



CRUSHING DEBT

WHY CANADIANS SHOULD DROP
EVERYTHING AND PAY OFF DEBT

David Trahair, CA

Author of the National Bestseller *Enough Bull*

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INTRODUCTION

I am going to start with a simple question:

On average, how many times a month do you have sex?

Okay, admittedly that may be a bit of an unusual start to a book on debt.

Let's try this one:

*What is the total balance on your credit cards
and lines of credit?*

The fascinating reality is that I am more likely to get an answer to the first question than the second.

Why?

Because the subject of debt is the biggest taboo there is. Nobody wants to talk about his or her personal debt levels.

Think about it. When was the last time you were at a party and one of your friends openly disclosed that they have a credit card balance they carry from month-to-month?

You are far more likely to have heard someone say, "I pay off my credit card each and every month and never pay any interest!" I hear that all the time.

INTRODUCTION

The problem is that keeping debt issues a secret can be dangerous to your financial health. It is like keeping a cobra in your closet and hoping it doesn't do any damage. That is a recipe for disaster.

We all need to think about and discuss the snake in our closet. If we don't, sooner or later it will strike.

That is what I am attempting to do with this book. I want to bring the subject of debt out of the closet. I am hoping to educate you about all aspects of debt, so that you become comfortable dealing with the subject. Only then will you be able to make financial progress and secure you and your family's financial future.

Don't get scared off. It's honestly not that complicated a subject when you get into it.

So why should you listen to me? Because I want you to get debt-free. I want you to understand why this should be the most important financial goal of your life. And I'm going to tell you the secrets that will allow you to do it.

WHERE I AM COMING FROM

I don't work for a bank. Never have and never will.

I am not sponsored by any financial institution. I don't write content for them, and don't earn any fees of any kind from them. That would probably mean I would have to write what I don't believe in, and if I did that I'd never be able to sleep at night.

I am not a world-renowned economist with complex theories about the inner workings of macro finance, either. As Warren Buffet says, "If something cannot be explained in plain English to me, I don't touch it. Period."

I am not a political animal either. It does not matter to me what political party is in power. I vote for those with a record of making intelligent decisions and who seem to make logical sense with respect to the issues at the time.

The truth of the matter is that it makes no difference to me whether you believe what I say or not. I am not trying to sell you anything.

What I do care about is people. I care about the individual. I care about you and your family. And that is why I wrote this book. I want to tell you the truth as I know it about the debt situation in Canada today.

That includes our government debt, our bank debt, and our individual debt.

What I am about to tell you is based on what my logical mind tells me—the unfiltered truth.

I also don't pretend to know everything. The world's finances can get very complex and you will see in this book that some of it is very difficult to decipher. In some cases it is impossible to find the information easily. That is why I am going to ask for your help.

I am hoping that any reader with something to say on the subject of debt will get in touch with me through my website at www.trahair.com. Just scroll down to the “Contact” button on the left side and it will take you to the page where you can send me an e-mail. Please feel free to straighten me out in areas where you know more than me. Send personal experiences where you think your stories can help others. And make comments about the ever-changing debt issues going forward.

I'd like this to be a living, breathing subject and I'll endeavour to keep my website current with your thoughts and comments.

Drawing people in to discuss the issue of debt is the only way I can think of to get the subject out in the open, where we can analyze it and make sure it doesn't bring financial disaster to us all.

A WORD ABOUT BOOKS

Unfortunately, as soon as you publish a book it can become out of date quite quickly. This book is no exception. While much of what I am about to tell you is timeless advice, some parts of it will become dated very soon. The world and Canada's debt situation is changing at an incredibly rapid pace, so this is unavoidable.

I am hoping that this book will inspire you to keep current on what is going on. To help, as we go along, I will provide the URLs of some of the most useful websites I have visited to gather some of the information and statistics discussed here.

I will also endeavour to highlight the sources that I believe are independent and worth paying attention to.

For example, if you are interested in what is happening in the U.S. with respect to their economic situation, the *New York Times* reporter Thomas L. Friedman is the best I have come across.

INTRODUCTION

In Canada, I have always found Mark Carney, the Governor of the Bank of Canada, to have excellent economic skills and a unique way of cutting through the jargon and explaining complex matters in plain English. Listen carefully to what he says.

THE WORLD IS ON THE EDGE OF A CLIFF

The human race's addiction to debt has led many countries and financial institutions to rack up billions of dollars of debt by spending more than they bring in. Families have also fallen into the trap of adding huge amounts of debt to live beyond their means. Many of us have been living a life we can't afford for decades, and that simply cannot go on forever. Increasing debt at all levels eventually leads to a point where the spending free-for-all comes to an abrupt halt. The debt-fuelled locomotion hits a brick wall.

You may be wondering what government and bank debt has to do with your personal debt. Why should you be concerned about what's going on with the country's finances or the big banks? Because we are all intertwined. What we do as individuals has a direct and significant effect on our banks and our country. Let's look at our banks first.

Our individual debts, the amount we owe on credit cards and lines of credits, are our bank's assets. If we as individuals can't pay back our loans, the bank takes a loss. If enough individuals default on their loans, it can bring down a bank.

We have seen this happen already in the United States.

But before a bank goes under it is likely to be bailed out by the government, right? This has already happened in the U.S. too.

So if our banks' survival is threatened, our federal government will have to step in to bail them out. That would increase the government's own debt level. With big enough numbers it could potentially bankrupt a country.

That almost happened in the U.S. where government debt is out of control. We saw the resulting panic in the days leading up to August 2, 2011 when the U.S. increased its \$14.3 trillion debt ceiling at the last hour to avoid a catastrophic default.

So how we handle our own debt has a direct impact on the bigger picture—our banks and our government.

The current debt crisis is also not confined to one country. It has infected dozens of countries all over the world. This is a major problem that is causing major earth-shaking economic and social problems. And Canada is not immune.

Put bluntly, the world's addiction to debt is leading us all straight toward the edge of a debt cliff.

Some countries, financial institutions, and individuals are already falling off. Others will reach that cliff soon. Maybe this year. Maybe next. Or maybe the one after that. But you can be sure about this—a debt-fuelled life will not continue forever. It can't. Sooner or later the debt levels will rise to a breaking point—the point where it becomes impossible to sustain. It will start with not being able to service the debt, meaning not being able to pay the interest on it. The next step is the realization that the debt will never be repaid—ever. Whoever the debt is owed to will be out of luck. They'll be forced to write it off. The creditors—the ones holding the debt—will lose their money.

The truth is that it doesn't really matter what tools the world's economists use. They can play with interest rates all they want. They can grant billion dollar bailouts with money that doesn't exist until the cows come home. That is just delaying the inevitable. In fact, you could make a strong argument that it makes the problem worse.

IT AIN'T GONNA BE EASY, BUT THERE IS HOPE

As you can probably tell, this book is going to be pretty blunt. If you want a feel-good book that says not to worry, the world's debt crisis is overblown, things will work out, put this book down right now.

If you are looking for a book that promises to make you debt-free easily, don't buy this book.

If, however, you want to find out the real truth about what is going on with the world's and Canada's government, bank, and household debt; if you want to find out the secrets the banks and others use to keep you in debt slavery for life; if you want to find out how to get yourself and your family on the right track to crushing your debt: you're holding possibly the best investment you will ever make.