

NEW YORK TIMES BESTSELLER | REVISED 3RD EDITION

DAVE RAMSEY

**HOST OF
THE
DAVE RAMSEY
SHOW[®]**

**4 MILLION LISTENERS
EACH WEEK**

**HUNDREDS OF
THOUSANDS OF
ORDINARY PEOPLE
HAVE BECOME
DEBT-FREE—
HERE'S HOW YOU
CAN TOO**

THE TOTAL MONEY MAKEOVER

A PROVEN PLAN FOR FINANCIAL FITNESS

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Introduction

Read the stories of the lives changed by this book! As a matter of fact, I recommend you skip through the book reading all the stories first. They will inspire you to read all the way through and actually do the Proven Plan to Financial Fitness.

Many years ago I was given a calling: to show people the truth about debt and money and to give them the hope and tools necessary to set themselves free financially. First, I did that with a few speaking engagements and a small self-published book titled *Financial Peace*. Later *Financial Peace* was published by a New York publisher and became our first *New York Times* bestseller. I began doing a small local radio show that has now grown to more than 450 stations and millions of listeners that tune in weekly. We started teaching a thirteen-week class called Financial Peace University, which has had over 1 million families attend. Then came *The Total Money Makeover*.

I am positive that personal finance is 80 percent behavior and only 20 percent head knowledge. Our concentration on behavior—realizing that most folks have a good idea of *what* to do with money but not *how* to do it—has led us to a different view of personal finance. Most financial people make the mistake of trying to show you the numbers, thinking that you just don't get the math. I am sure that the problem with my money is the guy in my mirror. If he will behave, he can make the money

X INTRODUCTION

thing work. The math of wealth building is not rocket science; it is simple—but you have to DO IT!

So the proven Total Money Makeover plan I teach has become very successful not because I have found the secrets of the rich. Not because I had some revelation that no one else has ever had about credit cards. Not because I am the only one with a “Debt Snowball” plan. Instead, this proven plan is having a national impact because I have realized that to change your money thing, *you* have to change. You have to change your life. When you change your life, you will get out of debt, give, and invest at an unbelievable rate. When you read the stories in this book, you will read not about mathematics, or magic systems, but about changed lives. You will read about transformed marriages and relationships. Because when you change your life, you really change your life.

So when Mike Hyatt, the president and CEO of Thomas Nelson Publishers, brought me the concept for a *Total Money Makeover* book, I became very excited. I became excited because I knew this book would inspire readers to take immediate action through a simple, step-by-step process that could only lead to life-changing results. Hope—the light at the end of the tunnel, that is, not an oncoming train—is a very powerful force. *The Total Money Makeover* has given HOPE to hundreds of thousands of families. This book has given them hope to win, and that hope has caused them to take action and claim ultimate victory over their financial struggles and worries—and to actually *win*! The number of people that I meet across this nation who tell me this is the first book of any kind they have read in ten years is staggering. *The Total Money Makeover* is a book for everyone. It is for high-income earners, as I am. And it is for someone beginning at the bottom, which is where I once was.

You are about to read about a process, a proven plan, to win. You will find the plan to be very simple yet very inspiring. The principles are not mine. I stole them all from God and your grandmother. The principles are common sense, which isn’t so common anymore. The plan is mine—and

I'm no genius—created by simply observing literally millions of lives with whom I have interacted through radio, TV, books, classes, the Internet, e-mail, podcasts, and our Live Events. I have successfully bottled common sense about money into a plan that anyone can do. And millions are!

A couple of decades ago, when I first started talking about these principles, I knew they had helped my wife, Sharon, and me survive going broke and begin to prosper. The first hundred times I spoke on money, I wasn't as confident of the principles as I am now. Nowadays I look into the eyes of a gazillion people who have followed this plan and experienced, as we did, excitement, hope, and gratitude. I am so thankful that I have not only given them a proven plan but have also inspired them to change their family tree.

I am so confident in *The Total Money Makeover* principles and this process that I cannot stand it when someone doesn't get it. Because I am so convinced my plan will work for everyone, my answers to the same questions will never change. By recognizing and identifying some basic truths and everyday common sense, I have convinced millions of people to change their lives—to have a Total Money Makeover. Are you next?

Read this
BEFORE You Buy
The Book!

