


- 84 **LIFELINES**
- 89 **5 TO 9**
- 94 **SECOND THOUGHTS**
- 95 **TECH TALK**
- 98 **OFF THE COUCH**
- 100 **SHARED SPACE**
- 102 **NORMAL LIKE ME**
- 106 **ENDNOTE**
- 111 **THE KICHELS**

SEASONED WITH THE SPICE OF LIFE

# the MIX

REAL PEOPLE.  
 REAL MONEY.  
**REAL MISTAKES.**  
 FOREWARNED IS FOREARMED



# THE MONEY TRAP

ON SITE

## Debt Spiral

We were trapped in a desperate cycle of borrowing to cover debt payments. Seeing our loan balances climb well into the six digits was bad enough. But it was the stress of waking up every morning with yet a new loan to pay off that was killing us.



# Dept Spiral

## [ THE PLAYERS ]

**Hadassah:** 30, secretary

**Reuven:** 32, kollel *avreich*

**Meir Shternberg:** financial counselor and project director of JOIN Israel's Pitronot Advocacy program, which helps people who have fallen into financial and legal difficulties

**HADASSAH:** I'm the enterprising type. Even though my primary job is being a school secretary, I get a thrill out of starting side businesses like selling hand-made soaps from my home. I'm good at managing finances and good at budgeting. I say this from the outset, because it's important for people to know that money problems don't only happen to the fiscally clueless or to the women who just *have* to dress their kids in the latest brand-name fashions.

My husband, on the other hand, is the

type who likes to know there's a regular salary coming in, is prepared to live simply and within budget, and beyond that, doesn't want to think about money. So back when we were first married, we agreed that I would handle the family finances. The arrangement satisfied us both; Reuven was happy to leave money matters in my capable hands, and I was happy my husband could learn undisturbed.

One of my side interests has always been real estate. I love the idea of buying, renovating, and managing properties. I tried my hand at this on a small scale when I remodeled and then managed my sister's short-term rental suite. And then an opportunity came up for me to try this for myself. After renting for many years, we were finally ready to buy our own apartment. We

knew we could only afford something small.

But a realtor mentioned an apartment for sale that sounded like a dream come true. It was big; with four bedrooms, it was larger than anything I'd ever imagined or thought we could afford. But it also had a nice amount of undeveloped space, and I knew exactly what I wanted to do with this: Build offices to rent out to individual businesses. A lot of my friends worked as graphic designers or in other freelance jobs, and as their families grew, their home offices ended up becoming a second children's bedroom.

No one in our Jerusalem suburb had living space to spare, so I reasoned that an office hub for women would be a great niche, the perfect way for us to cover our large mortgage and maybe

even make a little extra income. A real win-win situation.

I brought in a contractor and got an estimate for the construction work: NIS 200,000. I felt my excitement rising. I could swing NIS 200,000; it was actually less than I'd expected. After hearing this, I went home and told my husband about the fantastic opportunity.

Reuven was skeptical. "Why do we need this headache? I'd rather buy something we know we can afford."

I looked around our tiny two-bedroom rental, which housed us and our three young children.

"*Im yirtzeh Hashem*, our family will grow," I said. "Doesn't it make sense to buy a place we can grow into?"

Reuven shrugged. I knew he would be perfectly happy squeezing into that little apartment the rest of his life. But after more persuasion on my part — including a promise that I would handle everything, nuts to bolts — he eventually agreed to the purchase.

I calculated exactly how much we could afford to pay each month, calculated the rental income from the offices, and took out a hefty mortgage. Soon the apartment was ours.

Now it was time for the renovations — and that's when things began to go terribly wrong. We got the permits, began the construction — and then I got the phone call from the contractor.

"*Giveret*, you have big problems here. The floor, it's falling apart."

I thought he just meant a repaving job, but the problem went much deeper. The space was structurally unsound — and it would cost a whopping NIS 300,000 to gut it and redo it all from scratch.

I was horrified. I didn't have another NIS 300,000 — as it was, we were already strained to the limit with our new mortgage. But I was stuck. The apartment was already mine. I looked into the possibility of selling it, but I was advised not to. Our mortgage was high, and area housing prices had already risen since our purchase — we would just end up losing all our money and getting priced out of the market.

But without this added income, I had no way of paying our mortgage on this apartment. So, having no choice, I took out high-interest bank loans and went ahead with the renovations. Suddenly, each month I was faced with about NIS 4,000 in loan payments, over and above the hefty mortgage bill. I didn't have this money, so we began borrowing privately from friends and neighborhood *gemachs* to pay off these loans.

And thus, we entered the time period that I will always think of as our "nightmare." It lasted for over a year. The stress nearly broke us, but for me, it was compounded by an even worse feeling: guilt. Because I was the one who'd dragged

my husband into this mess. And he ended up having to bear the brunt of it.

## REUVEN:

I've always considered myself very lucky to have a wife with such a head for finances. My friends in kollel would talk about bills and *gemach* loans, but I knew I didn't have to worry. Baruch Hashem, we were both on the same page in our approach to spending, and we'd always managed to stay within budget — no small accomplishment for a kollel family.

When Hadassah first told me about this apartment idea of hers, I thought she was crazy. Why take on such a huge financial risk? But she was so convinced it was a potential gold mine, and I figured that, after all these years, she had earned my trust in money matters. So, against my better judgment, I gave in. Especially when she assured me that she would handle everything.

