

# Change the Way You Think About Money

Recently, there has been a lot of news coverage about the troubles in the housing and mortgage markets. Easy credit is drying up, interest rates are rising, and the number of home foreclosures is skyrocketing nationwide.

Most articles place blame on bad lending practices, people borrowing more money than they can afford, and risky products such as adjustable-rate, interest-only and negative-amortization mortgages. However, the root cause which underlies all of these problems goes unmentioned – a change in our attitude towards debt.

Americans used to be taught to avoid debt, but today we have been persuaded to embrace it. Consumer debt continues to hit all-time highs, yet we are still deluged with advertising to borrow more and more:

- No interest or payments until 2009!
- 0% financing on all 2008 models!
- Transfer your balance for an initial interest rate of only 2.9%!
- Consolidate your debt with a cash-out refinance with no closing costs!

How can we turn the tide on this credit tsunami?

We have to change the way we *think* about money.

Here are two changes people can make to their thinking that will have an immediate positive impact on their spending habits:

1) People need to realize that borrowing money subjects them to financial servitude – a form of slavery – in which their bills determine when and how much they work, often at jobs they don't enjoy.

As a friend of mine said, "I almost bought a new couch on credit until I realized that I didn't want the next 6 months at work to just be about paying off my new couch." This was especially meaningful since my friend doesn't like her job.

I'm not saying that we should never buy new furniture. However, buying anything with borrowed money can lead to financial servitude, which can have devastating financial and psychological repercussions.

2) People need to realize that money is time. Every time you spend money, you are spending the time it took to earn that money. For example, if Bob nets \$10 an hour, a \$300 leather jacket will cost 30 hours of his time.

If people looked at money in these terms, they would be more discerning about what they purchase. As Benjamin Franklin said, "Do not squander time, for that is the stuff

life is made of.” Bob can always earn back the \$300 he just spent, but he’ll never regain the time it took to earn it.

Does that mean we should never spend money? Of course not. However, we can minimize waste by evaluating purchases based on how much time it takes to earn the money required to make the purchase.

I know what it’s like to be buried in debt. I also know what it’s like to gain control of my finances, pay off my debt, and create a life of financial security. But before I could change the way I handled my finances, I had to change the way I *thought* about money. I came up with 10 ideas and techniques that literally transformed my life.

You’ve already learned two of my money principles. Apply them to your own life and see the positive changes that will occur.

Michael Mihalik is the author of ***Debt is Slavery: and 9 Other Things I Wish My Dad Had Taught Me About Money***. Learn how you can use his ideas and techniques to gain control of your finances, pay off your debt, and become financially secure at [www.octobermist.com](http://www.octobermist.com).