



# 7

## UNDERSTANDING DEBT

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### MY FOUNDATION PRINCIPLE

- Show Integrity

### FINANCIAL PRINCIPLES AND SKILLS

1. Understand Debt
2. Understand Your Debt Realities
3. Desire to Get Out of Debt
4. Overcome the “Natural Man”



# REPORT—Maximum Time: 25 Minutes

## LAST WEEK'S COMMITMENTS:

- Ⓐ Practice and share last week's My Foundation principle.
- Ⓑ Begin building my one-month emergency fund.
- Ⓒ Discuss emergency fund and insurance plans in family council.
- Ⓓ Contact and support my action partner.

### STEP 1: EVALUATE WITH ACTION PARTNER (5 minutes)

Take a few minutes to evaluate your efforts to keep your commitments this week. Use the "Evaluating My Efforts" chart at the beginning of this workbook. Share your evaluation with your partner and discuss with him or her the question below. He or she will then initial where indicated.

**Discuss:** What challenges did you have with keeping your commitments this week?

EVALUATING MY EFFORTS					
<small>INSTRUCTIONS:</small> Evaluate your effort to keep the commitments you make each week. Share your evaluation with your action partner. Ponder ways you can continue to improve as you practice forming these important habits.					<small>KEY:</small> ● Minimal Effort ● Moderate Effort ● Significant Effort
Practice and share the My Foundation principle	Plan and Manage My Finances	Hold a Family Council	Contact and Support My Action Partner	Action Partner's Initials	
<b>Example</b> Be obedient ● ● ●	Track expenses ● ● ●	Counsel about obedience ● ● ●	● ● ●	● ● ●	JH
<b>Week 1</b> Self-reliance is a principle of salvation ● ● ●	Track expenses ● ● ●	Counsel with the Lord ● ● ●	● ● ●	● ● ●	_____
<b>Week 2</b> Exercise faith in Jesus Christ ● ● ●	Track expenses ● ● ●	Counsel about income and expenses ● ● ●	● ● ●	● ● ●	_____
<b>Week 3</b> Repent and be obedient ● ● ●	Track expenses ● ● ●	Counsel about tithes and offerings ● ● ●	● ● ●	● ● ●	_____
<b>Week 4</b> Live a balanced life ● ● ●	Build a budget ● ● ●	Counsel about budgeting ● ● ●	● ● ●	● ● ●	_____
<b>Week 5</b> Solve problems ● ● ●	Choose a budgeting system ● ● ●	Counsel about budgeting ● ● ●	● ● ●	● ● ●	_____
<b>Week 6</b> Use time wisely ● ● ●	Put money toward financial priority ● ● ●	Counsel about emergency fund insurance ● ● ●	● ● ●	● ● ●	_____
<b>Week 7</b> Show integrity ● ● ●	Put money toward financial priority ● ● ●	Counsel about debt ● ● ●	● ● ●	● ● ●	_____
<b>Week 8</b> Work with responsibility and persistence ● ● ●	Put money toward financial priority ● ● ●	Counsel about debt ● ● ●	● ● ●	● ● ●	_____
<b>Week 9</b> Communicate position and listen ● ● ●	Put money toward financial priority ● ● ●	Counsel about crisis management ● ● ●	● ● ●	● ● ●	_____
<b>Week 10</b> Seek learning, observe where you are going and how to get there ● ● ●	Put money toward financial priority ● ● ●	Counsel about saving, home ownership, education ● ● ●	● ● ●	● ● ●	_____
<b>Week 11</b> Become one, serve together ● ● ●	Put money toward financial priority ● ● ●	Counsel about retirement planning ● ● ●	● ● ●	● ● ●	_____

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**STEP 2: REPORT TO THE GROUP (8 minutes)**

After evaluating your efforts, come back together and report your results. Go around the group and each state whether you rated yourself “red,” “yellow,” or “green” for each of last week’s commitments.

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**STEP 3: SHARE YOUR EXPERIENCES (10 minutes)**

Now share as a group the things you learned from striving to keep your commitments during the week.

- Discuss:**
- What experiences did you have practicing or sharing the My Foundation principle?
  - What have you done differently to save money for your one-month emergency fund?
  - How was your discussion about insurance plans and building your emergency fund in your family council?

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**STEP 4: CHOOSE ACTION PARTNERS (2 minutes)**

Choose an action partner from the group for this coming week. Generally, action partners are the same gender and are not family members.

Take a couple of minutes now to meet with your action partner. Introduce yourselves and discuss how you will contact each other throughout the week.

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*Action partner’s name*

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*Contact information*

Write how and when you will contact each other this week.

