

Until Debt Do Us Part

Stanley Greenfield, RHU

Amen. Now turn to page 259 for the final prayer. Has it gotten that bad? Yes, debt is a four letter word, but is it as evil as some would want you to believe? Can it truly bring about the destruction of the planet?! Are you really a bad person if you have you know what?

These are just some of the comments that I have heard concerning this little word that seems to send grown people into a tizzy! Debt is not a cardinal sin, and if used properly, can in fact be good thing. I hope that you can handle that last statement! It might come as a shock, but it is true. Debt has received some bad P.R. over the years and I feel it's time we looked at it as mature adults. Let's give it a try.

First of all before we go any further, let me state that I am not professing that you run out and max your credit cards to the hilt! All I am saying is that you not run to the opposite extreme either. To fixate on getting totally out of debt is to lose site of the big picture. What you ask is the big picture? I'm glad you asked!

The so-called big picture is to be in control of your financial future. To be in control is to treat all of your dollars as employees. Yes, I did say employees. You expect all of your employees to put in a full day's work. You should expect the same from your dollars. They are the only employees that you have that will do this without ever getting a headache or a cold, and will never ask for a day off. So what do we do? We allow them to just sit around and do nothing. They just lay around in low interest accounts that are taxable and don't even keep up with inflation. Lazy dollars, and we have made them that way!

What has that got to do with being debt free? I'll tell you. Paying off a mortgage is not a good financial move. Why? Mortgage money is the cheapest money you will ever buy. Remember that. Not only is the rate low, but the interest is one of the few tax deductions that we still have. Yes, rates have gone up again, but an eight percent mortgage after taxes only cost you 4.8 percent. Can you borrow money for 4.8 percent? Now you see why I say it's the cheapest money you will ever buy. A seven percent mortgage only costs you 4.2 percent. Why would you ever want to pay that off early? Think about that. You pay it off so that your dollars can just lay in a house that is appreciating at less than the inflation rate. It just doesn't make good sense.

Yes, you will save thousands in interest payments but you won't make it up in appreciation on the house. Your money is now tied up. Yes, you can get to it through a home equity loan but at what price? To borrow \$40,000 at current interest to send your kids to college will require a minimum monthly payment of \$800 per month. If you can afford that out-of-pocket, why borrow it? By the way, that \$800 per month payment will not pay off the loan in four years either. The interest rate can go higher too, requiring a larger payment.

What if you pay off your mortgage and become debt-free and all of a sudden you need that money. Can you get another mortgage? Yes, you can. That's the good news. The bad news is that the interest on that new mortgage is not deductible. Yes, you heard me right; the interest is not deductible. How's that for some really bad news?! Now how do you feel about being debt free?

Instead of just getting fixated on one concept, it's best to have an overall financial plan so that everything works together toward a common goal. Everyone needs a plan that accomplishes what they want. How does that sound to you? If it sounds good, then let us bow our heads and say, "Amen."

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