



Kingdom Stewardship

UNDERSTANDING
GOOD AND BAD DEBT

BILLY EPPERHART

Introduction

In a world driven by financial decisions, I’ve come to realize how often the concept of debt is misunderstood. For years, I navigated my financial journey without fully grasping the distinction between “good debt” and “bad debt.” Once I understood this distinction, it transformed my perspective, giving me a roadmap toward building wealth and achieving financial independence. Through my experiences, I’ve learned invaluable lessons about how to use debt strategically and avoid its pitfalls.

Debt, when leveraged wisely, can become a powerful tool for growth. I’ve seen firsthand how some types of debt can lead to opportunities, while others can create burdens that feel impossible to escape. The

difference lies in understanding not just the numbers, but also the purpose and mindset behind each decision. Over time, I've learned to ask critical questions before taking on any debt: Will this debt help me build wealth or serve others? Will it drain my resources and hinder my progress?

The journey to mastering debt isn't just about financial strategies—it's about aligning our choices with our values and long-term goals. I've found inspiration in Biblical teachings, which emphasize the importance of stewardship, diligence, and trust in God's provision. Proverbs 22:7 reminds us, **“The rich rule over the poor, and the borrower is slave to the lender.”** This verse serves as a cautionary reminder to approach debt with care and wisdom.

As I share my journey, I'll intertwine Biblical

teachings, practical wisdom, and steps I've taken to master money, rather than being mastered by it. My hope is that my story equips you to identify opportunities for good debt and steer clear of the traps of bad debt. Whether you're just beginning your financial journey or seeking to refine your approach, this guide will provide clarity and direction.

Chapter 1:

The Nature of Debt

Debt, in its simplest form, is borrowing money with the promise to repay it, usually with interest. However, I've learned that the purpose and use of that debt determine whether it is “good” or “bad.”

Good Debt

Good debt, in my experience, is any borrowed money used to acquire assets that grow in value or generate income over time. For example:

- **Real Estate Investments:** Purchasing rental properties or fix-and-flip projects.

- **Business Loans:** Capital for expanding a business.

What makes good debt powerful is its ability to create opportunities. Real estate investments, for example, can generate steady cash flow while appreciating in value over time. Good debt enables growth to help individuals achieve goals that would otherwise be out of reach.

I've found that assets acquired through good debt should produce income streams that surpass the cost of borrowing. This aligns with the Biblical principle in Proverbs 21:5: **“The plans of the diligent lead to profit as surely as haste leads to poverty.”** Strategic planning and diligence have been key in ensuring my good debt decisions contribute positively to my financial journey.

Good debt, however, is not without its challenges. It requires discipline, a clear strategy, and a commitment to follow through. When I first took on good debt, I had to develop a long-term mindset, understanding that the rewards wouldn't be immediate. The patience to wait for investments to mature and the resolve to reinvest returns rather than spend them were lessons I had to learn along the way.

Bad Debt

Bad debt, on the other hand, is money borrowed to fund liabilities or items that depreciate in value, offering no financial return. Examples include:

- **Credit card debt for discretionary expenses.**
- **High-interest personal loans for luxury items.**

Unlike good debt, bad debt often creates a cycle of financial strain. I've experienced firsthand how the burden of high-interest debt can limit opportunities and create stress. For instance, using credit cards to fund impulsive purchases or vacations might bring temporary satisfaction, but the long-term cost far outweighs the benefit. These types of debt add little value to one's financial future and can quickly spiral out of control.

One of the most important lessons I've learned is to evaluate whether a purchase is a want or a need. Bad debt often arises from fulfilling wants—things that could have been delayed or avoided altogether. It requires discipline and self-awareness to resist societal pressures and focus on long-term financial health. Proverbs 22:7 warns: **“The rich rule over the poor, and the borrower is slave to the lender.”** This verse

resonates deeply with my journey. I've felt the weight of being "enslaved" to creditors, and it's an experience I strive to avoid in the future. Understanding this distinction has helped me prioritize financial decisions that lead to freedom and growth rather than bondage.

Practical Perspective on Debt

In my own experience, charting my financial situation helped clarify the role of debt in my life. By plotting expenses against income and categorizing liabilities, I was able to identify patterns that led to bad debt. For example, I noticed that impulsive spending often occurred during periods of stress or when I wanted to "reward" myself. Recognizing these triggers was the first step toward breaking the cycle.

