

## 25: Is Debt Bad?



### Full Episode Transcript

With Your Host

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Welcome to The Wealthy Mom MD Podcast, a podcast for women physicians who want to learn how to live a wealthy life. In this podcast you will learn how to make money work for you, how you can have more of it and learn the tools to empower you to live a life on purpose. Get ready to up-level and your life. I'm your host, Dr. Bonnie Koo.

Welcome to episode 25. We are going to talk about debt and the self-coaching model. If you recall on episode 13, I answer the question, "Should I pay off debt or should I invest?" Which is one of the most common questions that I get, but today I want to do a deeper dive into debt and we're going to define it and we're going to discuss it in the context of the self-coaching model.

If you're not familiar with the self-coaching model then I recommend you go back and listen to episode 1, but I'll also go over it here. So, first, what is the self-coaching model? It is the model that Brooke Castillo developed for The Life Coach School and I certified with The Life Coach School and so I use the model every day in my life and I also use it in my program Money for Women Physicians to help my students truly understand not only their money beliefs, but also how to create money using the model. It's that powerful. So, what is the model?

It is a framework to understand our thoughts and how our thoughts create our feelings, our feelings create actions, and actions create results. Let me go over that again. So, the model is C-T-F-A-R, and C stands for circumstance. A circumstance stands for basically what happened out there.

To give you an example of a C when it relates to money is maybe the C is your current student loan amounts. Let's say \$200,000 of student loan debt, that would go in the C line. Now, many of us live our lives as if the C's or circumstances of the world determine how we feel. We're always reacting to the circumstances, but what we forget is after the C is a T which stands for a thought.

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So, circumstances trigger thoughts and thoughts are just one-word sentences, maybe even just a phrase, and these thoughts create feelings. So, notice that I said, “Thoughts create feelings,” not the circumstance and we often think and live our lives as if the circumstance dictates our feelings, but thoughts create our feelings.

Feelings are super important because feelings drive actions or inaction, right? Over time these actions, these decisions become the results or outcome that we have in our lives and literally if you can extrapolate it, our thoughts which become beliefs eventually create our life. That’s why it’s so important to understand the model.

Now, a lot of people learn the model but think it doesn’t apply to certain areas of our life, like money but it absolutely does. I actually love that it does because it makes it so easy to teach in the context of money.

How does this relate to debt? Well, debt only goes in the C line or the R line, let me repeat that. Debt in itself, so debt would be an amount of money that you owe goes in the C line, circumstance, or it goes in the R line.

So, when debt is in the R line that means that the action of going into debt goes in the A line and that’s basically a spending action or taking out a loan. So, let’s define debt. I love the way Brooke Castillo defines it and that’s what I use to talk about in the context of debt in my program and in general.

Debt is simply money that you didn’t have, so you bought the money. It also is possibly money that you did have, but you didn’t want to spend it, so you bought the money and cost of the money is the interest. Now, for many of listeners who are physicians or on their way to becoming one, so you want to become a doctor and when you applied to medical store and got accepted you didn’t have the money to pay for it, so you bought the money, a.k.a. you took out a loan, and the cost of the money you bought is the interest rate.

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So, let's flesh out a model for this. The C is medical school tuition and other costs. The thought is something like, "I'm going to be a doctor. I want to be a doctor," and that makes you feel committed or certain. So, one of the actions you take is to take out a loan to pay for it. Then, the R line is that you become a doctor or you are a doctor already.

I also want you to notice that most of you probably didn't question this action meaning that many of you probably didn't think twice about taking out a loan to attend medical school. Right? It was like, "Well, of course, this is what I'm going to do. This is how I'm going to become a physician."

But for some reason after you finish medical school training, whatever, end of residency, somehow the debt is now a bad thing. I hear so many of you say it's this monkey on your back, it's a noose, and you all think you're going to feel so much better once it's gone. Peace of mind, freedom, security, these are the words that I often hear you say, so newsflash, two newsflashes actually.

Number one, paying off debt does not make you feel better because we talked about the model, paying off the debt which is an A, but let's say that goes in the C line, like debt paid off. Remember, the C doesn't cause your feelings, thoughts do.

Newsflash number two, paying off debt does not make you rich or wealthy, so why are so many people obsessed with paying off debt so quickly? I personally think this is an epidemic, a bad one, of people prophesying, proclaiming that you that you must pay off your debt as quickly as possible.

So, I see all these physicians finishing residency and doing whatever they can to pay it off within five years at the cost of creating wealth. Because when I said in episode 13 that any extra money that you put towards debt is money that is not going towards buying and growing an asset which is what will make you wealthy.

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Now, we've all been fed things like debt is bad, in order to be free you need to get rid of debt, pay off debt before investing, and the one that's really common these days among physicians, live like a resident so you can pay off your debt within five years. Meaning live like a resident after you finish residency when you have a new attending salary. I could not disagree with this sentiment more.

