

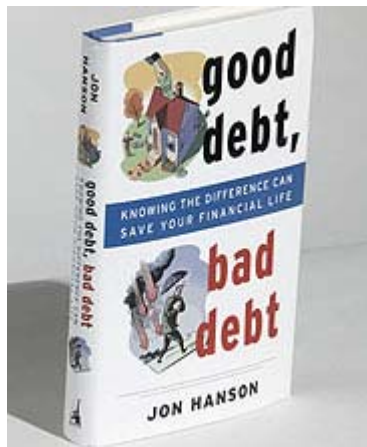
Watch spending habits to keep debt from going bad

By Kerry Hannon, Special for USA TODAY

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This is not a book about how to get out of debt, so put away your pencils. What Jon Hanson, a personal finance lecturer, offers in *Good Debt, Bad Debt* is a folksy guide to changing your spending habits, saving for retirement and, in general, thinking about money.

He knows how scary debt can be. In 1997, he owed nearly \$100,000 to the IRS. But he recovered and is singing the praises of his saved life.



The *Good Debt, Bad Debt* concept is that "not all debt is necessarily bad, any more than all carbohydrates are bad."

He favors a program more liberal than total abstinence from debt, a kind of debt-light.

Hanson laments that the "stigma of debt seems nonexistent today. Credit has become abstract and anonymous. The most damaging aspect of today's culture is short-term thinking."

Good Debt, Bad Debt, by Jon Hanson; Portfolio, 253 pages, \$21.95.

Crack cocaine of the credit industry."

Credit cards, he writes, are "the

Used prudently, though, debt can be a tool. It's about value investing.

"If what you owe can easily pay for its way by being sold, or hopefully from cash flow it produces, then it is good debt."

As he sees it, good debt is debt that eventually increases your net worth. Think of it as an affordable mortgage on a home or a college loan. Hanson is a strong advocate of investing in real estate, finding bargains and trading houses. But he wisely cautions that it takes a learning curve to understand the mechanics if you want to make it a business.

A bad debt is money owed on high-interest credit cards for trinkets and non-essential items. Bad debt gives temporary pleasure, such as driving a shiny new Jaguar off the dealer lot. "Dump the pride issues," he writes.

As much as Hanson loves investing in real estate, he despises cars. He calls borrowing to buy a new car akin to driving your retirement into the ground. A car loan is a loan on something that decreases in value.

"I cannot think of a scenario where debt for a car would be considered good debt. It only takes your money," he argues. (He relents if the car is used for business.)

The average new car loses value at a rate of \$250 per month or more in the first few years of

service, he writes. "Cars are the easiest area to save money in. Buy less; drive it longer. Invest the difference."

To save you his pain, Hanson wants you to think before you spend and to deal with your financial problems head-on as they arise. "It is about gaining perspective and right-sized spending and saving," he writes.

He encourages readers to "avoid the consumer entitlement mentality that can only lead to debt, regret and broken dreams — not to mention a garage and basement full of junk." The goal: Get control of emotional spending.

"No matter the amount of your income, wealth can be obtained, or maintained, only through the amount you don't spend."

Bad spending habits are most people's downfall. "The cost of a thing is the amount of life I am willing to give up to pay for it," he writes. Delayed gratification is the name of the game.

Today's actions will affect what you can do in the future. "Your spending will determine your ending," he philosophizes.

Hanson wraps up his frank approach to money matters with a chapter entitled. "You Married Who? The Ultimate Good Debt, Maybe." Unbridled emotions in any financial dealings can be dangerous, he preaches. Marriage, the ultimate financial partnership, must be entered with clarity.

To help, the author offers his checklist to help you and your spouse align your money and life philosophies before you say, "I do."

This take on personal finance is heartfelt, homey and humorous at times. *Good Debt, Bad Debt* won't give you all the answers, but the practical, personal approach to matters might be sweet enough medicine to make Hanson's hopeful message of financial security go down.

It will be up to readers to choose if the \$21.95 cost is — as Hanson would put it — a fair trade for the amount of life they are giving up for it.

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