Good debt, on the other hand, required intentional

planning. Before taking on any new debt, I asked myself questions such as:

- Will this debt help me achieve a long-term goal?
- Is the interest rate manageable within my budget?
- Does this align with my values and priorities?

By approaching debt with intention and clarity, I've been able to make decisions that contribute to my financial health rather than detract from it. This understanding has been a cornerstone of my journey toward financial independence.

Chapter 2:

Characteristics of Good Debt

1. Income Generation

Good debt has allowed me to acquire income-producing assets, such as rental properties. I think of this as owning an orchard that produces fruit season after season, requiring minimal replanting. These assets ensure that money works for me, creating an ongoing stream of income.

This income generation is critical because it builds financial stability over time. For instance, I've leveraged good debt to invest in real estate properties that not only cover their expenses through rental

income but also provide additional cash flow. This extra income has enabled me to reinvest, pay down other debts, or fund new ventures.

2. Appreciation Potential

Assets financed through good debt, such as real estate, often appreciate over time, building equity. By acquiring properties below market value and leveraging appreciation, I've seen how strategic debt can grow wealth. The concept of appreciation isn't limited to real estate; it also applies to businesses and education. A business funded with good debt can grow and multiply its value, just as an education can increase earning potential.

Appreciation builds long-term wealth and allows me to create financial security for my family. For

instance, one property I purchased several years ago has doubled in value, all while generating income. This type of growth wouldn't have been possible without leveraging good debt initially.

3. Tax Benefits

Good debt often comes with tax advantages. As a real estate investor, I've benefited from deductions for mortgage interest and depreciation, which have reduced my taxable income significantly. These savings can be reinvested into additional opportunities, creating a compounding effect that accelerates financial growth.

Tax benefits extend beyond real estate. Business loans, for example, can result in deductible interest payments, reducing the overall cost of borrowing.

Understanding these advantages has been a game-changer in my financial strategy.

4. Wealth-Building Leverage

Leverage is one of the most powerful aspects of good debt. By using borrowed money, I've been able to control larger assets than I could by using my own capital. This has allowed me to multiply my returns. For example, purchasing a property with a 20% down payment means I'm leveraging 80% of the asset's value through debt. As the property appreciates, the returns on my initial investment far exceed what I could have achieved without leveraging debt.

Practical Steps

To harness good debt effectively, here's what I've done:

1. Educate Myself: I took time to understand the financial vehicles I invested in. Knowledge has been my greatest ally in minimizing risks and maximizing returns.

2. Calculate Returns: I ensured my projected returns surpassed borrowing costs. This meant carefully analyzing potential investments and avoiding opportunities that didn't meet my criteria.

3. Maintain Reserves: I kept a financial buffer to manage unexpected costs. Whether it's a vacancy in a rental property or an economic downturn, having reserves has helped me stay financially secure.

4. Align with Goals: Every decision I made with good debt was aligned with my long-term financial goals. This clarity helped me stay focused and

avoid distractions.

By combining these strategies, I've been able to use good debt as a stepping stone to financial freedom. The journey hasn't always been easy, but the rewards have been worth the effort.

Chapter 3:

Identifying Bad Debt

Bad debt, often a silent drain on financial stability, carries characteristics that can erode wealth and inhibit growth. In my journey, recognizing these traits has been pivotal to transforming my financial outlook.

1. High-Interest Rates

Bad debt frequently comes with exorbitant interest rates, which make repayment challenging and prolong financial strain. For example, credit cards and payday loans are notorious for their double-digit interest rates, often compounding the debt burden if not managed properly. I've learned that these high rates can create a

vicious cycle, where minimum payments barely cover the accrued interest, leaving the principal untouched.

2. Lack of Return

Unlike good debt, which facilitates wealth creation or future value, bad debt often funds items that depreciate rapidly or offer no tangible return. A personal example is purchasing a new car. While it's exciting to drive a brand-new vehicle, the car's value plummets the moment it's driven off the lot, making it a poor financial investment. The same applies to other consumer goods that lose value over time without enhancing income or long-term wealth.

3. Consumer-Driven Behavior

Bad debt is often fueled by impulsive spending

and societal pressure. The desire to “keep up with the Joneses” can lead to unnecessary purchases, such as designer clothing, high-end electronics, or lavish vacations, all funded by credit. These decisions, while momentarily gratifying, have long-term financial consequences. I’ve found that distinguishing between needs and wants is crucial to avoiding such debt.

