump way up during those months!)

Once they think they've got your creditors softened up, the debt reduction company approaches them with a deal. You agree to pay \$X of what you owe in exchange for the creditors writing off the balance. There's some back and forth, and finally an agreement is reached. A bunch of your debt is forgiven (never mind what you had to pay the company doing all of these good things for you), and you're in fat city. You think.

But guess what the creditors do then? First, they report the amount forgiven to the credit bureaus. Good-bye credit score! Forget about buying a house or car for a few years. Who's going to give credit to someone who's already stiffed at least one creditor? (Actually, someone might...but you won't like the interest rate you'll get!)

You've Got Too Much Credit Card Debt If...

(A couple of these is all it takes!)

You only make minimum payments.

You're trying to pay it off, but keep on using your credit cards anyway.

You're sometimes late paying other bills.

You're near or over your limit.

You don't know how much debt you really have.

You don't have any savings.

You take cash advances on your cards.

You bounce checks or get hit with overdraft fees.

You lie about your spending and/or debt.

Then the creditors will report the amount forgiven to the IRS. That's right...under current tax law, it's considered taxable income. So you'll have to pay income taxes on it. Yes, the taxes will be less than the amount of debt you would otherwise have had to pay, but it does reduce the "savings" you thought you were getting.

And all of *that* is assuming that the company is A legit. Some of them aren't. You end up with more debt than ever, and an even bigger hole in your pocket from the fees you paid.

N ow, I'm not trying to say you should never use one of these companies. But if you do, be sure you understand all of the consequences and take extreme care in choosing the company to work with. One more thing. You also have to decide whether or not walking away from debt is consistent with your Christian beliefs. But that, of course, is between you and God.

S o what's the bottom line? As much as you S might love for your debt to just disappear, there's no magic wand to wave and make it go away. Despite what the ads might have you believe. But there *is* a way to get rid of your debt. It's tried and true and works every time. It *improves* your credit score rather than hurting it, and there are no messy tax consequences. So pour yourself another glass of milk, sit back and relax while I tell you about it.

T he first thing you need to do is to stop using T your credit cards. After all, you can't get out of debt if you keep adding to it. So put your cards in a plastic container, fill it with water, close it up and stick it in your freezer. That way you won't be tempted to use them for any impulse or day-to-day purchases. But if a true emergency comes along, you can still get to them. (And no, a Starbucks craving is *not* a true emergency!)

N ow start reducing your spending and using N the savings to pay down your debt. Wait, what's that you say? You're already having trou-

ble making ends meet? There's absolutely no way you can reduce your spending any further?

I'll bet you're wrong. In fact, I'm willing to put I my money where my mouth is. (Yuck! Soggy money!!) Try this. Make a note of everything you spend for a month. I'm betting that you will find at least one area where you're spending more than you thought you were. There will also be a surprising amount of spending you won't be able to account for—the money will be gone, but you'll have no idea where it went.

A nd that will begin to tell you where you can A find the money to pay off your credit cards. If you try this and find I'm wrong, let me know and I will give \$100 to the Endowment Fund. But if I'm right, quit stalling and get serious about paying off your credit card debt. Like it says in Proverbs 22:7, "The borrower is servant to the lender." Quit being a servant!

F or more details on reducing and quickly pay- F ing down debt, check out my past articles on Getting Out of Debt on the SHPC website: shpc.org/finance/budget_guy/bg_archive.php

W hat have you got to lose? Do you think your W debt's going to go away by itself? That your next raise or bonus is going to make everything okay? Quit kidding yourself—it's killing your future!

S o get busy and get it done. You can do it! And S any time you find yourself feeling like giving up, just pour yourself another glass of ice cold milk, sit back, close your eyes and drink to whatever success you've had so far. And don't forget, you're not paying interest on that milk!

I'm here to help you improve your financial life. It's free and confidential. Just call the Budget Guy, Allen Gunter, at 301-1246, or send an email to BudgetGuy@shpc.org.

For a wonderful look at what the Bible says about money, check out the Crown Financial Ministries Small Study Groups. Contact Chris Gordon (484-1905; cgordon1@austin.rr.com) or Roger Wade (301-4921; rcwactuary@austin.rr.com) for more information.

Be there! Sunday May 4th 6 p.m.! Please join us for dinner on Sunday, May 4 at 6 p.m. as we recognize our SHPC high school graduates of '08. In addition to the graduates' families, **it is important for our church family to be there as well to celebrate this important milestone.** Dinner will be catered by the Olive Garden. Sign up at the table in the narthex, or by email at shpcstudentministry@mac.com. Dinner is \$7.00, kids 10 and under are \$3.50.

