

ABCs of Debting

DA states "Recovery begins when we stop incurring new, unsecured debt, one day at a time. Unsecured debt is any debt that is not backed up by some form of collateral such as a house or other asset."

The Showing Up Action Group **understands:**

debting includes using credit cards, allowing bank accounts to go below zero, paying rent, bills, and taxes late, taking out student loans, returning common property late, accepting medical or dental care without paying our known obligation at the time of service, spending pay advances and deposits before delivering services, and purchasing electronics, appliances, and inventory on credit.

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A Closer Look

The Showing Up Action Group understands debting includes:

- A. using credit cards,
- B. allowing bank accounts to go below zero,
- C. paying rent and bills late,
- D. paying taxes late,
- E. taking out student loans,
- F. returning common property late,
- G. accepting medical or dental care without paying our known obligation at the time of service,
- H. spending pay advances and deposits before delivering services, and
- I. purchasing electronics, appliances, and inventory on credit.

A. Credit Cards: We don't use personal or business credit cards. Travel and dining club cards, where members may charge purchases and pay when the bill comes, function just like credit cards. Even if we pay the full balance when the bill comes every month, this is debting, whether or not the company says it is.

B. Overdraft: When any bank account goes below zero for any amount of time, this is debting. To support solvency, we suggest placing a reserve (such as \$1000) on each of our bank accounts. We do not spend below this amount, treating this reserve as \$0. We keep excess cash (such as a \$100 bill) in our wallet or purse, in the glove box of our car, and at home.

C. Rent and Bills: Paying rent or bills late is debting. We pay rent on or before the 1st of the month. We place the check in the mail or submit the electronic payment no later than the last day of the previous month (e.g. September 30th for October rent). Where rent is deducted by autopay on the first of the month, this is not considered debting. We understand that a "grace period" means that we paid late, and is debting. Paying rent habitually late enabled vagueness and denial about how much money we actually needed to

live.

We pay utility bills including telephone, electricity, and gas on or before the due date. Utility use is commonly tallied by the company and billed after the services are received. Paying the utility bill on or before the due date on the invoice is not considered debting.

When we began to pay all our bills, personal and business, before they were due—no matter what—many of us realized for the first time we did not have adequate reserves, and had been practicing active earning avoidance.

D. Taxes: We pay all federal, state, local, sales, corporate (franchise), employment, payroll, and/or quarterly estimated taxes on or before the due date. We are careful to make estimated tax payments that are larger than what our obligation would be. Some of us do this by taking a flat percentage off the top of all income when it comes in and setting it aside in a dedicated bank account for taxes. When our earning increases, we also raise the percentage taken off the top. Then, when we file our tax return, and it turns out we've paid too much, we receive a refund—but we have not debted. If we file an extension, we are careful to pay any tax that we might owe before the original due date. For example, if taxes are due April 15, and we file an extension so that the return is due October 15, we are sure to pay everything we owe before the original due date of April 15 to ensure that we have not debted.

As business owners and self-employed debtors, we are rigorously honest about the nature of our relationship with those who work for us, taking care to follow local, state, and national law in classifying employees and independent contractors. We understand that paying those who regularly work for us as contractors (1099) when they are legally classified as employees (W-2) is stealing payroll taxes. This is debting.

E. Student Loans: We don't take out student loans. Members have found it possible to pay for higher education without debt.

F. Common Property: Library books and car shares are common property, with the use of that property determined by the community. If we use

it beyond the stated time period, returning it late, this is debting.

G. Health Care: For medical and dental care, we do everything we can to determine what is covered and what is not. Where we know that a copay or other amount is due, we pay our part at the time of service before we leave the office. Billing is often very complicated. We accept full responsibility to research laws, call insurance and health providers to understand coverage, and read all policies and invoices carefully. “No one told me” is not an excuse.

If we don’t have dental insurance, we pay the full bill at the time of service before we leave the office. If we need to make a payment plan, we make monthly deposits *before* we receive the procedure. Most of us had neglected medical and dental care for years, and began by setting money aside—even small amounts—for these needs.

In the United States at the time of this writing, the number one cause of personal bankruptcy is health care debt. We do not allow vagueness to bankrupt us and do everything we can to get our needs met without debting. Health is more important than a day count; a debt is still a debt.

H. Deposits, Advances, and Retainers: Most self-employed and business owners, in order to keep their Commitment to Showing Up, need to have signed written agreements before beginning work for a client. When we receive payments such as deposits, advances, and retainers, we put the funds immediately into a dedicated account separate from our operating account. After we deliver the goods or services to the client, we then transfer the money from the dedicated account into our operating account and “pay” ourselves. Spending the advance or deposit before we deliver the service is debting.

For businesses such as construction which require purchase of materials for a job, we write agreements that specify that a deposit is for materials, is non-refundable, and that the funds received are used only to purchase materials for that specific job. The client signs the agreement before we begin work. If we spend that deposit on anything else, this is debting.

If a given job has specific, objectively verifiable stages of completion, we may clearly state this in the signed contract before work begins. If we pay ourselves from the deposit as agreed, this is not debting. For example, when a writer receives an advance on a six chapter book, he or she may specifically state in the contract that 10% of the deposit will be drawn as pay after the client has accepted, in writing, each chapter; the remaining amount is paid on delivery of the complete book. When a contractor is completing a home renovation, a certain percentage may be drawn on completion of the bathroom, another on completion of the kitchen, and another when the floors are complete. If funds from deposits are spent on other jobs or deducted before progress milestones have been verified by the client, this is debting.

Service providers such as massage therapists, event photographers, and DJs, need to have a clear, written cancellation policy signed by the client, before taking any deposit for late cancellations. For example, the contract could state that if the client cancels less than twenty-four hours before the appointment—for whatever reason—then they still need to pay for the time.

Many of us have been very glad when we refrained from spending deposits or advances before work had been delivered. This was particularly useful when detaching from difficult or low-paying clients. We were able to give them their money back, walk away, and focus on more profitable clients and meaningful work.

We found that spending deposits before work had been delivered often enabled having inadequate business reserves and remaining in an unprofitable business. Only when we stopped did we admit that we were chronically undercharging and overspending.

I. Buying on credit: We pay upfront for inventory, home appliances, and personal electronics such as cell phones. If we want a top line product, we save for the purchase and then bring it home. It wasn't until we paid upfront for everything that we realized that we were living beyond our means. Shop owners found buying inventory on credit or "agreed upon terms" masked unprofitable products and businesses. We

learned that we needed adequate business reserves to cover predictable seasonal inventory purchases.

This list is not exhaustive; it exemplifies the principles underlying the Showing Up understanding of debting. We stick to principles regardless of whether there are penalties or grace periods. To self-employed and business owners: while specific business situations may be complex and require thoughtful consideration, the underlying principles remain the same.

Regarding secured loans: we do not consider a traditional mortgage securing a home loan to be unsecured debt. However, our experience has been that the kinds and complexity of loan contracts has increased exponentially in recent years, and many so-called “secured” loans now function practically and spiritually like unsecured debt.

Just because an arrangement is written down and signed by the client does not mean it’s not a debt. Credit card and loan agreements are written contracts as well. Business owners and self-employed need extra care and support to ensure that they are operating without debt.

Compulsive debting is a very clever, insidious disease which speaks to us in our own voice; it twists and manipulates logic and good sense. When the disease is speaking, it almost always sounds like a good idea. For this reason, we in Showing Up depend on clear, written, objective boundaries around debting for our personal recovery and to determine requirements for Service. If we have a question about a specific practice, we ask someone who has kept the Showing Up Commitments for ninety consecutive days.

We don’t debt no matter what.

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