



Scripture's Wisdom On Your Finances Series - Lesson 3

The Principle of Living Debt-Free

Text:

Heb 12:15-17

15 Looking diligently lest any man fail of the grace of God; lest any root of bitterness springing up trouble you, and thereby many be defiled;

16 Lest there be any fornicator, or profane person, as Esau, who for one morsel of meat sold his birthright.

17 For ye know how that afterward, when he would have inherited the blessing, he was rejected: for he found no place of repentance, though he sought it carefully with tears.

I. Introduction:

In reading our text tonight, I am sure that you were reminded of that story that you were taught in Sunday School about to brothers. It was Jacob and Esau that made a deal.

What we are going to be talking about tonight reminds me of the deal Jacob made with his elder brother, Esau.

Esau had been working hard out in the field, and when he came in he was very faint, and was seemingly desperate for nourishment.

As he was walking in from the heat and hard work, he began to follow his nose right to the stove where his brother was cooking some meat.

It was there in his weakness that he made a very foolish deal. A Birthright for a piece of meat? No Esau! You can't be that weak.

And we find that He gave a lifetime's wealth for less than a full meal. Talk about interest. Talk about a rip off. And tonight I would like to type this to those days when you signed your name and gave your social security number so that you could have less than a meal and not half to pay for it right then.

See, Esau didn't realize how bad of a mistake he made until it was too late. And in most cases, credit card holders with little or no self discipline will tell you the same thing. And now it's too late.

This letter was written years ago from a lady that shares her story about a financial turning point in her life.

She said:

Like a lot of people, I got my first credit card with a feeling of "having arrived" and declared it "only for emergencies." I still remember a coworker's laugh when I said that.

Five years later, I had six cards, all maxed out due to "emergencies" and then I understood what prompted her chuckle.

I owe for car repairs on a car I no longer own; furniture that I sold in a garage sale; braces that came off my son's teeth a year ago; but worst of all, my balances include several thousand dollars' worth of expenses I don't even remember.

Everyone who goes into debt and successfully digs out has a turning point. Mine came when Christmas arrived and I found myself buried in bills with no more room to charge on any cards.

I took a job working for minimum wage at a department store for the holidays. My entire Christmas season was

miserable because I was exhausted and had no time to enjoy festivities with my family.

But it was such a valuable experience that I recommend this to anyone sinking into Credit Card Debt.

Working in that store, I saw credit from a whole different perspective.

Customers would make a small payment on a huge balance, charge twice that while they were in the store and pay several times as much in the end on already overpriced merchandise because they had their credit line and no cash reserve.

They bought top-of-the-line clothing and housewares to give as gifts in order to keep up appearances but confessed they would never be able to afford these things for themselves.

As a cashier, I knew before they got to the register which customers would charge their purchases; they were the ones with the tired, sad expressions, the ones who were obviously not enjoying the holiday season or anything else.

I felt guilty suggesting purchases (The training staff at this store instructed us to suggest the highest priced options and sell by pushing low payments while never divulging the number of payments) and putting their selections on account, because I was helping make their lives worse.

I even felt bad giving discounts to entice first-time credit card buyers because I knew the merchandise they were buying would not last as long as the payments.

The giddy look on newlyweds' faces when they first discovered they had more buying power than cash looked sickeningly familiar. That's the bad news.

The good news is, for the first time in years I made up my mind to get off that merry-go-round forever. I am now going in the opposite direction—out of the hole instead of deeper in.

Since the beginning of the year, I have devised and stuck with a two-year financial recovery plan, and I'm beginning to see real results.

Ironically, I am beginning to feel the same things I felt years ago when I got my first credit card: powerful, in charge, secure, and prepared for emergencies.

Only this time, the emotions are based in reality.

Talk about a learning experience. How many of you can relate to some of the habits she spoke about?

If you want to sabotage your Money Makeover, keep on incurring new debt. That's right, Just keep those credit cards charged right up to the max, and as your income increases over the years, make sure you get into as much debt as possible.

That way, no matter how much you work at reducing your expenses and saving for the future, your debts will stick with you right to the grave, weighing you down and robbing you of happiness.

You can make sure you are just one more person who only dreamed of enjoying wonderful things and seeing beautiful places because you never quite got your money straightened out.

On the other hand, if you are excited about the responsibility of changing the way you deal with money, developing new money attitudes, experiencing happiness and satisfaction from knowing how to handle your resources in an intelligent and reasoned way, then it is mandatory that you stop incurring debt and reverse that destructive behavior.

