

# DAVE RAMSEY

---

NEW CHAPTERS ON  
**MARRIAGE,  
SINGLES,  
KIDS AND  
FAMILIES**

---

BESTSELLING  
AUTHOR OF  
*THE TOTAL  
MONEY  
MAKEOVER*

NEW YORK TIMES BESTSELLER

**Financial** *Peace*  
REVISITED

**Dave Ramsey**

**Financial**  
*Peace*

R E V I S I T E D

---

---

WITH THOUGHTS BY

*Sharon Ramsey*

---

---

VIKING



**Dave  
Ramsey**  
**y**

**Financial**  
**al**

*Peace*

R E V I S I T E D

---

---

WITH THOUGHTS BY

*Sharon Ramsey*

---

---

VIKING

VIKING

Published by the Penguin Group

Penguin Putnam, Inc., 375 Hudson Street,  
New York, New York 10014, U.S.A.

Penguin Books Ltd, 80 Strand, London WC2R 0RL, England

Penguin Books Australia Ltd, 250 Camberwell Road, Camberwell, Victoria 3124, Australia

Penguin Books Canada Ltd, 10 Alcorn Avenue,  
Toronto, Ontario, Canada M4V 3B2

Penguin Books India (P) Ltd, 11 Community Centre,  
Panchsheel Park, New Delhi - 110 017, India

Penguin Books (N.Z.) Ltd, Cnr Rosedale and Airborne Roads, Albany, Auckland, New Zealand

Penguin Books (South Africa) (Pty) Ltd, 24 Sturdee Avenue, Rosebank,  
Johannesburg 2196, South Africa

Penguin Books Ltd, Registered Offices: Harmondsworth, Middlesex, England

This edition published in 2003 by Viking Penguin, a member of Penguin Putnam, Inc.

Copyright © Lampo Press, 1992, 1995, 2003

All rights reserved

This publication is designed to provide accurate and authoritative information with regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering financial, accounting, or other professional advice. If financial advice or other expert assistance is required, the services of a competent professional person should be sought.

LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA

Ramsey, Dave.

Financial peace revisited / Dave Ramsey; with thoughts by Sharon Ramsey.

p. cm.

Includes bibliographical references.

ISBN 0-670-03208-5

1. Finance, Personal. 2. Finance, Personal—Religious aspects—Christianity.

I. Ramsey, Sharon. II. Title.

HG179 . R3153 2003

332.024—dc21 2002035830

Without limiting the rights under copyright reserved above, no part of this publication may be reproduced, stored in or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of both the copyright owner and the above publisher of this book.

Version\_3

*To my wonderful wife, Sharon, who stuck it out  
while I learned all these lessons the hard way.*

*She has embodied the truth that real love is  
commitment, even when it is not fun.*

*Thank you, honey.*

*I love you.*

# Preface

THE STORY OF *Financial Peace* is both my own story— what happened to me and to my family when I got caught up to my eyeballs in debt—and the story of a book that has grown into a phenomenon.

As you'll learn in the pages that follow, I was a young hotshot in real estate in my hometown of Nashville, Tennessee. In the mid-eighties, I was among the first people in the Nashville area to go down, to lose everything. By the time I made it through and was getting back on my feet, a lot of my business associates and friends were being hit by the recession and the crash in real estate. People started coming to me and asking: How'd you do it, Dave? How did you keep your marriage together? How did you put your financial house back together? I started talking to my friends. Then I began counseling couples at my church. After a time, I was offering private financial counseling services—most of which amounted to helping people through their own bankruptcies.

I was helping people, people in emotional pain and financial distress. And despite having learned the hard way, the lessons I was teaching people seemed so easy. Yet I began to realize that most of us don't have the skills to help ourselves because of the way we as Americans are taught and seduced into buying "stuff"—cars, houses, Rolex watches, designer clothing, and on and on. The people I counseled and the groups I spoke to kept asking me for materials to help them implement this system that I was teaching them—the Financial Peace plan.

Finally I decided I'd try to write a book. So I sat down at the computer in my new "office" in the middle of our living room and began writing. When I was done with the manuscript, I showed it to seventeen friends, some of whom were experts in financial matters, and two professional editors. After I got all of their opinions and rewrote the book nineteen times, a local artist designed the cover. I decided it was time to go to press and came to the conclusion that I should print 1,000 copies. It cost me an arm and a leg, I can tell you—and I wasn't quite sure how I was going to sell them, either. By the time I had those thousand books, I knew that the writing had helped me to deal with some of my own wounds from my experiences with debt and bankruptcy and that I had something to say, to teach, and a new mission in life. That was in 1992. I gave most of the first thousand copies of *Financial Peace* away, but kept being asked to teach and to speak and was actually managing to sell a few!

