

# **SLAVES WITH SMALLPOX**

Practical Tips on Dealing with Debt



*Saving the*  
**CRUMBS.**



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IS BEING IN DEBT A SIN?

I now write to ask you if you will **let me have the use of two thousand dollars** to help me in bringing out books that the people need....If I should fall in the conflict before the Lord's appearing, my sons would carry forward the work of circulating my books according to my plans. When the expense of issuing my books is lessened, **the sales will soon pay up all my debts....**

–Publishing Ministry, 209.4-5



The borrower is **servant** to the lender.

–Proverbs 22:7

Be determined never to incur another debt. Deny yourself a thousand things rather than run in debt.

This has been the curse of your life, getting into debt. **Avoid it as you would the smallpox.**

–Adventist Home, 393.4

DEBT IS BAD!

But not a sin.



# A NATION OF SLAVES WITH SMALLPOX

- Average household debt (2020): **\$149,230**
- Average car loans: **\$28,032**
- Average student loans: **\$58,468**
- Average credit card balances: **\$6,741**
- Credit card interest per year: **\$1,155**



# A NATION OF SLAVES WITH SMALLPOX

- **63%** of Americans don't have cash to cover a **\$500** emergency.
- **56.3%** have less than **\$1,000** in their checking and savings accounts combined.
- The majority of Americans are **one** paycheck away from catastrophe.



WHEN IS IT OKAY TO HAVE DEBT?



I now write to ask you if you will let me have the use of two thousand dollars **to help me in bringing out books that the people need**....If I should fall in the conflict before the Lord's appearing, my sons would carry forward the work of circulating my books according to my plans. When the expense of issuing my books is lessened, **the sales will soon pay up all my debts**....

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# RULES FOR DEBT

1. Never borrow money for something that only goes down in value.
2. Borrowing is acceptable only if what you're buying can pay off the debt.



# DO THEY PASS THE “DEBT RULES”?

- Student Loans **YES...**
- Home Mortgage **YES...**
- New iPhone **NO!**
- Car Loan **NO!**



# DO THEY PASS THE “DEBT RULES”?

Just because it's permissible doesn't  
mean you must!



# STUDENT LOAN FINE-PRINT



- Federal student loans can't be discharged in bankruptcy.
- The government can even garnish your tax returns.
- Just because you qualify, don't take the max amount.
- It ain't free money!



In acquiring an education, many students would gain a **most valuable training if they would become self-sustaining. Instead of incurring debts**, or depending on the self-denial of their parents, let young men and young women depend on themselves.

-Education 221.2



They will thus learn **the value of money, the value of time, strength, and opportunities, and will be under far less temptation to indulge idle and spendthrift habits.** The lessons of economy, industry, self-denial, practical business management, and steadfastness of purpose, thus mastered, would prove a **most important part of their equipment for the battle of life.**

-Education 221.2





# BUYING A CAR

Without a Loan



# BUYING A CAR



**Average Car Payment = \$500 for 68 months**  
((\$34,000 total))

If you can afford the car payment after you make the purchase, you can afford it before you buy the car.



# BUYING A CAR

1. Drive a cheap temporary car
2. Pay yourself the car payment (i.e. save up!)
3. Use amount saved plus equity of temporary car to upgrade in cash.
4. Repeat as needed.



# BUYING A CAR

1. Buy \$2,000 temporary car.
2. Save \$500/mo for 12 months = \$6,000
3. Sell temporary car, and upgrade to \$7-8,000 car.
4. Save \$500/mo for 12 months = \$6,000
5. Sell car, and upgrade to \$12-14,000 car.



# BUYING A CAR

1. Buy \$2,000 temporary car.
2. Save \$500/mo for 68 months = \$34,000
3. Sell temporary car, and upgrade to entire FLEET of vehicles.



# BUYING A CAR



A car is a depreciating asset. Purchase as you would a tool that will never increase in value.

**Never borrow to buy a car!**



# PAYING OFF DEBT

- Own the debt. Don't make excuses. Don't play the victim.
- There is no alternative to making big payments. Sometimes you can negotiate with creditors, but that won't eliminate the debt.
- Make debt payoff the #1 priority in your short-term savings plan. Then squeeze every dime out of your monthly spending plan.
- Don't worry about other investments until your debt is paid off.
- Use the Debt Snowball Method.



# DEBT SNOWBALL

- List debts from smallest to largest.
- Pay minimums on all debt except the smallest.
- Focus intense efforts to pay off the smallest, then roll all extra payments to the next one on the list.





# DEBT SNOWBALL

Credit Card 1	\$1,000
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Credit Card 2	\$2,500
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Car Loan	\$10,000
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Student Loan	\$25,000
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**\$38,500 Total**

- If \$1,000/month toward debt.
- Both credit cards paid in 4 months.
- Payoff in 39 months or 3.25 years.



