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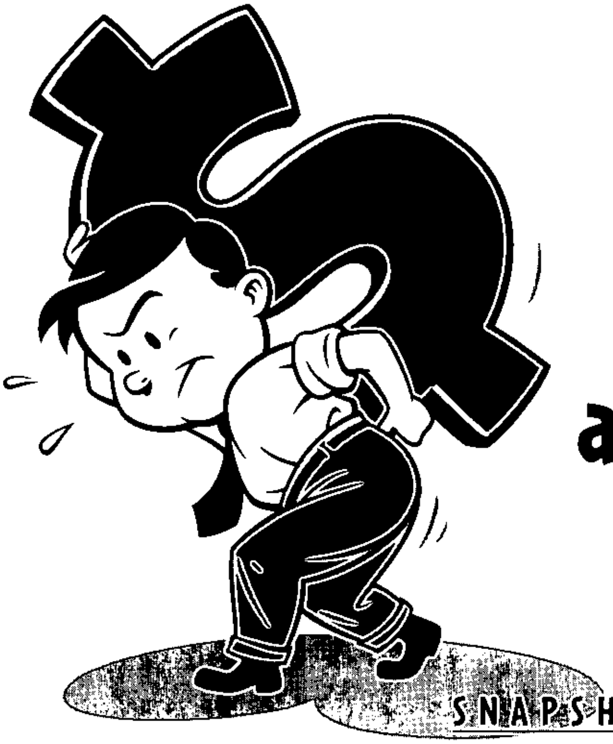
Appendix

CHAPTER 1



Forgive Us Our Debts... and the Interest Too, Please

SNAPSHOT

The knot in Ed's stomach tightened as he looked at the pile of papers on the table. *This can't be right,* he thought. *Maybe the mailman delivered our neighbors' bills by mistake. There's no way we owe this much.*

But the bills and statements in front of him, the ones that were all addressed to "Edward Pfaff," told a different story:

- $1,275 to Community Hospital for Becky's C-section and Michael's neonatal care
- $6,510 to VISA (payment past due)
- $3,280 to Discover Card
- $7,512 to Ford Credit ($419 monthly payment past due)
- $840 to Workout World ($40 monthly payment past due)

And that doesn't even include the mortgage and what we

SNEAK PREVIEW

1. You can get out of debt, but it will involve some tough choices and hard work.
2. You need a financial counselor you can trust because some popular financial advice isn't very wise.
3. The first step in getting out of debt is to stop borrowing.

owe Becky's dad, Ed reminded himself.

He glanced down at his paycheck stub and then at the figure on his calculator. *We can't even make minimum payments this month,* he realized. *And we just paid for new brakes on the Honda, so that means next month is going to be even worse!*

Ed shook his head and sighed. "Becky," he called out, "we need to talk. I think we may be in trouble."

* * * * * * * * * * * * * * * *

Telltale Signs of Debt

Do you have a bill or a loan payment that's past due?

Do you carry a balance on your credit card?

Do you ever get nervous about your financial situation and wonder how you'll ever be able to pay what you owe?

Do you ever try to disguise your voice when you answer the phone, just in case it's a collection agent calling?

Have your ever considered panhandling as a second career?

Do you have a bumper sticker on your car that reads, "I owe, I owe, so off to work I go"?

If you answered yes to any of these questions, chances are you're struggling with debt.

PENNY FOR YOUR THOUGHTS

Interest works night and day,
in fair weather and in foul.
It gnaws at a man's substance
with invisible teeth.

—HENRY WARD BEECHER

In ancient times, that might have meant a stretch in prison for you—or at least a future as a servant to your creditor. In those days, people didn't fool around when it came to money. One way or another, debtors paid what they owed.

Creditors today prefer a different method of imprisonment. What they'll do is offer you credit opportunity after credit opportunity until they've got your financial future locked up tight. It's not quite as dramatic as life behind bars, but it's just as effective. Anyone who's ever fallen into the easy credit trap can tell you that being surrounded by walls of debt *does* feel like a prison.

> **PENNY FOR YOUR THOUGHTS**
>
> Some people use half their ingenuity to get into debt, and the other half to avoid paying it.
>
> —George D. Prentice

The good news is that there's a way out of your financial Alcatraz. The bad news is that getting out won't be easy. There are a few truths you need to accept right from the start.

