
CHAPTER

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**Credit Is a Tool,
Not a Toy**

Here's the reality that we all must grapple with: We live in a world that demands financial savvy from us at every turn yet provides scant education or resources to equip us with the skills we need. It's a paradox that our education system has yet to fully confront. As a result, a vast majority of us are thrown into the deep end of financial decision-making with little more than a life jacket of common sense.

With this profound lack of financial education, even the most fundamental financial decisions can feel like navigating a labyrinth. Balancing a checkbook, understanding what an interest rate truly means, or deciphering the legalese in a mortgage agreement—tasks that should be routine seem dauntingly complex.

Let's talk specifically about credit. Credit—how easily it's available and how we're encouraged to use it—has played a crucial role in our financial lives, for better and worse.

There's an irony to credit. It has democratized our access to resources, opening doors to opportunities that might have been out of reach otherwise. Credit means a student can afford a university education, that a budding entrepreneur can start his or her dream business, and that a young family can buy their first home. Credit is undoubtedly a powerful tool for growth.

But our easy access to credit is way too easy to abuse, for example, as a bandage for financial strain or as a way to live beyond our means, or as I like to say, to write checks that we can't cash.

Credit cards are synonymous with convenience. In this post-COVID-19 age of Apple Pay and cashless payments, they're a

necessity that's become ingrained in our everyday lives. But remember, credit cards are essentially a loan. And as with any loan, strings are attached—interest rates, minimum payments, and late fees, not to mention the impact on your credit score if you don't keep up with your payments. It's way too easy to forget about all those strings when you're swiping or tapping for purchases.

The stats around credit card debt are sobering. They are why I do the work I do at Operation HOPE. According to the Federal Reserve, total credit card debt in the United States was more than \$1.08 trillion in 2023, with the average American household carrying a balance of about \$6,088.

Let's put that number in perspective. The average credit card has an interest rate of around 23%. So, if you only make the minimum monthly payment, say, \$200 on a \$6,000 credit card balance, it would take you almost 4 years to pay off the balance and you'd pay over \$3000 (50% of the balance) in interest. And that's if you don't make any more purchases with that card!

We've let credit creep into the fabric of our financial lives, often without a clear understanding of the long-term impact. We've let the convenience of credit overshadow the cost. And that's a part of the equation we can't afford to ignore any longer.

Society has transformed at breakneck speed over the past few decades. Technology has advanced, markets have evolved, and the global economy has become more interconnected than ever before. But amidst these rapid changes, our approach to financial education has been stuck in a time warp. We are sailing through a twenty-first-century financial storm with twentieth-century maps and compasses.

Our lack of financial literacy is not an individual failing; it's a societal crisis. A crisis that has ripple effects on our communities, our economies, and ultimately, our collective future. That's why we need to take collective action. After all, knowledge is not just power—it's freedom. And it's about time we all had access to it.

We need to embed financial education into the fabric of our learning systems—starting in our classrooms and extending all the way to our workplaces. This is not just an ideal—it's a necessity. It's the civil rights issue of our generation. I have dedicated myself to this mission, and I believe that with the right resources, determination, and commitment, we can start a new era of financial literacy and freedom.

The fallout of our widespread financial ignorance is alarming. We are a generation burdened with unprecedented levels of debt, struggling under the weight of financial obligations we are ill-equipped to handle.

But let's make one thing clear: The individual is not the culprit here. For many, credit (and therefore debt) has become a necessity rather than a choice, a means to fill the gap between stagnant wages and rising living costs, and for many, a means to an education and increased economic opportunity. And without the guardrails of financial education in place, this financial tool can feel like a toy—easy to play with and without consequence.

It's also important to know that credit missteps can happen to anyone who is either unaware or even just not paying attention to what's happening around you. It happened to me—not even a decade ago—the so-called financial literacy guru guy!

I had taken out a home equity loan for just about \$90,000, and the interest rate was somewhere around 14%. The payments were hefty for me at the time, about \$1,000 a month. Years later, I was still paying on this term loan, when a very successful friend of mine suggested that I take out a \$1M+ line of credit under much more attractive terms. He understood finance better than I ever could, and I should have just shut up and listened. Instead, I dismissed the idea out of hand and told him, “If I can’t afford to make these \$1,000 home improvement payments, then I can’t imagine how I can keep up a \$1M+ line of credit.” My friend had to lovingly set me straight.

He explained that because of the way this particular commercial line of credit was structured, and the rate at the time tied to such transactions, the monthly payments for the \$1M+ line of credit, would be just about the same as the consumer term loan for my now \$75,000 balance! I did the math and was astounded. He was absolutely correct, and I learned little by little to commit to always be a lifetime learner. That’s precisely why God gave us two ears and one mouth—so that we could listen twice as much as we talked! And by the way, I took the \$1M low-interest commercial line of credit and I paid off that high-interest consumer term loan in a hurry! This is but one example of the power of financial literacy in our daily lives.

Financial missteps—like my own—result in lost opportunities to build wealth, reduce unnecessary financial stress, and improve quality of life. But remember, this is not a blame game. It’s about identifying the problems to pave the way for solutions. Together, we can shift to a more financially educated cultural mindset. We can rewrite our financial success story, and it starts with gaining our financial literacy.