

Debt and Spending: How We Got Addicted

Written on October 10, 2011 by [Sharon ODay](#) in [Handling Money](#), [Taking Control of Finances](#), [Women and Money](#)

96 FLARES

<http://sharonoday.com/debt-and-spending/>



Our debt and spending addiction ... got 5 minutes? Click to listen:

[Audio of Debt and Spending](#)

Have you ever wondered how we got where we are today, in this financial jam? Are you willing to go on a little economics journey with me? I hope so.

This story starts in the late 1970s. Before that, if our parents needed to buy something beyond what they could pay cash for, they went to their local bank for a loan. The banker knew them, knew their reputation and work ethic, in short, knew what the chances were of getting paid back. And loans were usually taken out to start a business or buy a house.

Late in the 1970s, the lending function was extended to the national banks, and suddenly face-to-face acquaintance no longer played a role. To make things more convenient, credit cards became the loan vehicle *du jour*. Over time, not only were loan and credit card applications faceless, lenders also got more and more lenient as they realized what a gold mine they were sitting on. (Especially when they could charge huge interest rates for people with weaker credit.)

Once everybody's wallets were fat with credit cards, shopping went from being something people did out of necessity, for food and supplies, to being a form of entertainment. Look at the malls that were built: they had perfected the psychological triggers for impulse shopping. No wonder it was hard to keep your wallet in your pocket!

Eased credit requirements soon extended to the personal mortgage market as well. And, since consumers believed they had the wherewithal (with endless credit cards) to buy whatever their hearts desired, they could also buy whatever house they wanted. So the demand for mortgages grew. And the creditworthiness of borrowers diminished.

As lenders accumulated mortgages, they realized they could “bundle” hundreds of them together and turn them into a bond. They’d “guesstimate” the risk that those mortgages carried. (Remember, borrowers weren’t as qualified as before and defaulting on loans was becoming more common.) And they’d sell the bonds as “mortgage-backed securities.”

Bundling and selling mortgages meant the lenders no longer had to worry about any losses from default, since the bonds had been sold to others. The risk had been pushed off on someone else. So they’d take whatever they got for the sale of the bonds and make that money available for new loans, now maybe with even greater risk. Until we got to “No Doc – No Income Verification” creative financing.

All this easy mortgage money put pressure on the housing market, as more and more people sought to buy. So house prices increased. And the people already sitting in houses, with newly increased value? What did they do? They pulled the new equity out of their houses and [spent it](#). A few may have smartly paid off some higher-interest credit cards, but most used it to buy new flat-screened TVs, bigger cars and bigger toys.

Then one day, triggered by a series of financial events, someone decided to look into those mortgage-backed securities. Hmmmm, housing prices had fallen and foreclosures were up. And massive numbers of those bonds were sitting in portfolios everywhere, worldwide. As banks and financial institutions discovered the real value of the securities they were holding, the whole economic foundation began to tremble.

That was late 2008.

Since then, starting with TARP, we’ve watched an over-sized shell game as money has moved from one bailout mechanism to another. The finger-pointing has been fast and furious ... and we’re a long way from being out of the woods.

Here’s something to put it all in perspective: when this story started **in the late 1970s, [U.S. total household debt](#) was a little under \$1.3 trillion. By 2010, it had reached \$13.4 trillion.** That’s a 931-percent increase, while inflation in that period was only 165 percent. And that \$13.4 trillion was made up of \$10.1 trillion in mortgages and \$3.3 trillion in car loans, student loans, credit card debt, etc.

I know this is a gross oversimplification. And it totally ignores the role of government, greedy bankers, lousy politicians, pensions on steroids, and “who did what to whom.”

But, in my mind, our present crisis started years ago with the demise of [personal responsibility](#), when we stopped having to sit across the desk from our friendly local banker and ask for a loan for anything we couldn’t pay for in cash.

Now, regardless what is done on the global or national scale, it's time for us to bring back personal responsibility. **It's time to be [watching our money decisions](#): how we spend, how we live, how we save, how we earn.**

What do *you* think?

