

AUGUST 2006 NEWSLETTER

How Much Of Their Paycheck Went Into The Pockets Of Banks And Other Lenders?

When I do my introductory Bank On Yourself (BOY) seminars we actually have an exercise we ask people to do that will answer that question. This month's story is about one couple who came to a seminar a few months ago.

Joe and Lois are baby boomers with a grown daughter. Joe has a great position as an administrator for a law firm and Lois does substitute teaching so she can have vacations during the year and her summers off. Joe heard my radio ad and got the special report from the www.findoutmorenow.com (password AE75) website. After reading it over and receiving an invitation to my seminar, he and Lois decided to come. After all, the dinner was at one of their favorite places to eat. Like me, they love the bread and the mud pie dessert at this restaurant.

They showed up for the seminar about 20 minutes early (which I appreciate because this helps me start on time) and put in their drink and dinner orders. They also helped themselves to some bread so they could last the hour or so until dinner would be served.

I had a chance to talk to them before the other guests arrived and found out some interesting facts:

1. Even though their daughter has been out of college for a couple of years, they have barely made a dent in the credit card debt they accumulated while she was in school.
2. As a graduation present, they gave their daughter a new Honda Civic and financed it with a personal loan from Joe's credit union.
3. They are trying to pay off their mortgage in 15 years, so it will be paid when Joe retires.
4. They do not have a written spending plan. They pay whatever monthly bills they have as soon as they get them in the mail.
5. They would love to save money, but there just hasn't been anything left after paying the bills for a long time.

This is a very typical situation for me. Most people want to do the right thing with their money and are trying their best, just like Joe and Lois.

When we got to the part of my presentation where we figure out how much interest people are paying out to lenders, Joe was very reluctant to go through the exercise.

What happened next was really interesting.

Lois was excited about finally finding out exactly how much money they were paying out, never to see it again and making someone else rich. She grabbed the booklet from Joe and told him in no uncertain terms that they were going to do this whether he liked it or not.

One of the secrets I learned a long time ago is that in most cases the wife calls the shots when it comes to money decisions. We men like to think that we are the boss, but in reality if we make the wrong call, we will pay for it dearly.

So, be sure you communicate, guys, because, “If momma isn’t happy, no one else will be either” as the old saying goes.

I hope you ladies will not be offended by what I said. I am actually trying to help you. Too many couples do not communicate well when it comes to money matters. Over a long period of time that leads to all kinds of trouble, including divorce.

So Lois went through the exercise with Joe looking on. It looked to me like he wanted to dig a hole and crawl in it! He definitely was not a happy camper.

The numbers Lois came up with told quite a story.

Over 40% of their net income was going out the door every year in interest payments to others. Their mortgage was the least of their problems. That monthly payment was a low percentage of the amount owed, compared to the payments on the personal loan and credit cards.

At the rate they were going, they would still have a large amount of debt even after the mortgage was paid off. That doesn’t even include the fact that they both will need new cars within a few years. **How would they take care of that expense?**

At the end of the night we give people the opportunity to schedule a meeting with me in person or on the telephone to talk about their particular situation in a confidential, no risk or obligation setting. **Lois insisted on it.** Joe tried every trick in the book to get out of it. In the end, I overheard Lois say to him, “Now look, buster, just come with me and talk to him or else you’ll pay for it big time!”

As you might imagine, I was not looking forward to having a meeting where one of the spouses was that unhappy about coming.

When new people come in to see me, it is very important that I get to know them and find out about their financial past. I especially want to understand why someone would have such negative feelings.

In this case, I was able to find out “why” fairly quickly.

Like many people when they first come to see me, Joe was very embarrassed about the amount of consumer debt they had. He was also embarrassed that they had not been able to get control of their finances. However, none of this came out until he trusted me.

This is always the first thing that has to happen before I can help.

In their efforts to get rid of their mortgage, they actually got further into debt on credit cards and other loans. The payments on all their debt were higher than what they could afford and still pay normal living expenses. That's why they were unable to save anything as "rainy day" money.

They needed a debt makeover to turn this situation around. I knew they could save money and actually get rid of the debt quicker by not trying to pay off their mortgage so fast.

At least a mortgage is "good" debt because the interest paid is tax deductible. If you have to have debt, why not make all that you can good debt? It takes years and years for most of us to eliminate mortgage debt from our lives.

When the dust settled they were able to accomplish the following:

1. Cut their payments on their debt to one third of what it was before
2. Establish a spending plan so they would know exactly how much they needed for bills and how much was actually coming in every month.
3. Establish a systematic plan for saving the money they found in a BOY plan to build up their reserves. They also wanted a gatekeeper so they would not use BOY money for the wrong things. I was happy to take that job.
4. They would each be able to finance a new car up the road and all future cars using their BOY plans instead of lenders. They would now make the profit that would have gone to the lender.

Joe and Lois are off to a good start and definitely feel much better about their future. I am pleased to have helped them find their way through the financial minefield they were in when we first met.

I know someone out there is saying, "Well, I pay cash for everything and never carry consumer debt. What about me?"

The reality is that paying cash for everything doesn't help. You lose earnings on the money you took out of the investment or bank account to buy the car or pay for the vacation or whatever. **The reality is that someone who pays cash winds up losing a small fortune in earnings they could have received on that money.**

If people recaptured the interest paid out to lenders and the earnings lost by paying cash back into their own pockets, they would have a small fortune in extra money at retirement.

When I did my own calculation based on the 29 years since I got married I came up with over \$266,000 plus interest paid without even including my first mortgages! I don't know about you, but I sure wouldn't mind having that money NOW instead of the lenders!

I can't get back those 29 years, but I can make sure I change things from here on out. I will show you how! All you have to do is ask!

HEAR IT STRAIGHT FROM THE HORSE'S MOUTH!!!

“How to Pocket the Interest You Would Otherwise Pay to Financial Institutions, Get Back the Entire Purchase Price of Things You Buy, and Grow Wealth Tax-Advantaged and Risk-Free.”

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in an Intensive Educational Bank on Yourself Course for Existing Clients and Their Guests

The Yankee Pedlar Inn

93 Main Street

Torrington, CT, 06790

Friday, October 6th, 2006 5:00-8:00 p.m.

AND

Saturday, October 7th 8:30 a.m.-8:00 p.m.

Please R.S.V.P. to (860)496-1941 to reserve your spot today!

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