I know the whole construction fiasco was not her fault. Still, I'm human, and when she came to me with a ream of loan forms to sign and informed me that we were NIS 300,000 in debt, I admit, I said it: "I told you so."

Still, I hoped — we both hoped — that this was just temporary, and that once the office space was operational, we'd be able to pay the loans back. What neither of us quite realized was the pernicious nature of high-interest loans. They

snowball really fast, and you don't have the luxury of waiting until your business picks up to pay them off. Not unless you want the debt of hundreds of thousands to become millions.

We realized there was no choice but to borrow money privately to pay back the bank. But while Hadassah had taken care of everything up until then, there was no way I could let her run around borrowing money from our neighbors. That simply wasn't a woman's job, and I wouldn't let my wife degrade herself like that. And so I, who had always prided myself on being above money concerns, suddenly became a schnorrer.

Oh, I know no one else would call me that. It wasn't like I was going collecting door to door. But the shame of approaching people — men I daven with in shul, or community *gemachs* run by neighbors of mine — and asking for a loan is something that I don't think I'll ever get over. Someone with my personality type feels it really deeply.

The worst part was the stress. It was my full-time companion for over a year. I would wake up each morning and think, *Today the 10,000 shekels I borrowed from Schreiber is due. How will I manage to get that much money?* Each day it was a different story. I'm very responsible; if I tell someone I'll have the money back by a certain date, then I'll make sure to have it back. But that meant borrowing it from someone else.

And so, the cycle continued. Day after day. I couldn't lift my head in the street, I was so ashamed. I felt like I owed half the neighborhood money. I couldn't learn, couldn't daven — I could barely eat or sleep. My whole life revolved around

figuring out who to borrow from next. The terrible thing was, with all this heartache, we were barely making a dent in our debt — all of this money was just to keep us treading water with interest payments.

Our families tried to help as much as they could, but none of our relatives are wealthy. We felt very much on our own — and I honestly wasn't sure how much more of this I could handle.

Hadassah had been suggesting for a while that we go for financial counseling. But I kept resisting. What was a financial counselor going to tell me that I didn't already know? How to budget? Not to spend more than I earn? Thank you very much.

But after more than a year of this, I finally agreed to go for help. We turned to Mesila, who, after hearing our story, directed us to Pitronot, an organization that assists people who are dealing with extreme debt. I guess we qualified.

**MEIR SHTERNBERG, CHIEF FINANCIAL COUNSELOR AT PITRONOT:**

When Reuven and Hadassah came to meet with me, the first thing I asked them was how they were handling their situation emotionally. From my years of experience dealing with clients in severe financial straits, I know that more important than the actual amount of debt is their emotional state. Dealing with severe debt is literally a trauma, and should be treated as such. A person who is broken from the stress needs to take care of his mental health before he can begin to tackle the finances.

The couple seemed to really appreciate the question. Hadassah commented that it was so nice to know

we were concerned about them as people, that it wasn't just about the money. Of course it's not just about resolving the financial problem; it's always about the person behind it. A counselor needs to understand the clients' emotional state and capacity and know what their emotional triggers are before he can even begin to address the financial component.

I told them they needed a few months of quiet, to recuperate from the stress of the past year. I said I would call the banks and work out a more manageable multiyear (or extended) payment schedule, as well as a reduction in the loan amount, so they could take a break from paying off the bank loans.

The personal loans, however, needed to be paid off right away — this was causing most of the tension in their lives. We sat down and made an exact, comprehensive accounting of their loans. Then we discussed possible sources of funds to pay these back. After some hesitation, Reuven mentioned that his brother's in-laws in America were well-off.

"But I could never call them and ask them for money," he said quickly. "I'm not directly related to them, and it would be too embarrassing."

I offered to call on their behalf. You never know where your help will come from, and you need to try every avenue. This couple was a prime example of how one bad stroke of luck or a bad financial mistake can send you spiraling into debt. They didn't need me to talk to them about budgeting — they were doing everything right. But things can still sometimes go very wrong.

I understood why calling a relative of a relative and begging for money was painful, and so I gladly took on the task myself. These American in-laws ended up being quite generous, and their gift to Reuven and Hadassah paid off 60 percent of their private loans. For the remaining 40 percent, which amounted to about NIS 40,000, we worked out an austere monthly budget to pay it all off.

To their credit, they stuck with the plan, and all their private loans were paid off in eight months. By this point they had completely rented out the office space in their apartment, which meant that, now that they were finished paying off the private loans, they had some breathing space in their income. Soon they would tackle the bank loans, but for now, they deserved to take a break and celebrate.

The day they came to tell me that they'd paid off the private loans, I noticed how different both Hadassah and Reuven were from the people who had come into my office eight months earlier.

"We can't tell you how much your help has meant to us," Hadassah said. "When we first came, we were lost and alone, floundering under the pressure. We couldn't imagine how to get out from under this crushing debt. You helped us find a way out of the ordeal. But we also found a shoulder to lean on, a caring person to unload our troubles on. You lifted a burden off our shoulders."

"We know we still have a way to go until we pay off the rest of our debt," added Reuven. "But we're in a much better place today. We feel in control of our finances, and of our lives. For that, we want to thank you." ●