Taxes And Preparedness – Do They Fit Together?

A reader recently sent in an interesting question; she ask: *"For people who have been able to pay off their home mortgages, what do you recommend they do regarding real estate taxes? I've considered paying taxes in advance. What are your thoughts?"*

First of all, I'd like to congratulate this reader on paying off their mortgage. Many preppers are at risk of losing their homes in the event of a major catastrophe, such as a financial collapse, simply because they won't have the money to pay off their home.

I'm working hard to pay off my home early, and I recommend the same to everyone else. Even a personal disaster, such as losing a job or a health problem, can put your home at risk. Preparing your home for a disaster and then losing that home would make anyone very vulnerable.

Now, about the taxes; I have to start by saying that I'm not a fan of paying taxes. I recognize the need to support our government, but I feel that we've gotten to the point where our government is so big and spends so much money, that taxes are hurting the economy, not helping it.

There isn't a government body anywhere that gives you any special credit for paying your taxes early. Many of them are great at penalizing you for paying them late; but they can't seem to capture the idea of positive reinforcement and motivation.

For that reason, I'm not in favor of paying taxes early. I'd rather have that money in my hands, earning me something, instead of in the government's hands.

While I like the idea of having the money early, I can’t see any reason to give it to the government early. Instead, I think it makes a lot more sense putting that money into some sort of short-term investment, so that I could get some profit out of it.

Now, I realize that such investments may not seem readily available or all that reliable, but they are if you change your definition of investments. One of the best short-term investments I know is food. That’s right, food.

Let’s say that you have a $2,000 property tax bill that’s due in six months. If you have the money on hand, you could pay your taxes off and gain nothing more than the peace of knowing that you don’t have to worry about it.

How to Ditch your Debt

3 proven methods!

Choose the method that's right for you!

Dave Ramsey's 'Snowball' Method

Pay debts with smallest balances first

Pay the minimum payment on others

WHY IT WORKS: Smaller amounts can be paid off quicker, allowing you to see your progress faster and **stay motivated.** Celebrate the wins!

Suze Orman's High-Interest Method

Pay debts with highest interest rates first

Pay **more** than the minimum payment on others

WHY IT WORKS: Attacking large interest rates first cuts down the total finance charges you'll pay, which is financially smart and **keeps more money in your pocket.**

The Hybrid Method!

WHY IT WORKS: Stay Motivated & **keep more money** at the same time!

1 Get a pen and paper...

Make a Column: List the names of your debts starting with the highest interest rates first.

Make a Row: List the amounts of your debts in ascending order across the top.

2 Make "Imaginary Cards"

Draw rectangles or use sticky notes. Starting at the top left, make a "card" and write the name of the debt from the left column and the amount from the top row. Make another "card" to the right with the remaining amount of debt or the amount from the top row—whichever is smaller. Do this until the cards total to the full balance of that account and repeat for each row.

3 Knock 'Em Down One at a Time

Pay off the "imaginary cards" in the order that they were created, crossing them off as you go to see your progress.

ALWAYS be sure to keep making minimum payments on all debts

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Option two is to buy food. Let's say your food budget is $400 per month. Instead of giving $2,000 to the government, you buy five months worth of normal groceries. It has to be what you would normally buy, or you lose the investment. Don't run out and buy prime rib and lobster tails if you don't normally eat prime rib and lobster tails.

While the official inflation rate is about 1 percent per year, food has been inflating at a rate of about 8.5 percent per year. That means that in six months, the food you buy today will be "worth" 4.25% more than it is right now. So, you buy that food and stash away your food budget every month for the next five months, ensuring that you'll be able to pay the property taxes.

Okay, what you gain by doing that? You just earned $85.00. You probably don't see that money, because what you really did was save that much on your food. The difference might have been spent on incidentals or simply in buying more food. Either way, that's money you got to use, rather than the government getting to use it.

One Step Further

Let's look at it from the viewpoint of a financial collapse. One of the prime effects of any financial collapse is runaway inflation. So, for the sake of argument, let's say there's a 20% per year inflation rate. Now, not paying that money is a real advantage, because you're talking $200 in earnings in six months. But what if you pay it late?

Not paying your taxes on time pretty much always entails some sort of financial penalties. If you don't pay your property taxes when they're due, they go up; likewise with your income taxes.

But the amount they go up probably won't equal the rate of inflation during a financial collapse. So instead of waiting six months to pay those property taxes, let's say that you

wait a year. You will probably be penalized about ten percent for that, but inflation is 20%, so you're still money ahead.

Actually, you could probably wait two to three years to pay those taxes, without risking losing your home. Bureaucracies tend to move slowly; I don't care if it's the IRS or your county tax office. Waiting to pay those taxes could actually be a good financial decision, as it will end up saving you money. But do the math before making that decision and know how long your local county tax office takes to react to people who don't pay.

One other precaution which is really important in all this; don't decide to put off paying your taxes, unless you have a definite way of getting your hands on the money, when you need to pay them. Otherwise, you could be putting your home and yourself at risk.

If you don't have a source of income, but have the money to pay off your taxes, pay them. The security of knowing that they can't touch your home is well worth having, especially during a financial crisis.

*This article has been written by **Bill White** for Survivopedia.*