1. You're not going to win the lottery.
2. A computer virus is not going to permanently wipe out all records of your debt.
3. Your creditors aren't going to let you off the hook because they think you've suffered enough.
4. Ignoring the problem will not make it go away.

If you're counting on a near miracle to rescue you from debt, we're going to ask you to hop on the first bus out of the Land of Make Believe and join us here in the real world—where it really is possible to escape debt, but only with a lot of hard work, tough choices, and personal sacrifice.

The Usual Suspects

Most debt is caused by three common financial mistakes, any of which can put you between a rock and a hard place faster than you can say, "What do you mean I've exceeded my credit limit!" Let's look at these three blunders to see why they're so dangerous—and so easy to make.

Mistake #1: Making the wrong long-term commitments

No, I'm not talking about marrying someone with expensive tastes (though that certainly could be a financial drain). I'm talking about buying big-ticket items that most people consider necessities, things like houses and cars. The long-term commitment to these purchases is in the payments. Today it's not unusual for car loans to be stretched out over seven years or more. And, believe it or not, it's now possible to get a *70-year* mortgage.

Seventy years—run that figure through your brain a couple of times. Let's say you bought your dream house when you were in your early 30s. With a 70-year mortgage, your kids, your grandkids, your great-grandkids, and your great-great-grandkids could all watch you write out your monthly payment. When you retired at age 65, you would still *owe* more on the house than you'd paid. You could even live to see Willard Scott IV wish you a happy 100th birthday on the *Today* show and still be survived by your payment book!

Fortunately, a 70-year mortgage is still the rare exception and not the rule. Even if you choose not to finance a house for seven decades, though, you'll find that most lenders will be happy to give you more than enough financial rope to hang yourself, if you're not careful.

The average mortgage today runs closer to 25 or 30 years, and even though that's considerably less than 70 years, it's still a hefty chunk of calendar. That's why buying a house is not a decision to take lightly. If you make a mistake in choosing a home, you'll feel the financial effects of it for years, even decades, to come.

That House Is Too Much

The most common mistake new homeowners—young married couples, in particular—make is buying too much house too soon. They look for a home based on what they want, not on what they can afford.

As long as we're spending all this money, they reason, *we should get something we really like.* And that's how the trouble starts.

From there, the preferences get more specific—and expensive.

- "A two-car garage would be a lot more practical and convenient than a one-car garage."
- "We're going to need a big backyard for when we have kids."
- "Wouldn't it be great to have a whirlpool tub in the master bathroom?"

Penny For Your Thoughts

There are but two ways of paying debt: increase of industry in raising income, increase of thrift in laying out.

—Thomas Carlyle

- "Cathedral ceilings look so much better than regular ceilings."
- "The closer we are to the golf course, the better our resale value will be."

And like an idling taxi, the meter keeps running and running. Ten thousand dollars here. Five thousand there. When all of these extras (or, if you prefer real-estate jargon, *amenities*) are tallied, the final price usually bears little resemblance to the numbers the home-buying couple discussed when they first started talking about how much they could afford to spend.

PENNY FOR YOUR THOUGHTS

It is hard to pay for bread that has been eaten.

—DUTCH PROVERB

Talking yourself into paying for these extras is surprisingly easy to do, even without a realtor breathing down your neck. All you have to do is look at your future very, very optimistically. The reasoning goes something like this: "Right now, the monthly payments for this house are almost more than we can afford. But with raises and bonuses, our salaries are bound to get bigger and bigger each year, so in a few years we should be able to make the payments with no problem at all. And although we may struggle in the meantime, at least we'll be in the house we want."

Avoiding Mistakes That Grow with Time

It's not hard to spot the danger in this logic. First, if most of your income is going toward mortgage payments, how will you be able to afford things like a car, furniture, clothes, or even groceries? It's easy to underestimate these expenses when you're trying to shoehorn a big ole house payment into a little ole budget. Second, if you really have the ability to see that clearly into the future, why weren't you able to keep yourself out of debt? The fact is, regardless of how rosy your income potential seems right now, there's no guarantee that your future financial situation will be any better than your current one. Your salary may increase over time, but so will your cost of living.

If you're thinking of buying a house, there are two things you can do to reduce your chances of making a long-term mistake.

