



# A Personal Bailout

By **Pat Norton**, Golf Course Superintendent, Nettle Creek Country Club

In view of all of the bailouts being given out these days, I think that I might want to apply. The U.S. government is bailing out banks, the auto industry, Wall Street fat cats, insurance companies, financial services companies, and seemingly just about anybody and everybody that mismanaged themselves financially!

What a great thing that our national government is so strong financially...carries so little debt...relies so little on foreign investment...and has been fiscally managed so brilliantly over the last decade! Otherwise, they might not be in such a great position to be the last gasp savior of these idiots who manage our banks, our domestic auto industry, our insurance and financial services companies...and our wise and conservative American consuming public.

Sounds like a whole lot of people forgot to pay attention in history class...otherwise they would realize that America has been in this position in the past! Think that anybody remembers the lessons taught to us by our elders who lived through the Great Depression? Does anybody remember those basic lessons of family survival...hunger...of not being able to pay bills...of tight money management...and of 'living within ones means'...and of distinguishing between 'wants' and 'needs'? Do those lessons from long ago...vividly recreated in *Cinderella Man*...resonate with people today?

Sounds like lots of students were not paying attention in consumer education class...which was not a part of the curriculum at Monroe High back in the 1970's. We learned from our parents...who made us work...earn and manage our own money...and advised us as we got older...that dealing with reputable local banks might just be a little more intelligent as opposed to trusting some national mortgage company! Sounds like too many American homeowners forgot a long time ago to pay attention to any of that!

One of my favorite lecture points to our children...or anybody else who will listen to me...is that rule of thumb of '25%'. Local bankers used to tell Susan and I...each and every time that we applied for a mortgage...that no more than 25% of monthly gross income should be dedicated to PITI (principal, interest, taxes, insurance). And, never count on the secondary income as part of the affordability formula.

Over the years, it became obvious that the 25% formula became too antiquated for many consumers. These percentages crept up and up as banks and mortgage companies convinced people that it was all so affordable.

In fact, the Chicago Tribune had an interesting article recently entitled *Monster Mortgages*...wherein homeowners across all of the collar counties of Chicago were now widely holding and being foreclosed on...mortgages in which the accepted percentage was 33-35%...with the weight of it all forcing collapse and foreclosure.

Maybe it would be better to return to the 25% figure...and better yet calculate it out so that personally 21-22% is the norm...and use large chunks of the secondary income to fund other things...like that IRA that is not being provided by ones golf course employer?

Believe me...when a superintendent hits that magic age of 50, it's all about having the mortgage paid down and retirement funds growing! I absolutely love looking at my monthly mortgage statement and gleefully taking note that almost 2/3 of my monthly pay-

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ment is being applied to principal...my balance is shrinking by over \$7,000 annually...and my mortgage will expire in nine more years! That is the value in staying in the same home since 1994...and refinancing to a 15 year fixed rate mortgage at 5.5%!

There is also much value in applying the 25% rule when considering upgrading to a newer, better home. A few years back, we were absolutely infatuated with a three acre property surrounded by oaks and hickories...and a modern home with a great floor plan.

We deliberated and continued our love affair with this property for an entire year...as it remained on the market. But, our calculations showed us that a monthly increase of \$400-\$500 would be required. We ended up backing away from this gorgeous property...which in hindsight was a very smart move! I hate to think about paying those property taxes...\$9,000-\$10,000 per year? No, thanks!

If I mismanage myself financially...take on too much risk...too much debt...and have it all collapse...will the government bail me out? Of course they will! It is called personal bankruptcy! What a beautiful thought! Maybe...because of a lack of financial self-discipline...our family will be able to lose everything...except possibly the house!

Especially aggravating and bewildering are these homeowners and mortgage companies who started this whole mess! Where were the government regulations on these mortgage companies to prevent them from preying on those who obviously couldn't restrain themselves?

Hey folks, we live in a free market society. With all of the rights and privileges of being an American citizen is the freedom of financial enterprise...which comes with strings attached.

Who in their right mind listens to a fast talking mortgage sales rep when a 0-5% down mortgage is offered...interest only/no principal...at an interest rate that may just balloon out of sight within three years...and force that monthly payment to double or triple? And now, after the horse is out of the barn...President-Elect Obama and the federal government is going to be there to bail everybody out...clean up the mess...and make life good again?

Hey, I might just want that easy bailout...or maybe that invisible and non-existent safety net...as my wife and I negotiate our way through life! We have made it this far in life by being financially conservative...which is in line with a vast majority of homeowners. It is too bad that those homeowners who overextended themselves trying to build, buy, or flip that McMansion...and are now showing up every Tuesday evening in the foreclosure section of the classifieds...courtesy of the public record and the Morris Daily Herald. Maybe they all should have been a little bit more conservative...or wise...or intelligent

At this point in 2008 it is evident that lessons are being learned the hard way and consumers are pulling back...with the holidays fast approaching. But, just one year ago...American consumers were once again amping up for the holidays! Highly humorous are the annual newspaper articles advocating both the need for retailers and the economy to have a strong Christmas sales season and the need for consumers to buy wisely and not leave themselves with the post-holidays blues, i.e. credit card debt.

These two concepts seem to run directly against each other, so when reading these articles...it's difficult to remain calm! Hey, it is not our duty as citizens to support the American economy to the point that we jeopardize our financial futures.

Maybe we should all apply for the bailout. Then we can all bail out on our responsibilities, our debt, our families, our bills, our careers, and our lives. We can just simply walk away from it all...and expect the government to rescue us? Not too likely!

Actually, I am not really expecting that bailout application to come in the mail anytime soon. I do not really want or need a bailout.

What I really want is the opportunity to continue to prosper over the next thirty years...just as I have been able to do over the past thirty years. We will continue to use the tools and opportunities that have enabled us to enjoy prosperity in this country.

The trick is to build prosperity on a slow, continual basis...not get too greedy...and to not expect a bailout. Do not expect that anybody will be there to save your butt should serious financial problems arise...

For most of us...there is no bailout. There will not be a bailout coming anytime soon...or at all. Forget about the damn bailout already! The only bailout is that guy standing there looking back in the mirror! He says...that it's time to get back to work and figure out the future as the days and seasons progress out on the course!

I think that he is correct...



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