Then there was another bankruptcy. Not my own. It was the local radio station, WWTN-FM in Nashville. It was in distress, filing for [Chapter 11](#), and one of its talk-show hosts quit because he wasn't getting paid. When I heard, I went down to WWTN and offered them a deal. I'd take a time slot for a month at no pay and do a show about money and finances. I thought it'd be fun, maybe. I thought it would help to get my *Financial Peace* message out and, as one of my friends said, maybe I'd "sell a few copies of that dumb ole book" of mine. "The Money Game" went on the air in 1992 and has been on ever since.

It is fun, but it's even more satisfying to help people every day of the week with their money problems and to relieve them of the stress and distress they feel as a result. And we

did sell books, some 30,000 of that first edition of *Financial Peace*.

Then in 1995, WWTN was bought by Gaylord Entertainment. You know them—they own the Grand Ole Opry and The Nashville Network among others. They came into WWTN, fixed the tower so we were finally broadcasting at its full 100,000-watt capacity, and began promoting our show. As they geared up, it became clear that this was an opportunity to spread the *Financial Peace* message even further. So I decided to rewrite the book using the lessons I'd learned from the show's listeners and callers, from the questions I got asked by people who came to my seminars, from the new things I had figured out about money in the three intervening years. I also asked my wife, Sharon, to write something in each chapter of the book—she has shared all the pain and the joy of our experiences with financial distress and financial peace so I wanted my readers to hear from her too. Sharon's thoughts turned out to be one of the most popular features of the book.

The new edition of *Financial Peace* hit the stores in September 1995—at the same time that Gaylord's marketing of "The Money Game" hit Nashville. As people got to know the billboards around the Nashville area, they tuned in. The ratings soared—and so did sales of the book. At the end of the year we'd sold some 50,000 copies, with sales growing each week. Six months after that we were up to 120,000 copies. The book became the number-one seller in middle Tennessee for 1995—we beat the big boys!

By mid-1996 we began syndicating the radio show and changed the name to *The Dave Ramsey Show*. You can now hear us on hundreds of radio stations with more than a million listeners daily. We are one of the most listened to talk-radio shows on the Internet and our class Financial Peace University has exploded with over 2,000 locations. As all this was happening Jane von Mehren and another lady with Viking Penguin made me a wonderful offer to take this book national in a way we could only imagine. With over 750,000 copies of *Financial Peace* in print and three new books, we have now sold more than one million books together.

*Financial Peace Revisited* has tons of new material and totally updated statistics and insights from the original. Our journey to this point has been very tough and very fulfilling. As I travel the nation doing live events and book signings I have met thousands of people who have used the information in this book to completely change their lives: paying off debt, saving money, changing their marriages. I have now heard stories of untold numbers of lives touched and hope restored. That is what *Financial Peace* is about—hope.

# Prologue

THE SPEAKER ASKED the people to raise the envelope containing their bills over their heads and to pray for their financial predicaments. With a twinkle in his eye, he said for those with boxes to be careful not to strain their backs. He then prayed over their bills, asking God to remove the bondage that these financial predicaments had brought to their lives. Then came the most significant part.

After the prayer, he asked everyone—from the distinguished businessman to the society lady—everyone—to make the noise that they will make the day that they are no longer in debt or are completely cleared of their financial predicament. I heard a roar and a celebration come from those one thousand people that would rival the Super Bowl. People of every area of life were celebrating the mere thought of being financially free. It was like few expressions of joy I have ever witnessed. Just when I thought they were slowing and going to quiet down, another wave of celebration crossed the hall.

I had been sitting in a meeting on personal finance held in a local church. This experience helped reiterate to me the amount of pain we, the American people, have regarding our personal finances. I had been researching and living this book for four years at that point. What I witnessed was an emotional reminder to me that we as a people have to get a handle on our finances. *It is time*. It is time we started controlling our money, instead of money—or the lack of money—controlling us! The scene I witnessed that night was merely a reflection of what I have seen as a paralyzing cancer that is rampant in our country.

You may think that this was merely some religious emotionalism. However, my counseling experience with thousands of people in financial crises tells me that a huge percentage, even a scary percentage, of the American public at large would throw an unprecedented nationwide celebration if they could simply get control of their finances.

And there is a way....

