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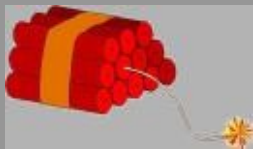
# Staying the Course

DEBTINTOWEALTH.COM

*"What can be added to the happiness of a man who is in health, out of debt, and has a clear conscience?" -- Adam Smith*

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## "Would You Like Fries with That...?"

Consider the case of [Ame Art](#), age 53. Her salary grew to \$165,000 after a 20-year career in media marketing. She was recently laid off. Now she earns \$10 to \$15 an hour as a data entry clerk. Her new paycheck covers her **mortgage** but not her other living expenses. Recently, she cashed out what was left of her retirement portfolio, about \$17,000.

*"It has been the hardest thing in my life," she said. "It has been harder than my divorce from my husband. It has really been even worse than the death of my mother."*

Consider also the case of [John Eller](#), 51, whose \$150,000/year job at Sprint

disappeared: He found another job as a supervisor of immigrations processing paying \$34,000. But with eight children and a wife to support, Mr. Eller said he was still "below poverty level." The family has not been able to make **mortgage payments** in five months and has been on the brink of foreclosure.

In unemployment circles, a dramatically lower paying job resulting from a layoff is called a **survival** job. This graphically illustrates a folly of conventional financial wisdom.

In the DIW philosophy, the **survival** job is the high-paying job **before** being forced to take a lower-paying job.

The high-paying job allows you to quickly pay off your mortgage and other debts and accumulate months of essential living expenses, allowing you to survive a future layoff. Your income may or may not return to its pre-layoff level, but a dramatically lower-paying job after you're debt-free isn't survival; it's **success!**

You've successfully used your high-paying job to provide financial security and a reduction in living expenses such that a lower paying job doesn't impact your essential quality of life. You've also avoided destroying your retirement assets and the stresses associated with bad debts.



## ALERT: "Carrots, Sticks, and Tricks..."

To the growing list of tactics debt-card companies are using to invite you to take your debt elsewhere...

[Chase Bank](#) adding \$10/month fee for accounts with large balances...

[American Express](#) paying you to leave...

[Discover Card](#) closing 3 million accounts without warning...

now add...

[HSBC](#) cutting your credit limit to BELOW your balance!

As happened to one HSBC debtor with a \$359.99

balance, his \$8,640 credit limit was cut to \$300 without warning. This, of course, triggered a \$35 over-limit fee, which HSBC promptly added to his \$359.99 balance...

Yes. It's legal for debt-card companies to cut your credit limit to below your balance, triggering over-limit penalties and a worse FICO score, resulting in a cascade of higher cost of debt, insurance, and rent.

And there's no requirement to warn you in advance. The new law requiring lenders to give cardholders 45 days notice before reducing a

credit line to the point where it triggers penalties doesn't go into effect until July... 2010!

Debt-card companies are determined to get millions of their debtors to take their debt elsewhere... using carrots, sticks, and tricks.

It's the only business I know of where the customer pays for the privilege of being abused.

Pay off ALL of your debt, including your debt-cards, as fast as possible. Then enjoy the benefits of living a debt-free life without these extra annoyances.



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but don't want to  
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**New Product  
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**[Spend Smart!](#)**  
**"Systematic  
Strategies for  
increasing your  
Payoff  
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Every Month!"**

## Payoff Accelerator: Cheap Entertainment

In your search for **Payoff Accelerator** you may be tempted to severely curtail entertainment spending by discontinuing fun activities. I don't think this is a good idea because inevitably you will associate debt-freedom with drudgery. Nevertheless, entertainment expense should be subject to review like any other expense and receive the same analysis:

**Can I achieve similar benefits at lower cost?**

This month we'll explore three cheap entertainment options. The only reason they aren't **free** is because you need a broadband Internet connection and a computer. .

Let's start with music. Individual music CDs cost

Now, before you start making excuses about watching movies on your tiny computer screen while your stadium-sized LCD TV collects dust, there are inexpensive ways to connect your computer to your TV for a more enjoyable experience: Especially if you have a laptop computer.