Designing your own Rapid Debt Repayment Plan is an important part of your Money Makeover. And tonight, we are going to begin this process.

Tonight I want to talk to you about the principle of living Debt Free!

II. Body

A. Reality Check

Let me now introduce you to a rarely thought of and even less enjoyable activity called debt repayment. Doesn't that sound appealing?

This may come as a shock, but your debts have to be repaid somehow, somewhere, sometime. The credit card companies are not in business to supply you with free clothes and fancy meals.

That was a big shock to me, too—a terrible reality I had to face. If you are relying on the minimum monthly payments to pay off your debt anytime soon, think again.

Let's say you owe \$2000 on your credit card, which charges 19.8 percent interest for the privilege.

Your minimum monthly payment is 3 percent of the outstanding balance, which is presently \$60 and fluctuates each month depending on the principal.

All that's required is \$60, so that's all you pay, right? If you were to make only the minimum payment each month, how long do you think it will take you to pay off that \$2000 if you never make another purchase?

I'll tell ya: 19 years and four months, assuming your payments are never late and you do not add any new purchases.

By the time you finish, you will have paid interest in the amount of \$4,318.12.

That's \$2,000—plus \$4,318.12

If you are a typical consumer—i.e., a preferred and valued customer, meaning you keep your credit cards “maxed out” or at least make sure there's a good, healthy balance rolling over from month to month—it is highly unlikely your consumer debt will ever be paid off, EVER!

You will continue to pay this month for food you consumed years ago, clothes you've long since given away, and other stuff you've undoubtedly forgotten about completely.

That, my friends, is perma-debt, and the credit card companies love it.

Let's go back to the example of the \$2,000 debt, which requires a monthly minimum payment of \$60.

What if through some stroke of unexplained sense you made a solemn and personal pledge to pay \$60 every month until paid in full, choosing to ignore that the actual monthly minimum payment requirement was going down every month?

Ok, everybody, sit down for this one. You would reach a zero balance in just 49 months, instead of 232 months (19 years, four months).

And if you got really sane and committed to pay \$90 a month, the debt would be history in just 28 months.

Now this time, I'm not only asking you to sit down, but brace yourself as well.

If you were to really lose your mind and make a personal pledge to pay \$100 a month against the \$2,000 debt, you would pay it off in just 24 months.

That is more than 17 years sooner than if you believed the credit card company when it said all you have to pay is the minimum monthly balance.

Isn't it amazing to see the power of compounded interest and what it can do to your financial debt.

A. Plan Your Work and Work Your Plan

All of us who are intimately familiar with overspending know that it is very easy to five-and-ten dollar ourselves into oblivion.

The good news is that you can five-and-ten dollar yourself right out of debt and into financial health, too.

The key to rapid debt repayment is to make a plan and stick to it as if your life depended on it, because you never

know, it might.

The details of the plan you devise for your own debt reduction are not nearly as important as your determination to carry it out.

There are several methods of rapid debt reduction that work equally well. One method involves a plan whereby each of your debts is paid off proportionately so that they all reach zero balance at the same time.

But there is another method in which I prefer and it is based on the principle that it feels good to work extra hard on one bill at a time in order to experience the exhilaration of a zero balance as quickly as possible.

Paying off one debt completely gives a great boost to your determination to pay off the next and the next and the next.

While not instant gratification, this method certainly offers short-term achievable goals. Small doses of gratification along the way keep you motivated.

Here's How it works:

The first thing you must do is determine exactly how much you owe and the exact nature of your debts.

We are talking about unsecured debt—anything that you owe but that would not be subject to repossession if you stopped paying—such as credit card balances, personal loans, payments you are making to the dentist or doctor.

Make a list of all the unsecured debts, outlining the current balance, minimum payment, interest rate, and number of payments required to pay the amount in full.

If you don't have the math skills required to figure how many payments will be required to pay off the debt, use a financial calculator, or call each creditor and ask.

With their super computer programs, they should be able to tell you. (However, they may be reluctant to.)

Next, Arrange these debts in order of the number of months required to pay in full, with the shortest payoff first on the list.

IF you will notice on the Digital Projector, you will see the Sam and Samantha example.

The debt they placed first on the list has a balance of \$80. With a minimum payment of \$35, it will take just a bit longer than two months to pay it off, which is less than any of their other debts.

Next, add up the total of the current minimum monthly payments. This is an important number, so write it down, embed it in your brain, tattoo it on your forehead, paint it on your walls, teach it to your children!

