
Escaping the Debt Trap

By *Janene Wolsey Baadsgaard*

Working to avoid or eliminate debt helps couples reduce stress and increase satisfaction with life.

Janene Wolsey Baadsgaard, "Escaping the Debt Trap," *Ensign*, Aug. 1996, 17-18
Dan and Mary are approaching retirement age. By all appearances they are well off financially. In truth, however, their huge debt load includes six credit card payments, two car loans, and a home mortgage. They have no cash savings for emergencies and little food storage. During the past decade they've used money from a home equity loan to pay for their children's college educations, weddings, and missions. They've delayed retirement planning and carry inadequate insurance. Dan and Mary may foolishly think they can scrape by and eventually extricate themselves from their precarious position. Perhaps they can. But given the hard realities of life, can anyone afford to gamble on the hope that illness, accident, or financial loss will not befall them?

Debt, no matter how attractively packaged, is a huge trap for many people today. It has proved to be a significant factor in the breakup of many marriages. If couples don't use their resources wisely, overspending will eventually rob them of their money, time, health, family security, and peace of mind. President N. Eldon Tanner, formerly First Counselor in the First Presidency, wrote: "I am convinced that it is not the amount of money an individual earns that brings peace of mind as much as it is having *control* of his money. Money can be an obedient servant, but a harsh taskmaster" ("Constancy and Change," *Ensign*, June 1982, 4).

Conflicts about money are a major cause of unhappiness and divorce. President Gordon B. Hinckley has observed, "I am satisfied that money is the root of more trouble in marriage than all other causes combined" (*Cornerstones of a Happy Home* [pamphlet, 1984], 8). The money management decisions couples make together have the potential to bring them happiness or despair, freedom or bondage. Our leaders have long counseled us to get out of debt, live within our means, and pay as we go. Couples who sincerely desire to escape the debt trap need to implement into their financial planning the following basic strategies.

Learn to Communicate Effectively

When couples view each other as partners with an equal voice, and when both desire to maintain a loving relationship, they will be more likely to find mutually satisfying solutions to financial disagreements. Effective communication in financial matters includes a knowledge of income and expenses by both spouses. Problems arise when one spouse makes financial decisions without consulting the other. President Gordon B. Hinckley addressed this concern: "There would be fewer rash decisions, fewer unwise investments, fewer consequent losses, fewer bankruptcies if husbands and wives would

counsel together on such matters and unitedly seek counsel from others” (*Cornerstones*, 9).

Because some attitudes and decisions about money stem from deep feelings associated with unmet needs, poor parental example regarding money management, or other influences, both men and women need to examine their own feelings regarding money. Failure to identify and resolve such fundamental issues can keep a family in financial chaos for many years.

Set Reasonable Expectations

Persuasive advertising entices people to buy beyond their means and needs and to measure their success by what they have managed to acquire in material possessions. Everything has its price, however, and inordinate time and money spent in the pursuit of luxuries rob couples of time together as a family, limit their ability to serve in the Church and community, and eventually can bring about temporal and spiritual downfall. By seeking to change their level of satisfaction with what they have and can reasonably afford, couples can live in greater peace. On this subject President N. Eldon Tanner said, “I know of no situation where happiness and peace of mind have increased with the amassing of property beyond the reasonable wants and needs of the family” (*Ensign*, June 1982, 6).

Couples who finance luxuries encumber their future earnings. Yet life is unpredictable, and hard times can befall any family. Unnecessary debt is a heavy burden to carry during times of economic decline, as President Ezra Taft Benson made clear:

“Many people do not believe that serious recession will ever come again. Feeling secure in their expectations of continuing employment and a steady flow of wages and salaries, they obligate their future income without thought of what they would do if they should lose their jobs or if their incomes were stopped for some other reason. ...

“... It is not fair to ourselves or our communities to be so improvident in our spending that the day our income stops we must turn to relief agencies or the Church for financial aid” (“Pay Thy Debt, and Live,” *Ensign*, June 1987, 3-4).

Couples who set reasonable financial goals early in marriage can avoid the pitfalls of being burdened by unnecessary debt. For example, they can plan to budget carefully the husband’s income, commit not to overextend themselves in the purchase of an expensive home and furnishings, agree to spend more time with their children and less money on things for them, and where possible to avoid debt that will force them both to work outside the home. With the wisdom of long experience, many older couples—both those who have wisely avoided the debt trap and those who have learned from their mistakes—often counsel young couples not to let money matter more than other things in life. They don’t regret money they didn’t earn, degrees they didn’t get, or honors they didn’t obtain. They do regret time they didn’t spend with each other, their children, their parents, and

their friends. They realize that commitment to the gospel of Jesus Christ and to truly loving family relationships yields life's greatest satisfaction.

Couples who set reasonable financial expectations for themselves are more likely to be freed from the corrupting influences of worldly standards of success and the great pressures and anxieties that often accompany their all-consuming pursuit.

Agree to Budget

Budgeting is a plan that helps people make the best use of their income and savings. Before beginning the budgeting process, it is important to distinguish between wants and needs. Realistic, workable budgets result when couples agree to provide carefully for their needs and to exercise self-discipline and patience as they seek to provide for some of their wants.

Most families can reduce some of their expenditures with a little resourcefulness and accountability. President Gordon B. Hinckley has said, "Our pioneer forebears lived by the adage, 'Fix it up, wear it out, make it do, or do without' " ("I Believe," *Ensign*, Aug. 1992, 6).

Begin budgeting by listing all expenditures from several previous months. Determine where the money went and which expenditures were unnecessary and which were necessary.