This article from [GeekWithLaptop.com](#), describes in detail how to connect your laptop to your TV and tune the resulting image, if necessary.

I've hooked our laptop to our TV and watched **Species III** from the [HULU](#) site. It wasn't a DVD-quality experience with 8-speaker surround sound, but it was **free**.

anywhere from \$9.99 to \$17.99. Two CDs per month at an average cost of \$14 each is a potential \$336 of additional **Payoff Accelerator** per year.

If you get your music digitally one song at a time – i.e., the iTunes model – you may be courting trouble. At \$0.99 each, the convenience of debt-card purchasing, and **10 million+** songs, this can add up quickly.

But if you primarily listen to music near a broadband connected computer – say at home or work – you can listen to virtually any song you want for free using [Songza.com](#).

Songza is a **music-only** Internet search engine/Jukebox. It scours

Let's see... we can listen to the world of music using [Songza](#) and watch movies and some of your favorite TV shows using HULU, et al. Now, is there a way to get our literature entertainment for free, too?

Glad you asked!

For an astonishing cornucopia of Books, Magazines, Newspapers, and Audio Books, look no further than...

[25 Places to Read Free Books Online](#)

and

[50 Places to Find Free Books Online](#).

You name it – Classics, Fiction, Non-fiction, Reference Books, Children's Books, Foreign Languages, World Newspapers, Technical

the Internet for your song search request and makes it available for listening over the Internet. You can't download the song, so you can't transfer it to a portable device. I've searched for a wide variety of songs and [Songza](#) never failed to find what I was looking for.

That takes care of your listening pleasure. Now for your viewing pleasure...

Have you checked your Cable/Satellite TV bill lately? Our service, without any movie channels, costs \$50/month... \$600/year... for TV! Well, when you want to watch NFL football, live, what can you do? However, there are several free options for movies. My top three are [HULU.com](#), [JOOST.com](#) and [VEOH.com](#)

(continued below)

Magazines -- all free to **download** and read at your leisure; or you can read them online. One site even offers a fancy reader program that lets you customize the display for your needs and create electronic bookmarks so you can pick up where you left off.

Yes, you can print these books, but this would negate the free aspect. And, if you have a CD ROM burner, you can burn audio books to CD and listen to them on road trips or long commutes.

With continual technology improvements, cheap entertainment is only going to get better. Use them to make your **Payoff Accelerator** better, too!

## Tips & Techniques: Free Technology

By Nate LeSane, Chief Technical Officer, Enasel Software

You can't turn on the television, read a newspaper, or visit a news website without seeing something about **sub-prime** mortgages – I hope you don't have one – the dwindling amount of credit for making loans – (have you seen the number of mortgage lenders that have [imploded](#)?), falling property values and rising consumer debt. Aren't you glad you're almost debt-free?

Well, I thought I wouldn't pile on. Instead, I'm doing something a little different this month. Would you like some **free** technology?

Before we get to that, here's a friendly housekeeping reminder: **Your data are NOT stored on our servers.**

That's right. Your data are stored on your local hard drive. So, if you have not backed up your Debt Freedom debt data recently, do it now using the procedures described in the [FAQ](#).

You know backing up is important because of the obvious ways you could lose your data -- accidental deletion, disk crashes or system failure -- but do you also know about the less obvious ways? For example, through **external intrusion**.

External intrusions can come in the form of **software viruses**, which can get into your system through software, document email attachments, and a countless number of other ways.

Another way your computer can be compromised is through your Internet connection. While your Internet connection opens a door on your computer that allows for online shopping, reading the latest news, sending e-mail, and more, that door also allows those that are so inclined to gain access to your computer. In either case, harm can come to your computer, causing major disruption, at best, and data destruction, at worst.

How can you protect your computer

from these hazards – for **free**?

[PCPitstop.com -- Help against Viruses](#)

When it comes to diagnosing possible problems or tuning your system, this has got to be one of the most useful websites ever. And, the beauty of it all is that most of what it offers is **free** -- and nothing needs to be permanently installed on your computer, so you don't have to worry about Spyware.