What This Book Is NOT

I know it may be hard for you to believe, but I get a lot of hate mail and criticism. This book and what I have or have not said in it has generated a lot of negativity and name-calling. That is fun. Not fun because I set out to offend or because I love reading the nasty things people often say. It is fun because the negativity means two things: One, for some people we are touching a nerve that needs to be touched in order for them to change their lives, and two, I am actively and passionately pursuing the truth. (Aristotle once said “To avoid criticism say nothing, do nothing, and be nothing.”) I can’t help millions of people change their lives by saying nothing, doing nothing, and being nothing. So I take the anger, the criticism, and even the hate mail as encouragement.

My publisher suggested I “answer my critics.” I will pass. My grandmother used to say, “Those convinced against their will are of the same opinion still.” However, I do not want you, dear reader, to be misled. So it is appropriate that I tell you what this book is NOT. That way you can decide whether or not to spend your hard-earned money on it.

This Book Is NOT Sophisticated or Complicated

If you are looking for a detailed, in-depth guide to investing, you have not found it. If you are looking for boring academic chirping that will put

you to sleep using words only to support the author's ego, you have not found it. What I have discovered is that some of the most profound and life-changing truths you will ever discover are very simple.

In our culture we worship the complicated and the sophisticated. If you know how to work your DVD player, you may not have a good one. In the financial world we have been taught to be arrogant snobs. Some believe that simple ideas are not profound, that instead, simple ideas are for the "little people." That is a false and arrogant notion. I have met with thousands of millionaires, and in almost every case they keep their investing and money philosophies *very* uncomplicated. Just this week I was discussing investing and business structure with a friend of mine whose net worth is over twenty million dollars, and his words to me were, "I always keep it simple and clean." Only the financial goobers like to complicate things for the sake of justifying their existence or justifying how much they paid for their education. Please do not look here for a detailed guide to set up an estate plan or a deep theory on investing. That is not what I do. What I do is help people understand and act on time-honored truths about money that will truly change your whole life.

This Book Is NOT Something That Has Never Been Said

There are many great money authors out there today, and there are even more in our past. Very little that you read in this book will be something that someone else has not written or said. We often say on our radio show that we give the same financial advice your grandmother would, only we keep our teeth in. I suggest you read a lot of different people, as I do. I have invented very little in this area of money. What I have done is packaged the time-honored information into a process that is doable and has inspired millions of people to act on it. Most of us know what to do; we just have trouble doing it. How do you lose weight? Exercise

more and eat less. I know that, and yet I bought and read a couple of books on the subject while I took action, and I lost thirty pounds. Did the authors of those books tell me big ideas that were groundbreaking? No, they simply gave me an action plan and some supporting details to what I already knew had to be done. Welcome to my world.

This Book Is NOT Going to Mislead You on Investment Returns

There are several ignorant people in our country today on the returns offered by investing well. Ignorance is not lack of intelligence; it is simply “not knowing.” Sadly, many intelligent but ignorant people seem to think that making a 12 percent rate of return on your money in a long-term investment is impossible. And that if I state that there is a 12 percent rate of return available, then I have lied to you or misled you.

I recommend good growth stock-type mutual funds in this book as a long-term investment and dare to state that you should make 12 percent on your money over time. The supporting data for that bold statement can be found by looking at the historical averages of the S&P 500 index. Widely regarded as the best single gauge of the US equities market, the Standard & Poor’s 500 is an index with 500 of the largest companies in leading industries of the US economy. The S&P 500 has averaged 11.67 percent per year for the last eighty plus years, as of this writing. This includes the big drop in the 2008 market. Most experts and anyone who has had even one finance class agree that the S&P 500 is a great statistical measure of stock market returns. This is such a standard, or bellwether, that virtually every stock fund will show you its returns in comparison to the S&P 500.

I purchased a Growth and Income Stock Mutual Fund many years ago, that I still invest in, and it has averaged 12.03 percent per year since 1934 (75 years as of this writing). I bought another last week that has averaged over 13.9 percent per year since 1973, as of this writing. And yet another with average annual returns of 12.01 percent since 1984, and another

averaging 12.39 percent since 1973, and yet another averaging 11.72 percent since 1952. Any decent broker with the heart of a teacher can, in his or her sleep, lead you to funds with long track records averaging over 12 percent. So don't let anyone tell you that you can't predict a 12 percent rate when you are considering investments for ten years or longer.

