Is Debt Bad?

Search the internet for the average debt for Americans and you will see all sorts of numbers and not all agree. Two stats stand out to me. First, it is estimated that 75% of American’s carry credit card debt from month to month. Second, Americans carry more credit card debt per person than any other country. Nearly 25% more than the next highest country and nearly double third place.

That is just credit card debt.

The average car loan balance is close to $20,000 – per car, not per household.

The average balance on a mortgage in America is over $170,000. One study I saw said it was over $200,000. At 5% interest, you will pay over $190,000 in interest with a 30-year loan.

One study I read said that when Americans are faced with financial difficulty, 19% look for additional work and 9% look for more affordable housing. Number one and number two solution? Take money out of savings and take on more debt were tied. Borrowing money from family and friends was third.

Think about it, only 9% looked to reduce their spending in a significant way. The average American says they will go hungry rather than give up their cell phone. The average cell phone bill is over $100/month. The average cable TV bill is over $100/month. Do I need to go on? Cutting our spending is where we should start.

Take a look at Proverbs 22:7 - The rich rules over the poor, And the borrower is servant to the lender (KJV). What should that tell us about debt? Are you a slave to the TV/Internet/Cellphone companies? Are you a slave to one or more credit card companies? A car dealer?

There was a time, in my lifetime, that the average American was ashamed that they were in debt. They tolerated a mortgage over renting. An average car loan was only for two years. An account at a local store was paid off every paycheck. We need to go back to that.

Do you realize that credit card companies spend millions of dollars telling you that they will give you money back if you use their credit card? Where do you think that money comes from? They spend millions advertising, give you 2% of your purchases, and still make hundreds of millions of dollars for their shareholders. That should tell you how lucrative it is charging interest on credit card purchases.

If you carry a balance on your credit card – stop that! Sell stuff you have purchased but rarely use (that you probably purchased with the credit card you now need to pay off) and pay the debt off. In 2 Kings 4 the prophet said to sell the oil and pay her debts first, then live on the rest. Don’t compound your bad decision by paying interest on that unnecessary purchase. Cut your losses and don’t repeat your mistake. Paying off your credit cards is one area that Dave Ramsey has a good solution. The method of the debt snowball works. He did not create it, but he does promote it – so I will give credit where credit is due. Sell all unneeded things first, then snowball.

If you need more than two years to pay off a car purchase, buy a cheaper car. If you find a truly 0% interest opportunity, it might be worth going three years. The problem is that if you run into a financial jam during the first two years, you probably will not be able to sell the car and pay it off.

For clarification, a truly 0% loan is one that you get to keep the rebate and get the 0%. If you must give up the rebate, you are paying the interest up front. If you sell the car (or crash it), you still pay 100% of the interest.

If you have a mortgage – be sure it is on a house that meets your needs, not your pride. If you are purchasing a house, buy the smallest one you can get by with. Not the most expensive one you can afford. Pay the debt down. If your family grows, consider an addition instead of larger home. You could always sell the smaller one and purchase the smallest one that meets your new needs. Keep your debt low and not your pride high.

Is debt bad? YES!! Avoid it like a plague! Some may be necessary but pay it off – Quickly!

If you need more help with this concept, I recommend Larry Burkett’s book *The World’s Easiest Guide to Finances.* It is old (mine was published in 2000) but the principles still work. You can find it on Amazon for about $10. You can find it on other sites cheaper. Buy it. Read it. Do it. It will be the best investment you will ever make.

Coming soon Budgets…

Tom

Luke 16:10