The Two Faces of Debt

Are you inundated with marketing ads promising quick access to home equity, 0% introductory rates, or obtaining personal loans? Do you, like many Americans, feel these offerings are parlor tricks aimed at swindling you out of hard earned money?

An article from CNBC stated that there is a hesitancy “based on residual fear from the last real estate crash” in tapping into home equity. We believe it goes beyond a latent fear of another crisis and that something deeper is at play. No one is talking about effective usage of debt because “debt” and “liabilities” have become dirty words to the general population. Even when we establish relationships with new clients, assets are volunteered readily while divulging liabilities is done in hushed tones and reluctant whispers.

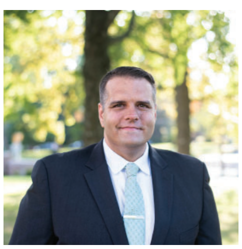
Key Points

- Run your finances the way you would a business whom use debt continuously. Some risk and uncertainties are okay to retain but go into debt with a plan and understand the worst case.
- We are all conditioned to believe what we see and hear but feel no remorse and have the courage to do what is right for you.

As your personal CFO, we calculate your balance sheet the same way a company does: Assets = Liabilities + Shareholder Equity. In this case, shareholder equity encompasses assets that don’t have corresponding, offsetting debt. We have had some clients tell us, remorsefully, that they are using debt to rehab a kitchen, take care of a loved one, or fund a vacation. We’ve got news for you: That’s OK! If you have a solid, well-disciplined financial plan, you can use debt to your advantage. This is applied by finding the best rate possible, staying on target and planning to properly utilize windfalls like tax refunds, bonuses and gifts to time payoffs. Many successful businesses use debt continuously to their advantage, and you can do the same by steering through the risks for positive financial mobility (increasing shareholder equity on the balance sheet.)

After all, we’ve all seen the social media posts touting “get rich quick” seminars and books. Most teach you to effectively leverage debt ala celebrity house flippers on HGTV. However, rather than equating the leveraging debt for a flipped house with putting your ailing mother into rehab after surgery, we tend to feel guilty for such debt because it doesn't have the perceived return of an HGTV success story.

Well, we here at Sweetgum Labs want to turn that narrative on its head! We recognize the inherent value a $10,000 debt will return in a newly renovated kitchen that immediately adds value to a home being sold. With a proper plan in place, we know our clients will pay zero interest by following a solid plan of payments to ensure the bank, who gambled that they'd collect thousands in interest, walks away empty-handed. We want to break the conditioning that has told you that debt is bad and give you the courage to do what's right for you. After all, you are the captain of your financial destiny; we are your lighthouse!



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Olick, D (2019, September 23) More Americans are House Rich, but They're Leaving That Cash in the House. Retrieved from https://www.cnbc.com/2019/09/23/more-americans-are-house-rich.html