1. *Don't apply for a mortgage until you can afford to make a 20 percent down payment.* If your dream house is selling for $210,000, don't start packing until you have at least $42,000 to put down. If you can't afford that kind of down payment, you can't afford that kind of house. You may want to consider buying a smaller home or one in a less-expensive area.
2. *Make sure that your monthly housing costs take up no more than 38 percent of your Net Spendable Income (your income after tithes and taxes have been taken out).* I'm not just talking about mortgage payments here. Monthly housing costs include mortgage payments, plus all utility bills, home insurance payments, and maintenance costs (everything from new carpeting to cleaning supplies). Together these expenses should gobble up no more than 38 percent of your post-tithe take-home pay.

Cars and Credit Don't Mix

Car payments, on the other hand, should take no more than 0 percent of your Net Spending Income. You read that right: 0 percent. Zero. Zip. Nada. Goose egg. Null set.

If you'd like to acquaint yourself with the ins and outs of new car investments, here's an exercise you can try.

> **CRUNCHING NUMBERS**
>
> Monthly housing expenses (mortgage payments, utility bills, homeowner's insurance, maintenance costs) should equal no more than 38 percent of Net Spending Income (take-home pay minus tithe).

1. Withdraw $20,000 from your bank account.
2. Flush $4,000 of it down the toilet.

Purchasing a new car is like buying $20,000 worth of stock and finding out the next day that your investment is suddenly worth only $16,000. Most new cars lose about 20 percent of their value the day they're driven off the lot. And no matter how carefully you drive home, there's nothing you can do about it!

If you finance the car, the problem is even worse. Buying a new car on credit—that is, making monthly payments on it for years at a time—ranks right up there with buying lottery tickets or site-unseen real estate offers as one of the worst investments you can make. When you finance a car, you put yourself in the position of paying a premium—sometimes for as long as seven years—for an investment that gets less and less valuable every day.

Of course, that's not something you'll worry about the first few months you own your new car. Writing a check for, say, $419 each month will seem like a mere pittance for the pleasure of owning such a sleek, shiny driving machine.

A year or so later, though, after the inevitable scratches and dings have taken their toll on the exterior and countless spilled sodas and muddy footprints have sullied the interior, $419 a month is going to start to seem a little pricey for such a *plain* car.

CRUNCHING NUMBERS

New cars lose approximately 20 percent of their value as soon as they are driven off the lot.

A few years after that, when the transmission is slipping, the timing belt is whining, and the brakes are squeaking, $419 a month is going to seem like an outrageous price to pay for "that hunk of junk in the driveway."

By that time, though, you probably will have decided to trade in that old car, even though you're not through paying for it, for a shiny new one. Like a lot of other people, you'll be putting yourself in the position of paying for two cars, one of which you don't even own anymore! Financial experts have a term for this type of arrangement: not smart.

Affordable Vehicles

Here are two helpful rules of thumb to keep in mind when purchasing an automobile.

1. *If you can't afford to pay cash for the car you want, find a car you can afford (or learn to love public transportation).* Escaping from debt is all about prioritizing your expenses. Your choice of transportation is a good example. There's nothing wrong with having a "dream" car. But are you

willing to sacrifice your financial health—your *family's* financial health—to own it? Committing yourself to monthly car payments, even for the automobile of your dreams, makes you a prime candidate for serious debt problems.

2. *Buy used.* If a car is affordable and in good condition, does it really matter that it was owned by someone else first? Are you willing to pay thousands of extra dollars just to be able to say that you're driving a *new* car? If so, who are you trying to impress? And for that matter, why would anyone *care* whether your car is a year old? Besides, as any car dealer with a semi-sincere smile can tell you, it's not a *used* car, it's just *pre-driven.*

(For more useful information on the dos and don'ts of making major purchases, check out chapter 4.)

Mistake #2: Trusting an incomplete budget

Trusting an incomplete budget each month is like walking across a raging river on a rotting suspension bridge. You may make it across once, maybe a couple of times, with no problems. But the more you keep trying it, the more likely you are to hit a weak spot, one that can't hold you up. Before you know it, you're on your way down—and soon you'll be in over your head.

PENNY FOR YOUR THOUGHTS

Be not made a beggar by banqueting upon borrowing.

—ECCLESIASTICUS 18:33

That's why it's important to be extremely thorough when you plan your budget. (For tips on how to anticipate and plan for future expenses, check out chapter 2.) If you don't plan for *all* potential expenses, you're just giving yourself a false sense of security.