This Book Is NOT Written by Someone with No Academic Credentials

I seldom list my formal academic credentials because, honestly, I don't think they are important. I have met so many broke people with financial credentials that I almost think it discredits me to have had formal training. Yes, I have a degree in finance. Yes, I have been or am licensed in real estate, insurance, and investments. Yes, I do have many of the stupid letters to put after my name. But the thing that qualifies me most to teach about money is that I have done stupid with zeros on the end. I have been there, done that. I have a PhD in D-U-M-B. So I know what it is like to be scared and scarred. I know what it is like to have my marriage hanging by a thread because of financial stress. I know what it is like to have my hopes and dreams crushed by my own stupid decisions. *That* qualifies me uniquely to teach and to love hurting people. The other huge qualifier is that I used the principles I teach to personally build wealth. My wife and I have truly lived this book. The things we teach are not theory—they work!

But the teaching credential that I am most sure of and which further qualifies me is the hundreds of thousands of stories of people across America being set free by this book. This stuff simply works. So don't take financial advice from broke people.

This Book Is NOT Politically Correct

I stated earlier that personal finance is 80 percent behavior. To properly view behavior and to understand how to change behavior intelligently,

we must consider several things. Behavior intelligently viewed takes into account the emotional, the relational, the family history, the socio-economic impacts, and the spiritual. To ignore any of these while discussing behavior change about money is incomplete and very naive. So I openly discuss the spiritual in this book. As a Christian, I include some Bible verses. This is not a “Christian” book, and it for sure isn’t a Bible study on the subject of money. But this is a book about a “Proven Plan to Financial Fitness” that my team and I have developed over two decades, and that plan includes addressing the spiritual issues surrounding money. So I upset both sides—those who don’t like it because I include spiritual thoughts in my teachings and those who don’t believe my writing is spiritual enough. Either way, you have been warned.

This Book Is NOT Wrong

Don’t confuse extreme confidence with arrogance. I am extremely confident that this material works, because millions of people have benefited from it. I am not arrogant because I realize I am not personally responsible for any of the lives changed. The stuff I teach is the truth, and those principles are responsible for changing lives. But I always answer the same questions with the same answers even though sometimes folks think their situation may be different. It isn’t different. The principles stand, and they work every time.

This Book Is NOT the Same As My Other Books

When we took on *The Total Money Makeover* project, we had to answer a question of integrity: Could we honestly go into the market and ask my readers to buy another book that said the same thing? I couldn’t in good conscience do that. *Financial Peace* has sold nearly 2 million copies as of this writing, so did I really need to write another book? I came to the conclusion that there was a distinct difference in the two projects. *Financial*

Peace is “what to do with money.” It is a great textbook for common-sense money management. So how is *The Total Money Makeover* different? It is more than a “what to do” book—it is a “how to do it” plan. This is a process book. We are aiming at carefully weaving inspiration and information together into a step-by-step plan. Yes, you will find in this book a lot of the same subjects along with many of the same principles I discuss in my other books, but this book is different in that it is a process-driven work.

If you are looking for a ton of new information because you are someone who only gathers facts and figures, then you will be disappointed. If you are looking to engage this money thing head on, you will love this book. Many *Financial Peace* readers have told me that *The Total Money Makeover* gave legs to the concepts to which they had been introduced, so they were thankful to read it as well. But again, don’t look for some big revelation or chapters of new principles.

This Book Is NOT Getting Any Complaints or Criticism . . .

. . . from people who do it. I have never had someone write me saying, “I got on a budget, got out of debt, got on the same page with my spouse, built wealth—and I HATE IT.” For those who have followed this plan and discovered a new life of financial freedom, their lives have been changed *forever!* Wouldn’t you like to experience the same transformation? You can be the next success story people hear about. You can have a Total Money Makeover starting today!

Denial: I'm Not *That* Out of Shape

Several years ago I realized I had let my body dissolve into flab. I had worked so hard for so many years that I had abandoned the care of my physical condition. The first step to getting into shape was to realize I needed to change my ways, but the second and equally important step was to identify the obstacles to getting there. What would stop me from getting into shape? Once I understood those obstacles, I began a process to lose weight, grow muscle, and become more fit. Your Total Money Makeover is the same. You need to realize there's a problem, but you must also see what could hinder your move toward financial fitness. The next few chapters will identify some major obstacles to YOUR Total Money Makeover.

