

Finding Freedom from Debt

By Greg Hanson

When you sign up for debt of any kind, you surrender a slice of your freedom. Instead, you are at the mercy of your creditor. They can demand that you pay them what you owe, and it doesn't matter what else is going on in your life. They can threaten you, they can lay claim to whatever you own, and they can ruin you.

When you are neck-deep in debt, any disruption to your earnings can seem life threatening. You simply have to keep making money just to pay those bills. You can't take time off work, you can't go on a vacation, and any talk of layoffs leads to panic.

There is no freedom in this kind of living. As the old proverb that says, "Those who borrow are slaves of moneylenders." If you have ever been in debt, or if you are right now, then you know the wisdom of those words.

Let's assume you are in debt with a credit card balance of \$10,000. That's not at all uncommon. And let's say your credit card has an interest rate of 18-percent. And let's assume you pay only the minimum monthly payment (typically three percent of the outstanding balance) or \$10, whichever is greater. How long is it going to take you to pay it off?

Would you believe it will actually take you close to 23 years to pay it off, and you will pay about \$9800 in interest? So you will essentially double the cost and take a quarter of a century to pay it off. And that assumes you don't put anything else on the card in the meantime!

All the while, you owe your creditor money. You're working to earn money for someone else. And as long as you owe them money, that's the way it's going to be. You will in effect be their slave. And often, it is a voluntary slavery that is preventable.

Does that motivate you to do something about your current debt? How can you dig yourself out, and do it as quickly as possible? Here are three suggestions:

1. Increase your income. Yes, this is easier said than done. But perhaps you can pick up a part-time job, do some moonlighting, sell products online, have a yard sale, tutor a student, take in a boarder, or do some babysitting. You could even ask your boss for a raise. What have you got to lose?

2. Decrease your expenses. For the next week keep track of every expense. You will likely be surprised at how much money is spent needlessly. Eliminate impulse spending, eat out less often, pack a bag lunch, clip some coupons, and only make purchases when you can pay cash. A penny saved really is a penny earned.

3. Create a budget and stick to it. Yes, it's the dreaded "B" word. But if you are going to truly do away with debt, then you will need to develop a plan for how you will spend your money. Make a list of every source of income and every expense category. And then work out where the money should go. You can do this simply with paper and pen, or you can use software to help you. Be sure to include what you plan to put away into savings and how much you plan to give to charitable causes.

Once you have your budget in place, strive to live within its boundaries. In other words, if you reach the end of the week and you have used up your "coffee money," you may have to do without your caffeine fix for a few days.

If you have never used a budget before, give yourself some time to adjust. But as you do, you will find that it brings more freedom than restraint. And you can experience financial health with a lot less stress.