For example, let's say you bring home just enough money each month to cover your tithe, your mortgage or rent payments, your car loan, your insurance payments, your utilities, your credit card bill ($150 maximum), and your grocery bill. If you have a few shekels left over for a good time on the weekend, you might be tempted to believe that you're doing okay money-wise. You might even fool yourself into thinking that you're financially stable.

But what happens if your dream car starts leaking real transmission fluid all over your driveway? What happens if your house's 15-year-old furnace gives up the ghost in the middle of your state's worst cold snap in 40 years? What happens if you break your ankle in a freak croquet accident? Worse yet, what happens if someone in your family gets tired of your budget restrictions and decides to put your credit cards through a major retail workout?

Automobile repairs, home maintenance, medical expenses, and spur-of-the-moment shopping sprees—these are just a few of the unexpected costs that have been known to assault unsuspecting budgets. The reason most people don't plan for these emergency expenses is simple: There's no room for them. Their monthly budget is already stretched tighter than a waistband at Thanksgiving, so there's no money left to set aside for future expenses.

When an emergency arises, you'll probably do what most other people do: pay for it with a credit card. And your already tight budget will be pushed beyond its limit. Instead of breaking even with a few dollars left over each month, you'll find yourself coming up a little short. Instead of a $150 credit card bill that you pay in full, you may have a $1,150 bill (depending on how expensive the emergency is) that you can't pay off. If you make your regular monthly payment of $150, that leaves a $1,000 balance in your account.

Of course, it won't stay $1,000 for long. Your credit card's interest rate will make sure of that. Every day that number is going to creep a little higher, and every day you're going to sink a little deeper in debt.

And that's just with one relatively inexpensive emergency. Imagine what would happen if a couple of unexpected expenses decide to double-team you. *Hasta la vista, budget.*

You can't avoid emergency expenses, but with some advance planning you can keep them from becoming budget killers.

Mistake #3: Buying when you shouldn't

Before all you bargain hunters out there get too excited, we should point out that I'm not talking about waiting for a "factory closeout offer" before you buy a new coffee table or waiting for a "13-hour sale" before you buy a new sweater. (Though

I do strongly recommend waiting for sales or special offers before you buy.)

No, what I'm talking about here are more far-reaching financial choices: buying decisions that are made out of ignorance (or at least a naive approach to finances) or indulgence.

For example, if you don't have a lot of experience in dealing with money matters, you may not recognize poor financial advice when you get it. As a result, you may fall for lies and half-truths like these.

- Maxing out your credit cards is okay, as long as you don't miss a monthly minimum payment.
- Buying a house is always better than renting.

If you can't spot the faulty logic in this advice, you might be tempted to splurge on things like clothes, furniture, or compact discs and then whip out the plastic to pay for it. Or, even worse, to purchase a house before you're able to afford it.

If you didn't know any better, you might assume that maxing out credit cards and buying a house as soon as possible are things everyone does—that this is the way twenty-first century finances work. (Unfortunately, you probably wouldn't be too far off the mark, but that's beside the point.)

Likewise, if you suffer from a chronic case of the "gotta-have-it" or if you have a hard time telling the difference between a want and a need, you'll find yourself susceptible to a different type of thinking—but one that's just as dangerous. I'm talking about mindsets like the following.

- Buy now and pay later, before you're too old to enjoy the things you want.
- You are what you own.

If you find happiness, fulfillment, or status in the things you own, you're bound to make more than your share of poor buying decisions.

Whatever the reason for your unwise buying habits, whether it's ignorance or indulgence, our credit-happy society is more than willing to exploit your weakness. If you can sign your name, chances are good that you can get a credit card. And if you can get a credit card, you have the ability to satisfy the impulse to buy whenever you want (until you reach your credit limit, of course).

With a flash of plastic or a signature on a dotted line, you can own things that your parents or grandparents had to save months, even years, for. With that kind of buying power at your fingertips, is it any wonder that you find yourself struggling with debt?

The problem with unwise purchases isn't always *what* you buy but *when* you buy it. A couch, a computer, or even a new bathtub could be considered an unwise purchase. If you haven't budgeted for it, your payment for that purchase will show up as debt. And the more unbudgeted things you buy, the bigger your debt will be.

PENNY FOR YOUR THOUGHTS

Creditors are a superstitious sect, great observers of set days and times.

–BENJAMIN FRANKLIN

The Great Escape

"That's great," you may be saying. "But I already know *why* I'm in debt. What I need to find out is *how to get out of it!*"

Good point. Knowing what causes debt is like knowing who passed you a cold virus. It may satisfy your morbid curiosity, but the information is not terribly useful in the here and now. What you really need is some helpful advice or "medicine" to make the problem go away.