Let me know in the comments section below ...

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Bio: Sharon O'Day lost everything at age 53: her home, her business, everything. But how could that be? She's an expert in global finance and marketing with an MBA from the Wharton School. She has worked with governments, corporations, and individuals ... yes, she was the secret "weapon," if you will, behind many individuals in high places. But yet she did! Since then, Sharon has interviewed countless women and done extensive research to understand how that could have happened, especially with her strong knowledge of numbers and finance.

The surprising answers will be shared in her upcoming book "Money After Menopause." Today her mission is to show as many women as possible how to become financially free for the long term, through her "[Over Fifty and Financially Free](#)" coaching programs. She has developed a step-by-step plan to get past all the obstacles that keep women broke and scared ... and from reaching the [financial peace of mind](#) they so deserve.

96 FLARES

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Tags: [Handling Money](#), [Taking Control of Finances](#), [Women and Money](#)

- 38 comments



Join the discussion...

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[Elvie Look](#) • [4 years ago](#)

What do I think? I think you are the encouraging words we need to hear everyday. My husband helped me get on the right track years ago when he used to say "shopping is not recreation!" Now I understand that, and think everyone needs to as well. Great research and info!

▪



[Sharon O'Day](#) Mod [Elvie Look](#) • [4 years ago](#)

Elvie, can you think back to shopping when you were a kid? And how, not only has shopping become entertainment, but how the decision-making power has shifted from parents to kids? My question is how that can possibly lead to instilling personal responsibility in a kid, when he or she is making a decision about how to spend the parents' money ... Not a good sign going forward.

o



[Beau Henderson](#) • [4 years ago](#)

Sharon,

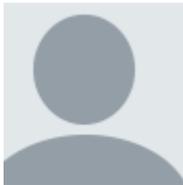
Beautiful job explaining how we got into a debt trap, and that a move back to personal responsibility is the only way out.



[Sharon O'Day](#) Mod [Beau Henderson](#) • [4 years ago](#)

Thought you might like it, Beau ... ;-) You and I share views on so much within the topic of money.

○



[Cat](#) • [4 years ago](#)

Great article, Sharon. We need to learn good money habits, and not follow the actions of the government. Debt is simply something we do not want to have.



[Sharon O'Day](#) Mod [Cat](#) • [4 years ago](#)

You're right, Cat. The government is the last model we should be following. It's totally incapable of taking any responsibility for its actions, and gets away with it ... except when we get a chance to vote!

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[Carla J Gardiner](#) • [4 years ago](#)

Absolutely right, Sharon. When we ALL step up to take responsibility for our own actions, then and only then can things change. The game of he said, she said has got to stop. Although it is not easy at times to admit we've made a mistake, the result of not accepting the responsibility is far worse. Besides, what lessons are we teaching our kids and grandkids...where will it end?

▪



[Sharon O'Day](#) Mod [Carla J Gardiner](#) • [4 years ago](#)

Admitting mistakes is probably one of the easiest things we can do. "Okay, I blew it. That was not responsible behavior." Then stop it. Reverse courses. And move on with life. So I wonder why people make it so complicated ... unless they really don't want to change it ... hmmm.

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[Jennifer Bennett](#) • [4 years ago](#)

Love it Sharon! We do need to become much more aware of our money decisions. ONce we do, no doubt that we will not find ourselves in as much debt! Thanks for sharing!

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[Sharon O'Day](#) Mod [Jennifer Bennett](#) • [4 years ago](#)

Jennifer, there's so much we do on auto-pilot! But spending money shouldn't be one of those things! ;-)

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[Pat Moon](#) • [4 years ago](#)

You are so right on, Sharon! Responsibility all the way from top government officials to all of us at the individual level. Common sense all the way also! Thanks for writing this.

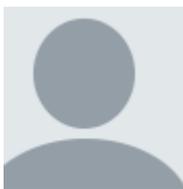
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[Sharon O'Day](#) Mod [Pat Moon](#) • [4 years ago](#)

Pat, it would be nice if new-found responsibility started "top down," but something tells me we'll be less disappointed if we work "bottom up!"

