

Debt Addiction: You Can Break the Habit

By [Jerry Mason](#)

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1. The Lord gave us the Word of Wisdom because he wants us to be free to exercise our agency and he knows addiction can drag us down and destroy us. While many of us would never allow ourselves to become addicted to alcohol, tobacco, or drugs, we have become slaves to another master: debt. We have succumbed to enticements to use credit to solve our problems or to enjoy the good life. But when credit becomes a habit, it disrupts lives, strains relationships, and leads us into financial bondage.

The Addiction Test

2. Have you become addicted to using credit? Answer the following questions to find out.

- *Do you have trouble paying tithing?*
- *Do you make only the minimum payment due on credit card statements?*
- *Do you have past-due bills for items bought on credit?*
- *Are you tempted to consolidate your debts by taking out a home equity loan?*
- *Do you find it impossible to save for long-term goals like education or missions?*
- *Do you and your spouse fight about borrowing money?*
- *Is your budget tight because so much of your income goes to creditors?*

Overcoming Debt Addiction

3. If you answered yes to one or more of these questions, you may have a problem. But you can break the credit habit by following six steps for getting out of and staying out of debt.

Step 1: Admit you have a debt problem.

4. This may be the hardest part of becoming debt-free, because it's easy to blame your financial problems on factors beyond your control. But you will have the energy, courage, and self-discipline to change only after you can admit that you are responsible for your debt problem. Then you can seek the Lord's help to set up and follow a plan to get out of debt.

Step 2: Involve the family.

5. Hold a family council. Explain the problem and discuss the benefits of getting out of debt. Changing your life-style is likely to be painful at first, so ask each family member if he or she is willing to make the sacrifices it will take to work through a debt-elimination program. Then involve family members in the remaining four steps.

Step 3: Decide why you are in debt.

6. It's easier to get out of debt and stay out of debt if you can find out why you started using credit in the first place. Then you can assess whether you have taken steps to ensure that you don't have to rely on credit again. Ask yourself such questions as:

- *Did a large medical bill cause us to go into debt? Do we now have adequate insurance?*
- *Did we give in to the temptation to buy clothing, gifts, furniture, a vacation, or a luxury car on credit? Are we still using credit cards to prop up our lifestyle?*
- *Are we buying or renting more house than we can afford? When we move next, what do we really need and which features can we do without? When we figure housing costs, do we include insurance, property taxes, utilities, repairs, and furnishings in our estimate?*

- *Was it repairs to our car or home that caused us to go into debt? Do we now maintain an adequate balance in an emergency fund?*

Step 4: Stop creating debt.

7. There *are* a few circumstances in which borrowing is acceptable. For example, most people must borrow to buy a home. But when they sell the house they can usually repay the loan. An education loan can be justified because the advanced training will help you earn a better salary. It may be necessary to take out a loan for other carefully selected purchases, as well. But your goal is to prevent unnecessary debt.
8. To keep from creating additional debt, you need to make it more difficult to borrow:

- *Consider canceling credit cards except those with the lowest membership fees and interest rates. Use them wisely; the ideal situation would be to use them only when you need identification or when you have money in the bank to cover the charge.*
- *If you have a home equity loan (a line of credit that uses your home as collateral), pay it off as quickly as possible. If you don't have one, don't apply for one.*
- *Consider canceling the overdraft protection on your checking account.*
- *If you are tempted to borrow, give yourself twenty-four hours to come up with another way to complete the transaction.*
- *Make a "wish list" of items you and your family want to buy. Assign priorities. Then set up a savings account to accumulate funds to purchase items on the list. As funds become available, purchase higher-priority items.*

Step 5: Use a budget.

9. *Your Annual Budget.* The first step in budgeting is creating a "Flow of Funds" Statement. (See following page.) Make a list of all income sources and estimate the amount of money you expect to receive from each during the next

twelve months. Review your check register, bank statements, and last year's income-tax return to make sure you have not forgotten any sources of income. Total all income sources.

10. Then estimate your expenditures. Involve the family so that you won't leave out any expenses. Don't forget such items as saving for a mission or an education. Make your estimates realistic.
11. Three groups of expenditures deserve special attention. Most budgets don't adequately handle medical expenses, home repairs, and car repairs. Often you can avoid relying on credit in these situations if you create an emergency fund.
12. The amount you budget for this fund depends on the answers you get to several calculations. First, you need to total your medical, dental, and eye care expenses for the last twelve months. Record this amount next to "medical expenses." Now repeat the process for repairs to your home, car (or cars), and personal possessions. Record that amount next to "home/auto repairs." In order to make your estimates realistic, you will need to determine whether repairs and medical expenses have been below or above average recently, then adjust accordingly.
13. Now, when you pay bills, immediately deposit into an emergency fund money budgeted for but not spent on medical bills or repairs. Create a special savings account for this purpose. If you leave the money in your checking account, you will be tempted to use it for impulse purchases.
14. If you owe money to many creditors, you may not be able to put much money into an emergency account until you have paid off many of your loans. However, try to put some money monthly into an emergency account for major repairs and appliance replacement.
15. Also, when money unexpectedly comes your way, consider depositing it in your emergency fund. The key to gaining control over your finances is to adequately fund this account, so start now to set aside what you can.
16. When you've completed your "Flow of Funds" Statement, you've also completed your annual budget. To find out if your budget balances, subtract expenditures from income. If your budget shows a deficit, review each expense to see which ones can be eliminated, reduced, or postponed.
17. If you cannot reduce expenses enough to balance your budget, you will have to increase your income—which can be painful. Do you have any assets, such as a second car, that you can sell?

