

Chapter 8

Finding “Hidden” Money

This is absolutely my favorite chapter of all. The budget is in place, and you have launched out in your radical plan of attack against the enemy of debt. Now comes the real fun part... and I am not being silly when I say that. It is FUN to find “hidden” money! It is sort of like “beating the system”. That’s why I would get in trouble so often when I was in school... I was always trying to “beat the system”. Well, at least *I’m consistent!*

What is hidden money anyway? Hidden money is money that is already being spent for something that does not need to be.

There are things that were sold to you that have “leeches” attached to them.

These leeches are sucking your money! You’ll be surprised at what you are spending money on that you don’t need to. Let’s take a look at everything you’re spending your hard earned dollars on and see if we can do things differently. Remember, this is money you’re already spending!

Once you get the hang of this, you’ll never allow someone else to attach leeches and steal your money like this again! Really, all this comes down to is stewardship. A steward is someone who takes care of the things belonging to another. We are taking care of the things we’ve been entrusted with by God. We are the caretakers, the stewards of His things. When you look at life like that, it shines a completely different light on everything you have. We own nothing. That is the truth! We are rewarded for being faithful stewards, and those who are not faithful will certainly lose what they already have been given oversight of.

Now let’s look at some things that have “leeches” tied to them and find some of your hard-earned money.

Life Insurance Policies: Life insurance is simply designed to provide income to the family if the husband or wife dies. If a husband and wife

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have no children and both are working, then life insurance may be optional. In all other cases, life insurance should be in place on both the husband and wife to ensure the family is provided for. Generally, you both should have a policy “face amount” coverage of 10 to 12 times the amount of your annual income. If you earn \$50,000, then both of you should have \$500,000 to \$600,000 in face amount coverage.

Why have insurance on a wife who is a “stay at home mother”? Good question! If your wife died, what would you do with the children?

Could you afford to stay home and raise them... which is clearly your first priority? If you wimp out as a father and foist them off to a private school, what will that cost until they graduate? This is why you need at least as much insurance on her as you have on yourself. This is where a lot of folks miss it. This insurance coverage buys you time to realign your life to deal with the loss of your sweetie.

Honestly, the odds are you will not die, so the insurance company is raking in huge profits by writing these policies. This protection buys you time to get your debts retired, and begin to accumulate wealth for yourself. It is simply a temporary “umbrella of protection” for your family.

We’ve known people who lost a spouse and had no insurance. It’s not a pretty sight. Don’t fool around with this. Life insurance is sold to people in many forms, but the best form (and least expensive) is term life. If you have term life insurance and are in good health, you might want to do a search on the internet and see if a different company could beat your current coverage and payments. Insurance rates are dropping (people are living longer), so it pays to shop.

Many people were insured using older “mortality tables”, so being reinsured under a newer table will save you money... if you’re in good health. If you have “whole life”, or some other form of life insurance, then you really should look seriously at a term policy that is right for your family. Forget about the “savings”, or “investment” components of life insurance policies! Any life insurance policy that is not “pure” protection (i.e. has a “savings component”) has a “leech” attached.

Buy term life insurance and keep it simple. Take the difference between your current policy and a pure term program and use it to help pay off your debt. After all your debt is retired, *then* you should focus on building your investments... but not now, and certainly not when they are bundled together. Do some research on your own and see what whole life, universal life, and term life insurance is all about.

As I was writing this book, I decided to see how the annual premium payments would differ between a “whole life” and “term” policy. I used a 30 year old non-smoking male in the state of Texas, looking for \$500,000 coverage. A 15 year level term policy costs \$535.00, and a whole life program costs \$3,915.00. A difference of \$3,380.00 *per year*. Wow! Take that difference and pay off your debt, then invest in something that actually makes you money and is not tied to an insurance policy.

As stated earlier, the wife should have a separate life insurance policy, even if she does not work outside the home. Let me say that again... the wife should have a separate policy.

You should not have separate insurance policies on your children, however. Separate policies cost you money. Insurance is meant to replace the families and children are not bringing income to the home. If you want, you can add them onto the wife’s policy in the form of a “child rider” until the policy terminates, or they turn eighteen years old. The rider is inexpensive and will cover them for about \$5000, which is enough to cover the burial arrangements. This sounds harsh, but it is important to understand.

Auto Insurance: Auto insurance is mandatory in just about every state today. The good news is that there is plenty of competition, so shop for the best rates. I’ve heard “experts” say that people should shop for the best rate every 6 months. Some insurance companies penalize folks for bouncing around so much, so be mindful of that. Be truthful about the number of traffic citations you have when shopping. If you have 5 (in a 3 year period) and you only declare 2, then they may refuse you coverage because of your lack of truthfulness. Gee, truthfulness, honesty... what a concept!

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Almost all companies charge an extra processing fee of \$3-\$5 per month for making monthly payments. This fee is tacked on to each monthly insurance payment. When comparing costs between companies, be sure to include any monthly fee. Eventually, you will want to pay for the full policy at once and save the \$18-\$30 worth of fees every six months, but don't worry about that now... we'll hit that later!

Many insurance companies will automatically tack on "Uninsured Motorist (UM)/Underinsured Motorist (UIM)" coverage because you don't know any better. At first glance, everyone wants coverage for these things. Stop and think about that for a moment... they want you to pay for the other guy not having insurance, or not having enough insurance! Why should YOU pay for that? That's why you have insurance in the first place! If the other guy does not have insurance, then you're already covered under your basic policy!

The insurance company wants YOU to pay EXTRA just in case the other guy is not covered. That's *their problem*, folks. If you have that coverage, then call the insurance company and drop it immediately! It is NOT required! That should save you a few bucks every month.

There are a lot of other items in the policy that make the insurance company tons of money. A couple of these are things are towing and emergency road service. Consider wisely if you really need these. If your vehicle has full coverage (comprehensive), then check the deductible amount. The higher the deductible, the lower your cost of the policy is. When your car is paid off, consider raising the deductible to \$500, if it is lower than that. If you do have an accident and you are at fault, then you'll need to come up with the \$500 to fix your vehicle. You'll need to slow down your debt elimination to pay the \$500, but you'll have it... in cash!

Check the auto policy over carefully to ensure it is correct. I had a policy issued once by my insurance company showing my car was being garaged at the wrong zip code! Policy amounts often are based on where the car is kept each night. A mistake here might cost you money!