

94: Being Debt-Free Doesn't Make You Rich



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 your money and your life. I'm your host, Dr. Bonnie Koo.

Hey everyone, welcome to episode 94. So this episode is coming out the week where we're just getting started in *Defining Wealth For Women Live*. Which is our four week virtual book club where we are going to discuss the whole book chapter by chapter. And I'm going to coach you live on the topics. And so this is really the best way to get the most out of reading this book.

Now, of course, just reading the book in itself is going to be so helpful. If you have the book, you'll notice that there are exercises in the beginning of each chapter and at the end of each chapter. And if you actually do them, you will change your relationship with money and you will have more of it, you will feel better about money. That, I know.

But if you want to take things deeper, if you want to get coached by me, then this is your opportunity. The whole thing is absolutely free. All you need to do is get the book. I mean, you could join without the book, but that would be a little strange because you wouldn't be able to follow along, right?

And so I hope you join us. Go to wealthymommd.com/live and we'll send you the schedule, we'll add you to the Facebook group. Once again, wealthymommd.com/live. The group just opened up and we have a great group of women, the energy is great, and everyone is there to learn more about money. So I hope you will join us there.

Now today, I want to talk to you about debt. Now, I have quite a few episodes about debt, and if you have the book there's a whole chapter on it. But I think it's something I can't talk enough about because pretty much all of us have a really shitty relationship when it comes to debt. It makes us

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feel horrible. We're so stressed out about it. We want to avoid it at all costs. And if you do have debt, you probably want to get rid of it as much as possible.

Not only that, what I see in some of the Facebook groups I'm in with women, we love to celebrate being debt-free. Now, I don't think that's a bad thing to celebrate, I think it's great to celebrate. But why is it okay to celebrate being debt-free, but none of us, at least publicly, celebrate how much money we have and make?

Now, most of us, meaning there are some of us that do celebrate that. Now in entrepreneur circles of friends, we actually do this. And in fact, in the business masterminds that I've been in we celebrate money all the time. But for most people this is not a thing, and I'm sure some of you have some opinions already just me talking about this, right? Because we think it's weird or you shouldn't do that.

But then why is it okay to celebrate being debt-free? It doesn't make sense to me. I mean, it does because money is such a taboo topic and all the things that I go into in my book. But today, I wanted to talk about debt in a slightly different way, and also just to reinforce what I teach about debt.

So before I go into this I want to first talk about how I define debt and some of the things that I've talked about in the past regarding debt. So this is how I define debt, debt is simply money that you bought, right? That's what it is. You either didn't have the money or you didn't want to use the money you already have, and so you buy the money. That's what taking on debt is, whether you call it a loan, a credit card, whatever, right?

You are using credit cards or a loan, which is basically money that you're buying. And when I say buying, there is a price to the money, right? It's not free. The price of the money is the interest rate, or APR, or whatever you want to call it. And so I think presenting that definition to you kind of already helps neutralize what debt is.

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Notice that I didn't say anything about you shouldn't have debt, you shouldn't buy money. I never said anything like that. Debt is simply money that you bought, and the price of the money is the interest or whatever other fees you're paying to buy the money. That's all it is.

And one of the things I say about debt is that paying off debt doesn't make you rich. Meaning that once you pay off the debt, you don't start making money from it. It doesn't start sending you checks, it doesn't start giving you a return.

Again, I know this is stuff that might be obvious to you when I say it. So then the question is, then why do so many of us want to get rid of debt so fast, leading to celebrating being debt-free? And the main reason is because we think debt is bad. And if you think something is bad and you have it, you don't want to have it anymore, right? It just makes sense.

All right, so that's kind of how I talk about debt in general in my programs, and on the podcast. Now, here's what I want to talk about today, specifically about debt. Now, one of the things I talk about in general is just having, or rather developing your risk tolerance. And so one of the chapters in the book is actually the myth about risk being risky.

And so I was thinking about this in the context of debt and how so many of us want to feel secure, we want certainty. We want safety when it comes to money. Really, I think it comes down to certainty and avoiding failure. And so I was thinking about how paying off debt rapidly, I'm not talking about just making minimum payments. But when you're rapidly paying off debt, it reinforces certain things.

Here's what it reinforces. It reinforces this mentality that debt is bad, right? It also gives an illusion of control because we think paying off debt is something we can control, right? I mean, that sounds kind of obvious, when you pay off debt rapidly, making above the minimum payments, it gives us a sense of control over our money. And that might be true, obviously, that

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is something you can control. But the control is sort of at the expense of taking risk.

Let me explain, one of the things I've talked about many times is the motivational triad and how these are the three things that really drive our sort of automatic behavior. And so one of the things I say about debt is that it's super easy to pay off because you don't have to learn anything new. There's no friction in your brain to pay it off, you just click to pay, you just put a larger amount to pay. That's what I mean by it's super easy to pay off debt.

And because there's no friction in your mind about paying off debt, and because you can control how much you're actually putting towards debt, it creates this sense of security, and safety, and certainty. And that is something our brain really, really loves having. You know, the drive to want to be certain, we want to feel like we have control over things, right? Versus being uncertain, versus not being secure.