Practical Steps

Avoiding bad debt requires proactive measures. Here’s what has worked for me:

1. Track Expenses: I began by identifying areas of unnecessary spending. By meticulously analyzing my expenditures, I pinpointed habits and items that contributed to debt.

2. Create a Budget: I allocated funds to priorities such as savings, necessities, and investments, ensuring that every dollar had a purpose. This approach helped me avoid overspending.

3. Seek Financial Education: Understanding the mechanics of debt and interest has empowered me to make informed decisions. Books, podcasts, and financial advisors have been invaluable resources in this journey.

By identifying bad debt and implementing these steps, I've been able to regain control of my finances, laying the foundation for a more secure and prosperous future.

Chapter 4: **Leveraging Good Debt**

Real Estate

My journey in real estate highlights the transformative potential of good debt when used wisely and with a clear strategy. Good debt, when leveraged properly, can act as a tool to create and multiply wealth. In my case, this began with acquiring properties that generated positive cash flow—ensuring that the income from tenants exceeded the expenses associated with the properties, including mortgage payments, maintenance, and taxes.

As property values appreciated over time, this not only increased my equity but also allowed me to reinvest in additional properties, scaling my portfolio without overextending financially. Strategic refinancing and leveraging equity further expanded my ability to acquire assets without requiring significant out-of-pocket expenses.

This approach reminds me of the parable in Matthew 25:20-21, where the faithful servant diligently invests and multiplies his master's resources. The lesson is clear: proper stewardship and taking calculated risks can lead to growth and prosperity, aligning with God's principles of wise financial management.

The Rule of 72

Another key principle that has guided my decisions is the Rule of 72. This simple yet powerful formula estimates how long it will take for an investment to double based on its annual rate of return. By dividing 72 by the expected rate of return, I gained a clearer understanding of the compounding effect of time and interest on my investments.

For instance, a property generating an annual return of 8% would double its value in approximately nine years ($72 \div 8 = 9$). Knowing this, I became more intentional about choosing investments with the potential for high returns while balancing the associated risks.

Good debt amplifies this process when managed prudently. Borrowing at a low interest rate to fund an investment with a higher return accelerates wealth creation. However, this requires discipline and constant evaluation to ensure the debt remains an asset, not a liability.

Key Principles for Leveraging Good Debt

To maximize the benefits of good debt, I followed these guiding principles:

1. Cash Flow First: Always prioritize investments that generate positive cash flow. This ensures debt repayment is sustainable without impacting personal finances.

2. Leverage, Don't Overextend: Use leverage

strategically but avoid overextending to the point where unexpected market changes could jeopardize financial stability.

3. Reinvest Wisely: Channel returns from leveraged investments into further wealth-building opportunities, creating a cycle of growth.

4. Stay Educated: The financial landscape is always evolving. Staying informed about market trends, interest rates, and new investment opportunities has been crucial.

By applying these principles, good debt has been a catalyst for financial independence in my life. It is not just about borrowing money; it is about using that borrowed money to create value, grow assets, and ultimately achieve freedom.

Chapter 5:

Overcoming the Burden of Bad Debt

While good debt has been a stepping stone to wealth, bad debt has often felt like a chain around my neck. Overcoming bad debt required deliberate action and a clear strategy. Below, I expand on the core principles that helped me break free from its constraints:

1. Acknowledge the Problem

The first step to solving any problem is recognizing its existence. For me, this meant taking an honest inventory of my financial obligations. I listed all my debts, categorizing them by interest rates, repayment

terms, and impact on my cash flow. This process not only provided clarity but also helped me prioritize which debts to tackle first. I've learned that avoidance only prolongs the pain, while facing financial challenges head-on brings empowerment and hope.

2. The Snowball Method

The snowball method became a game-changer in my journey to financial freedom. By focusing on paying off the smallest debts first, I gained momentum with each win. Here's how it worked:

- **List debts smallest to largest:** Regardless of interest rates, I ordered my debts from the smallest balance to the largest.
- **Focus payments:** I concentrated all extra funds on the smallest debt while maintaining minimum

payments on others.

- **Celebrate progress:** Each cleared debt was a victory, energizing me to tackle the next one.

