



After the Fact | [Dave Ramsey Talks American Debt: 10 Years After the Financial Crisis](#)

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TRANSCRIPT

Dan LeDuc, host: From The Pew Charitable Trusts, I'm Dan LeDuc, and this is "After the Fact."

[Theme music]

Dan LeDuc: This year marks a decade since the Great Recession. Ten years later, many Americans continue to struggle financially, and have a complicated relationship with debt.

Nearly 7 in 10 Americans, 69 percent to be exact, say debt is a necessity in their lives—even though they'd prefer not to have it. That's our data point for this episode.

Behind that data, of course, are the voices of Americans contending with their personal finances. Joining us for this episode is someone who talks with many of those folks every day: Dave Ramsey.

He's best known for his popular radio program, "The Dave Ramsey Show," based out of Nashville, where listeners from all over the country call in to describe their financial plight.

[Clip from "The Dave Ramsey Show"]

Dave Ramsey, radio host of "The Dave Ramsey Show": Nikki is in Atlanta. Hi, Nikki, how are you?

Caller: Hey Dave, I'm good. How are you?

Dave Ramsey: Better than I deserve. What's up?

Caller: Well, my husband and I are—we're behind about a month on every bill that we have, just about, for the month. About \$3,600. So we're—

Dave Ramsey: Mmm hmm. What's your household income?



Caller: Roughly \$80,000.

Dave Ramsey: Mmm hmm. Okay. The first thing is, you're gonna have a huge garage sale. The second thing is, you're gonna have to prioritize and not pay some things so that you get current on the most important things first. It's ludicrous that you all make as much money as you make and you're behind on your rent and your food and your cars and your lights. ...

[Transition music]

Dan LeDuc: Well, Dave Ramsey, welcome to "After the Fact," and thanks so much for joining us today.

Dave Ramsey, national best-selling author and radio host: Honored to be with you guys. Thanks for having me.

Dan LeDuc: You know, so much of what Pew does is the quantitative research, right? We're the guys who develop all the statistics and help people understand the data. But you know, for more than 20 years, you've been talking to Americans every day about their financial life. And that's why we're so delighted to have you here to help us sort of put together what you have learned with what we've learned. And I wanted to just dive right in.

Dave Ramsey: Okay.

Dan LeDuc: Here's a number for you. Sixty-nine percent, basically, 7 in 10 Americans have said that debt is a necessity in their lives, even though they prefer not to have it. Now, I know you don't like debt. What do people tell you about debt? Do you remember a particular caller and a story that can tell you a little bit about why people might say what they're saying?

Dave Ramsey: I mean, it's not unusual that I get a call from someone that's got a household income of \$100,000—I think the household average right now is around \$58,000, \$59,000. And so they're making good money at 100,000 bucks. They got \$30,000 of student loan debt, and they're stuck—well, they're not stuck.

They just need to not go to a restaurant or go on a vacation for a year and a half, and cut their lifestyle down, and get rid of that debt. But they believe that, "Oh, well, student loan, you can't be a student without student loans, so I've got this. And you can't—you know, you can't do anything without a credit card, you have to have credit card, and everybody's got a car payment." And they believe what has been sold to them by the people selling these wares.



And there is no evil or malice involved. This is just an industry that has done a fabulous job marketing their product. And the problem is that people now believe not just that “I'd like to have the product because of the marketing, but I must have it to survive.”

Versus I turn around and find somebody who doesn't believe that, who makes half that money—\$50,000 a year, not 100—has the same amount of debt, 30,000. And they find a way to pay that off at 18 months. Now, how is that so? The numbers don't indicate it; it's the belief factor that indicates it.

Dan LeDuc: In fact, at the macro level, things have been great. You can look at the market, you can look at GDP growth, you can look at unemployment. Everything—all those macro factors—are really great. Yet on the micro level, people do say they feel stuck.

Dave Ramsey: Well, I think the key word you said there was feel. And my point is that that is what is occurring.

When you look at the actual math—you know, the square footage of a house that I grew up in 1960 was the average home. I'm 58 years old; it was 1,004 feet. That's the house I grew up in. No one lives in a 1,000-square-foot house hardly anymore in America. I mean, middle class is 2,800 feet, you know? They might feel stuck, but they're not mathematically stuck. They've made choices where they painted themselves in the corner sometimes, and they're just whining about getting paint on their feet.

Dan LeDuc: You hear these stories every day, Dave. Give us an example from someone to illustrate that point.

Dave Ramsey: Well, I mean, like, I had a single mom on the show this week. Okay? And she paid off \$27,000 in seven months. Okay? She was making \$64,000. She sold her car. Oh, by the way, her husband left her 14 months ago with a brand-new baby. Walked out the door. She moved in with Mom and Dad, had zero expenses, and sold her car and worked two jobs and paid off \$27,000 in seven months, including to sell the car—that's part of how she paid that off. Because she didn't make enough to pay off \$27,000 in seven months making that kind of money, if you do the math.