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[Vicky Horner 3637](#) • [4 years ago](#)

Great article Sharon. I agree with the others here that personal responsibility is key. I also wanted to say that I loved being able to listen to your recording. You have a lovely voice. :)



[Sharon O'Day](#) Mod [Vicky Horner 3637](#) • [4 years ago](#)

I really enjoy doing the audios, Vicky. Glad you liked it!

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[Shahina](#) • [4 years ago](#)

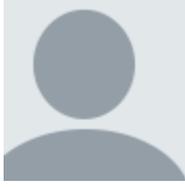
Indeed Sharon personal responsibility is the key. Thanks for such an informative yet simple article.



[Sharon O'Day](#) Mod [Shahina](#) • [4 years ago](#)

Shahina, the goal was to take something that people think of as terribly complex ... and simplifying it. Hope I succeeded!

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Solvita • [4 years ago](#)

Thank you Sharon ~ it is addiction, spending and not thinking how to pay back...it the same as eating and not thinking about health. Very short lived 'good feeling' until it turns into a nightmare... Great article; thanks for sharing!

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[Sharon O'Day](#) Mod [Solvita](#) • [4 years ago](#)

Solvita, that disconnect exists with spending and eating ... but is also extending into relationships these days. It's a matter of not considering the consequences of our actions. Just as we've lost the sense of responsibility because we're anonymous spenders and eaters ... think of kids today who end a relationship with a tweet or Facebook post!

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Beth Heilman • [4 years ago](#)

Coming from 20 years experience in the real estate industry, I saw first-hand how responsibility (or the lack of it) lead to a lot of the mess we see now. Pointing fingers and placing blame should begin with ourselves where debt is concerned. No one twists our arm to go out and buy the new Lexus or the half-million dollar home when the budget calls for a Camry and a condo. Don't get me wrong, I love nice things, too. But when all we afford to do is make the minimum monthly payments (and when that's a stretch) it's time to take personal responsibility for our financial situation and get out of the credit trap. Thank you Sharon for a fabulous article!!



[Sharon O'Day](#) Mod [Beth Heilman](#) • [4 years ago](#)

Beth, I know we point fingers at Freddie and Fannie ... and government easing ... and that WAS real. But, as you said, no one put a gun to people's heads forcing them to buy MacMansions on MacDonal'd's salaries. I downsized dramatically when I hit the wall financially after 9/11 and never upsized again. So I've been mortgage free for 10 years now ... and truly a happy camper!

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[Susan Schiller](#) • [4 years ago](#)

Personal responsibility is what Dani Johnson teaches in her "War on Debt" ... and ever since I began using her teaching I've been able to shed over \$300K in debt, including a mortgage.... but it took the element of "personal responsibility" to wake me up. Dani taught us that we had no business buying luxuries (like restaurants, cell phones, etc) until we were debt-free. There were a lot of "ouchs" when I listened to this teaching but it made so much sense.

As each of us, one by one, takes personal responsibility, we can create a tidal wave of reform. Maybe it won't happen all at once in our lifetime, but we can at least begin creating a new legacy for our families. What I love about your teaching, Sharon, is that you break it down into simple steps that we can all manage. And I look forward to my upcoming appointment with you, to learn how to get to the next steps of my money mindset!

Thanks so much for sharing your knowledge and expertise with us!

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[Sharon O'Day](#) Mod [Susan Schiller](#) • [4 years ago](#)

I guess Dani and I have something in common after all, Sue! No matter what you try to reduce down to its most fundamental element ... it usually ends up as "personal responsibility." So it's becoming my clarion call as well. Can't wait 'til Thursday!

o



Robert Seth • [4 years ago](#)

Sharon, this may be a simplification, but it says it all very well. We don't need a complicated model to put the blame where it really belongs...on personal responsibility! The demise of personal responsibility has repercussions far beyond just the financial sector. That means that if people would follow the advice of your article, the positive repercussions would go far beyond the financial sector too. Our world would definitely be a different and better place. We definitely need more of this kind of article in our society. Thanks for sharing!

