



# Wiseman & Burke, Inc.



A BUSINESS AND FINANCIAL MANAGEMENT COMPANY  
HELPING OUR CLIENTS CREATE AND PRESERVE THEIR WEALTH

NEWSLETTER • ISSUE 260

## DEBT — WHAT IS IT REALLY?

I know you know what DEBT is. It's pretty simple – it's what you owe to someone else. You borrow, you owe. But there is another way to look at DEBT that may change how you think about this simple subject.

A useful definition of debt:  
COMMITTED FUTURE PRODUCTION.

This is perhaps the most useful definition there is for a practical person either in business or for family matters. Think about it: every time you buy on debt you are essentially swearing to another party that you will PRODUCE in the future enough of whatever you do to pay this debt off. This applies to auto loans, credit cards, mortgages, office equipment, etc. – ALL DEBT.

Debt ties up your future.

On a personal level, the more debt you have, the more of your future is tied up with your obligation to pay the debt off. When you add the interest charged, you stretch that out even further.

There are two kinds of debt:

1. Debt incurred to increase productivity.
2. Consumer debt for the real or perceived necessities of life.

Debt incurred to increase productivity would upgrade computers, printers, software, machinery and equipment and so on. When I started this company, we did all our bookkeeping by hand on green ledger paper with actual pencils! My Tandy Radio Shack floppy disk computer doubled what I could do! Having the best and correct equipment is essential to surviving in business. Paying cash upfront is often out of the question so delaying until you have enough cash can waste more profit than it is worth.

Consumer debt can be such a huge trap. Banks and credit card companies send out all their "You're Approved" credit card promotions and net people like a fishing trawler. Most people, with consumerism as a religious affectation, just sign right up and start charging without much more thought than – "Hey! Free money!"

Twenty years ago I had so much credit card debt that I worked almost one month per year to pay the interest. I swore to dig myself out and never do that again. Slowly but surely I bought my future back. So far, so good.

Spending, whether on credit cards, debt or cash, must be regulated by what is vital to keep you or your business alive and producing. Going deeper and deeper into debt is a bad sign.

Government debt is its own special class of debt and is now probably the greatest threat to the entirety of civilized man. It is important to see that debt incurred by Federal and State governments, which includes all foreign governments as well, has ballooned to levels that are completely



### INTEREST RATES

#### MORTGAGE RATES

	This Month	
Fixed (30 year)	4.375%	(APR 4.681%)
Fixed (15 year)	3.500%	(APR 4.347%)
Adjustable	4.000%	(APR 4.054%)

(Source: Marty Prince, Mortgage Broker – NMLS #246997)

#### TREASURY BILLS

This Month	Last Month	Last Year
1.96	1.89	1.14



### PRECIOUS METALS

	This Month	Last Month	Last Year
Gold	1225.20	1269.30	1254.90
Silver	15.58	16.40	16.66
Platinum	837.60	871.20	933.40

unmanageable -- BY ANYONE. The interest on the US debt alone will exceed our total military budget this year. Sad and scary. Multiple states (e.g., Illinois, California and others) are on the verge of bankruptcy due to underfunded pension plans for state workers. Their solution is, was, and will always be to tax your production to pay these debts. Like it or not, you will inherit this debt through taxation. You will simply have to produce more to maintain a status quo lifestyle. The definition above still applies. World leaders are committing your future production as well as your children, grandchildren and perhaps further down the family tree at this rate. There will be a tipping point in the not too distant future where they simply cannot tax more and will have to default. It will be a bad day.

Back to what you can do. It takes a tremendous effort these days to save any money. Thirty years ago, I read a book called "The Richest Man in Babylon". I'm sure it is still in print or on Amazon. I will attempt to distill the book down to one simple maxim -- ALWAYS SAVE 10% OF YOUR INCOME OFF THE TOP, ADJUST YOUR SPENDING TO MAKE IT HAPPEN AND STAY OUT OF DEBT. There is far more useful wisdom in that book than my statement here. You should read it if you haven't.

Being DEBT FREE is a special kind of financial freedom. Your production belongs to you. Moreover, your income is actually worth more to you than a similar person buried in debt. If you earn \$50,000 a year and have no debt, you actually have more money to budget logically for future expansions.

If you are in debt -- GET OUT OF DEBT.

If are not in debt -- DON'T GET INTO DEBT.

Life will be much simpler and you will own your future.

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Phone: (818) 500-9418

Fax: (818) 500-0129

Email: rosser@rossercole.com

200 N. Maryland Ave., Ste. 302, Glendale, CA 91206