Something was different in her brain, something called hope, and she said, “I'm going to do what it takes to turn this around. I'm going back home, but it's not to live in a hammock at Mom and Dad's. It's a safety net. I'm going to stay in the safety net long enough to get back on my feet, and then we're back out the door.”

This girl—I mean, I would hire this girl to work for me. She's a champ. I mean, she's a champ. She's Rocky. She was on the ropes; the Russian was beating her up, right? I



mean, she was a victim, but she comes out, and at the end, she's got some bruises, and it's been a rough three years, four years for her, and she's holding a little toddler in her arms doing a debt-free scream.

But she's out of debt, and she's a single mom making 60 grand, and she'll be out of her parents' house by the end of the year. And that girl will own a business and be running something—well, next time I talk to her five years from now. Ten years from now when I talk to her, she'll be one of those everyday millionaires we hear about.

Dan LeDuc: I hope you're right for her sake. Sixty percent of Americans, though—she's in, I think, in that category where we've got—a majority of Americans, 60 percent at least, can sort of figure out their way. They're going to absorb the financial shock, figure out a way to pay for it. But you know, we've also found some research at our end where something like 40 percent of the households in the country don't have enough savings to cover sort of like that basic financial shock, which these days, like, the typical hardship shock for somebody is about 2,000 bucks.

Dave Ramsey: I mean, wisdom says to have a rainy day fund. Grandma said, “Have a rainy day fund.” Why? Because it's going to rain. “Dave, you need to be positive.” I'm positive it's going to rain.

Dan LeDuc: Ha-ha, positive?

Dave Ramsey: They're exactly right. I mean, stuff's going to break. Your transmission is going to go out. Somebody is going to get fired. Your great uncle is going to die, and nobody got the money to bury him, so you get the privilege. And you know, what's happening, I don't know. If it's a 5 to a 10 to a \$12,000 event, and if it's a \$15,000 event, it puts them into bankruptcy a lot of times, because they don't have \$1,000 or \$2,000 laying around most of the time.

Which is a reality, but let's think about this for a minute, okay? Let's say it again. The average household income in America is \$59,000. Yet we're saying 4 out of 10 don't have [yells] 2,000 dollars? You know, this is not a math problem! This is a “I spend everything I make like I'm in Congress” problem and have saved no money problem.

So you know, I did it. I did all these dumb things myself. So I can get really passionate when other people do dumb things. But not saving money when you make enough money to save money is because of consumption. It's not because times are hard in America.



Dan LeDuc: Well, let me ask you—you talk about times in America. Based on what you hear—now, you're based in Tennessee, that you're talking to folks all over the country. Are different parts of the country experiencing what's going on differently?

Dave Ramsey: Absolutely. Absolutely. There are areas that have ridiculous real estate markets. Obviously, California, Manhattan are the two that automatically come to mind for everyone, but Denver is kind of going nuts right now. Very difficult for a typical household income to buy a home in Los Angeles or San Diego right now. Very difficult. And so you cannot make an average household American income and live in an area where housing prices are double average and exist properly. You just can't do it.

So you make a choice—we've got to get our income up or we can live in this expensive area. And you know you don't get a pass on math because you live in California. Math still works. And so, you've got to decide, “Okay, I don't make enough to live in L.A.” I mean, you can't drive for Uber and deliver pizzas and own a home in L.A.. You don't make enough. And the same thing would be true in Manhattan or whatever.

And then there's other areas that have economic issues and are just really, really struggling. For instance, Detroit. The area around Detroit, it's coming back, but boy, it has just had its own set of microeconomic issues there that are different than the national malaise or the national prosperity or whatever.

So it varies. It varies. Housing prices are the biggest thing that causes it. But wages and growth and unemployment rates—you know, tech corridors, and clean white-collar job type things. Or places where manufacturing is making a bounce back, you see it. I mean, we see these things come and go. But America has always had that. And so all you've got to do is just look around you in the area you live and say, “Does my career field and my income allow me to live in this particular area and prosper?”

Dan LeDuc: Well, this summer, Pew published some research on retirement savings specifically geared to look at Millennials—those folks mid-20s to early 30s. And the research found that they have higher balances in their 401(k)s and their other retirement programs than Gen Xers did when they were that age. So it sounds like they know they need to save, and I mean, when we talked to them they were skittish about debt. They had seen what their parents had gone through during the Great Recession—remember that's when they came of age. So what are you hearing from folks this age?

Dave Ramsey: We have a whole bunch of Millennials working for us. We love this generation.

Dan LeDuc: Yeah, we do, too!



Dave Ramsey: But what we have discovered about this generation, it's very, very bifurcated. It's the most distinct line that I've ever seen in a generation. And my theory is that that pushes over into the financials. And what I mean is this: There are those a group of Millennials who have been made fun of stereotypically living in their mother's basement, participation trophy, all those things. And that is a very real group within the Millennials that gets trashed all the time. But the group that is standing in my lobby doing debt-free screams, the group that works on my team as developers and digital marketers, they are the most passionate, driven, missional generation I've ever seen.