Okay, if you're ready to tackle your debt problem, there are four things you'll need to do.

1. Stop borrowing.

Let's say someone left your bathtub faucet running and flooded your entire house. You're looking at about four feet of standing water everywhere. Now before you grab a bucket and start bailing, wouldn't it be a good idea to turn off the faucet? Otherwise, all your hard work would be just a waste of time, with more water pouring in as quickly as you can bail it out.

The same principle applies to your finances. Before you start working on strategies to clean up your flood of *debt*, you need to "turn off" your borrowing. If you don't shut down the source of the problem, all your efforts to become financially free will be just a waste of time, with more debt pouring in as quickly as you can pay it off.

Stopping your borrowing means not using credit of *any* kind. That includes . . .

- bank loans
- personal loans (not even from your wealthy grandmother or your college roommate who struck it rich with an Internet IPO)
- automobile financing
- payment plans.

But the best place to start—or make that *stop*—is with your credit card spending, since that's probably what started your debt problems in the first place.

Fortunately, most credit cards have a built-in feature that will help speed up the non-borrowing process. Here's what you'll need to do to activate this feature.

- Preheat your oven to 425 degrees.
- Grease a cookie pan.
- Place your credit cards on the pan.
- Bake for ten minutes.

Charbroiling your VISA card may seem like a crazy idea, but is it any crazier than paying interest on, say, a dinner you ate (and charged to your account) two years ago? If you pay for meals with your credit cards and then don't pay off the balance each month, that's exactly what you're doing! (*Oven roasting your credit card is a joke, of course—don't try it!*)

Easy credit is your enemy when you're trying to pay down a debt. By forcing yourself to pay for things with cash or a check, you'll be a lot less likely to buy stuff you can't afford.

Try putting your plastic shopping companions in a safe deposit box, in the bottom of a container of water in the freezer, or in some other place that's not immediately accessible. You may be surprised by how quickly the urge to buy passes if you have to go out of your way to retrieve your plastic. (Make laziness work for you!) The best thing you can do for your financial health is to teach yourself to live without credit.

It's important, though, that you take action *now.* Don't wait until after you make one more major purchase or until you pay off a certain loan. If you wait for the right time to stop borrowing, you'll never get around to doing it. There will always be "one more thing" you have to buy first.

2. Talk to an expert.

Find a trusted financial counselor to help you deal with your debt. Don't make the mistake of trying to fix the problem on your own. You're way too close to the situation to be able to look at things objectively. You need an extra set of eyes, preferably one belonging to an expert, to help you see the big picture. A trained financial advisor can help you understand the many options that are available to you and keep you from doing any more debt damage.

The first place to look for an advisor you can trust is your church. Don't believe the old saying that people who are heavenly minded are no earthly good. Many churches offer excellent financial counseling programs as part of their ministries. If yours does, make an appointment with one of the ministry leaders to find out what you need to do to join the program.

If your church doesn't offer a financial counseling ministry, talk to your pastor about your situation. He may know of someone—perhaps an accountant, a banker, or a business person in the

GLAD YOU ASKED

Should I consider declaring bankruptcy?

Depends on what your motives are. If you're being hounded by your creditors and need some time to work out a payment plan, then declaring bankruptcy might be the way to go. If, however, you're simply trying to protect your assets and wipe out your debts, declaring bankruptcy would be an irresponsible and cowardly route to take. If you make a commitment to repay money, you have an obligation–to your creditor, yourself, and the Lord–to honor it.

church or community—who offers free financial counseling for people in need.

You won't need to do a lot of preparation before you contact the counselor. In fact, all you'll really need to do is introduce yourself and explain your situation briefly ("I have about $20,000 of debt, and a collection agency is threatening to repossess my car"). The counselor will then schedule you for an appointment and tell you exactly what you need to do.

Working with Your Counselor

In the meantime, though, here are a few dos and don'ts to help you get the most from your counseling experience.

Do. . .

tell your counselor *everything* about your financial situation. Turn over all of your financial records, receipts, and contracts. Expenses that you consider insignificant—purchases such as a daily newspaper or a triple espresso on the way to work in the morning—may be helpful in giving your counselor an accurate view of your spending habits. The more information you give, the better equipped your counselor will be to help you.