Romans 13:8 served as a guiding principle: **“Let no debt remain outstanding, except the continuing debt to love one another.”** This verse reminded me that financial discipline is not only practical but also spiritually enriching.

3. Build an Emergency Fund

One of the critical lessons I’ve learned is that emergencies are inevitable. Without a safety net, I found myself repeatedly falling into the trap of relying on high-interest debt. By setting aside a modest emergency fund, I created a financial cushion that protected me from unexpected expenses and reduced

my dependence on credit. This step required discipline but brought immense peace of mind.

4. Negotiate and Consolidate

Sometimes, reducing the burden of bad debt involves proactive negotiation. I reached out to creditors to discuss lower interest rates or more favorable terms. In certain cases, consolidating high-interest debts into a single, lower-interest loan simplified my repayment process and saved money over time. This approach required patience and persistence but proved to be highly effective.

5. Cultivate a Debt-Free Mindset

Breaking free from bad debt is as much about mindset as it is about money management. I committed

to avoiding new bad debt by shifting my spending habits. Proverbs 22:7 cautions: “**The borrower is slave to the lender.**” This verse served as a powerful reminder to make choices that align with long-term freedom rather than short-term comfort.

Practical Tools and Strategies

- **Budgeting:** Creating a realistic budget allowed me to allocate resources effectively and avoid unnecessary expenses.
- **Automated Payments:** Setting up automated payments ensured I never missed due dates, avoiding late fees and penalties.
- **Financial Education:** Reading books, attending seminars, and seeking mentorship helped me stay motivated and informed.

The Emotional and Spiritual Impact

Overcoming bad debt was not just a financial victory but a personal transformation. The process taught me resilience, discipline, and faith. It deepened my understanding of stewardship, reminding me that every financial decision is an opportunity to honor God and serve others.

Moving Forward

As I reflect on this journey, I am grateful for the lessons learned and the growth achieved. Bad debt no longer defines my financial story. Instead, it has become a chapter of redemption and empowerment, paving the way for financial independence and generosity.

The principles outlined here can guide anyone

seeking to overcome the burden of bad debt. With deliberate action, faith, and perseverance, freedom is within reach.

Chapter 6:

Achieving Financial Independence

Achieving financial independence is a milestone that many aspire to, but it requires intentionality, discipline, and vision. In my journey, I've discovered a simple framework that outlines three levels of income, each serving as a stepping stone toward true financial freedom.

1. Earned Income: Money from Active Work

Earned income is the foundation for most people. It's the money you receive in exchange for your time, energy, and expertise. While earned income provides

stability and a starting point, it comes with inherent limitations—it's tied to the hours you work and can be exhausted through burnout or career disruptions. My strategy involved maximizing my earned income early on by advancing in my career and managing my spending. I allocated a significant portion of my earnings toward investments that would eventually generate passive income. This was a season of sacrifice, but it was necessary to build the foundation for financial independence.

2. Passive Income: Income from Assets

The transition from earned income to passive income marked a turning point in my financial journey. Passive income is generated by assets that continue to produce value without requiring constant effort. These include rental properties, dividend-paying stocks, or

royalties from intellectual property.

Real estate played a pivotal role in this transition. By acquiring cash-flow-positive properties and reinvesting the proceeds, I was able to gradually replace my earned income with passive income. Proverbs 21:20 resonates here: **“The wise store up choice food and olive oil, but fools gulp theirs down.”** This verse reminded me of the importance of reinvestment and prudent management of resources to sustain long-term growth.

The Rule of 72 became an essential tool during this phase. It helped me estimate the time required for my investments to double, providing clarity on the impact of compound growth. For example, if an asset was yielding a 12% annual return, I knew it would double in value in approximately six years. This simple yet

powerful rule guided my decisions, allowing me to evaluate opportunities effectively.

3. Impact Income: Wealth That Benefits Others

True financial independence extends beyond personal gain. It encompasses the ability to create a meaningful impact on others. Impact income represents the wealth used to uplift others, whether through philanthropy, supporting community initiatives, or mentoring others to achieve financial freedom.

This stage embodies the principle of stewardship, where wealth becomes a tool for serving a higher purpose. Proverbs 11:25 reminds us: **“A generous person will prosper; whoever refreshes others will be refreshed.”** Impact income not only brings fulfillment but also aligns financial independence with spiritual and moral values.

