



An American Family

by Tom McGuigan

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There's a family that I know and love, but sometimes I just don't understand their judgments.

Consider their finances. This clan came from a long line of hard workers who saved and scrimped in order to make a better future for their children. The current generation, though, seems to have forgotten their predecessors' thrift. They earn about \$50,000 annually yet they spend about \$80,000. When I ask how they plan to keep that up, they don't seem too worried. Just like the character in the movie "The Graduate," they whisper "plastics," meaning, of course, credit cards.

When I look at their credit card balances I can't believe my eyes: There is a whopping \$208,000 of debt from a family that makes \$50,000 annually. And it gets even worse. Because of promises they have already made, they estimate their debt will grow to more than \$400,000 over the next few years. I consider myself a creative financial planner, but I'm not sure how to help this family.

Just when I thought I've heard it all, they tell me their secret weapon: the kids. Someday, they figure, their kids will have good jobs. Rather than leaving the kids an inheritance which they won't need, they're planning on leaving them their debt.

Readers of this column will know that the details of a family's finances are never revealed to such an extent in this space. But this family isn't concerned with privacy. In fact, they post all of this financial information on the internet. You see, this is our American Family – you and me, and yes, our kids. While the numbers are obviously different, the proportions between income, expenses and debt represent the U.S. federal government's budget – our collective budget – for 2010.

We may debate how to best fix this issue, but we must first all acknowledge the extent of the problem. It is real. It is severe. And, it threatens our future.

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