

[PDF] Debt Free For Life: The Finish Rich Plan For Financial Freedom

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Description:

About the Author DAVID BACH is one of America's most prolific and bestselling financial authors of our time. He has written ten consecutive national bestsellers, with over seven million books in print, translated in over 15 languages. His runaway bestseller **The Automatic Millionaire**, spent thirty-one weeks on the *New York Times* bestseller list and was simultaneously #1 on the business bestseller lists of the *New York Times*, *USA Today*, *BusinessWeek* and the *Wall Street Journal*. He is also the author of the national bestsellers **Start Over, Finish Rich; Fight for your Money; Go Green, Live Rich; Smart Women Finish Rich; The Finish Rich Workbook**, and the number one bestsellers, **Start Late Finish Rich, Smart Couples Finish Rich** and **The Automatic Millionaire Homeowner**. Bach is a regular contributor to NBC's Today and has appeared a half dozen times on

The Oprah Winfrey Show to share his strategies for getting out of debt and finishing rich. He lives in New York with his family.

To read excerpts of David Bach's books, and for more information, please visit www.finishrich.com or www.facebook.com/davidbach

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INTRODUCTION

GOODBYE, DEBT—HELLO, FREEDOM!

Early in the winter of 2010, I was sitting in the greenroom preparing to go on the NBC's *Today* show to do our weekly "Money 911" segment. The segment had been airing for more than two years. Each week we would take questions from viewers about their money. This week, most of the questions seemed to be about debt. Reading over the questions, it hit me—in just two years, we had gone from being asked mainly about investments to being asked almost entirely about personal debt.

As I thought about this, a friend in the greenroom interrupted me with a question of her own.

"David," she asked, "what's your take on 'good debt' vs. 'bad debt'?"

Almost automatically, I started giving her the standard answer about how good debts are generally considered to be debts you incur to buy things that can go up in value—like a home or a college education—while bad debts are things like credit card balances, where you've borrowed money to buy things that will depreciate or go down in value, like most consumer goods. But then I stopped in mid-answer and looked at her.

"You know something?" I said. "The truth is that this recession has changed everything. Homes are going down in value and people with college degrees are looking for jobs. Forget what I was just telling you. Forget about the idea of 'good debt' and 'bad debt.' The truth is that when you're in debt, it doesn't

matter what you've borrowed the money for. The only thing that matters is whether or not you can afford to pay it back. And if you can't, *all* debt is bad debt."

My friend smiled sadly. "Tell me about it," she said. "My home is underwater, and my mortgage rate is going up and I can't refinance because my credit score has dropped." She shook her head and sighed.

"So what do I do? *What's your advice to people like me?*"

THE BEST INVESTMENT YOU CAN MAKE NOW

This time I stopped and thought before answering. "Here's what I think," I finally said, "and this is what I'm going to be telling everyone now. **The best investment you can make over the next five years is going to be paying off your debts. So my advice is to pay off what you owe as fast as you can.** The faster you pay off your debt, the faster you will achieve financial freedom."

I went on to tell my friend that at Morgan Stanley, where I had worked as a financial advisor for nearly a decade, the clients of ours who focused on paying off their debt were able to retire an average of ten years earlier than those who didn't. "So does this mean I should stop putting money into my

401(k) plan and instead use it to pay off my mortgage?" she asked.

I shook my head. "Of course not," I replied. "You should never stop 'paying yourself first.' What you need to do is cut down your spending so you can stop going into debt, and pay off your debt faster. Trust me—getting out of debt has never been more important than it is now.

Being *debt free for life* should be your new financial goal."

And with that I headed into the studio with Al Roker to answer America's never-ending questions about managing their money and getting out of debt.

ARE YOU TIRED OF BEING IN DEBT? DO YOU WANT A NEW WAY OUT?