Look in the mirror. Take a long look. What do you see? Suck in that gut; hold up your chest, and really look at yourself. It doesn't matter how many angles or poses you take, the mirror is cruel. "Well, I'm really not *that* fat, maybe just a little flabby." My dad used to say that 90 percent of solving a problem is realizing there is one.

Myths vs. Truth

Myth: Debt consolidation saves interest, and you have one smaller payment.

Truth: Debt consolidation is dangerous because you treat only the symptom.

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Focused intensity, life-or-death intensity, is required for you to reset your money-spending patterns, and one of your biggest obstacles is DENIAL. The sad thing is that you can be financially mediocre in this country, financially flabby, and still be average. And if the truth be known, being average, normal, and financially flabby is pretty much okay by most folks' standards. This, however, is not a book for the wimpy among us. This is a book about winning, about really having something.

Ninety percent of solving a problem is realizing there is one.



We started out our marriage with absolutely no debt. We lived on a single income, the cars were paid for, and we even had a small amount of savings. However, we eventually made the misguided decision to move into a much larger house that stretched us financially.

After a few years, I changed jobs and we increased our annual income—giving us the illusion that we could increase our standard of living. That is when the debt really started accumulating. We financed two NEW cars to replace our old ones. We started buying everything on credit. We even got a home equity loan. Before we realized it, we were buried in debt!

Kelley saw *The Total Money Makeover* in our local bookstore and bought it as a Father's Day gift for me. By Independence Day, we had declared war on our debt! We had \$6,000 in savings but \$16,000 in debt, not including our house. The plan required us to take out \$5,000 from our savings to put toward our debt—leaving us with the \$1,000 Baby Emergency Fund. It was tough seeing our hard-earned savings disappear, but it really helped our Debt Snowball get rolling.

We sacrificed in other areas, and in just ten months we paid off all of our consumer debt!

Dave helped us realize that we had to draw the line and stop living beyond our means. Instead of having to pay our creditors each month, we can finally start paying ourselves and investing in our future!

*Mark (age 40) and
Kelley (age 39) Reep
Civil Engineer;
Nursing School Student*

Don't Wait to Have Denial Knocked Out of You

For several years I have spoken multiple times a year to live audiences of two thousand to twelve thousand people, teaching them the ideas in this book. After one live event where I spoke to four thousand people, Sara told me that her Total Money Makeover came only after life placed a call to her. She said she had heard me quote the *Wall Street Journal* as reporting that 70 percent of Americans live paycheck to paycheck, but

Dave Rants ...

For your own good, for the good of your family and your future, grow a backbone. When something is wrong, stand up and say it is wrong, and don't back down.

she honestly thought she was in the 30 percent who were fine. She had financially struck a pose, and the pose was denial.

With two sons from her previous marriage, Sara had just remarried and was happy and secure in her job, as was her husband, John. Their new life together seemed awesome. Their household combined income was about \$75,000 per year, with the “normal” debts of a small student loan, a car loan, and “only” \$5,000 on a credit card. With life under

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control and even going well, Sara and John decided their new family needed a new home, so the builder was selected and construction began. Somewhere deep inside there may have been uneasiness, but it was very deep. Finally the day came when the new home was complete. Everything was going to be fine now, the new family in the new home, the way it is “supposed” to be. In May they moved into the new home, complete with big new payments.

Dum Math & Stupid Tax

Washer & Dryer for Sale—\$1,800!

Yes, that's correct, and you, too, can get this sweet deal. Just head on down to your local rent-to-own store.

In September Sara's boss asked to see her in his office. She was excelling at work and braced herself for a big “atta, girl” followed by a nice bonus or raise. Instead, the boss explained her job was being eliminated. “Downsizing, you know,” he said. Her life's work was cut from her—and \$45,000 of

their \$75,000 income—with the boss's chilling words. Not only was her pride hurt and her career path cut short, a creeping terror grew deep down inside as she drove home to tell John. That night there were tears, fears, and the sudden stark realization that she and John were financially fat. Suddenly, Sara and her family were facing foreclosure on the house and repossession of the car. The basics of life had become precious.

