Escaping The Debt Trap

by Attorney Joe Helm

"Thou shalt not borrow." The Lord gave this command to Israel twice in the book of Deuteronomy (15:6; 28:12). In these passages, the Lord clearly explains the reason behind His command. The one who lends reigns, but the one who borrows serves. The one who lends is the head, but the one who borrows is the tail. The one who lends is above, but the one who borrows is beneath. Proverbs 22:7 makes the principle quite clear, "The rich ruleth over the poor, and the borrower is servant to the lender."

History, as well as practical experience, teaches the same lesson. At the very least, debt results in bondage and restriction, not to mention the significant burden of the interest which must be paid. Debt can be an impediment to following the will of God in ministry. Debt can restrict one from giving as God has commanded. If the people I see on a monthly basis in my law practice are typical, the average pastor would be shocked to learn how many people in his church can neither give as God has commanded nor serve in the church as they would like to because of the demands imposed on their time as a result of debt. Personal debt is at an all-time high in this country, and it must be addressed in a biblical manner if our ministries are going to be unhindered and our members free to serve and give as God desires. Here is a step-by-step procedure that can be used by anyone who desires to escape the debt trap.

Step One: Cap Your Debt

In other words, stop using credit. Destroy your credit cards, charge accounts, and lines of credit (unless it's a home-equity line of credit that you're going to use in step three to consolidate debt). Determine to live on a pay-as-you-go basis and stick to it. This may mean that you need to develop a written budget to get your spending under control.

Step Two: Inventory Your Debt

This step will help you understand and appreciate your true condition and financial circumstances. Only then can you develop a plan to correct the problem. Make a list of your debts, including the name of each creditor, the amount owed, the interest rate you're paying, the minimum monthly payment required, and the net interest rate that you're actually paying, if the interest is tax-deductible.

Step Three: Reorganize Your Debt

Your goals here should be to reduce interest and consolidate payments. First, transfer high-interest balances to low-interest accounts. There are many companies that now are offering low-interest rates if you will transfer your balance to their company. You can also ask for lower interest rates and waivers of annual fees. Many charge account companies will grant these requests to keep your business. You would also want to consolidate as many accounts as you can into one low-interest account, preferably a tax-deductible account such as a home equity loan or second mortgage.

Step Four: Reduce and Eliminate Your Debt

You can start with one-time reductions in debt balances by selling personal property or other assets or by using savings or investment accounts. Parents or grandparents may be willing to assist you if they are convinced that you are serious about getting your financial house in order. After these types of reductions, you would then have to approach the debt on a monthly basis. First, you would pay only the monthly minimum on the low-interest debt while you pay as much as possible on the high-interest debt. As the high-interest debt is eliminated, you would then shift all the monthly payments to the low-interest debt. In other words, you want to pay as much as you can each month on your debt even as the debt reduces. The object is to eliminate the debt, not just reduce it or relieve the monthly pressure to your budget. After all, eliminating your debt only brings you to ground zero. Once that's done, you will want to start a savings and investment plan to build your estate.

Step Five: Stay Out of Debt

Learn to live on a pay-as-you-go basis and stick to it. Borrowing money is usually needless and foolish. Of course there are exceptions, such as the purchase of a home, where inflation and tax benefits can be beneficial. Use credit cards only if you have the discipline to pay off the balance each month. However, you must also learn to control your spending as credit card users spend an average of twenty percent (20%) more than those using cash. In addition, make certain that if you do borrow, it is not for depreciating items such as appliances, sporting equipment, boats, and, in many cases, automobiles.

Step Six: Don't Co-sign

Do not loan your credit cards to anyone, and, except in a rare case, do not co-sign a loan for anyone. If you are considering co-signing a loan for someone, you must assume up front that some day you will be paying that debt. If you can't afford to lose it, don't guarantee it.

Finally, check your heart and ask God to show you how you got into your financial woes. Has some area of greed not yet been exposed? How have you failed to trust the Lord and His provision? Take time to repent of your sin and rejoice in the new hope that is in Christ.

The conclusion of the matter is quite simple. Every Christian ought to work to get out of debt and stay out of debt. Debt enslaves, restricts, and hinders a believer in his ministry for Christ. In contrast, those who follow God's commands shall experience freedom, flexibility, and blessing. "The Lord shall open unto thee his good treasure, the heaven to give the rain unto thy land in his season, and to bless all the work of thine hand: and thou shalt lend unto many nations, and thou shalt not borrow" (Deuteronomy 28:12).

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