# BALANCE VS. INTEREST RATE

- Paying off in order of highest to lowest interest rate will result in the greatest amount of money saved.
- But the psychological motivation of seeing small wins helps maintain momentum.



Paying off debt is the best investment. If you regret being debt-free, it's easy to undo it.



# THOUGHTS ON CREDIT CARDS

- Credit cards are not dangerous.
- Credit card use **without self-control** is dangerous.
- You can live without credit cards.
- Credit cards do have benefits.



# PROPER CREDIT CARD USAGE



- Don't use them to buy stuff you don't need. (Have a budget!)
- Never carry a balance. Pay them off every month.
- If you violate either of these two rules, cut them up.
- Consolidate use to concentrate rewards.





# THE STORY OF OUR HOUSE

Paid off in 2 Years



# THE NUMBERS

- \$185,000 Purchase Price
- \$85,000 Mortgage
- 15-year fixed rate at 3.49% interest
- \$607.24 Minimum payments
- \$3,700 Average actual payments
- \$100,000 Downpayment



# THE SECRET

- \$185,000 Purchase Price
- \$85,000 Mortgage
- 15-year fixed rate at 3.49% interest
- \$607.24 Minimum payments
- **\$3,700 Average actual payments**
- **\$100,000 Downpayment**



# THE SECRET

- **A Big Downpayment:** My wife had a dream to buy her first house in cash and had been saving up ever since she graduated.
- **Big Monthly Payments:** Nearly all our extra savings went toward the mortgage. We averaged 6x the minimum.

**IT'S ALL ABOUT THE SAVINGS RATE!**



# THE BENEFITS

- We get to live rent AND mortgage free, eliminating the single largest expense in our budget.
- We own our home now, instead of the bank, so no risk of foreclosure.
- More free cash for other savings. (Solar panels!)
- We paid off the mortgage the same month our first baby was born.
- One less thing to stress about!



# THE BENEFITS

Oh yeah, and we saved a LOT of interest!

	15-Year Payoff	2-Year Payoff
Mortgage	\$85,000	\$85,000
Monthly Payment	\$607.24	\$3,700.00
Total Interest	\$24,301.91	\$3,344.85
<b>Interest Saved</b>		<b>\$20,957.06</b>



# ISN'T A MORTGAGE GOOD FOR MY TAXES?

- Only the interest can be deducted from taxes, not the full payment.
- Only applies to those who itemize deductions (most don't).
- You save more by paying off the loan than you get back in tax deduction. (Paying \$1 to get \$.25)



GETTING THE DREAM HOUSE



# GETTING THE DREAM HOUSE

- Suppose our dream home is a \$500,000 house out in the country. What's the best way to purchase that house?
- Is it better to get a small house first and pay it off early?
- Or is it better to go straight for the bigger house if I can afford the payments?



# GETTING THE DREAM HOUSE

The Biggs	<i>1st Decade</i>	The Smalls
\$500,000	<b>House Price</b>	\$250,000
\$50,000	<b>Down Payment</b>	\$50,000
\$450,000	<b>Balance</b>	\$200,000
30 years @ 3.5%	<b>Terms</b>	10 years @ 3.5%
\$2,021	<b>Monthly Payment</b>	\$1,978
\$242,484	<b>10 years total payments:</b>	\$237,326



# GETTING THE DREAM HOUSE

The Biggs	<i>2nd Decade</i>	The Smalls
-	<b>2nd House Price</b>	\$500,000
-	<b>Down Payment</b>	\$250,000
-	<b>Balance</b>	\$250,000
30 years @ 3.5%	<b>Terms</b>	10 years @ 3.5%
\$2,021	<b>Monthly Payment</b>	\$2,472
\$242,484	<b>10 years total payments:</b>	\$296,658



# GETTING THE DREAM HOUSE

The Biggs	3rd Decade	The Smalls
30 years @ 3.5%	<b>Terms</b>	-
\$2,021	<b>Monthly Payment</b>	-
\$777,452	<b>Total Amount Paid</b>	\$583,984
\$0	<b>Amount Saved</b>	\$193,468



# GETTING THE DREAM HOUSE

- Both families ended up in their country homes.
- The Smalls' mortgage payment was lower for the first ten years, slightly higher for the second ten years, and they had NO payments in their third ten years.
- The Smalls ended up paying off their dream home ten years before the Biggs.
- The Smalls also saved nearly \$200,000.
- The Biggs got to enjoy the bigger home ten years earlier.





# GETTING THE DREAM HOUSE

Buy smart and don't let it become a nightmare!



# **SLAVES WITH SMALLPOX**

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