# Acknowledgments

*When you have lived as much of this material as we have, writing this was somewhat like birthing a child. I wish to thank all those people who have inspired me through the task of a first book:*

*To my friends and pastors at Christ Church Nashville, thank you for being my editors, readers, and examples of how we are all supposed to walk before the Lord.*

*To my parents, whose entrepreneurial spirit has always told me to get up and go on.*

*To my Lord Jesus, for the power and mercy that You have shown in my life and most of all for Your grace without which I would be lost.*

# Contents

Preface

Prologue

Acknowledgments

CHAPTER 1  
**THE BEGINNING ...**  
**A VERY GOOD PLACE TO START**

CHAPTER 2  
**ENOUGH OF ANYTHING IS TOO MUCH**

CHAPTER 3  
**THE BASICS (A FOUNDATION)**

CHAPTER 4  
**UNDERSTAND THE SPIRITUAL**  
**ASPECTS OF MONEY**

- 1. Avoid “Stuffitis”—The Worship of “Stuff”*
- 2. Plant Seeds—Give Money Away to Worthy Causes*

CHAPTER 5  
**LET THE BUYER BEWARE—**  
**CAVEAT EMPTOR**

- 3. Develop Your Own “Power over Purchase”*

CHAPTER 6  
**CAREER CHOICE**

*4. Find Where You Are Naturally Gifted—  
Enjoy Your Work and Work Hard*

**CHAPTER 7  
LIFESTYLES OF THE RICH**

- 5. Live Substantially Below Your Income*
- 6. Sacrifice Now So You Can Have Peace Later*
- 7. You Can Always Spend More Than You Can Make*

**CHAPTER 8  
DUMPING DEBT**

- 8. The Borrower Is the Servant to the Lender; So Beware!*

**CHAPTER 9  
CUCUMBERS, COLLECTORS,  
AND CREDIT REPORTS**

- 9. Check Your Credit Report at Least Once Every Two Years*
- 10. Handle Credit Report Corrections Yourself*
- 11. Realize That the Best Way for Delinquent Debt to Be Paid Is for You, Not Collectors, to Control Your Financial Destiny*

**CHAPTER 10  
PILE UP PLUNDER**

- 12. You Must Save Money (the Power of Compound Interest)*

**CHAPTER 11  
“KISS” YOUR MONEY**

- 13. Use the “Keep It Simple, Stupid” Rule of Investing*

**CHAPTER 12  
OF MICE AND MUTUAL FUNDS**

- 14. Only People Who Like Dog Food Don’t Save for Retirement*

*15. Always Save with Pretax Dollars—It Is the Best Deal the Government Gives You*

#### CHAPTER 13

### **BUY ONLY BIG, BIG BARGAINS**

*16. Learn Basic Negotiating Skills for Great Buys*

*17. Learn Where to Find Great Buys (the Treasure Hunt)*

*18. You Must Have Patience to Get Great Buys*

#### CHAPTER 14

### **SINGLE AS A ONE-DOLLAR BILL**

*19. Singles Get Self-Accountability from the Written Plan*

*20. Singles Should Look for a Money Mentor for Advice and Accountability*

*21. Singles Beware of the Impulse Monster; He Will Eat You Alive*

#### CHAPTER 15

### **TYING A KNOT IN YOUR MONEY: MARRIAGE**

*22. Men and Women View Money Differently, So Be Sensitive to Differences*

*23. Opposites Attract in Marriage, So Work Together for Maximum Wisdom*

*24. When You Agree on Spending, You Will Experience Fabulous Unity in Your Marriage*