- Can you liquidate an investment? Can another family member find a job?
18. In making these decisions, be prayerful and realistic. Remember that if both spouses work outside the home, the income contributed by the lower-paid worker may be marginal once taxes, transportation, child care, clothing, and other expenses associated with employment are deducted. And if the primary breadwinner is considering a second job, the entire family needs to discuss the pros and cons of this decision.
 19. You can also consider some strategies that may not pay immediate benefits, such as sending a family member back to school.

“Flow of Funds” Statement

Income	
Wages/salary (after taxes)	
Dividends/interest	
Savings	
Pension	
Social Security	
Total Income	\$ _____
Expenditures	
Church contributions	
Savings for mission	
Medical expenses	
Home/auto repairs	
Loan payments	
Credit cards	
Mortgage/rent	
Utilities	
Food	
Clothing	
Transportation	
Property tax	
Christmas	
Education	
Lessons	
Gifts/birthdays	
Personal/allowances	
Recreation/vacation	
Auto insurance	
Life insurance	
Medical insurance	
Property insurance	
Total Expenditures	\$ _____
Surplus or Deficit	\$ _____

20. *Your Operating Budget.* Once your expenses match your income, you are ready to set up an operating budget. Begin by dividing your annual budget into manageable units. People traditionally use the twelve months of the year, which works well if you are paid monthly. But if you are paid more often, you don’t know which expenditures need to be paid out of each check. It is easier to match expenditures with income if your budgeting periods match paydays.
21. Pay special attention to seasonal expenses—insurance premiums, auto registration, Christmas expenses, and so on.
22. Now it’s time to set up your first budgeting period. Once you have identified the income and expenditures for the period, estimate the dollar amounts. If your income is larger than your expenditures, deposit the surplus in a savings account separate from your “emergency fund” account. If expenditures are larger than income, then eliminate, reduce, or postpone expenditures, or increase income.
23. While your budget for the year must balance, you will not always be able to get the budget for each pay period to balance. So you can use a third strategy: withdraw money from savings to make up the difference—but don’t withdraw from your emergency account. This requires advance planning; it works only if you have deposited money into savings when income was larger than expenditures for a budgeting period.
24. At the end of each budgeting period, estimate income and expenditures for the same budgeting period next year. There are several advantages to doing this. First, your figures will be more realistic since transactions for this budget period are fresh in your mind. Second, it takes less time to plan each budgeting period separately than it does to sit down once a year to create a twelve-month budget. Third, you will feel more in control of your finances by following this plan, because you can spot problems several months in advance.

Step 6: Develop a plan to eliminate consumer debt.

25. To help you get out of debt, use the following four steps to create a debt-elimination calendar. (See Debt-Elimination Calendar, this page.)
 - A. *Set up several columns on a piece of paper.*
 - B. *In the first column on the left, write down the upcoming month. Below it, list the month*

after that. Continue to list one month on each line until you have filled every line in the first vertical column.

- C. At the top of the next column, write the name of the creditor you want to pay off first. (In the Debt-Elimination Calendar, "credit card" is listed here. The family wants to pay off their credit card debt first because the interest rate is high.) Now list the monthly payment for that creditor until the loan is repaid.
- D. At the top of the next column, record the name of the next creditor you want to repay, and list payments due each month. After you have repaid the first creditor, add the amount of that monthly payment to your payment to the second creditor. (In the example, notice that in November—after they have finished making monthly payments on their credit card—the family added \$110 to the department store's \$70 payment, creating a new monthly payment of \$180. Most lenders will let you increase a monthly payment.)

Debt-Elimination Calendar

26. This system lets you pay off all loans, except your home mortgage, in a relatively short time—if you don't incur new debts. You can speed up the process if you use your next raise to

increase payments to a particular creditor.

27. If you are currently one or two payments behind to a creditor, complete your debt-elimination calendar and make an appointment to show the creditor your repayment plan. Let the creditor know that you won't be creating more debt. Chances are the creditor will work with you.
28. When planning your budget, refer to your debt-elimination calendar. Include payments to each creditor in the appropriate budgeting periods.
29. If you truly want to get out of debt, you should be successful if you work through this six-step process. You may be tempted to start with step six. Don't. Work through the other five steps first, or your plan will probably fail. Expect to feel discouraged at times. It took years to build your debt; it will take time to reduce it. But peace of mind will come as you follow your plan, because you will know you are working in the right direction.

	Credit Card	Department Store	Dentist	Piano Loan	Auto Loan
1. July	110	70	50	75	235
2. Aug.	110	70	50	75	235
3. Sept.	110	70	50	75	235
4. Oct.	110	70	50	75	235
5. Nov.		180	50	75	235
6. Dec.		180	50	75	235
7. Jan.		180	50	75	235
8. Feb.			230	75	235
9. Mar.			230	75	235
10. Apr.				305	235
11. May				305	235
12. June					540
13. July					540

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