Key Strategies for Achieving Financial Independence

1. Set Clear Goals: Define what financial independence means to you. Is it replacing your earned income, retiring early, or funding philanthropic initiatives? Clear goals provide a roadmap for your journey.

2. Develop Multiple Streams of Income: Diversify your income sources to build resilience and reduce dependence on any single stream.

3. Embrace Delayed Gratification: Financial independence often requires short-term sacrifices for long-term gains. Stay disciplined and focused on the bigger picture.

4. Continuously Educate Yourself: Financial literacy is a lifelong journey. Stay informed about investment strategies, market trends, and personal finance best practices.

The Role of Faith in Financial Independence

My journey has been deeply rooted in faith and guided by Biblical principles. Financial independence is not solely about accumulating wealth but about using it wisely to honor God, provide for my family, and bless others. Proverbs 13:11 aptly states:

“Dishonest money dwindles away, but whoever gathers money little by little makes it grow.” This reminds me to pursue integrity and patience in all financial endeavors.

A Legacy of Independence and Generosity

Achieving financial independence is not the end but a new beginning. It has enabled me to live a life of purpose, free from financial stress, and focused on what truly matters—faith, family, and impact. By aligning my financial goals with my values, I’ve created a legacy of independence and generosity that I hope will inspire others to embark on their journeys.

Conclusion

Understanding the distinction between good debt and bad debt has been a cornerstone of my financial journey. It has not only shaped the way I approach money but also the way I live, plan, and contribute to the world around me. This understanding has allowed me to leverage good debt as a tool for building wealth while avoiding the pitfalls of bad debt that can hinder progress. But beyond financial strategies, my journey has been one of faith, discipline, and purpose.

A Foundation Built on Wisdom

The principles that have guided my decisions are deeply rooted in timeless wisdom. Whether

it's the parable of the talents in Matthew 25, the encouragement to leave no debt outstanding in Romans 13, or the prudent stewardship highlighted in Proverbs 21, these teachings have reminded me that money is not merely a resource but a responsibility. Managing it well requires more than technical knowledge—it demands wisdom, patience, and alignment with higher values.

Financial Freedom: A Process, Not a Destination

Financial freedom is often seen as a finish line, but in reality, it is an ongoing process. Each stage of the journey—whether tackling bad debt, building assets, or creating impact—has brought its own lessons and rewards. Along the way, I've learned that the path to freedom requires:

- **Vision:** Knowing where you're going and why.
- **Discipline:** Staying the course, even when challenges arise.
- **Adaptability:** Learning from setbacks and adjusting strategies as needed.

Every milestone has been a reminder that financial independence is not about amassing wealth for its own sake but about creating options, security, and opportunities—for oneself and others.

Creating a Legacy of Generosity

True wealth is not measured by what you accumulate but by what you contribute. As I've moved beyond earned and passive income to the stage of impact income, I've found immense joy in using my resources to make a difference in the lives of others.

Whether supporting community projects, mentoring others, or giving generously, this aspect of financial independence has brought the greatest fulfillment.

Proverbs 11:25 says, **“A generous person will prosper; whoever refreshes others will be refreshed.”** This principle has proven true in my life. Generosity has not only blessed those around me but also enriched my own journey with purpose and joy.

Mastering Money, Serving a Higher Purpose

Choosing to master money rather than be mastered by it has been a transformative decision. It has allowed me to focus on the things that matter most: my faith, my family, and my community. Financial independence is not about escaping responsibility but about stepping into it fully—with the freedom to make

choices that align with my values and aspirations.

By integrating Biblical principles with sound financial practices, I've created a life that honors God and empowers others. This journey is my testimony that financial freedom is possible for anyone who is willing to pursue it with wisdom, diligence, and faith.

An Invitation to Begin Your Journey

If there is one takeaway from my story, it is this: financial freedom is within reach. It doesn't require extraordinary wealth or luck—just a commitment to learning, growing, and staying faithful to the process. Whether you're overcoming the burden of bad debt, building streams of income, or seeking to make an impact, every step you take brings you closer to a life of abundance and purpose.

My hope is that this journey inspires you to embark on your own path toward financial independence. As you do, may you find not only freedom from financial stress but also the freedom to live fully, give generously, and create a legacy that endures.

May this booklet inspire you to embrace good debt as a tool for growth and avoid bad debt as a trap for your finances. Begin today, with purpose and faith, and see how financial wisdom transforms your life.