Sara and John had listened to *The Dave Ramsey Show* on the radio, but they always thought someone else needed a Total Money Makeover. After all, they always held their stomachs in when standing in front of the mirror. The night after her layoff was the first night they looked in the financial mirror and saw fat people. The sight wasn't pretty—big house payments, fat car payments, large student loans, bloated credit cards, anorexic savings, and no budget. They saw fat people.

When you are physically fat, it is hard to be in denial, because there is the ever-widening belt line. When you are financially fat, however,

you can fake it and look good for a while. Your friends and family will participate in your fantasy/denial, which makes you believe you are doing just fine. One of the four major factors that keep people from winning in money by getting a Total Money Makeover is not realizing

You have to
see the need to
make dramatic
changes.

they need one. Sadly, some of the most dramatic makeovers I've seen have been by people who had life smack them so hard they got the denial knocked out of them, like Sara. If life isn't smacking you around at the moment, you are actually in greater danger than Sara and John the night of the layoff. You are a real candidate for financial medi-

ocrity or even a major crisis brought on by denial, and you have to see the need to make dramatic changes. If you are apathetic because everything seems "just fine," then you will be unwilling to make the huge changes needed to get huge results.

Mmm . . . Frog Legs

Years ago, in a motivational seminar by the master, Zig Ziglar, I heard a story about how mediocrity will sneak up on you. The story goes that if you drop a frog into boiling water, he will sense the pain and immediately jump out. However, if you put a frog in room-temperature water, he will swim around happily, and as you gradually turn the water up to boiling, the frog will not sense the change. The frog is lured to his death by gradual change. We can lose our health, our fitness, and our wealth gradually, one day at a time. It might be a cliché, but that's because it is true: The enemy of "the best" is not "the worst." The enemy of "the best" is "just fine."

SHOCKING STATS

88% of graduating college seniors have credit-card debt—before they even have a job!



I was in denial for a long time about my life and my spending habits. By my mid-twenties, I was \$23,000 in debt and had little motivation to get out of it. My biggest problem wasn't realizing how nice it was to be free of financial concerns—it was gambling. I couldn't stop. Even when I began listening to The Dave Ramsey Show and tried to start attacking my debt, I often failed. I kept losing my money to the addiction I had—never giving me time to get my feet on the ground.

It took some time, but finally the financial pressures became too much to bear. I knew I needed a change. I started attending an amazing program called Celebrate Recovery, a ministry dedicated to helping people with addictions, hurts, and hang-ups.

I also started my Total Money Makeover walking through the Baby Steps one by one. Establishing my emergency fund was the hardest part because I was still trying to break my gambling addiction, and that money would always get lost to some game. But, as my addiction weakened and I established a budget, the debt I had incurred became less and less. I moved in with my parents to put would-be rent money toward my final debt.

Now I'm saving for a downpayment on a house. I hope to reach my goal by next year. It is a wonderful feeling to live without the strain of debt on my life!

Tony E. Newman
(age 26)
Financial Analyst

The Pain of Change

Change is painful. Few people have the courage to seek out change. Most people won't change until the pain of where they are exceeds the pain of change. When it comes to money, we can be like the toddler in a soiled diaper. "I know it smells bad, but it's warm and it's mine." Only when the rash comes will we cry out. I hope Sara's story and the others in this book will make you unwilling to stay where you are. If you keep doing the same things, you will keep getting the same results. You are where you are right now financially as a sum total of the decisions you've made to this point. If you like where you are, keep it up. Keep in mind, however, why you are reading a book called *The Total Money Makeover*. Is it because deep down you have the same uneasy feeling Sara had but didn't address until it was almost too late? Are you really looking for something more? If so, I've got great news. This plan works! Break through the temptation to remain in the same situation, and opt for the pain of change before the pain of not changing searches you out. Don't wait for a heart attack to show you that you are overweight. Cut the carbs, the fats, the sugars, and lace up the running shoes now.

The good news about Sara and John was that the financial heart attack they had made them address their financial eating and exercise habits. The layoff was a wake-up call and the end to denial. After a year of very hard times, Sara was able to find a whole new career. Only this time when the checks started rolling in, Sara and John were using this system. Every paycheck became an exciting event because they had a plan. They were financially losing weight and toning up. It wasn't a quick process, but after following the steps over time, today they are really winning.

