

Financial Deception—Debt Restructuring Will Solve Your Financial Problems

Several years ago, I counselled an individual who had accumulated significant debt on his credit cards. To lower his interest costs and to be able make appropriate repayments, it made sense to restructure his debt. He obtained a line of credit from his bank at a much lower interest rate and used those funds to pay off his credit cards. At the same time, I emphasized to him that *restructuring his debt was treating the symptom and not the problem*. The real problem was that he and his wife were spending more than they were earning, and they had been doing this for a couple of years.

I strongly recommended that they develop and implement a budget with the objective of ensuring that they spend less than they earn on a monthly basis so that they can use the surplus to pay down debt. Unfortunately, they did not do so, and within three years they had accumulated new credit card debts. Since his bank line of credit had been fully utilized, it was necessary to take out a second mortgage on his home to pay off the new debt. Again, I emphasized the importance of spending less than their income.

About four years later, he came to me again with the same problem. With all sources of credit maximized, it was necessary to withdraw money from the couple's RRSPs to pay off the high-interest credit card debt and satisfy the credit card companies. This resulted in two new problems: first, a tax liability because of the RRSP withdrawals and second, a significant concern that they would not have sufficient funds for retirement.

At this point you may well think that this individual cannot be very astute financially. Actually the reverse is true. He is chartered accountant who understood and agreed with the advice. However, because he and his wife were not prepared to make the necessary sacrifices to reduce their personal spending, today they are reaping the negative consequences.

Sometimes the root of financial problems goes beyond the financial sphere and into the spiritual. Some spiritual problems that can give rise to financial problems include covetousness, lack of contentment, greed, selfishness, and pride. These mindsets are clearly contrary to God's Word. Often it is necessary for a Christian to meditate on God's Word with regard to finances in order to think differently about money and material things. Romans 12:2 states, "Do not conform any longer to the pattern of this world, but be transformed by the renewing of your mind."

In summary, if you are in debt, may I encourage you to do two things:

1. Develop and implement a budget to ensure that you are spending less than you are earning, and use the surplus to pay off your debts. For a free copy of my firm's Excel-based budgeting template, please send an e-mail to info@copland-ca.com.
2. Study and meditate on God's Word regularly with regard to finances. Excellent materials are available through Crown Financial Ministries: www.crown.org.