#### CHAPTER 16

### **CRUMB SNATCHERS AND MONEY**

*25. Teach Children to Work, Spend Wisely, Save, and Give*

*26. The Most Powerful Legacy You Can Leave Is Wise, Competent Children*

#### CHAPTER 17

### **FAMILY, FRIENDS, AND MONEY**

*27. Giving Loved Ones All the Money They Request May Not Be Best for Them*

*28. Making Decisions Based on Fear of Reprisal Can Be a Sign of Codependence*

*29. Be Strong Enough to Help Others and Strong Enough Not To*

## CHAPTER 18

### **CAREFULLY CONSIDER COUNSEL**

*30. Listen to Your Spouse's Counsel (Women's Intuition)*

*31. There Are Few "Old" Fools—Seek Experienced Counsel*

## CHAPTER 19

### **WHY WRITTEN?**

*32. You Must Keep Your Checkbook on a Timely Basis*

*33. Lay Out the Written Details of a Cash Management Plan*

*34. Commit to Your Plan for Ninety Days*

## CHAPTER 20

### **DO IT DAILY**

*35. Take Time to Prioritize Your Life Daily*

*36. Keep Your Spiritual Life Healthy*

## CHAPTER 21

### **BABY STEPS**

*37. Take Baby Steps—Prioritize Your Plan and Move Slowly*

## CHAPTER 22

### **THE END ... OR JUST THE BEGINNING?**

## APPENDICES

Financial Management Forms

National Credit Bureaus

Sample Letter #1: Credit Bureau Cleanup

Sample Letter #2: Creditor Calls at Work

Sample Letter #3: Cease and Desist

## NOTES

About the Author

## CHAPTER ONE

# **The Beginning... a Very Good Place to Start**

AS I STOOD PUTTING GAS in my Jaguar, the cold damp January wind chilled me and seemed to dampen my spirits even more. I hoped the attendant inside would not run a telephone check on my gold card. If he did, they probably would turn me down. Then where would I be?

“This is ridiculous,” I murmured. “Only in America could you drive a Jaguar and not have the money to put gas in it.” I wondered where the arrogant young man from a few years ago was. There I stood in the cold, a man in my twenties, knowing I was in the process of losing virtually everything I owned.

It had not always been that way. After college I hit a couple of minor bumps in my career, but I found a niche in foreclosure bargain real estate. With a formal education in finance, a family background in real estate, and a burning desire to succeed, I had a head start on life. As my real estate business grew, everything I touched seemed to turn to gold. I began to collect rental properties, as well as buy and sell bargain properties. I was very good at it and made money quickly. By age twenty-six, I had a rental real estate portfolio worth more than \$4 million. I had built a team of people to manage this growing company and everything was moving perfectly.

Or so I thought. My wife and I did all the exotic vacations, drove the top-name autos, and wore only expensive, custom-tailored suits. You may be able to imagine that for a young man of twenty-six, I thought I had it made.

## **Financial Independence**

I had arrived at “financial independence,” that mystical place every young entrepreneur wants to reach. If I wanted something, I bought it—no thought required. I had done it honestly, with hard work and intelligence. So what could possibly happen in paradise?

Along with my knack for obtaining bargains, I had another talent. I had an unusual ability to finance everything. If one of my business lines of credit ran low, I would put on my custom suit, get in my Jaguar, and head for the bank. I would make sure to park in front of the manager's window for a big impression. I had my financial statements, corporate strategy, and tax returns all bound for presentation. All this pomp and circumstance, combined with the fact that my "deals" always worked and enamored the bankers, and they loved to lend me money. We had every type of personal line of credit, business lines of credit, and equity lines of credit—and let's not forget those wonderful gold and platinum cards.

If a banker would dare to indicate I might have too much debt, I would hunt another source. I have taken a \$20,000 draw on a line of credit in a cashier's check, walked out of that bank, and into another. With all the "presentation" explained above and a \$20,000 cashier's check, I would "establish a new relationship." Which meant I would deposit my borrowed cash into their bank, promise to be a customer, and in return they would give me a new \$100,000 line of credit plus every platinum card and personal line of credit they had.

The sarcastic way that I am explaining this to you almost makes the process seem immoral. However, we were making money, and we had a bright future, so the banks wanted customers like us.

### **All Good Things Come to an End**

Then it happened. Our largest lender was sold to a larger bank. Neither pomp and circumstance nor my name meant anything to the new upper management. Also, the 1986 tax act began to have its negative impact on real estate so all the banks began to get worried. Upper management decided to "trim back" on real estate lending. Most of our borrowing was in short-term notes because we resold most of our property for profit. Because we had "open lines of credit" and short-term notes, the banks had the right to call (or demand that we pay) most of our debt within ninety days. And *that* is just what they did. The new management called all my notes.

I had ninety days to find \$1.2 million. I paid virtually all of it, but doing so destroyed my business. That action started a chain reaction that ended in my losing everything but my home and the clothes on my back.

I remember the strain on my marriage. I remember the mornings standing in the shower with the water scalding my face and crying like a baby. I remember the sheriff serving the lawsuit papers for default on notes. I remember thinking of suicide, knowing I had a \$1 million life insurance policy that would provide for my family better than I was doing. It took three and a half years for paradise to completely unravel and for me to end up broke.

From the nightmare and emotional pain, however, was born an idea—the idea of counseling the average consumer through debt problems. I found that the foreclosure experience I had, combined with my personal experience with financial pain, was a foundation for opening a company to counsel consumers. I attended any and every workshop or seminar available and devoured every book I could find on consumer financial problems.