Few people have the courage to seek out change.

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The night I met Sara and John, they were two years into their plan—and smiling. They told me they were debt-free except for their house, and they had \$12,000 in the bank just for emergencies. They had broken through their own denial, but they made their family uncomfortable because they refused to live like everyone else. Albert Einstein said, “Great spirits have often encountered violent opposition from weak minds.” John’s dad had made fun of their plan and the extra jobs they took to win. He asked if they had joined some cult or something. Once Sara and John had realized they were the emperor with no clothes, denial was no longer an option. They also realized all they had been doing with money to impress others—but no more.

Sara chuckled as she told me how she used to think: *We must be doing well; all these credit-card companies think I’m creditworthy. If I’m getting approvals from all these banks, I must be okay because, otherwise, they wouldn’t want to loan me money. Besides, I pay my credit cards off every month. How could I be in any trouble? I can afford to buy that car or that furniture if I can afford the payment.* John was grinning now, too, as they both laughed at the language of financially fat people who think they are fine, the language of denial.

As we closed our conversation that night, Sara told me that while she hoped she or John never lost another job unexpectedly, they are ready if they do. “We are no longer living a lie. We know where we are, we know where we are going, and we know how we are going to get there,” she said. She and John wanted to leave me a gift for inspiring their Total Money Makeover, but I assured them they already had.

Debt Myths: Debt Is (Not) a Tool

Red-faced and fists clenched, the toddler yells with murder in his voice, “I want it! I want it! I want it!” We have all watched this scene unfold in the grocery store. We may even have watched our own children do this (once). Now that I’m older and more mellow, I sometimes grin a little as

It is human
nature to want it
and want it now;
it is also a sign
of immaturity.

a young mom tries without success to stifle the out-of-control screams of a child who is denied something.

It is human nature to want it and want it now; it is also a sign of immaturity. Being willing to delay pleasure for a greater result is a sign of maturity. However, our culture teaches us to live for the now.

“I want it!” we scream, and we can get it if we are willing to go into debt. Debt is a means to obtain the “I want its” before we can afford them.

Joining in the Lie

I have heard it said that if you tell a lie often enough, loudly enough, and long enough, the myth will become accepted as a fact. Repetition, volume, and longevity will twist and turn a myth, or a lie, into a commonly accepted way of doing things. Entire populations have been lulled into

the approval of ghastly deeds and even participation in them by gradually moving from the truth to a lie. Throughout history, twisted logic, rationalization, and incremental changes have allowed normally intelligent people to be party to ridiculous things. Propaganda, in particular, played a big part in allowing these things to happen.

Dum Math & Stupid Tax

Freedom 15 Years Early for About \$250 a Month

Imagine you buy a \$130,000 home, for which you take out a \$110,000 mortgage at 7%. The final cost after all is said and done and paid would be \$283,520 after 30 years or \$197,840 after 15. The difference? Just \$256 extra per month. Go with 15 years!

We have propaganda in our culture today. I'm not speaking in a political sense, but rather recognizing that there are people out there who want us to think their way and who will go to great lengths to accomplish that. The financial and banking industries, in particular, are very good at teaching us their way of handling money, which, of course, leads us to buy their products. If I see an ad again and again that tells me I will be cool and

sharp looking if I drive a certain car, I can fall under the illusion that with the purchase of that car, those good things will happen to me. We may not really believe that we will become a model just from purchasing a car, but notice that ugly people aren't used in the TV spots to sell cars. We aren't really falling for that lie, or are we? I'm just asking. After all, we do buy the car and then justify our purchase on the basis of something academic like gas mileage.

When we participate in what the crowd identifies as normal, even if it is stupid, we gain acceptance into the club. Sometimes we don't even realize what we are doing is stupid because we have been taught that it's just "the way you do it," and so we never ask why. As we participate in the myth, we learn to spout the principles of the myth. After the years go by and we have invested more money and time into the myth, we become

great disciples and can preach the points of the myth with great fervor and volume. We become such experts on the myth that we can sell others on joining the lie. I once joined in the lie, but no more.