Next, plan to pay tithes and offerings first. "Those who live honestly with God are more likely to live honestly with one another and their associates," said President Gordon B. Hinckley. "Further, as they budget for their tithes and offerings they will cultivate a discipline in the handling of their resources" (*Cornerstones*, 9).

Now budget for other set expenses, such as rent or mortgage, utilities, food, clothing, debt reduction, and transportation. By carefully analyzing past months' spending, couples can obtain a realistic idea of how much to allot for each item.

After necessary expenses have been budgeted, couples may wish to put money aside in a savings program. Starting both short- and long-term savings programs can help couples meet unplanned emergencies as well as provide for future major expenses such as college and missionary service.

Finally, remember that budgets that are not flexible usually fail. Partners should each have some personal spending money that they need not account for to each other. Budgets should also take into account affordable recreation and allow for some spontaneity. Couples can become so budget conscious that they never spend their money for unplanned diversions or for items that are part of joyful living.

Eliminate Debt

Once the stranglehold of excessive debt is loosened and eliminated, family members' outlook on life brightens, homes become more harmonious, more children are taught by example the vital principles of provident living, and families are freed from financial bondage and thus more able to focus on truly important concerns.

“We think we need a larger home, with a three-car garage, a recreational vehicle parked next to it,” said Elder L. Tom Perry of the Quorum of the Twelve Apostles. “We long for designer clothes, extra TV sets, all with VCRs, the latest model computers, and the newest car. Often these items are purchased with borrowed money, without giving any thought to providing for our future needs. The result of all this instant gratification is overloaded bankruptcy courts and *families that are far too preoccupied with their financial burdens*” (*Ensign*, Nov. 1995, 35; emphasis added).

Church leaders have clearly warned the Saints to get out of debt. President Ezra Taft Benson counseled: “Let us use the opportunity we have to speed up repayment of mortgages and to set aside provisions for education, possible periods of decreased earning power, and emergencies the future may hold.

“... Pray to the Lord over your debts that they may be paid. Pray to him for faith to get out of debt, to live within your means, and to pay as you go” (*Ensign*, June 1987, 5).

When establishing a plan to get out of debt, the following checkpoints can help couples determine their progress:

Checkpoint 1: Commit to live on less than you earn and budget money for debt elimination and savings. Goal: create a detailed plan for debt reduction, writing down target dates for compliance.

Checkpoint 2: Implement your debt elimination plan while continuing to live on a controlled budget. One method involves taking money that has already been budgeted for paying off debt and committing not to use that money for any other purpose until all debt is paid off, and also agreeing not to acquire any new debt. Double the payment of the smallest loan in order to speed up payback. When the smallest debt is paid off, apply that payment to the next largest debt until it is paid off; then continue on until every debt is paid in full. Goal: accumulate savings and pay off all debt at this point with the exception of a home mortgage.

Checkpoint 3: Continue living on a controlled budget and, if it will not burden your family financially or in any other adverse way, begin working toward elimination of the house mortgage. Doing so can save you thousands of dollars in interest charges on your mortgage. There are several ways couples can approach this goal without going to extremes, such as taking on extra jobs or having the mother work outside the home (see adjacent sidebar article). Implementing any system will help speed up the process of becoming a debt-free home owner. Ultimate goal: become completely debt free, including the mortgage.

Checkpoint 4: Continue living on a controlled budget, acquire no new debt, and begin acceleration of savings and retirement programs. Goal: acquire sufficient retirement savings and remain free of any debt.

Couples are less likely to view debt as a practical option when they use a regular portion of their income to prepare for future needs. Excessive debt is a spiritual as well as a temporal trap, for it has great potential to damage or destroy marriage relationships. Husbands and wives should prayerfully seek heavenly guidance as they seek to eliminate and then continue to avoid unnecessary debt.

When couples share financial responsibilities through engaging in open communication, determining reasonable expectations and limits, cooperating in the budgeting process, and eliminating and avoiding debt, they can become free from the devastating debt trap and enjoy greater peace of mind and harmony in their homes.

Credit Card Debt

In the last 10 years credit card debt has tripled in the United States. Seventy percent of all U.S. cardholders carry a balance on their credit card averaging \$3,900, and about three-fourths of them make only the minimum payment, which would be about \$78 each month. At 18 percent interest, it will take them 35 *years* to pay their debt, and they will pay out over \$10,000 in interest before they are done. (Data courtesy of Bankcard Holders of America, Salem, Virginia.)

Paying Off Your Mortgage Early

Some home owners choose to gradually reduce the term of their mortgage and thus reap great savings. Even relatively small additional payments yield great benefits. Home mortgage repayment may be speeded up by applying some of the following options:

1. Budget effectively so you can make mortgage payments of half the usual amount every two weeks instead of a full payment once a month, resulting in lower overall interest charges or the annual equivalent of an extra monthly payment or both. (Be sure to check first with your mortgage lender in case this payment program needs to be approved and set up by them.)
2. Make one extra mortgage payment every year.
3. Add an extra amount to the principal of every mortgage payment.
4. Agree to apply some extra or windfall income to the mortgage.
5. If the benefits outweigh the cost of doing so, refinance for a lower interest rate or to reduce the number of years required for repayment.

Gospel topics: financial management, marriage

Let's Talk about It

This article may furnish material for a family home evening discussion or for personal consideration. You might consider questions such as:

1. Why is it important to stay out of debt?
2. What steps can be taken immediately that would begin the process of reducing debt and increasing savings?

[illustrations] Illustrated by Kay Stevenson