I have that company and have dealt with several thousand cases of consumer counseling on financial crisis. The base of knowledge from that experience and my personal pain are the source for this material.

### **Enough Pain Already!**

Having lived through that trepidation, having sat with countless others while they lived through the same horrors of financial stress, and having watched more than 10,000 foreclosures come across my desk in ten years, I have had enough! It is time we Americans get a handle on our finances. We have been Gomer Pyleing it through our lives long enough. Down South we call this ridiculous walk down apathy lane in a Valium state of mind “ditty bopping along.”

I believe it is time for the typical American family to get out of financial bondage. I also believe that they are ready. Furthermore, I believe that through knowledge and discipline *financial peace* is possible for us—all of us.

At the end of each chapter my wife, Sharon, will offer her insights and comments on the material presented there. Achieving financial peace would have been impossible without her.



## **Thoughts from Sharon ...**

*I remember that sunny summer afternoon when Dave called and told me that nothing else could be done. It was over. We had to declare bankruptcy.*

*What would we do now? I wondered. I had such an empty feeling. I felt that the whole world was crashing in on us. Now everybody was going to know our secret. Everybody would look at us funny. What would our family and friends think? Would we be able to take nice vacations? Would the children still be able to dress nicely and participate in the same activities? What was going to happen to us?*

*Question after question raced through my mind. But I didn't have the answers. I began to think, well, maybe I spent too much on furniture. Or maybe I bought too many clothes. What did I do to cause this mess? I was scared—no, I was terrified.*

*That day I asked the Lord for help. I realized that Dave and I needed more than just money. We needed peace and security so that everything would be okay. I have seen this valley we were in turn into an opportunity to share with others about the financial burden we had gotten ourselves into.*

*There is hope. As a wife and mother, I knew that I couldn't give up.*

*There were times I had to be there for Dave just as he was for me. We had to encourage one another many times. I realized that it wasn't going to be easy.*

*But I knew we were just in a valley and that on the other side there was a mountain and sunshine.*

## CHAPTER TWO

# Enough of Anything Is Too Much

THE AMERICAN CONSUMER is facing dire financial straits. The story outlined for you in the [previous chapter](#) and the thousands of families I have counseled lead me to that conclusion. After witnessing national trends and gathering information from personal observation over the past twenty years, I am disturbed by the direction our management of money has taken.

Our nation's financial situation, with record budget deficits and bank failures, is deplorable. However, the nation's situation is only a reflection of our own personal inability to "just say no" to ourselves. Our failure to get control of financial matters in our personal lives will have to be rectified before we can demand accountability from elected officials. Our spoiled Congress is only a reflection of our spoiled selves. The good of our country is overlooked so our pet special-interest groups can be served, just like the good of the family is often overlooked so Dad or Mom can have that special trinket they must possess.

### **Dessert Before Dinner**

As a people we have forgotten how to delay pleasure. We are living in a society that microwaves everything. We must have it, and we must have it now! As Brian Tracy, a well-known motivational speaker, says, "We are being taught by everything around us to have *dessert before dinner*." Now we are paying for our lack of knowledge and discipline.

The statistics of financial failure show clearly that this decline is a fact. These statistics do not reveal cycles but rather, more alarmingly, show steady decline. These statistics do not show any attributable correlation with inflation, unemployment, recession, or any national trend except the rise in personal debt. Larry Burkett of Christian Financial Concepts says that in

1929 only 2 percent of American homes had a mortgage and by 1962 only 2 percent *didn't* have mortgages. <sup>1</sup>

We must not be misled into believing that these problems are faced only by large companies or deadbeats. On the contrary, these are typical American families with two kids, a dog, and dinner every night. I have met with these families and they are just regular folks. Their situation just got out of control.

*The Consumer Reports Money Book* states that the typical household has \$38,000 in debt and that total consumer debt has almost tripled just since 1980. In 1980 the total consumer debt was \$1.3 trillion, and now it is beyond the incredible figure of \$3.3 trillion—in just a few short years. <sup>2</sup> A recent survey conducted by Consolidated Credit Counseling Services found that 71 percent of Americans say debts are making their home lives unhappy. <sup>3</sup> A recent study in *The Wall Street Journal* states that 70 percent of the American public lives from paycheck to paycheck. <sup>4</sup> Interestingly, a Marist Institute poll published right after that *Wall Street Journal* article stated that 55 percent of Americans “always” or “sometimes” worry about their money. <sup>5</sup> If 70 percent are broke and only 55 percent are worried, I guess the other 15 percent are asleep.