Don't. . .

try to make your financial situation look better than it is by keeping information to yourself or hiding certain expenses or debts. No one's going to give you a gold star for good financial behavior or call your parents if you've been a naughty spender. So if you ordered a set of commemorative Dwight and Mamie Eisenhower salt and pepper shakers from the Home Shopping Network last night, 'fess up. It's okay to be embarrassed about your financial situation, but don't let your embarrassment keep you from getting the help you need.

Do. . .

be open to suggestions and new ways of looking at your finances and your daily living expenses. Your counselor may suggest strategies and solutions that you've never considered before—or that you don't really *want* to consider. For example, your advisor may suggest selling your second car and learning to live with just one in the family. Resist the urge to laugh in his face and give him 64 reasons why that's a lame idea. Instead, give the matter some serious thought. Consider whether it *is* possible for you to get by with one car for a while. By keeping an open mind when you talk with your advisor, you may discover some surprising debt-reduction strategies that actually work for you.

> **GLAD YOU ASKED**
>
> **What is loan consolidation? Is it something I should consider?**
> Loan consolidation is when a person borrows a large amount of money at a relatively low interest rate to pay off other high-interest loans. Whether it's right for you depends on your situation. If you haven't taken care of the underlying problems that created your debt in the first place, you may find yourself worse off after consolidating your loans than you were before. If you keep up your spending habits, it won't be long before you have more high-interest loans to worry about–in addition to your large consolidation loan.

Don't...
be offended if your counselor says things that seem critical of your past financial dealings or decisions. The brutal truth is that you've made your share of financial mistakes. If you hadn't, you wouldn't be in the position you're in. That doesn't mean you're a bad person, and it doesn't mean you're a money moron. It means you're human—as fallible as the rest of us. Your advisor's job is to help you learn from your mistakes, so that you won't repeat them in the future. To do that, the advisor is going to have to point out what those mistakes are—whether you like it or not.

Do...
ask as many questions as it takes to help you understand the strategies your counselor suggests. After all, *you're* the one who has to put those strategies into action. If you don't understand why your advisor is asking you to do something, say so. Get an explanation that makes sense to you. When it comes to your finances, the only stupid questions are the ones you don't ask.

Don't...
expect your advisor to work miracles. He or she will not—repeat, *will not*...

- introduce you to a wealthy benefactor who will pay off all your bills for you
- find a legal loophole to get you out of paying what you owe

- set you up with a new identity south of the border to help you escape your creditors.

Getting out of debt takes a lot of hard work, dedication, and sacrifice. And there's nothing your financial advisor can do to change that.

3. Set up a budget.

One of the first things a financial advisor will do is ask you to make a list of all your monthly expenses. These will include mortgage or rent payments, utilities, grocery bills, car payments, credit card bills, and school loan payments.

Your counselor will then help you prioritize your loans and financial responsibilities, based on how far behind you are in your payments, how much you owe, and what the interest rates are. Together you will decide which debts should be paid immediately and which ones can wait for a while.

After you've made those decisions, the next step is to create a budget that sets aside enough of your monthly income to cover your expenses and start paying off your debt. In chapter 2 you'll find everything you need to know about setting up a budget, so there's no need to cover the specifics here.

The important thing to remember, though, is that a budget works only if you commit yourself to it. It's important that you treat it like a law and not like some general guideline. If your budget says to pay $150 a month on your VISA bill, pay $150. Don't write a check for $130 and pocket the extra $20 for spending money. Don't skip a payment and vow to pay double the next month. Despite your best intentions, you probably *won't* pay double the next month—and you'll find yourself even deeper in debt.

GLAD YOU ASKED

My creditors are really starting to get impatient. What should I do?

Personally contact the account manager of each of your loans. Fax each one a copy of your budget and your payment plan. Explain how much you can afford to pay each month and how much time you need to pay off the loan. If that doesn't work, get your financial counselor or a group like the Consumer Credit Counseling Service (CCCS) involved. Collection agents are more likely to listen to a third party, especially a financial professional, than to someone who owes money (and who would likely say anything to stall for more time).

4. Develop new spending habits.

If you're reading this paragraph, you probably need to change your spending habits. How can we make such a bold statement? Because you wouldn't be looking at this chapter if you weren't struggling with debt. And you wouldn't be struggling with debt if it weren't for your spending habits.