SUN	MON	TUES	WED	THURS	FRI	SAT



# MY FOUNDATION: SHOW INTEGRITY

—Maximum Time: 20 Minutes

**Ponder:** Why does the Lord love those with “integrity of heart”?

**Watch:** “What Shall a Man Give in Exchange for His Soul?” available at [srs.lds.org/videos](http://srs.lds.org/videos). (No video? Read page 111.)

**Discuss:** What does it mean to have integrity? What are some small ways people give away their souls to get things in this life?

**Read:** Articles of Faith 1:13 and Job 27:5 (on the right)

## ACTIVITY

On your own, rate yourself in the following areas.

**PUT A NUMBER IN FRONT OF EACH ITEM TO SHOW HOW OFTEN YOU ACT THIS WAY.**

*1 = never, 2 = sometimes, 3 = often, 4 = always*

- \_\_\_\_\_ 1. I keep all of my promises, commitments, and covenants.
- \_\_\_\_\_ 2. I am completely truthful in things I say and in the records I keep.
- \_\_\_\_\_ 3. I do not exaggerate to make things appear better than they are.
- \_\_\_\_\_ 4. I return everything I borrow and do not take things that do not belong to me.
- \_\_\_\_\_ 5. I am completely faithful to my spouse in my words and actions.
- \_\_\_\_\_ 6. I never cheat, even when I know I won't be caught.
- \_\_\_\_\_ 7. When I find something that isn't mine, I return it to the owner.
- \_\_\_\_\_ 8. I always pay back money I borrow.

**Discuss:** Read Mosiah 4:28 (on the right) and the quote by Elder Joseph B. Wirthlin (on page 111). Why is repaying a debt or business or student loan (like a PEF loan) a matter of personal integrity?

**Commit:** Commit to do the following actions during the week. Check the box when you complete each action:

- Improve one of the eight areas you rated above.
- Share what you've learned today about integrity with your family or friends.

*“We believe in being honest.”*

**ARTICLES OF FAITH 1:13**

*“Till I die I will not remove mine integrity from me.”*

**JOB 27:5**

*“And I would that ye should remember, that whosoever among you borroweth of his neighbor should return the thing that he borroweth, according as he doth agree, or else thou shalt commit sin; and perhaps thou shalt cause thy neighbor to commit sin also.”*

**MOSIAH 4:28**

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## WHAT SHALL A MAN GIVE IN EXCHANGE FOR HIS SOUL?

If you are unable to watch the video, read this script.



**ELDER ROBERT C. GAY:** The Savior once asked His disciples the following question: “What shall a man give in exchange for his soul?”

This is a question that my father taught me to carefully consider years ago. As I was growing up, my parents assigned me chores around the house and paid me an allowance for that work. I often used that money, a little over 50 cents a week, to go to the movies. Back then a movie ticket cost 25 cents for an 11-year-old. This left me with 25 cents to spend on candy bars, which cost 5 cents apiece. A movie with five candy bars! It couldn't get much better than that.

All was well until I turned 12. Standing in line one afternoon, I realized that the ticket price for a 12-year-old was 35 cents, and that meant two less candy bars. Not quite prepared to make that sacrifice, I reasoned to myself, “You look the same as you did a week ago.” I then stepped up and asked for the 25-cent ticket. The cashier did not blink, and I bought my regular five candy bars instead of three.

Elated by my accomplishment, I later rushed home to tell my dad about my big coup. As I poured out the details, he said nothing. When I finished, he simply looked at me and said, “Son, would you sell your soul for a nickel?” His words pierced my 12-year-old heart. It is a lesson I have never forgotten.

(“What Shall a Man Give in Exchange for His Soul?” *Ensign or Liahona*, Nov. 2012, 34)

**Back to page 110.**

*“Integrity means always doing what is right and good, regardless of the immediate consequences. It means being righteous from the very depth of our soul, not only in our actions but, more importantly, in our thoughts and in our hearts. . . . A little lying, a little cheating, or taking a little unfair advantage are not acceptable to the Lord. . . . The consummate reward of integrity is the constant companionship of the Holy Ghost, . . . [who will] guide us in all we do.”*

