



## Are You a Debt Teetotaler or a Debt-aholic?

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New Years are like roadside mileage-markers, they simultaneously make you aware of both the past and the future. They not only get you thinking about how far you have come but also where you are going. New Year's also gets me thinking about my Mom. She was a very proper Bostonian woman who lived a life of moderation. On Christmas she would have a glass of eggnog, and on New Year's Eve she would go hog wild and add a teaspoon of sherry to her traditional holiday drink.

Fulfilling one of my New Year's resolutions, I was cleaning up the garage when I came across Mom's favorite book, "Apples of Gold." It was buried at the bottom of an old steamer trunk under some fine linens. The book is a compilation of some familiar, and not so familiar, quotes that could be called proverbs - words of wisdom that are easy to understand but hard to apply. Picking it up, I started thumbing through it until a passage in the "Temperance" section caught my eye. The quote was on dignity and it accurately described and combined the properness and moderation of my Mother. "Dignity is the capacity to hold back on the tongue what never should have been in the mind in the first place."

The ability to hold back is not only important to maintaining dignity, but also to maintaining financial stability. To paraphrase some other words of wisdom from this golden book, many people are in serious financial trouble not because they are "spending more than [they] earn, it's just that [they] are spending it quicker than [they] earn it." The consequence of this accelerated spending is debt and debt undermines financial stability.

In a workbook on financial planning I wrote for my daughters and sons-in-law, I explained what I believe are the most important financial disciplines. Topping that list of disciplines is limiting debt. I have found that most people think of debt in terms of payments instead of the balance due. That is as dangerous as using a match to check for gas leaks; by the time you notice there is a problem, it's usually too late.

To prevent an explosion of debt it is important to monitor your liabilities to determine if there are any leaks in your budget. The tool I use for this monthly monitoring process is a simple spreadsheet that tracks unpaid credit card and loan balances. The system works similarly to roadside mileage-markers. Just as you can determine the distance you have traveled by subtracting the current mileage from the starting point, so can you determine the increase or decrease in the amount you owe by subtracting the month end unpaid balances from the starting ones. This net increase or decrease in the unpaid balances lets you know if you are living within your means. If you are consistently increasing your debt, then you need to follow my Mother's example and learn moderation in your spending habits.

Mom's motto was "Moderation in all things." So if you are struggling with too much debt, you might want to consider a New Year's resolution to reduce that debt. And, if you want to actually keep your resolution, you will need some kind of mileage-marker system to check for spending leaks. You may also want to remember my Mom and how her dignity kept her from saying things that she might later regret, because a lack of financial temperance can cause you to purchase things that you may later regret. You don't have to be a teetotaler like Mom, but you don't want to be a debt-aholic either.

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