For example, so many of us who are employed, and there's nothing wrong with being employed. But one of the many reasons we stay employed even if we don't want to, whether it's the job that you don't want to be in, or whether you would love to build a business, but one of the things that stops many people is we think a W-2 regular paycheck job is more secure. It creates more certainty for us. When you're creating a business there is some uncertainty.

But what I want to offer is that certainty, security, safety, whatever you want to call it, it's created by what we think about it. We think that by paying off our debt, where we can kind of control how much we pay, we also know that once it's paid off, we don't have to make those payments anymore, right? There's a lot of, like I said, certainty and security in knowing that.

It's also easier for us to do that. We don't have to worry about taking risk, or losing money, or avoiding the failure of buying and growing assets. It's kind of the path of least resistance basically, right?

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Now, I'm not saying that this in itself is bad or wrong and that you should pursue something that's super risky or whatever. I just want you to consider how this might be true for you and do you like those reasons for paying off your debt quickly?

What a lot of my clients tell me is that they know they're going to feel great once they're debt-free. The thing is, being debt-free in itself is not what makes you feel better, it's the thoughts you're going to have about the debt.

And because so many of us, pretty much all of us have been socialized to believe that having debt is bad, we think that means we're going to feel better. Also, that it's something to be celebrated, and something that other people will celebrate with us.

Now one of the things that I say is what I call the one rule of debt. And what this rule is, is simply that any extra money you put towards debt is money that is not going towards buying and growing assets. Now, again, this is kind of obvious, but so many of my clients don't consider this about the extra debt payments they're making because they're so focused on paying it off and thinking they're going to feel great about it.

And like I said, not having that sort of mental friction of paying off debt, versus the mental friction that you for sure will likely feel when you're figuring out how to buy and grow assets, which may have a lot of risk involved. Although that's really up to debate, right? One of the things that I say is that not taking risk is actually riskier. Consider that.

Okay, okay, I know so many of you guys have heard me talk about this, and here's really why I'm driving this home and why I'll always talk about this. It's because when you're feeling distressed about something, whether it's stressed out, anxious, scared, which drives the behavior of paying it off rapidly, think about other times in your life where you had so much strong emotions. I'm talking about relatively negative emotions.

You may have heard the saying when emotions are high, intelligence is low. And this is why. When you have such high volume, negative feelings

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about debt or anything, it's really hard, I would say even impossible to think strategically about it, to make well thought out decisions. You likely make decisions reactively.

The example that I like to talk about regarding this to illustrate it is, as you know, I'm a dermatologist and when I was doing skin cancer screenings – Now, for most dermatologists our sort of worst nightmare, or the thing that we're really scared of missing is missing a melanoma. Because a melanoma is a deadly cancer.

It's a skin cancer and most skin cancers are, I wouldn't say they're not dangerous, but have a very, very high cure rate and likely to not be a problem, it just might cause a scar in the removal. But melanoma quickly spreads inside the body and has a very high mortality rate. And so that's the thing that we can lose sleep over. And I think, I could be mistaken, that is the thing that we're most likely to be sued.

So can you imagine if I went into every skin cancer screening exam being so scared about missing a melanoma? It's not to say that I shouldn't have a healthy amount of, I don't think fear is the word, but like respect for that. But if I was so nervous, first of all, the patient would not be happy with a doctor who seems super nervous and anxious, number one.

Number two is I'm going to be most likely to over call things, meaning I'm going to want to biopsy lots of things that are probably not cancerous. But I'm doing that because I'm so nervous. Do you see what I'm saying?

And so I'm basically making not so great decisions because of my fear. And so that's kind of what I mean about when you're so stressed about debt you end up just reacting to it. Versus really sitting down and problem solving, thinking strategically about it.

So I'm not suggesting or telling you that you need to love debt, but my goal is for you to feel more neutral about it. Sort of like turn down the volume of those really high volume anxiety thoughts. Because when you turn the volume down, then you can think and assess whether it's the right decision

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for you. At the end of the day, I want you all to have a better relationship with money, and that includes debt.

All right, that's what I have for you guys today. And once again, it is not too late to join us for Defining Wealth For Women Live, where we are going to go through the book chapter by chapter, have a little discussion. And then I get to coach you live and answer any questions you have so that you can really integrate and take action on what you're learning in the book.

Because my goal is not to just – I don't want you guys to just read the book and be like, “Wow, this was amazing. And I got so many insights.” Insights in themselves are required, but they don't in itself change things for you. So I really want to help you integrate it and actually take action because that's what it's going to take for you to do something about your money, right?

All right, so make sure you join us, go to wealthymommd.com/live. Can't wait to talk to you guys, coach you guys, and I will see you guys on the podcast next week.

Hey, if you're ready to create wealth, I want to invite you to join my program, Money For Women Physicians. You'll join a community of like-minded women physicians who are committed to creating wealth. Just head over to wealthymommd.com/money to learn more.