The Federal Reserve says mortgage debt has more than doubled since the early nineties. <sup>6</sup> Foreclosure has become a way of life in America with tall grass and hanging gutters in virtually every neighborhood. Foreclosures have increased 200 percent since 1980 with more than 600,000 homes lost in 2001 alone. <sup>7</sup> The American Bankruptcy Institute says that in 1980 there were just more than 500,000 bankruptcies filed and by last year almost 1,500,000 were filed with new records set almost every year in between. <sup>8</sup> It is getting ugly. Seventy-one percent of the bankruptcies are [Chapter 7](#), which is the “total” bankruptcy where you lose everything, but 95 percent of those cases were “no asset” cases. <sup>9</sup> That means they had no assets to lose by the time they got to bankruptcy.

As a matter of fact, a recent study done on the typical bankruptcy by the University of Texas in conjunction with the University of Pennsylvania confirms this. Published in the *Wall Street Journal* the study noted that the typical bankruptcy was not a guy under a bridge or a real estate high roller

but rather “well-educated, middle class baby boomers with big time credit card debt.” <sup>10</sup>

### **The Times They Are A-Changin’**

In the 1950s you seldom would have heard of a person filing bankruptcy, being foreclosed on, or having his wages garnisheed for nonpayment of debt. Now, if you live in a middle-income neighborhood, out of your closest one hundred neighbors there is at least one house empty from foreclosure, plus one foreclosure under way, and four to seven of your neighbors are more than three months behind on their house payment. In some areas these numbers are double. The generation of adults that started housekeeping in the 1930s and 1940s would be appalled at their grandchildren’s lack of financial responsibility.

Since the Civil War we have seen a steady change in the way we Americans handle our money. As a boy in the 1850s, prior to the Civil War, my great-great-grandfather lived in Indiana. In his memoirs he mentions a family who owned a neighboring farm. This family got the fever to move West but couldn’t because, unlike most anyone else in the county, they owed money on their farm. The language he used to discuss this mortgage gave insight into the attitude of the day regarding debt. He gave the impression that one should pity this family as if they had cancer or view them as sinners who had some skeleton in their closet. This view of debt is completely foreign to us today. Astonishingly, the mortgage in question was only five dollars!

The generation of people who set up housekeeping in the 1930s and 1940s was scarred by the Great Depression. Those folks would borrow very seldom, and they lived under their means. They would be shocked by the way most families live today.

The family of the 1950s and early 1960s began borrowing in order to buy a home, because “How in the world could you expect a young couple to pay \$13,500 cash for a house?” (Incidentally, that same house in most cities is now worth over \$100,000.) This family would borrow on very little else except a house because the Depression-era mentality of their parents had partially been passed on to them.

The family of the late 1960s and 1970s, however, began to borrow in order to purchase homes and automobiles and a few other items. Credit cards became popular during this time as a result of the first aggressive marketing of credit. For the first time ever, Americans were sold on the idea of borrowing. Financial institutions began to develop “financial products,” meaning an array of different ways that they would lend us money. You will see later the wealth that these companies have attained as the result of selling America on debt. Jupiter Media’s study says that there are 15.4 billion credit advertising impressions on the American public every three months! <sup>11</sup>

The seventies, eighties, nineties, and the new millennium have seen lending and borrowing at an all-time high in modern history. We want it all, and we can borrow to get it all, before we can afford it all. Over the last forty years we have gradually become a nation of *consumers*, instead of the nation of *producers* we used to be.

## **Stuff**

We must have everything *now*, and we want only the best. We cannot be content to have just a DVD. We must have one that tells the time in Japan while simultaneously recording soap operas in Afghanistan three weeks from now! We cannot be content to own a refrigerator to keep food from rotting; we must have one that talks and makes sandwiches at halftime. Don’t get me wrong; I am not criticizing owning nice things because I own “stuff.” However, we have stressed our family budgets and often crashed ourselves by buying all this “stuff” before we can really afford it.

Our businesses have followed the same general change in philosophy. Businesses used to believe in having high cash reserves, but now most are run on a shoestring, with no provision for the cycles that *do* come. Businesses now believe in joint ventures, leveraged buyouts (which simply means the entire purchase is on borrowed funds, which usually strains the company to an unhealthy position), and the heavy use of capital markets of all kinds. Consequently, in the last few years we have seen the highest rate of business failure ever. The volatility brought on by business failures has rippled through every part of our lives, spreading insecurity, fear, and actual financial, spiritual, and emotional damage.