This number for the Examples is \$619 each month.

And now...it's commitment time. The total of your minimum monthly payments—is the amount of money you must commit to pay toward your Rapid Debt-Repayment Plan until all of your debts are paid.

This is not at all out of line, and I don't think that you will find it at all out of line, because it is the amount you have to pay every month anyway (assuming you don't skip payments).

At this time I am not asking you to pay any more than you are required to pay. This is the minimum amount you must devote to your Rapid Debt Repayment Plan regardless if this is the minimum amount according to the creditors or not.

Remember, they want you to pay less every month so you can keep paying forever.

This is what happens: You continue to pay the same amount each month, even as your debts go down.

When you pay off one debt, you don't reduce the amount you're paying toward debt reduction—you apply what you were paying on the first debt to the next debt and so on until all debts are paid off.

This is how it works:

The total of minimum monthly payments In the first month is \$619. This is the amount Sam and Samantha have committed to pay every month until they are debt-free, regardless of anything their creditors say about lower

payments.

In Month 1, the Examples make all of the minimum monthly payments for a total of \$619.

In Month 2, they do the same thing.

In Month 3, they make their committed payments just as they did in the past two months—except now the payment to Department Store #1 is only \$12 because that is the total outstanding balance.

Wow! The first zero balance. So what happens to the \$23 they didn't have to send to Department Store #1 because of the zero balance?

That \$23 is included with the regular payment to Personal Loan (the next debt in line), increasing its payment from \$108 to \$131.

In Month 4, the \$35 payment that used to go to Department Store #1 is now added to Personal Loan's payment so it becomes \$143.

This additional payment (technically prepayment of the principal) is what will get that Personal Loan paid in just seven months, including interest.

The total amount paid in Month 4 is still \$619 even though the number of debts has been reduced.

Now look at what happened to the Student Loan while this was going on. It reached a zero balance in Month 7 as well, so now Sam and Samantha have three debts completely paid off.

But since they are committed to paying \$619 every month against their debts, the payment to Visa #1 is substantially increased because the old payments for Department Store #1, Personal Loan, and Student Loan are all added to the Visa #1 payment, increasing it from \$108 to \$277 until it is fully paid in 11 months.

And on it goes. Sam and Samantha pay \$619 every month, always taking the old payments and adding them to the payment of the next debt until they are 100 percent debt-free in Month 23!

You must agree with me that this is truly amazing, considering that given the slow-pay method, Sam and Samantha would have been paying on these debts for 12 or more years, provided that they never missed a payment and did not incur any new debt.

Before we Go, I would like to give you Five steps for completely wiping out your debts in record time:

Step 1: You Must Repent! Repent simply means to turn around, to go in a different direction. You must repent from debting, that is, incurring new debts. IF you don't complete this first step, the plan will not work.

Step 2: You must pay the same amount every month until all of your unsecured debts are paid in full. From this moment on, you must adopt the total of your current minimum monthly payments as your regular monthly obligation, Just like your house or car payment. It will not change from month to month. It's big, it's ugly, and it's not going to disappear. Just Accept it!

Step 3: List your debts in order according to the number of months left. For example, a debt to a department store of \$80 total with a minimum monthly payment of \$40 has about two months left (the total paid will be slightly higher than the \$80 because of the interest).

That one goes at the top of your list. Then if the next debt will take five months to pay off, that's listed next; then the nine month debt and so on.

Step 4: From here on out, ignore declining minimum monthly payments. The minimum payment in the first month of your plan is the amount you will pay until your total debt is wiped out, regardless of whether the creditor shows a lower amount due on your statement.

Don't succumb to the temptation to reduce your payments as your debts are reduced.

Step 5: As one debt is paid off, apply its monthly payment to the next debt. No matter how many debts you have paid off, you must commit to pay the same total amount every month until every debt is paid off.

If you want to see your Rapid Debt-Repayment Plan work even more quickly, increase your monthly commitment. Remember that the key to rapid repayment is in prepaying principal.

As we close this evening, let me say that there is no immediate pleasure, thrill, or satisfaction worth the long term debt that it can bring by charging it on a credit card. I say, if you don't have it, don't buy it!

And Esau, because you chose to charge a little roast on credit, your success and wealth was stunted as well as your family.

Don't make your Spouse and Children be the ones that suffer from your debt! Let's cut up those credit cards! Let's make some commitments about unsecured debt. Commitment #1: **NO MORE UNSECURED DEBT ALOUD** in this Family!