**JOSEPH B. WIRTHLIN,**  
**“Personal Integrity,”**  
***Ensign*, May 1990,**  
**30, 32, 33**



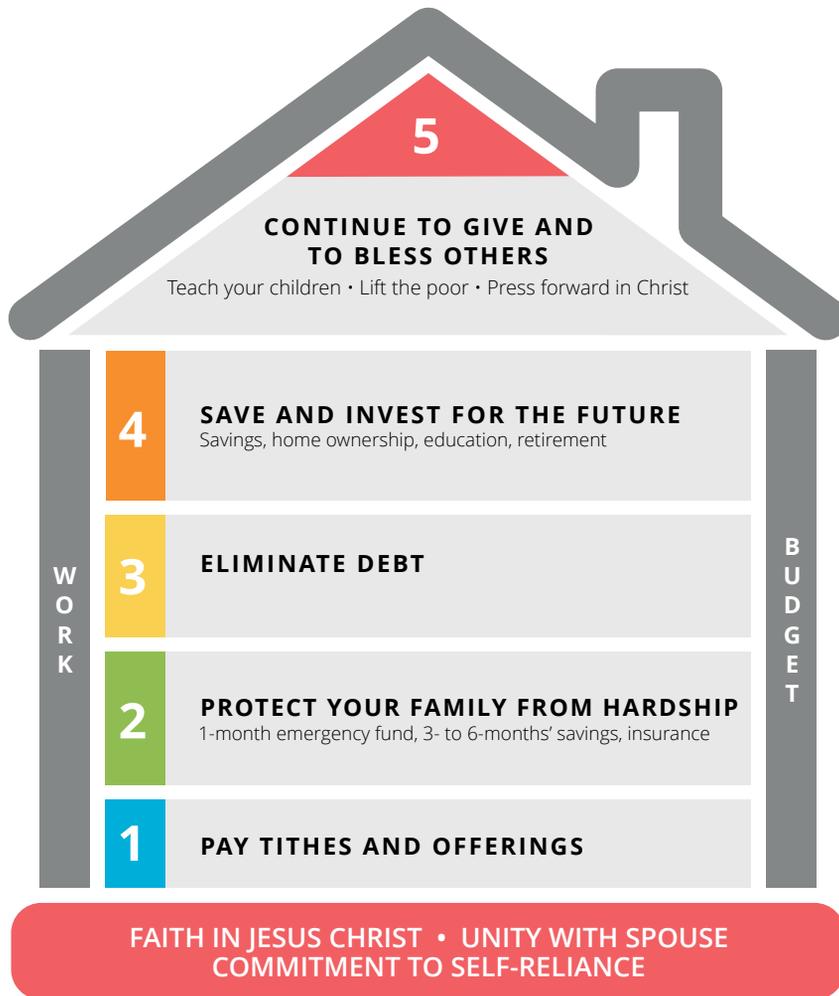
LEARN—Maximum Time: 45 Minutes

**TODAY'S DISCUSSION:**



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**ELIMINATE DEBT**



**FINANCIAL STEWARDSHIP SUCCESS MAP**

## 1. UNDERSTAND DEBT

**Read:** Debt is borrowing money that is not yours. It typically comes with a cost, known as interest. Interest is a percentage of the amount owed. You end up paying more for what you borrowed, sometimes a lot more. Debts come with expected payments, and an overall expectation to repay all that you borrowed plus interest.

**Discuss:** Why do people borrow money?

**Read:** Prophets have always counseled us to avoid debt. President Heber J. Grant taught, “If there is any one thing that will bring peace and contentment into the human heart, and into the family, it is to live within our means. And if there is any one thing that is grinding and discouraging and disheartening, it is to have debts and obligations that one cannot meet” (*Gospel Standards: Sermons and Writings of Heber J. Grant*, comp. G. Homer Durham [1941], 111).

Throughout the next two chapters you will learn to follow the prophets’ counsel to get out of debt.

**Ponder:** Take two minutes to consider financial decisions you have made that went poorly. What were the consequences? How long did you feel the effects? How did it affect you, your marriage or family, and your ability to serve others?

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### Avoid Debt

**Read:** Prophets have counseled that there are very few justifiable reasons to go into debt and that when you do incur debt you should pay it off as quickly as possible. President Gordon B. Hinckley taught that “reasonable debt for the purchase of an affordable home and perhaps for a few other necessary things is acceptable. But from where I sit, I see in a very vivid way the terrible tragedies of many who have unwisely borrowed for things they really do not need” (“I Believe,” *Ensign*, Aug. 1992, 6).

Depending on the circumstances, debt may be acceptable for the following expenses:

- A modest, affordable home
- Reasonable educational expenses that will lead to better work
- Modest, basic transportation (only if necessary)

You should likely avoid going into debt for items other than these. Instead, save up for expenses.

**Ponder:** Take two minutes to think about the following question and write your thoughts: How will it feel to be debt free?