Don't Let the Monkeys Pull You Down!

Debt has been sold to us so aggressively, so loudly, and so often that to imagine living without debt requires myth-busting. We have to systematically destroy the inner workings of the myths. Debt is so ingrained into our culture that most Americans can't even envision a car without a payment, a house without a mortgage, a student without a loan, and credit without a card. We have been sold debt with such repetition and with such fervor that most folks cannot conceive what it would be like to have no payments. Just as slaves born into slavery can't visualize freedom, we Americans don't know what it would be like to wake up to no debt. In 2007, 7 billion credit-card offers were put in our mailboxes, and we are taking advantage of those offers. According to CardTrak, Americans currently have \$928 billion in credit-card debt. We can't do without debt, or can we?

Working with tens of thousands of people on their Total Money Makeover in the last several years, I have found that a major barrier to winning is our view of debt. Most people who have made the decision to stop borrowing money have experienced something weird: ridicule. Friends and family who are disciples of the myth that debt is good have ridiculed those on the path to freedom.

John Maxwell tells of a study done on monkeys. A group of monkeys were locked in a room with a pole at the center. Some luscious, ripe bananas were placed on top of the pole. When a monkey would begin to climb the pole, the experimenters would knock him off with a blast of water from a fire hose. Each time a monkey would climb, off he would

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go, until all the monkeys had been knocked off repeatedly, thus learning that the climb was hopeless. The experimenters then observed that the other primates would pull down any monkey trying to climb. They replaced a single monkey with one who didn't know the system. As soon as the new guy tried to climb, the others would pull him down and punish him for trying. One by one, each monkey was replaced and the scene repeated until there were no monkeys left in the room that had experienced the fire hose. Still, none of the new guys were allowed to climb. The other monkeys pulled them down. Not one monkey in the room knew why, but none were allowed to get the bananas.

We aren't monkeys, but sometimes we exhibit behavior that seems rather chimplike. We don't even remember why; we just know that debt is needed to win. So when a loved one decides to get a Total Money Makeover, we laugh, get angry, and pull him down. We Americans are like the last set of monkeys. With rolled eyes we spout the pat lines associated with the myth as if anyone not wanting to have debt is unintelligent. That person must be a simpleton, a fanatic, or, worst of all, "uneducated in finance." Then why are so many finance professors broke? I think a broke finance professor is like a shop teacher with missing fingers.

Myth vs. Truth

I want to expose the inner workings of the Debt Myth by looking at many of the sub-myths. However, I need to warn you to watch out for your instinct to defend the American way of borrowing. Calm down. Relax and go for a ride with me for a few pages. I might be onto something. If, at the end of this myth-busting section, you conclude I'm just a nut with a book, you will not be forced to change. But just in case the tens of thousands of families who have experienced a Total Money Makeover have something to say to you, read on in a relaxed state. Let your guard down. You can always put the shields back up later.

Myth: Debt is a tool and should be used to create prosperity.

Truth: Debt adds considerable risk, most often doesn't bring prosperity, and isn't used by wealthy people nearly as much as we are led to believe.

When training for my first career in real estate, I remember being told that debt was a tool. “Debt is like a fulcrum and lever,” allowing us to lift what we otherwise could not. We can buy a home, a car, start a business, or go out to eat and not be bothered with having to wait. I remember a finance professor telling us that debt was a two-edged sword, which could cut for you like a tool but could also cut into you and bring harm. The myth has been sold that we should use OPM, other people’s money, to prosper. The academic garbage is spread really thick on this issue. We are told with sufficient snobbery and noses in the air that sophisticated and disciplined financiers use debt to their advantage. Careful there, you’ll get a sunburn on your upper lip.

My contention is that debt brings on enough risk to offset any advantage that could be gained through leverage of debt. Given time, a lifetime, risk will destroy the perceived returns purported by the mythsayers.

I once was a mythsayer myself and could repeat the myths very convincingly. I was especially good with the “debt is a tool” myth. I have even sold rental property that was losing money to investors by showing them, with very sophisticated internal rates of return, how they would actually make money. Boy, what a reach. I could spout the myth with enthusiasm, but life and God had some lessons to teach me. Only after losing everything I owned and finding myself bankrupt did I think that risk should be factored in, even mathematically. It took my waking up in

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