The American family has especially felt the effects of these changes in our financial philosophy. The very core of the family is dramatically affected by this overbuying, which creates overborrowing. Most marriages that fail list financial problems as a contributing factor, if not the main reason for the failure. Marriages of twenty-five years or more are frequently destroyed by foreclosure or bankruptcy. The “stuff” must have owned them, instead of their owning the “stuff.”

Our entire nation is in financial stress at the individual level, at the city and state level, and at the national level. Are you depressed yet? I hope so. I intend for this chapter not to make you feel guilty or simply to leave you hopeless, but instead to get you mad. I want you mad enough to change your life and mad enough to change your children’s lives—and maybe even mad enough to change your city or your country.

### **Mad Is Not the Word for It**

I have had enough! Enough living in bondage to “stuff.” Enough of having a bank collector, credit card collector, or mortgage company call and ruin my evening with those collection calls. I finally got sick and tired of it! And when I got sick and tired of being sick and tired, I decided to learn something about money, how it works—how it *really* works—and how to work it. I decided to learn the things not taught in college finance class. I decided after losing virtually everything I owned that I was tired of living in stress due to money or the lack of money.

After counseling for several years, I am still mad. I am tired of seeing my friends divorce over money problems. I am tired of having grown men and women in my office with thoughts of suicide because they stand to lose everything they own. I am tired of seeing single moms work seventy-hour weeks just to make a living and put food on the table. I am tired of watching our Congress and president pass more trillion-dollar deficits.

Is there hope? Absolutely but we must shift our view of “stuff” and money, and we have to learn how to handle both. I see dramatic things happen to people who apply simple and forgotten principles to all areas of their life. You too can turn your personal financial problems and challenges into opportunities in just a few weeks. You can redirect your entire life within just a short period of time. I am even optimistic that our nation can

and will be saved by a return to simple, basic principles that have been taught and lived since Old Testament times.

If you need more peace in your financial life, finish this book. As I said in the preface, there is a way....



### **Thoughts from Sharon ...**

*We all love stuff—men, women, and children, but probably women more so! Let's face it: women love to shop.*

*We had a garage sale last year, and I thought to myself why do we have so much stuff? Do we really need all of this? If so, then why am I trying to sell it all? Well, I believe the answer to those questions is because at one time we thought we needed it.*

*Yes, I have to admit it was very hard for me to be content with what I had. Fifty more times I would say, "If I could only have ..." Dave's answer would always be, "Then you would want more." It's always a cycle—I want, I want, I want. I hear it every time we go to a special store with the children, and I am sure you have too.*

*Over the years it has been hard to be content. I am realizing now that it really doesn't matter. I have so much compared to so many others in other countries, states, and towns. I am blessed with "other" types of stuff. Each day I look at my husband, two daughters, and son. I know that I am blessed. I'm thankful for the house I have, the car I drive, and the food I eat. At the end of each day I realize again that I'm content and blessed with all my "stuff."*

### CHAPTER THREE

## **The Basics (a Foundation)**

WE AMERICANS, with all our bad habits, are not necessarily bad people. The people who have come to me for crisis financial counseling, as well as those who come to me with property in foreclosure, are not evil people. They are not scammers or schemers who got caught and are going to jail as soon as they lose their homes. These people in trouble are in your family. They work with you, they live on your street, and sometimes they are you. I have seldom met anyone who set out with a plan to defraud creditors or steal money by borrowing and not paying it back. Then, if not because of their lack of morals, what gets people in trouble?

As a culture we are ignorant of what money is and how to handle it. Ignorance is not lack of intelligence; it is lack of knowledge on a particular subject. If I were put in a chemistry lab, I would probably blow up something. But I am not unintelligent. I am ignorant of chemistry. If you needed brain surgery I doubt you would call me, not because I am unintelligent, but because I am ignorant of brain surgery and its processes.

### **How Can This Be?**

It is almost impossible to get out of high school today without knowing what an amoeba is—now there is a really valuable piece of information—but few high school seniors can keep a checkbook balanced. They are taught virtually nothing about the real world of money. I am not talking about money on Wall Street. I am talking about money on your street. We are not taught basic principles of managing and making financial decisions for our own family.

Consequently, we come out of high school or even college and set up housekeeping. We don't have knowledge of leases, but we sign one. We don't have knowledge of cars and car financing, but we buy one and sign

the loan papers. We don't have knowledge of the implications of credit cards and high interest rates, but we get five pre-approved cards in the first two years out of school and we use them. We don't know about the Rule of 78s or prepayment penalties, so we finance our waterbeds, stereos, TVs, and washers and dryers. It was all so innocent and happened so slowly that the monster in the closet was not noticeable.

