Natural Nutmeg
An Essential Living Publication

Healthy Fats – How About Healthy Debt?

February 26, 2021

When it comes to your finances, what keeps you awake at night? A few years ago, a client, Louise*, confided in me: “Debt gets me nervous.” Knowing that Louise and her husband, Will, were health-conscious individuals, I asked Louise how she felt about consuming fat in her diet. I explained that I saw debt’s relationship to our personal financial health like dietary fats’ relationship to our physical health.

With the caveat that I am a fiduciary financial professional but only a recreational health enthusiast, the following is how I view debt and some of the parallels I see between personal debt and dietary fats. To help better explain debt’s role in your overall financial plan, I offer these similarities.

Personal Debt – A Fiduciary Planner’s View
As a Certified Financial PlannerTM, I do not see debt as inherently “bad”, or something that needs to be avoided, but view it as a strategic tool that informed clients use to achieve their financial goals. Debt facilitates access to (new) assets and can help to reduce taxes. Mortgages are a great example of this. Taking on a mortgage allows you to buy real estate worth more than the amount of cash you have on hand. The mortgage interest tax deduction is available to reduce taxes.
What I do think is “bad” is when individuals take on debt that is not priced competitively, debt that they do not understand, and/or debt that they are unable to pay. When someone is burdened with debt that limits their financial choices and opportunities, rather than expands them, it is bad.

Parallel 1: Fats and Debt Have Notoriety
Let’s be honest, many people fidget when they hear the word “fat” and cringe when they hear the word “debt”. This is for good reason. For years, Americans were told to live low fat and no fat diets. However, as nutritional sciences advanced and we discovered that we were missing out on essential nutrients when we eliminated fats from our eating, we were guided to re-introduce fats selectively into our routines.

Similarly, liabilities have had bad press over time. From predatory lending practices to interest rate scams, there have been many unethical debt arrangements causing financial frustrations and hardship. However, enhanced regulation (e.g. Truth In Lending Act), federal tax incentives (SALT Deduction), and low interest rates designed to stimulate economic activity all exist today which help de-stigmatize debt and make it accessible when appropriate.

Parallel 2: There are Different Types of Fats and Debt
The American Heart Association claims that there are four major dietary fats in the food that we consume, with some fats being “bad” (i.e. saturated and trans fats) and some fats being “good” (i.e. monounsaturated fats and polyunsaturated fats). Similarly, there are different kinds of debt. There is debt that you want to avoid, like credit cards with double digit interest rates that you cannot afford to pay. Then there is debt that may make sense for enhancing your employment income opportunities, like college loans to cover additional education.

Parallel 3: Both Fats and Debt Meet Immediate Needs
Dietary fats give your body energy, facilitate cell growth, protect organs, and provide warmth. This is why healthy-fat snacks, like tahini and vegetables, are nourishing and satisfying when we need a quick pick-me-up. Similarly, debt offers you a financial or economic benefit today in exchange for future payments from you. Using a low-interest credit card for its convenience and ease in daily life, in exchange for paying off the debt accrued at the end of each month is a great example of this.

Parallel 4: Both Require Attention and Care
While fat is an important and essential part of a diet, it needs to be consumed in moderation, according to your body's unique needs. Too much fat can raise cholesterol and cause heart issues. Similarly, too much debt can compromise your financial health and limit your financial choices. The types and amount of debt you assume should be carefully considered and paid off, according to your specific situation.

Going back to Louise – the events of 2020 inspired Louise and her husband Will to pull forward one of their retirement goals, buying a boat. They had saved and invested for decades and wondered how they should pay for their dream. Should they sell some of their investments? Take out a loan? Using different financial planning tools, I reviewed their options and proposed a creative financing strategy that worked for them. Rather than selling a portion of their portfolio to pay for the boat, their investment accounts were left intact to grow for the future, and they avoided significant tax consequences. Recalling the analogy between fats and debt, and seeing the opportunity that this strategy provided them, Louise felt comfortable with this way forward.

If you aspire to optimize your financial health, consider using debt strategically, like how you include healthy fats in your diet. If you desire making thoughtful financial decisions with a fiduciary planner you trust, I am right here.

Caroline Wetzel is one of Natural Nutmeg's 10Best Winners for Business/Life Coach. Caroline is a Certified Financial PlannerTM (CFP®) and Vice President, Private Wealth Advisor with [Procyon Private Wealth Partners, LLC.] *Procyon Private Wealth Partners, LLC and Procyon Institutional Partners, LLC (collectively "Procyon Partners") are registered investment advisors with the U.S. Securities and Exchange Commission ("SEC"). This article is provided for informational purposes only and for the intended recipient[s] only. This article may also include opinions and forward-looking statements which may not come to pass. Information is at a point in time and subject to change. Procyon Partners does not provide tax or legal advice.*