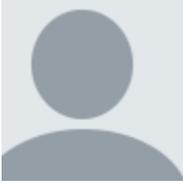
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[Sharon O'Day](#) Mod [Robert Seth](#) • [4 years ago](#)

Robert, the most effective simplification embraces all possibilities, without adding complexity. In fact, the less embellished something is, the harder it was to create! Glad you liked the article ...

o



Olga Hermans • [4 years ago](#)

It comes down to the #1 key, responsibility! We cannot live without it! Thanks Sharon

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[Sharon O'Day](#) Mod [Olga Hermans](#) • [4 years ago](#)

Olga, I know that lesson is one you have studied thoroughly and have taken to heart. As you know, the joy is in living it! So is the challenge. Most people don't.

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Derek • [4 years ago](#)

Sharon, as always - Spot on. 100% responsibility is the key! Something we all need to work on or continue to work on and then maybe it will rub off on others in "higher" places that make some of the rules and regs.

Love the audio - I just wished I had listened to it while sitting by the fire.

▪



[Sharon O'Day](#) Mod [Derek](#) • [4 years ago](#)

Derek, as long as you don't insist on "chestnuts roasting on an open fire..." I might be able to accommodate! ;-) But, seriously, I know that responsibility is a keystone of the family life you and Theresa are building in your home. And that's where it starts ...

o



[Connie](#) • [4 years ago](#)

Great explanation, Sharon! I look forward to your new book.

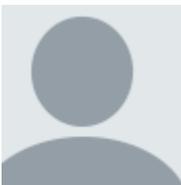
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[Sharon O'Day](#) Mod [Connie](#) • [4 years ago](#)

Connie, I look forward to it too! The challenge now is to stop rewriting as I keep learning more and more ... and just publish!

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[james samy](#) • [4 years ago](#)

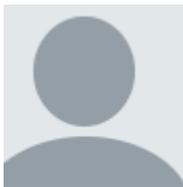
Sharon, what you shared is 100% true. Over time people are falling into the trap "Debt Trap" and forget the financial mess that I been created in their. I am not saying I not in that trap but now I am slowly coming out of it with lesson learn from friend here. Thank you Sharon for bring out this topic.



[Sharon O'Day](#) Mod [james samy](#) • [4 years ago](#)

James, if I'm not mistaken, you also have a great teacher in Dani Johnson, who has mastered helping people control ... and shed ... their debt. Between Dani and your friend, you are in very good hands!

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Rachelle • [4 years ago](#)

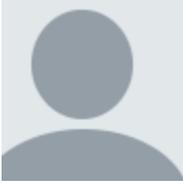
Personal Responsibility is probably the single biggest factor for turning our economic tide. Very well put, Sharon!



[Sharon O'Day](#) Mod [Rachelle](#) • [4 years ago](#)

Rachelle, as I remember, you've learned these lessons within your family. Now it's up to the rest of the country to follow your role model! ;-)

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chris • [4 years ago](#)

Sharon,so right on....personal responsibility is almost never mentioned in this financial mess we're in.Thanks for the reminder to live within your means....

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[Sharon O'Day](#) Mod [chris](#) • [4 years ago](#)

Chris, we forget that the "total" is made up of all the individuals. So by changing enough of the individuals, we can eventually have an impact on the total. But if the individuals are not willing to change ... well, not good.

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[dennyhagel](#) • [4 years ago](#)

Well said, powerful and true! Your insights are consistently filled with common sense Sharon and I am so grateful that you are willing to share them with us! Thanks!

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[Sharon O'Day](#) Mod [dennyhagel](#) • [4 years ago](#)

My buddy Denny. My counterpart in the parenting sphere ... paragon of wise parenting. Isn't it amazing how the perspective of the years makes concepts so seemingly simple?

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