Suspect you may have a virus on your system? Run PC Pitstop's **AntiVirus** software. Just click on the **AntiVirus** link located on the menu bar under **Tests and Scans**. This will take you to PC Pitstop's **AntiVirus Center**.

*(continued below)*

From the **AntiVirus Center**, click the **Virus Scan** link to get to the **Virus Scan** page. (**Note**: this page will want to install a little piece of helper software known as an ActiveX control. Allow this to happen.) Once this control is installed, you will have the option of performing a **Quick Scan**, **Full Scan** or a **Custom Scan**. If you have time, perform a **Full Scan**. If it finds a virus, this free scan software won't clean it. You'll be pointed to a vendor with a solution that could cost money, and we are not about that unless it is absolutely necessary. Instead, check out the **free** version of the **AVG Anti-Virus** software from Grisoft.

[Grisoft.com -- AVG Anti-Virus, Basic Protection](#)

The **free** version of this software comes with the basic user interface and does not come with technical

support, but it is **free**. And, most importantly, it comes with **free** and **automatic** updates to its virus database. So, if PCPitstop.com identifies viruses on your computer, install AVG Anti-Virus to remedy the situation. Yes. AVG will also detect viruses. Think of it as a second opinion to [PCPitstop](#).

To block intruders trying to access your computer via the Internet, you need a firewall.

[ZoneLabs.com -- ZoneAlarm, a Basic Firewall](#)

What is a firewall? Basically, a firewall is a barrier to keep destructive forces away from your property – in this case, your computer. You can use a firewall to protect your PC from offensive web sites and potential hackers.

How does it do it? A simple program

filters data packets coming or going through your computer's Internet connection. If the filter flags an incoming data packet, it is not allowed through. This **prevents** unrecognized computers from connecting to your computer and possibly **damaging or stealing your data**.

[Zone Labs](#) provides a **free** version of their award winning firewall software known as **ZoneAlarm**. [Download](#) and install it today.

Now, where else can you get award winning Debt-Freedom software **and free** technology to protect you on your journey to Debt Freedom?

-DIW

## A Reader Writes: "Fighting the good fight..."



*"As you pointed out four years ago, his most recent pay history was a cut, not an increase. Since 2008 the economy has lost 5 million jobs. He may no longer have a job. A 9% increase in mortgage payments and no job will bite hard."*

The DebtIntoWealth [Lessons from My Journey to Debt Freedom Forum](#) is up, running, and active! Click [now](#) to share your thoughts, comments, ideas, problems, and solutions with fellow Journeyers on the road to Debt Freedom!

[The Forum!](#)

**Hi Greg,**  
Your get-out-of-debt theories got me into trouble with the family this weekend. Very briefly:

My brother and his family live in a nice townhouse in N. VA. They have become convinced that if they do not buy a single family home now, they will never be able to afford one. They have been talked into a 530K house with a interest only loan for the first 5 years. He reasons that his pay increases and promotions will make it affordable in the long run.

Stupid me suggested they take the difference in house pmts and pay off their current house in 3 to 4

years and then pay practically cash for their next house. This was met with, but the houses are going up so fast we cannot catch up. I said a rising tide lifts all boats and yes the single family homes are increasing in cost, but their home is also going up in value.

I was told it was now or never and I didn't see the big picture. The big picture as I see it is that my brother and his family took out a 2nd to just meet expenses because of a pay cut last year, but he thinks future increases will help him pay for this new monstrosity. BTW, he is a commercial pilot. His job is tied to our

economy and if we have further terrorist attacks his job could be gone.

Just thought you would like to know that we are out here fighting the good fight, but not many are listening to us. Now the family thinks I'm whacked.

Keep up the good work.

■ Dawn  
■ March 2005

**Dear Dawn,**

It's been four years since you wrote this letter to me. I just thought I'd check in to see how the *good fight* is going.

I don't know how you could delicately bring this up with your brother, being *whacked* and all, but real estate price appreciation has turned into a 26% decline. It's worse in formerly red-hot east and west coast markets.

