

It's Really All About the Tree...

Submitted by Allen Gunter

Ask the Budget Guy

Last month I talked about the real cost of credit card debt. Now it's time to start talking about how to get out of that debt.

Step One: Decide what to do about the tree.

No, that's not some Zen thing (...if you were a tree, what kind of tree would you be...Ooommmmmmm). It's from Isaiah 44:14-17 (read it now - see the box).

Now read it again, thinking of the tree as the money and other financial resources God has given you. I know you don't make burnt offerings to a dollar sign on an altar in your family room. But take a moment to think and pray about what you're doing with all that God has given you. Do your *true* needs really take all of your paycheck...and then some? Or has society's materialism crept in so that "nice-to-haves" have become "must-haves"?

Until you come to terms with what you truly need, versus the "stuff" you *think* you need to be happy, you won't stick to what you must do to get out of debt. And the problem will only get worse...

Step Two: Give your credit cards the cold shoulder.

You can't get out of debt if you keep taking on new debt, so take your credit cards, drop them into a baggie, fill the baggie with water and put it in your freezer. In other words, make it as hard as you can to use your credit cards so that you will stop charging!

Step Three: Get in line.

That is, get your spending in line with your income. For the next month, track every dollar that you spend. Yes, this is tedious. But you will be shocked by what you find out about where some of your money is going and how much you're actually spending on some things. Match the results up with Step One, and you will find that some, maybe a lot, of your current spending isn't really adding value to your life.

*He.. planted a pine,
and the rain made it grow.
It is man's fuel for burning.
Half of the wood he burns in the fire;
over it he prepares his meal,
he roasts his meat and eats his fill.
He also warms himself and says,
"Ah! I am warm; I see the fire."
From the rest he makes a god, his idol;
he bows down to it and worships.
He prays to it and says,
"Save me; you are my god."*

-- Isaiah 44: 14-17

Repeat this step...forever. I know, you *bate* budgets. You think they're too restrictive, too hard to keep up. News flash - budgets aren't that difficult to maintain once you're up and running. And it's a heck of a lot more fun *not* worrying about how you're going to make the car insurance payment than it is to be in debt watching all that money go out the door in interest. A budget is like the motor in your car - you won't get far without it.

Step Four: Identify the enemy.

Make a chart listing all of your credit cards, installment loans, etc. Include your current balance, minimum required payment and interest rate. Then use the calculator on a web site like www.fool.com/ccc/debt/debt.htm to find out how long it will take you to pay off each one and how much interest you will pay.

Step Five: Choose your weapon.

There are many strategies you can use to get rid of your credit card debt - attack the smallest balance first or attack the balance with the highest interest first; roll as much as you can over into a new credit card with a lower interest rate; take out a consolidation or home equity loan; etc. I will talk more about your options next month. (*After* you've had a month to pray about your priorities and gotten your budget together.)

Step Five: Fire!

Start paying down that debt and keep doing it until it's dead and buried. Use your budget from Step Three and repeat Step One as often as needed.

Step Six: Celebrate!

Each time you reach a milestone like paying off a credit card or reducing your total debt by major amount, celebrate your success! (Just don't celebrate your way into more debt!!)

Part of my job for SHPC is to help people get out of debt. It's free, and it's confidential. Just call the Budget Guy, Allen Gunter at 892-3580, ext. 122 or send an email to BudgetGuy@SHPC.org.