



Perspective

By JAMIE BUCKINGHAM

The Interest Clock

Several years ago I made a decision to throw away all my credit cards. The more I looked at the American economy I realized it was based on greed and materialism. The "buy now, pay later" syndrome was projected to exploit this aspect. As a result, millions of Americans were in deep financial bondage, and the pressure on marriages and businesses — even churches — to "pay off the debts" was staggering.

"Owe no man anything but to love," the Bible says. And since there was no way I could call my relationship with the Friendly Finance Fellows as a love affair, I determined to get completely out of debt as fast as possible — no matter how much sacrifice it called for. The first step was to tear up all my credit cards.

Yet, even though "cash on the barrelhead" is a sound principle, to turn it into a hard and fast rule is foolish. Like most decisions I make, I immediately determined that what was right for me was right for the

world. I wrote several articles saying everyone else should do the same.

Heavy stuff. I should have kept my revelations to myself. Now I realize there are times when the financially wise man borrows money — and uses credit cards.

My friend, Jim Underwood, president of the National Institute of Christian Financial Planning (a Melbourne based organization which holds seminars and does personal financial counseling) helped me see the difference. Jim says there is a vast difference in borrowing money to buy things which depreciate (washing machines, TV sets and automobiles) and borrowing money to buy things which increase in value, such as real estate, houses or a business.

The secret is being able to understand the interest clock. If the interest on a loan is more than the appreciation of the product, you're going into the hole. The wise man, therefore, be he business tycoon or

simply the guy making \$3 an hour, quickly learns he can get ahead financially if he makes the bank serve him, rather than him serving the bank.

The same principle applies to the use of credit cards. Rather than carrying a large amount of cash, credit cards are handy instruments. But the wise man uses them only as a substitute for cash, and never uses them to buy more than he will repay at the end of the month — before they start charging him interest. Of course, this doesn't make the credit card company happy, for they make their money by getting you into debt and extracting their 18 percent, but it puts you in a position of using them — rather than being under their control.

As far back as the 16th century people were saying, "A fool and his money are soon parted." Much better, however, to be judged as Don Quixote, of whom it was said, "As much a fool as he was, he loved money — and knew how to keep it when he had it."