There's no middle ground with these guys, you know?

Dan LeDuc: Yeah.

Dave Ramsey: And I think what your data might be tipping its toe into is that what you're finding enough of the ones that are really hardcore, because when you apply that concept to their money, that would mean they're driven to get rid of student loan debt, and they are driven to start saving, because they are not going to wait around on someone else to take care of them. They're missional, they want to be very generous and social justice minded, and they need money to do that, and they figured that out. And they're hard driving.

And so, I think if you could somehow in the research bifurcate the research and go, "Okay, which group are you in?" that you would find some of the best savers in history in one group, and some of the worst savers in history in the other group.

And so that's why I've become such a big fan and defender of the Millennial generation, because I've seen so many really, really good ones. But I don't know if it's 50-50 or 60-40 or 80-20, because I don't think I would have access to the other ones.

Dan LeDuc: Mmm hmm. Yeah, we also get a sense, at least among the folks that you would say would be in the category that knows what they need to do about savings, that Millennials are also sort of being more open to sort of employer guidance on retirement. You know, you've got a lot of employers that are starting to do automatic enrollment in IRAs and 401(k) accounts. You hear about that, where—do you think that these folks are the ones, again, in that category that want to save, that you've discussed—do you think they're more open to guidance from their employers or others about saving for the long term?

Dave Ramsey: Mmm ... maybe. Probably with a suspicious eye, though. They don't have a tendency to trust other people to control their destiny. And so, while—I think they would appreciate maybe the input, but they're going to want to understand it and get



their arms around it, the ones I'm talking about, the good ones, but before they do it, I think. Again, that's anecdotal.

Dan LeDuc: Yeah, but it's interesting, what you're saying there.

Dave Ramsey: But you know, I kind of think like—Baby Boomers. My generation, we were really lazy. And like, if the employer said, “Oh, the 401(k), and put it in a gross stock mutual fund.” “Okay, check the box,” and we walk out the door. The Millennial goes, “I don't know if I trust you. I got to look at this.”

Dan LeDuc: Well, Dave Ramsey, you've been doing this for a long time. And from all sounds, you show no signs of slowing up either. Why do you do it?

Dave Ramsey: I am an unbelievably blessed man. It's got its frustrations, we get angry, we get sad, we get tired like anybody else and make mistakes and do dumb things. But that does not take away the calling. And this is why God put me here. And I know that because it's like the line in “Chariots of Fire”: “I feel God's pleasure when I run.”

Dan LeDuc: Oh, I love that line from that movie. Is there a special feeling when that one caller gives you that success story? Because you get a lot of them on your program. What's that feel like for you?

Dave Ramsey: You know, they never get old. You would think they do, because they sound a lot alike. *[Laughs]* But you know, a guy said, “I know you've heard this a million times.” And I looked at him and said, “You know, I haven't heard your story a million times.”

Dan LeDuc: Mmm.

Dave Ramsey: “And your story is different, because you did it. And tell me what you did, tell me how it felt.” And a lot of times, it's the same buckets that the things fall into, but when you look at that—you know, I met a guy yesterday. Walked up in the lobby. I came out during a commercial break and signed his book. And he said, “Dave, I'm 55 years old, I got out of debt eight years ago listening to you, and I just paid off our home, and we're now millionaires.” And I went, “Wow, so cool. That is so fun.” No, that doesn't get old. *[Laughs]*

Dan LeDuc: I bet not.

Dave Ramsey: I promise you, that doesn't get old.



The overarching theme of what we've talked about is, hope really does change someone's situation more than their math does. The belief that you can do something—not blindly, and not in a weird way—but hope deferred makes the heart sick. But when desire comes, it is the tree of life, Proverbs says.

And I see that every day. I see people that the math—what they did, there's no way they should have been able to do it with the math. And I have to really ask them a lot of questions, because the math doesn't even make sense, and they did it anyway. And then I see people that their math ought to be a slam dunk, and they can't seem to see their way out. The only light at the end of their tunnel is an oncoming train, so they're paralyzed.

We need to have a hope. And I think too oftentimes, that loss of hope or gaining of hope is really tough to quantify when we do good quantitative analysis.

Dan LeDuc: Well, Dave Ramsey, thank you so much for today. It's been great.

Dave Ramsey: Thank you, guys. Honored to speak to you. Thanks for the work you guys do.

[Music]

Dan LeDuc: Our thanks to Dave Ramsey for his insights. For more on Pew's research into Americans and their financial security, check out our webpage at Pewtrusts.org/AfterTheFact.

And we hope you'll keep listening. We're on Apple Podcasts, Google Podcasts, or wherever you stream your favorites.

[Theme music]

Thanks for listening. For The Pew Charitable Trusts, I'm Dan LeDuc, and this is "After the Fact."