

Economics 101

As you know from reading my column, I feel like our educational system is flawed. For decades, students have been made to memorize useless facts of trivia, while meaningful subjects that might actually help them in life have been ignored. Since most of you were not taught simple finance in school, I am going to give my readers a crash course in "Economics 101."

For those of you who don't know who Dave Ramsey is, he is a common sense financial expert who has written easy to understand books on finance and also hosts a daily radio show. Long before Dave Ramsey, I was already practicing the same methods he teaches, but since I don't have a book and he does, I encourage you to buy one of his. When my son was 16, I took him to a Dave Ramsey seminar at the Tivoli Theater in Chattanooga. I believe the admission was \$40 per person, and the place was filled to capacity. Dave came out on stage, and I will never forget his first statement: "Eighty-two percent of all people in America do not have \$1000 in cash, checking, or savings." He went on to say that means eighty-two percent of Americans are two missed pay days against bankruptcy. Did you know our state, Tennessee, led the nation in bankruptcy filings for many years?

The number one thing I have learned in finance is it's not how much you make, but it's how you spend what you make. I evicted some renters from a \$750 a month rental house because they could not pay their rent. They owed virtually every bank, finance company, payday advance center, and title pawn places as well. Down on their luck? No - they had an income of about \$90,000 a year. What they made was plenty - what they spent was ruining them. They had two car payments, smoked, ate out every meal, and bought plenty of lottery

tickets. With some simple financial management, they could have lived very comfortably.

Two years ago, a heart surgeon in the middle of an open heart surgery at a New York hospital told the nurses he had to take a break. Evidently, this is something that is acceptable as surgeons get fatigued, and need bathroom breaks. What isn't acceptable is he was gone for 20 minutes, and an off duty nurse saw him in his scrubs in a teller's line at a bank near the hospital. When he was called on the carpet by the hospital, he told them the operation was taking longer than he expected, and he had to deposit his paycheck that day or he would bounce checks. The moral of these two stories? Economics 101: No matter what your income is, Learn to live within your means. When I drive around all these developments in Cleveland where houses are \$200,000 plus, and see two new or late model cars in the driveway, I wonder how many of them are in debt up to their eyeballs. Would two missed paydays put the majority of them in a financial pinch?

The other day, I got my monthly credit card bill which was about \$1100. In the credit card business, I am what they call a "deadbeat." A "deadbeat" to them is someone who never, never, lets the credit card company make a single penny off of them. On

this \$1100 bill, I noticed I could elect to make a minimum payment of \$28. I did a quick calculation of how long it would take me to pay that \$1100 off by making the minimum payment, and I think it was something like sixteen years. Economics 101: If you cannot be self disciplined enough to pay a credit card in full every month, cut it up - period. In 2008, it is estimated every household in the US has \$9659.00 in credit card debt.

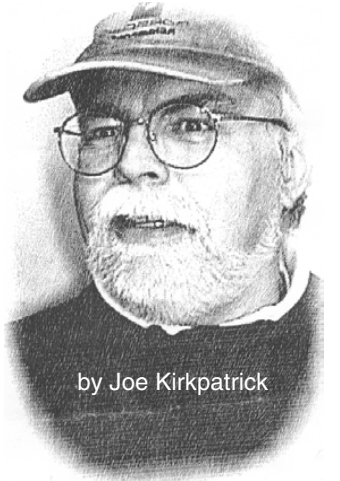
Times are tough - gas has gone up 30% since last year, and that has resulted in not only higher gas bills for your car, but virtually everything else has gone up at least 10%. Everything, that is, except your wages. If your expenses have gone up but your wages have not, how do you make up the difference? First off, make no new unnecessary purchases. If your car isn't falling apart, don't buy a new one. If your old projection big screen still works, you don't need a plasma. Cut the fat out of your lifestyle. If you used to eat out two times a week, cut it to once. If you drive to Chattanooga to eat out, find a place in Cleveland. Wait until the new movie comes out on DVD and rent it. If you want new clothes, check out the selection at the various thrift stores in town. Need a book to read? Lee's Used Books across from the Village Green has a huge selection at 60-70% off the price of new ones.

Plus, they will take your old books in on trade. Better yet, Cleveland has an excellent public library. If you do need a new car, instead of buying a new one, buy one that is two years old with low mileage. Many times you can save as much as 50% by doing that. Buy generic groceries instead name brand. Usually the quality is just as good. If it's not, after you eat it a while you will get used to it. Eat out for lunch every day? Take your lunch at least two days a week - doing that will save \$50 a month. In the summer, go to the farmer's market on Peerless Road for your vegetables - they cost less, and are better quality as well. Let's do the math for a family of four: Cut one time eating out a week (save \$40 with tax and tip), buy one used book instead of a new one (save \$5), buy all generic for a month (save \$80 or more), and both mom and dad take their lunch twice a week (save \$100). With these four simple things, you just saved your family \$225 in one month.

My family practices what I preach. When my son got married, my wife was about to spend almost \$400 at Proffit's for a dress for the wedding, and I found her one on Ebay for \$29 including the shipping. I rarely buy new tools - I shop Ebay and pawn shops for bargains. My work clothes always get stained, so I buy them at thrift stores. You can do the same - be a smart

buyer. For instance, need a new lawn mower? Wait until December when everyone needs Christmas money - you can buy them less than a year old for about half price out of the classified ads or Craigslist.com. December is also a great time to buy air conditioners. Even at large retailers such as Lowes, Target, or Walmart - if you find something damaged, ask to see a manager and make them an offer. Many times they will accept it.

The biggest lesson in Economics 101? Get Dave Ramsey's book, and do what he says. Make it a family project for one month to see how much you can save as a family. Make a wall chart, and get the kids involved. Keep a glass jar and actually put the amount you saved in it so your children can get the concept of saving. For those of you who will do this, I would love to hear



by Joe Kirkpatrick

from you at the end of the first month. Send me an e-mail and let me know how much you saved.

Editor's Note: Joe Kirkpatrick is an independent writer with independent political opinions.

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