

5 Security Checks to keep your Debt in Check:

Debt is a result of a purchase where your monthly cash flow is not sufficient to pay the entire purchase in full and you do not have sufficient accumulation in your savings or investment tanks to cover the expense should it become necessary.

Financing is not bad, we finance everything we buy. Financing with no money in reserves is debt. There is a difference between a debtor and a creditor. The debtor owes with the intention to repay, the creditor can repay at a moment's notice.

Having money in your savings and investment tanks is not a permission slip to finance anything equal to the amount in those accounts. However it does help you sleep at night knowing that you can pay it off.

All debt creates an obligation on future earnings. An easy way to think of the impact of debt is any interest paid is reducing the effectiveness of the interest you could be earning. Life is an expensive hobby. As long as you are saving and investing enough resources to cover your future lifestyle requirements your savings act as a permission slip to spend and enjoy the money you have in excess. If you are taking on debt today that is keeping you from accumulating what you will need in the future you should rethink your current spending habits.

Your lifestyle costs money. That is not the issue. The purpose of the lifestyle regulator is to help you manage the flow between your future savings and your current lifestyle. Doing so will help to keep your present lifestyle in balance with what will be required in the future.

Here are five **Security checks** that act like financial warning lights to help you stay out of debt when considering how to manage your money.

1: Do you have enough cash flow to support the monthly payments?

It is easy to make a financial decision that can put stress on other monthly obligations.

Warning: If you can't pay for your purchase in full when you purchase or if you are using a credit card you can't pay it off at the end of the month there is danger.

2: Will you have to reduce the flow to savings and investments to make the monthly payments? This is a certain sign that you can't afford the purchase you are about to make.

Warning: If you have to reduce the flow through the Lifestyle regulator to your savings and investment accounts you are moving in the wrong direction.

3: Will you need to drain money from your investment or savings tanks to make the purchase?

Warning: You are effectively spending your future when you drain these tanks.

4: If you are going to drain your savings or investment tank will you be able to put back not only what you withdraw but the interest you would have earned had the money stayed in the account.

Warning: Spending money that is earning interest costs you interest.

5: Do you have the protection in place so that the cost of the purchase is covered in the event you lose your job, get sued, become disabled or die prematurely?

Warning: If someone can take it from you it is not really yours.