If you're like most people, you're probably familiar with the idea of "good debt" and "bad debt." Millions of Americans believe in this idea. In fact, millions of Americans have based their lives on it. At the heart of this belief is the notion that good debt makes you rich and bad debt keeps you poor. You only borrow to buy assets, and you shouldn't borrow to buy things that drop in value. It makes sense; it seems logical.

I, too, used to believe it. But you know what? I no longer do. And neither should you.

Why? *Because the idea that there's such a thing as good debt and bad debt is a myth.*

The truth is we've been misled.

- We've been misled by billions of dollars' worth of advertising that gets us to buy things we don't really need.
- We've been misled by a multibillion-dollar credit card industry that tells us the good life can be ours for the taking when we use their credit cards.
- We've been misled by the banks that loaned us money for homes they knew millions of us couldn't really afford.
- We've been misled by the subprime lenders who promoted the idea that we were "silly" to keep equity in our homes when we could "cash it out" to pay off our credit cards.
- We've been misled by a tax system that promotes heavy borrowing by offering tax deductions.
- We were sold a bill of goods—or, more accurately, a bill of loans (trillions of dollars of them). And now this bill has come due, and our debt has become our personal financial prison.

Are you tired of being in debt? Are you tired of waking up each morning to face an ever larger pile of bills? Like my friend in the greenroom, do you find yourself working harder than ever to pay for things you no longer care about—or even want to own?

If so, you are not alone. Millions of people feel the same way—and like you, they are ready for a life free from debt. *A life where you own your life—rather than lease it.*

The good news is that there is a way out of this nightmare. There is a better way to live—starting today—a way that will allow you to be debt free for life!

THE MIRACLE OF COMPOUND INTEREST— IN REVERSE!

Here's the truth: DEBT IS DEBT. Probably the most important lesson of the great recession we've just lived through is that there's no such thing as a good debt if you can't afford to pay it off. When you can't make the payments, the only difference between "good" debts and "bad" debts is that the bad variety can destroy your financial life much more quickly.

Now, don't get me wrong. We need to be able to borrow money. Without a lending industry and the ability to borrow, we could not function as a society. Borrowing to build assets can make sense—if you have a real plan to repay your debt. But if you don't have a plan, look out! Debt is all about basic math. It is the miracle of compound interest in reverse, which is to say that if you don't stay on top of it, it will mushroom faster than you can imagine—and crush you before you know what's happening.

This is one big reason why I wrote this book: to give you the plan you need to pay off your debts faster than you ever would have thought possible.

DEBT FREE FOR LIFE: A NEW APPROACH AND A NEW ATTITUDE

It is time for us to rethink entirely the way we manage our money and our debt. If the great recession has taught us any- thing, it is that the less debt we have, the better off we are. With this in mind, I am now on a mission to inspire America to shed its debt. I believe it is time for us to buy back our freedom, and I know that together we can do it. This is another reason why I have written *Debt Free For Life*—and why I hope you will read it and act on its advice starting today. *Debt Free For Life* is my twelfth book. It is very possible that you have read (or at least heard of) one of my previous titles. As I write this, there are more than 7 million copies of my FinishRich books in print around the world. I am known for my honest, simple, and "take action" advice about finances, and I've been privileged to inspire millions around the world to be smarter with their money and truly live a rich life. Perhaps you have seen me on television on NBC's *Today* show, "Money 911" segments, or on Oprah's "Debt Diet" series, or on CNBC's "The Millionaire Inside" series. Then again, maybe this is our first visit together—and if it is, welcome! In either case, I want to say, THANK YOU. Thank you for your time and your trust that I may have a plan for you—a plan that will make you DEBT FREE FOR LIFE!

ELIMINATE YOUR DEBT— AND BUY BACK YOUR FREEDOM!

So why did I pick this moment to write a book on getting out of debt—and why should you spend a few hours reading it? Why is it time to buy back our freedom and focus on our own personal economy?

The answer is simple:

In our new economy, getting out of debt fast is the most important financial move you and your family can make.

There are three reasons for this:

First, I beli... --This text refers to the edition.

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