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#### SHRINKING OUR PAPER CHAIN

I went to an expensive graduate school. I got a good job afterward but was more than a hundred thousand dollars in debt. I was looking at a LONG time before I had that debt paid off. One Saturday, my wife and I made a paper chain with each chain link representing \$1,000. There were 100 links! We keep our chain in the family room and tear off one link every time we pay down another \$1,000. Even though it will take several years to be debt free, we enjoy watching our chain shrink, and it’s a great way to teach our kids about debt, and to involve the whole family in our quest.

## Get out of Debt

**Read:** You can get out of debt! Aggressively paying down debt will require significant sacrifice, but you can do it. Below are five important principles for getting out of debt. We will cover the first three in this chapter.

1. Understand your debt realities
2. Desire to get out of debt
3. Overcome natural-man tendencies that lead to debt
4. Stop incurring debt
5. Pay off your debts

**Discuss:** What thoughts or impressions do you have from reading these five principles?

## 2. UNDERSTAND YOUR DEBT REALITIES

**Read:** How much debt do you have? What are the interest rates? What are the payments? How long will it take to pay off your debt, and how much interest will it cost you? It is important to know these things as you work to get out of debt. To do so, you will create a debt inventory. Below is a sample debt inventory table.

DESCRIPTION	BALANCE	INTEREST RATE	MONTHLY PAYMENT
Credit card #1	4,000	17%	97
Credit card #2	6,500	19%	168
Car	5,000	3.00%	145
Student loan	18,000	5.50%	300
Mortgage	170,000	4.50%	1,050

In your family council this week, you will create a similar table. Be sure to fill in all of the information for each debt.

### 3. DESIRE TO GET OUT OF DEBT

**Read:** In order to do anything difficult, including getting out of debt, your desire must be stronger than the obstacles. Elder Dallin H. Oaks taught, “When we have a vision of what we can become, our desire and our power to act increase enormously” (“Desire,” *Ensign* or *Liahona*, May 2011, 44). To find success, focus on your goal to get out of debt and visualize what life will be like when you are free from the burden of debt. Elder Neal A. Maxwell taught, “What we insistently desire, over time, is what we will eventually become” (“According to the Desire of [Our] Hearts,” *Ensign*, Nov. 1996, 21).

**Discuss:** Why do you desire to be debt free? What will you be able to do that you aren’t able to do now?

### 4. OVERCOME THE “NATURAL MAN”

**Read:** In the Book of Mormon, King Benjamin taught, “For the natural man is an enemy to God, and has been from the fall of Adam, and will be, forever and ever, unless he yields to the enticings of the Holy Spirit, and putteth off the natural man and becometh a saint through the atonement of Christ the Lord, and becometh as a child, submissive, meek, humble, patient, full of love” (Mosiah 3:19). To put off the natural man, we must remember the principles we learned from chapter 4 about maintaining a long-term perspective. Like the children in the marshmallow experiment, we need to learn to delay short-term pleasures in order to reach long-term goals.

“Natural man” tendencies include:

- Impulsive and emotional spending.
- Ignorance or carelessness about our financial reality.
- Coveting and comparing ourselves with others.

Yielding to the natural man will likely lead us to debt and financial stress. On the other hand, as we seek to follow the “enticings of the Holy Spirit,” we will be enabled by the power of the Atonement to become strong in the face of adversity.

**Discuss:** What does it mean to put off the natural man?

**Read:** Let's look more closely at some of these tendencies of the natural man in the context of self-reliance.

### Impulsive and Emotional Spending

**Ponder:** Take a minute to think about the following questions and write your answers below: When was the last time you made an expensive, impulsive purchase? What was it? How could you have used that money more effectively for something else?

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**Read:** We have all likely made an impulsive or emotional purchase. Sometimes we spend money when we feel discouraged or angry. Sometimes we spend money because we feel that we are entitled to reward ourselves. Sometimes a sale or promotion tempts us into believing we need something when we really don't. There are many reasons why we spend money on things we don't really need at the expense of paying for the things that matter most. The following activity will help us understand why we make impulsive purchases.

**ACTIVITY (10 minutes)**

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**Step 1:** Take a few minutes to evaluate your emotional spending habits by responding to the questions below.