### **The Famous Five-Year Mark**

After about five years of marriage the average couple begins to feel pinched in the pocketbook. They have little or no savings and start to get scared. They may get scared enough to curb spending for about six months, but then they go back to their old ways and still end up in trouble very quickly. All of this could have been prevented by some basic knowledge.

In my counseling of the “average” couple, I found their problem to be simply a lack of knowledge and discipline. I have found that money has two properties that most people don't acknowledge or understand.

### ***Very Active***

First, *money is active*. Finance and money are always moving. Time, interest rates, amounts, cash flows, inflation, and risk all intermingle to create a current that is ever flowing. Whether you choose to impact these currents is irrelevant, they still go on. If you took \$10,000 and buried it in the backyard for ten years, will it buy as much when you dig it up as it will now? Obviously not. We must learn that the current or flow of the mathematical process is always affecting our money. It *never* stops.

Money in this sense is like a beautiful thoroughbred horse—very powerful and always in action, but unless this horse is trained when very young, it will be an out-of-control and dangerous animal when it grows to maturity.

The point is this: You must gain control over your money or the lack of it will forever control you.

If you don't take action continually on your money, it or the lack of it will take action on you. Finance is not passive. It *requires* you to take the

initiative to control it.

In his popular book, *The Seven Habits of Highly Effective People*, Dr. Stephen Covey says the number-one habit of highly effective people is that they are proactive. They “happen” to things; things don’t “happen” to them.

### ***Amoral—No Morals***

Second, *money is amoral*. Money has no morals. That is, it is neither good nor bad. First Timothy 6:10 does not say, “Money is the root of all evil.” What it does say is “The *love* of money is the root of all evil.” Money in and of itself has no more moral quality than a brick. So just because you are poor does not mean that you are good or spiritually superior; neither does it mean that you are bad or spiritually inferior. On the other hand, having wealth does not mean that you are inherently good or spiritually superior, nor does it mean that you are a crook or a bad person or spiritually inferior. You decide what you are. The way you act through your money or your lack of it will show us whether *you* are good or evil, but the money itself is neither.

### **Where Is Your Value?**

Be careful of a society that assigns value to a person based upon its wrong view of collecting “stuff.” Your value as a human being, as a person, is not based on your ability to collect “stuff.” If you have jumped on this train of thought, you will be derailed because the first money principle will get you. Money is “active” in the philosophical realm as well. When your priorities get off track, money will take command instantly because of its active principle. I love the old adage “Measure your wealth not by the things you have, but by the things for which you would not take money.”

Money is simply a nonentity that must be manipulated. The better we are at manipulating it, the more of it we will control. Until we take this “active” and “amoral” view of money, it will continue to have the upper hand in every part of our lives.

I have developed and absorbed ideas of personal financial control from much experience and study of experts on this subject. I claim little

originality in any of these philosophies, but I simply offer a new presentation of these ideas in a different format. Pain is a very permanent teacher, and I have lived through financial disaster and viewed much pain in others. I have drawn from this background to develop a track on which you can run your finances.

*Financial peace* and “*the peace puppies*,” which I will introduce in the [next chapter](#), were developed to help you look at where you are and where you want to be. None of these principles will work in the least if *you* don’t work *them*, but if you do work them these principles will lead you directly to financial peace.

*Do pass go; do collect your \$200.*

Good luck!



### **Thoughts from Sharon ...**

*I remember as a child how fun it was to spend money. Every Saturday my brothers and sisters (mainly sisters) had special chores. When each had been completed, we would be paid a certain allowance. At that time, I didn’t really understand the meaning or value of money. I mostly remember watching my piggy bank growing fatter and fatter.*

*My parents were great parents. I appreciate the upbringing they gave me, but I must admit we weren’t taught the concepts of money. As a senior in high school I took a class called general business and loved it. During that class I was taught how to keep a checkbook and saw my first profit and loss sheet.*

*After going to college for three years, I met Dave. He knew as much about money then as he does now. Here I was spending and wasting so much until he explained to me that money didn’t grow on trees. For some reason I began to become stingy with what I had.*

*After time, maturity, and not having Mom or Dad to refurbish the checking account, I began to understand that every dollar has real value.*

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)

sorry something went wrong loading your content. Check the table of contents or try paging forward. Or contact us at [support@bookshout.com](mailto:support@bookshout.com)