

HELP!

**I'M DROWNING
IN DEBT**



LIFELINE
mini books

John temple

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I'M DROWNING IN
DEBT

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Help! I'm Drowning in Debt

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CONTENTS

Introduction	5
1 Debt Everywhere	8
2 Common Causes of Debt	15
3 The Bible on Debt	27
4 Practical Solutions	34
Conclusion	58
Personal Application Projects	59
Where Can I Get More Help?	62

INTRODUCTION

Some years ago, a postgraduate student won a scholarship to fund his studies in another country. The home country was not aware of the cost of living in his new country, so the scholarship awarded was wholly inadequate. As a foreigner, his wife was unable to take a job, so the couple took in a boarder to help spread their accommodation costs. The student also took on two teaching jobs, despite putting his registration as a full-time student at risk. They lived frugally, but none of this averted the need to borrow money to survive. Eventually, the student completed his studies and returned home. Setting up a home, buying a car and feeding a wife and, by now, two children was not easy. There was no possibility of paying off the loan and, now that the studies were complete, the interest started to pile up. The only solution was to borrow more money to pay for the interest!

Does this sound familiar? It is very familiar to me because I was that postgraduate student. In short, *my family was drowning in debt.*

Some debt may be unavoidable and even justifiable. The situation that we found ourselves in may have been such a case. The debt was incurred despite every attempt to avoid it, and we certainly kept it to a minimum. It was also incurred for a good cause—education—the outcome of which should have helped us repay it.

Maybe you are in a position similar to the one I faced. If you are concerned about debt—whether because you wish to reduce your own debt, you want to learn how to avoid it, or you want to help others who are sinking in debt—this booklet is for you.

Throughout the booklet I assume that you are a follower of Jesus Christ who wants to pursue the principles of finance set out in the Bible. But perhaps you are not a follower of Christ, and you wish to be one. When the apostle Paul was asked what a person had to do to be saved, his answer was,

Believe in the Lord Jesus, and you will be saved.

(Acts 16:31)

It is impossible to believe in Jesus without believing what he came to do.

Our relationship with God is broken because we

are sinners. Because God is holy, our sin requires punishment. But God loves sinners. Therefore, he sent his Son, the Lord Jesus, to take our place, taking the punishment due to us when he died on the cross. Three days later, Jesus rose from the grave as proof that he is who he said he was, and that the debt of man's sin had been fully paid. God now commands us as sinners to repent and believe in Christ. When we turn to Christ for our salvation, for the forgiveness of our sins, we are reconciled to God (Romans 5:10), and we begin a new life in which the Holy Spirit enables us to glorify God, even in the midst of the pressures of life—even along the long, hard road of getting out of debt.¹

1 To learn more concerning God's wonderful plan for our salvation, see the publication *How Can I Become a Christian?* listed at the end of this booklet under "Where Can I Get Further Help?"

1

Debt Everywhere

What are the reasons why so many today are calling out “Help!” as they drown in debt? I suggest the following as the most likely:

- ▶ “Justifiable debt” incurred in a good cause. Examples include a mortgage or payment for education, provided that the outcome of the training leads to a higher income. Another justifiable loan is one which increases our productivity and earning power, such as when a carpenter or plumber purchases power tools.
- ▶ Debt caused by rash or foolish decisions.
- ▶ Debt to fund living beyond our means. This and other foolish decisions are the most likely causes, so I expand on these causes below.
- ▶ Emergency debt. This may be caused by a

sudden illness, loss of a job, a natural disaster, and so on. If it is unavoidable, it is probably justifiable, but it remains a problem.

- ▶ Debt incurred to help someone else, perhaps a family member. This may also be justifiable, but it remains a problem.

Debt is a universal problem in our modern economic order, and one that is not restricted to individuals. Anyone who has lived through the financial crisis of 2008 onwards is aware of this. Government “cuts” to reduce public debt are major news items. These cuts will probably not be sufficient, resulting in a “solution” of only minimal cuts, increased taxation, and inflation. Strange though it may seem, inflation is actually considered a “solution.” If there is anything positive about inflation, it is that all paper assets, *including debts*, diminish in their “real” value. A debt of \$1000 (or £1000) incurred fifty years ago would have taken an entire year’s income to settle, but settling it today would probably cost a single month’s earnings. In fact, part of the present crisis was triggered by the *assumption* that inflation was a permanent feature of our economic order. Mortgages were granted on houses at a value *exceeding the purchase price*. Banks gambled on housing prices

rising so that loans would be secured by a high-value property. However, the downside of inflation is that *all* paper assets, including money-in-the-bank, also diminish in real value.