I think we should be telling new attendings live like a resident so you can start buying and acquiring assets so that in five years you will have an asset that's paying you. Now, I should probably tell that I used to be in the pay off debt relatively quickly camp, too. In fact, I paid off my student loans within three years. I have no regrets about this, but if I knew what I knew now I definitely would not have and here is why.

My interest rate on my student loans were stupidly low, 2.25%, meaning basically what inflation is. So, I'm debt-free and yes, that's awesome, but we also have little to show for it in terms of assets. If I knew what I knew now I would have invested in real estate, hands-down. We would be owners of some multiplexes now and have real estate professional status now, but I don't believe in regretting past decisions. It's not useful at all. In fact, I think it's a waste of time and it prevents me from spending time on more useful things like creating money or doing something else.

So, back to you. When you are thinking about your debt are you feeling good or bad about it? So, I personally think that we forget really quickly why we took out the debt in the first place. We forget that the debt, I'm talking about student loans here, is how we became doctors, so how is that a bad thing?

Let's go back to that self-coaching model, C-T-F-A-R. Remember, how you feel is determined by what you think. So, what are you thinking about debt? Are you telling yourself something like, "I shouldn't have it"? "I need to pay it off as possible"? "I'll feel better once it's gone"? Remember debt itself is neutral.

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In coaching we say that all circumstances are neutral meaning it is not inherently good or bad and you get to decide what to think or feel about it. Now, I'm not saying you should feel awesome or elated about debt either, but it's kind of silly to feel bad about it. In case it's not obvious, of course you need to pay it off unless you want your credit score to tank.

There are consequences if you don't pay the debt off, right? But my goal here is to show you that debt does not have power over you. You are not a victim of debt; it is just money that you spent.

Now, what about debt from overspending like consumer debt? Does all of this apply? Absolutely, but let's take a step back and examine the model that got you into a consumer debt. It's a different model, right? So, I'm just going to make up an example. So, let's say the circumstance is Nordstrom sale which actually is happening right now at the time of this recording and the thought is "I want that," or, "I want that now."

So, the circumstance being the Nordstrom sale and let's say you're on the website and you're just looking at the sale, looking at clothing. So, you're thinking, "I want that."

Now, notice that, "I want that," is a thought. Many of you think that, "I want that," is the truth or just how you are, right? But it is a thought. So, you're thinking, "I want that," which creates the feeling of desire and the action could be to spend money that either you don't have or you're overspending or you're spending money that was meant for something else.

The result of thinking, "I want that," and having desire and spending the money on the item, let's say you bought a dress, and then the result is, "Well, I have what I want." Now, let's say this Nordstrom sale you spent money on it, but you didn't really have the money for it, so now you have consumer debt. So, let's create a new model.

So, the circumstance is credit card debt and maybe you're thinking, "I'm bad with money," which makes you feel bad which leads to the action of

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beating yourself up which leads to the result of, well, you continue to be bad with money or maybe you even feel shame. So, here's a problem with feeling bad about yourself, feeling shame, or beating yourself up. Besides not feeling good it's also completely useless. Here's what I mean by that.

When you're feeling bad about yourself, when you're feeling shame you don't do the work to learn from the experience because you're too busy feeling bad about yourself. But, ironically, we think it's somehow useful. Like feeling bad is some punishment for the mistake. Like we deserve to feel bad. But hopefully you can see that this is 100% not useful at all.

What's actually useful is to actually examine why you overspent in the first place or why you tend to overspend and work on that. Definitely check out episode 17 where I talk about how to stop overspending. But here's the thing, debt here is still neutral, it's just money that you owe.

When it comes to consumer debt generally speaking the interest rates are super high on credit cards, right? So, yeah, when it comes to consumer debt, credit card debt, etc. I definitely favor paying that off quickly because the interest rates are just so high. But when it comes to low interest debt like student loans or your mortgage, it really doesn't make sense to pay it off quickly because you could be putting extra money towards creating an asset.

Even though it might feel nice, that's because of a thought, right, when you are debt-free it's only because of what you're thinking that makes you feel good. Here is the truth about paying off debt quickly, it doesn't do anything but get rid of your debt. Meaning that it doesn't become and grow an asset or start paying you in return. Because I hear a lot of saying things like, "Well, if I pay off this loan that's 5% or 7% isn't that like getting a guaranteed 5% return?" But frankly, I think you're missing the bigger picture. That 5% or 7% "return" isn't doing anything to grow your asset column.

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Okay, so let's sum up everything we've learned. I know we talked about a lot. I introduced the self-coaching model and if this is new for you it's going to take some time to truly understand, but now that you've heard it once I'll be bringing it up from time to time to help reinforce certain topics, so remember, what is debt? Simply money that you didn't have, so you bought the money and the cost of the money is the interest. Or it's money you spent that you didn't have due to overspending and overspending is an action.

Feeling bad about debt is not useful. In fact, it is a waste of your time. You're better off spending your time and energy learning about or getting to the cause of why you have debt. I just want to remind you that student loan debt or any investment you took in yourself is almost never a bad thing. Remember, you took out a medical student loan to invest in yourself so that you could become a physician. Never forget that. So, how can that be bad? I'll see you next week.

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