The key to changing those habits is controlling your impulse to buy. Here are a couple of tips to help you.

> **PENNY FOR YOUR THOUGHTS**
>
> An acquaintance is a person whom we know well enough to borrow from, but not well enough to lend to.
>
> –AMBROSE BIERCE

- *Never spend money on anything that's not in your budget without first thinking about it for 48 hours (not continuously, of course—that would be a tad obsessive).* If you're an impulse buyer, a two-day wait may seem like an eternity. That's good. The more time you have to think about what you're doing, the less likely you will be to spend your money on something you don't need.
- *Always question yourself before you buy anything.* Here are some questions to get you started.

  a. Why do I want this? (Be honest here. Often people buy things because they're bored or unhappy or because they want to impress someone else, and *not* because they see something they really want.)

  b. Why do I *really* want this? (Just in case you were able to fool yourself the first time around.)

  c. How much use will I get out of it?

  d. Is this the best price I can get for it? Have I done enough checking around to make sure that I'm not overpaying? (Just make sure, as you drive from store to store comparing prices, that you don't spend more money for gasoline than the item is worth.)

  e. Considering my financial situation, is it a good idea for me to buy this?

If you can't give yourself convincing answers to these questions, you're

PENNY FOR YOUR THOUGHTS

It is not in my interest to pay the principal, nor my principle to pay the interest.

—RICHARD BRINSLEY SHERIDAN

probably better off not buying right now.

Return of the Living Debt

If you manage to get yourself out of debt, you deserve a lot of . . . well, credit. But don't start your victory dance just yet. The real trick is to *stay* out of debt. Think of that character in every horror movie who looks at the monster lying motionless on the ground and says, "Whew, I'm glad that's over." You know that's the cue for the beast to spring to life and start rampaging again.

The same thing is true with debt. It's dangerous even after it's been defeated. If you're not careful, it will spring to life when you least expect it and viciously attack your budget and your financial stability.

If you're serious about staying debt-free, there are three important things you need to do.

1. Identify your danger areas.
Think about the temptations, the spending habits, and the attitude toward money and possessions that got you in trouble in the first place. Write them down and put them in a place where you'll see them often. Share them with your family, your close friends, and your financial counselor. Ask the people you trust to warn you when they see your old habits or attitudes rearing their ugly heads again.

2. Enjoy your freedom.
Remember the constant pressure and tension you felt when your bills were overdue and you weren't sure how you were going to pay them? Compare that with the feeling of living debt-free (and actually being able to sleep at night). Once you've tasted financial freedom—really tasted it—you'll do everything you can to keep yourself from falling into debt again.

3. Master your plastic.
Keep in mind that as long as you carry credit cards, debt has a shot at a comeback in your life. Our advice is to get rid of them. But if you absolutely *must* use credit cards, make sure you set some strict guidelines about what you will and won't use

them for. For example...

- Never use a credit card to buy something that's not in your monthly budget.
- Always pay the entire credit card bill each month.
- If you can't pay the entire bill one month, cut up the card and cancel your account. (Just make sure you pay off the balance first. Unfortunately, canceling your account does not cancel your debt.)

The Buck Stops Here

Think you're an expert on debt? Here's a quiz to see how much you know.

1. Which of the following is most likely to cause long-term debt problems?
   a. Buying books on how to avoid debt
   b. Leaving 20 percent tips
   c. Financing a car for four years
   d. Tithing

2. What's the first thing you should do when you find yourself in debt?
   a. Look for someone else to blame
   b. Book yourself on a daytime talk show to discuss your problem
   c. Invite your wealthy friends to dinner
   d. Stop borrowing

3. What can you expect from a financial counselor?
   a. A lot of taunting and teasing about your poor money-management skills
   b. Advice on how to set up a workable budget
   c. A bill that will plunge you even deeper into debt
   d. A sales pitch for his or her monthly newsletter

4. What's a good rule of thumb to remember when you're considering a purchase?
   a. Always wait 48 hours before buying something that's not on your budget.
   b. Beware a giggling salesperson.
   c. Real Rolex watches are not sold on street corners.
   d. The more you own, the happier you'll be.

5. Which of the following is true of debt?
   a. It's not something Christians have to worry about.
   b. The more you try to fix it, the worse the problem gets.
   c. It's unavoidable.
   d. If you're not careful, it's a problem you may have to overcome more than once.

Answers: (1) c, (2) d, (3) b, (4) a, (5) d