**Step 2:** After you have filled out the questionnaire, pair up with your spouse (if present) or action partner and discuss the following:

- What are some patterns you notice related to emotional or impulsive spending?
  - What can you do to protect you from yourself?
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**HOW DO I FEEL WHEN I SPEND IMPULSIVELY?** *(Check all that apply.)*

- |                                   |   |
|-----------------------------------|---|
| <input type="checkbox"/> Alone    | <input type="checkbox"/> Mad              |
| <input type="checkbox"/> Bored    | <input type="checkbox"/> Sad              |
| <input type="checkbox"/> Excited  | <input type="checkbox"/> Stressed         |
| <input type="checkbox"/> Generous | <input type="checkbox"/> Tired            |
| <input type="checkbox"/> Happy    | <input type="checkbox"/> Underappreciated |
| <input type="checkbox"/> Hungry   |   |
- 

**WHAT DO I SPEND ON WHEN I SPEND IMPULSIVELY?** *(Check all that apply.)*

- |  |  |
|--|--|
| <input type="checkbox"/> Clothing                          | <input type="checkbox"/> Gifts                           |
| <input type="checkbox"/> Dining at restaurants             | <input type="checkbox"/> Home furnishings or decorations |
| <input type="checkbox"/> Electronic devices or accessories | <input type="checkbox"/> Snacks or beverages             |
| <input type="checkbox"/> Entertainment                     | <input type="checkbox"/> Travel                          |
- 

**WHO AM I WITH WHEN I SPEND IMPULSIVELY?**

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Children  | <input type="checkbox"/> Nobody; I am alone |
| <input type="checkbox"/> Coworkers | <input type="checkbox"/> Spouse             |
| <input type="checkbox"/> Friends   |   |
- 

**Discuss:** How can we overcome tendencies to make impulsive purchases?  
What have you done in the past to overcome such impulses?

## Ignorance or Carelessness about Our Financial Situation

**Read:** In the Book of Mormon, Nephi chastises Laman and Lemuel for being “past feeling” and unable to feel the Spirit work within them (see 1 Nephi 17:45). Our choices can often harden our hearts, making it difficult to feel the promptings of the Spirit when we must change. Sometimes being “past feeling” may cause us to choose to ignore the reality of our situation. We may want to avoid tracking expenses or looking at our bank accounts. If we use credit cards or other consumer credit, this carelessness can quickly lead us into debt.

Sometimes one or both partners in a marriage will spend carelessly, assuming that the other partner is responsible for the family’s financial situation. Remember, both spouses are equally responsible for their family’s finances, and ignoring or transferring our responsibility will only push us further into financial trouble.

**Discuss:** Why are some inclined to ignore the reality of their situation? How can you overcome being “past feeling” about your financial situation, if you need to?

## Coveting and Comparing Ourselves with Others

**Read:** It is natural for people to compare themselves with others, and we are bombarded with messages and advertisements encouraging us to purchase things we do not need. Sometimes we feel entitled to have things that we can’t afford or don’t really need. Giving in to coveting can quickly lead us to make unwise purchases.

**Discuss:** How can we overcome the tendency to compare ourselves with others?

## DISCUSS FINANCIAL PRIORITIES IN YOUR FAMILY COUNCIL

**Read:** During your family council this week, you will discuss ways in which you can overcome and protect yourselves from “natural man” tendencies. Together, discuss your current debts and create a “debt inventory” (see the blank debt inventory sheet on page 123). You may consider using the “Sample Family Council Discussion” outline below to guide your council. As you identify your debts together, and as you develop ways to overcome “natural man” tendencies, you will receive the Lord’s help to eliminate your debts.

### SAMPLE FAMILY COUNCIL DISCUSSION

*Be sure to begin and end with a prayer to invite the Spirit.*

#### Part 1: Review

- What are some ways that you manifest natural man tendencies?
- When was your last big, impulsive purchase? What could you have done with that money instead?
- When you become debt free, what will you be able to do that you cannot do now?

#### Part 2: Plan

- Put together a debt inventory using the table on page 123.
- Ask yourself:
  - What can you do differently to eliminate your debts?
  - What practices can you put in place to overcome and prevent natural man tendencies?
  - How can you involve the Lord to help you put off the natural man?



## PONDER—Maximum Time: 5 Minutes

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*Individually think about what you have learned today and consider what the Lord would have you do. Read the scripture or quote below and write responses to the questions.*

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“And again, verily I say unto you, concerning your debts—behold it is my will that ye shall pay all your debts” (D&C 104:78).

What are the most meaningful things I learned today?

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What will I do as a result of what I learned today?

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## COMMIT—Maximum Time: 10 Minutes

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*Read each commitment aloud to your action partner. Promise to keep your commitments and then sign below.*

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### MY COMMITMENTS

- Ⓐ I will practice and share this week's My Foundation principle.

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- Ⓑ I will inventory my debt using the example in the workbook.

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- Ⓒ I will discuss my debt inventory and ways to overcome and prevent "natural man" tendencies with my family or an accountability partner.

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- Ⓓ I will contact and support my action partner.

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*My signature*

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*Action partner's signature*



## RESOURCES

### DEBT INVENTORY

DESCRIPTION	BALANCE	INTEREST RATE	MONTHLY PAYMENT