The fact that interest rates are so central to our economic order demonstrates the importance of debt. The central banks (Federal Reserve in the USA and Bank of England in the UK) are required to regulate interest rates in order to control inflation. The theory is that a lower interest rate will encourage borrowing by consumers and producers, thereby generating growth. But growth tends to put pressure on the supply chain, inflating incomes and other production costs. Raising interest rates is supposed to control the appetite for *debt* by both private and business borrowers, thereby curbing growth and inflationary pressures. In reality, it does not always work because political and other pressures are exerted (such as the need to generate employment), so that the solution is to sweep the real problems under the carpet, print money, and create even more inflation.

Sadly, this debt-laden environment has rubbed off on many of us. The mere fact that you have read so far in this booklet probably indicates that you are concerned. We too easily succumb to the secular

culture, living in the “counsel of the ungodly” (Psalm 1:1, KJV). We want whatever our hearts desire, not pausing to think whether or not we *need* such things, even less whether we can *afford* them. All too often the major concern is how *affordable* an item is, a euphemism for “What are the monthly payments?” The outcome is to drown in debt.

In 2009 the average private debt in the USA was \$700,000 per family; in the UK it was £400,000. This has come about through unrestrained greed by consumers who wanted more and more material possessions, services, and leisure. It has come about through greedy bankers who were happy to provide loans to fulfill the greed of their customers and, in the process, earn for themselves ludicrous bonuses on the “paper profits” made on these loans. Indeed, greed has been encouraged by most Western governments.

Western economies are largely “consumer-led.” This means that people are encouraged to spend, whether it is necessary or desirable. This expenditure creates “demand,” which is provided by an ever-increasing workforce in order to fulfill these wants. The outcome is apparent economic growth, full employment, and “success” that is hailed by governments. This is despite the fact that they have

created huge national debt, which future generations will have to repay, and have not truly solved key economic problems. Standards of living also increase due to the ever-increasing spiral of better products and more sophisticated services.

Let me be clear: there is nothing wrong with a rising standard of living, and all of these good items are given by “... God, who richly provides us with everything to enjoy” (1 Timothy 6:17). However, the context of this verse is important: It is not urging unrestrained *indulgence*. Rising living standards are legitimate if generated by improved technology or increased productivity *and if they can be paid for*. The reality, however, is that demand for all sorts of goods and services (many of them nonessential) increases through high-pressure advertising and incentives such as reductions in interest rates aimed at increased consumer spending.

What happens when consumers demand more than can be justified in terms of productivity or technological gains? “Real incomes” (i.e. after inflation) cannot rise fast enough to overcome the effects of inflation. Add this to the increasing desire to live a “better life,” and people *live beyond their incomes* and are forced to borrow. Here are some examples.

- ▶ Home mortgages which exceed the value of the properties, creating so-called “negative equity” or mortgages that are “under water”—an apt description because it causes families to drown in debt.
- ▶ Credit cards issued to all, with scant regard to the credit-worthiness of the customers, and permitting just 5 to 10 percent payment of the balance each month, creating ever-increasing debt.
- ▶ Loans to buy automobiles, audio/video equipment, and other luxury goods.

In short, *living in debt has become an acceptable way of life in our culture*. If this is based on greed or other sinful desires, it is sinful. Listen to James:

*You desire ... You ask and do not receive,
because you ask wrongly, to spend it on your
passions.*

(James 4:2–3, emphasis added)

I often encounter families who tell me that they are struggling financially. Below the surface they blame the recession, or unfairness by their employers, the

government, or greedy big business, especially the banks! Their stories are similar: To make ends meet it becomes essential for the wife to work, for them to incur debt, and to curtail what they give to the Lord's work. This may be true, and I do sympathize with such families, but in many cases the real reasons are the ones that I have given above. For example, I recently saw a low-paid worker complain on TV that in these difficult times he did not have enough pocket money to enjoy his overseas vacation after paying for air tickets and hotel bills. These are the major cultural contributors to *family* economic woes, and they set the scene for a biblical consideration of how things *ought to be*.

At the heart of our secular culture is the desire for *instant gratification*. Consume and enjoy *now*! In common with our secular society, as Christians we can easily fall into the trap of believing that spending now is our entitlement. We do not want to save before we spend. The oft-repeated slogan of the debt-based consumer society is "Buy now, pay later."