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# page two

Weekley Reeder

## Be indebted to wise elders, not creditors

We live in a land of milk and honey — and money. Or so it would seem.

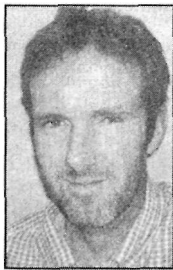
Take a look around North County and notice the Lexus and two SUVs in the driveways of houses that, shortly before the bubble started hissing, bursting or whatever's happening, were bought for 127 percent higher than what they went for seven or so years ago.

But with the median-income North County family unable to shoulder even half the costs of a median-priced home, it doesn't pencil out. How can these people afford this stuff?

It turns out they can't. The stuff was never even theirs to begin with.

The sharp increase in foreclosures, up 319 percent locally, wasn't hard to predict even for an absolute layman like me. During the recent real estate run-up, I watched an acquaintance sell his modest Lake Elsinore home and move up to a \$400,000 place in San Clemente. This made sense, since the new

place was closer to his work and not in Lake Elsinore. But when, in 2004, he "traded up" to a 2,500-square-foot cookie-cutter model that cost



**SCOTT REEDER**

their means could probably use a slight "correction."

Many homeowners who watched values soar for years treated their equity like a savings account.

Admittedly, it was hard not to get caught up in the exuberance. It was probably the closest I'll ever come to receiving free money. "We made \$275 just living in our house today," I told my wife, Worm, at one point.

Although we never tapped our equity, we did splurge on hardwood floors and a teak patio rocker. But a pregnancy forced us to sell the house at what appears to have been the peak of the market, which is why we named our son "Cashwad."

We didn't use the profits on a silly, chromed-out Escalade or a time-share, however. Instead we did the dull, conservative thing and reinvested them, just as my late grandfather would have done. Grandpa, a garbageman who lived in the same house nearly his whole life and who adhered to a buy-and-hold philosophy, valued frugality.

When we were throwing Grandma's ashes off the back of the Edmonds-to-Kingston ferry into Puget Sound, Grandpa solemnly listed off her many virtues, surprising us by sandwiching "thrifty" between "loving" and "caring." It was weird, but telling.

But Grandpa's values are disappearing, along with his peers who weathered the Depression. Grandpa's philosophy can be pared down to a core principle, which seems to be mostly lost on today's credit-mired world: If you don't have the money for it, don't buy it. I know that may sound radical, but it doesn't stop there. Grandpa had an additional clause: Even if you do have the

money for it, still don't buy it (unless absolutely necessary); save the money instead.

In May 2006, the national savings rate dipped to 1.6 percent, down from 11.1 percent in 1985, according to the Bureau of Economic Analysis. The residents of the world's wealthiest nation, still near the peak of a \$10 trillion real estate boom, are living in debt.

That's a real head-scratcher.

I know it's obnoxious to bring up these problems without posing practical solutions, so I'm including a few simple ideas for those looking to find their way out of debt or to save. Keep in mind that you'd be better off searching elsewhere for advice since I'm no MBA and my own mother chides me for being overly conservative with finances and clinging to an "outdated" buy-and-hold strategy.

But, for those who do not bore easily, here are some ideas: Pay off/cut up your credit cards; lock in a fixed-interest mortgage; take your employer up on matching funds; contribute heavily to your 401(k); save; make your own coffee; live like you did during your most destitute times; don't go out to lunch every day, or ever; drink beer at home instead of at a bar; and, when in doubt, harken back to Grandpa's advice, no matter how archaic it may seem. And if your thrifty but wise grandpa happens to leave you a pile of gradually accumulated cash, for God's sake don't blow it on matching Escalades for your driveway.

You owe the Weekley Reeder a friendly e-mail: [scott.reeder@yahoo.com](mailto:scott.reeder@yahoo.com).

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