New loans and refinancing require excellent credit and substantial equity. That **\$530K**, 5-year, interest-only adjustable rate loan has adjusted, and I'm betting it didn't adjust down. And, since it's interest only, after 60 months of payments, they'll only owe... **\$530K**.

This loan will then be amortized over the remaining term of 25 years. Combine a

higher interest rate and shorter amortization period and you get... whacked!

Even if the interest rate doesn't adjust, re-amortizing a 5%, \$530K loan from 30 to 25 years increases payments by 9% from \$2,845.15 to \$3,098.33.

As you pointed out four years ago, his most recent pay history was a cut, not an increase. Since 2008 the economy has lost 5 million jobs. He may no longer have a job. A 9% increase in mortgage payments and no job will bite hard.

Finally, as I understand it, commercial airlines are having trouble funding their retirement plans. He may have a job, but his company retirement is in jeopardy. And, given he took on more debt to pay living expenses, it's not likely he's funding

any 401K or other personal retirement plans. He may in fact be destroying his retirement by invading his 401K to pay living expenses.

He was betting his house would bail him out. That's a bet millions of people have lost over the last four years.

Keep up the good fight!

-DIW



## Finally and Financially Free: **Maximum Ruin**

**The financial crisis will ruin the maximum number of investors possible, and that each such investor will be ruined to the maximum extent possible.** *more ingeniously designed to maximize the suffering, and also to insure that as few as possible escaped the common misfortune.* *ruthlessness of [the stock market was] remarkable.*

The above is John Kenneth Galbraith's **Principle of Maximum Ruin**, outlined in his 1954 book, **The Great Crash – 1929**. Maximum Ruin is derived from Galbraith's analysis of the 1929 crash:

*In the first week the slaughter had been of the innocents.*

*The man with the smart money, who was safely out of the market when the first crash came, naturally went back in to pick up bargains. ... The bargains then suffered a*

*A common feature of all these earlier troubles [previous panics] was that having happened they were over. The worst was reasonably recognizable as such. The singular feature of the great crash of 1929 was that the worst continued to worsen.*

*What looked one day like the end proved on the next day to have been only the beginning. Nothing could have been*

*ruinous fall.*  
*Even the man who waited out all of October and all of November, who saw the volume of trading return to normal and saw Wall Street become as placid as a produce market, and who then bought common stocks would see their value drop to a third or fourth of the purchase price in the next twenty-four months. ... The*

According to Galbraith, the greatest financial seers of the day, the Harvard Economic Society, a group of economists on the Harvard University faculty, kept predicting the worst was over -- and repeated that prediction over and over for two years -- and they were proven wrong every time.

(Continued below)

**“For your retirement you don’t want capital gain as much as you want capital **retain**... plus a regular check in the form of dividends, or interest, or rent, or profits.”**

How can we use Galbraith's principle to cope with the current financial panic and avoid Maximum Ruin? Turn a deaf ear to today's financial seers who are already predicting the worst is over for the worst financial panic in our lifetime...

**Stocks are Cheap!** Could this be because businesses are losing money? The as-reported loss for the S&P 500 for the 4<sup>th</sup> quarter was \$23.16 a share. This is the first reported quarterly loss in history.

**The Bottom is In!** Until it falls out... again. Like it did at DOW 7106, then again at DOW 6795, with the most recent proclamation at DOW 6470.

**The Economy is Less Bad than Predicted!** But it's still the worst economy in 26 years.

**New Home Sales were up "unexpectedly" by 4.7% in February!** Well, yes, but sales were down 41% year over year, i.e., since February 2008. They were up slightly from January 2009.

Don't cast your retirement lot on the seas of **Buy and Hope** and **Greater Fool** – where you Buy a stock market investment and Hope some Greater Fool comes along and buys it from you at a profit. There is no divinely mandated rate of return for stock market investing. Anyone who says stocks average some *juicy* rate of return – *over the long run*, whatever the heck that means

– is merely parroting someone else's result of doing simple math. They're trying to sell you something.

For your retirement you don't want capital gain as much as you want capital **retain**... plus a regular check in the form of dividends, or interest, or rent, or profits.

There are lots of opportunities to achieve this result that don't lead to Maximum Ruin.

DIW