

Financial Peace Revisited

by Dave Ramsey (2003)

At age 26, he controlled \$4M in rental properties, but was heavily leveraged. He constantly would open a new line of credit until the banks called in his debt. He lost everything except his own house.

1929 only 2% of the homes had mortgages, but by 1962 only 2% were without mortgages. Americans would rather consume than produce & are unwilling to have delayed gratification [thus we are in debt]. Any problems we have are reflected [or amplified] in how we handle money. Don't work at a job you hate: find what you enjoy & excel at it.

Don't waste money; put it to work. Banks sell debt, but don't buy it [or become enslaved]. Sears gets 40% of its income from their credit card interest. People spend more when using credit or debit cards. [try cash]. Most divorces attribute their problems to money. Home equity loans are just as bad as credit card debt. Save up for a used car. New cars depreciate faster than the payoff of the car loan (you are responsible for the deficit) [67% of value lost in 1st 4 yrs]. Only borrow on items appreciating in value [house, not cars] & pay it off early.

Beware of debt consolidation. Do not loan or co-sign to friends or relatives. Make a list of debt & pay off smallest first, then apply that payment to the next. Check your credit report annually. All info is removed from report after 7 yrs [except bankruptcies are 10]. When applying for a loan, open credit card accounts with zero balance count available credit [you might max them out tomorrow].

Americans save 2% while Japanese save 28%. Save at least 10%. First save an emergency fund [6-month expenses], then for purchases & then wealth building. Compound interest works for [savings] & against you [debt]. Diversify [have some money in real estate, some in stocks]. Make sure you buy when prices are low [everything cycles]. Start with a monthly autopay to a mutual fund [balanced, growth, income, international, aggressive]. Buy term insurance & invest the difference.

You won't get a discount unless you ask. Buy foreclosure property for half the value. Ask seller if they will carry note with an early pay-off. Later when he will only get 70% if he sells note, offer 65% & then get a loan from a mortgage company. Teach children about money, but set boundaries when they are adults [let them fail if needed]. Have a written budget. Use cash envelopes. Have a will & keep important papers safely together.

Quotes: "You must gain control over your money or the lack of it will forever control you." "In order to get out of debt: quit borrowing more money." (DR)

"Make all you can, save all you can, give all you can." (John Wesley); "The secret of success is focus of purpose" (Thomas Edison); "Creditors have better memories than debtors." (Ben Franklin); "Victory belongs to the most persevering." (Napoleon)

"Measure your wealth not by the things you have, but by the things for which you would not take money." "Hope cannot be taken from you; you must surrender it." "When we fail to plan, we plan to fail."

Books: 7 Habits of Highly Effective people (Steven Covey); Man's Search for Meaning (Victor Frankl); Getting to Yes (Roger Fisher); Making Love Last Forever & Love Languages (Gary Smalley); Wild at Heart (John Eldredge); Boundaries (Cloud & Townsend); When Life Throws You a Curveball (Criswell Freeman);

Movies: What about Bob? [take baby steps]

An average budget could look like this: 10% tithe, 15% taxes, 10% save, 30% housing, 5% food, 5% cars, 5% insurance & medical, 5% clothes, 5% recreation, 5% misc, 5% debt.

Write a certified letter to challenge wrong info on credit report & include "Under the provision set forth in the 1977 Federal Fair Credit Reporting Act, I hereby request that your agency prove to me in writing the accuracy of the reporting of this account. Under the terms of the Act and succeeding court cases, you have 30 days to prove such accuracy or remove the account entirely from the report and I ask that you do so." Send follow up letter in 30 days.