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Financial Advice from 1796



As leader of the Constitutional Convention, commander of the Continental Army and first American president, George Washington is considered by many to be one of our nation's greatest heroes, renowned for his character and leadership. In his 1796 farewell address, Washington masterfully articulated his reasons for not seeking a third term of the presidency, and offered an eloquent argument for the importance of patriotism and protecting liberty. He also offered some prudent financial advice in a portion of the speech penned as "Warnings of a Parting Friend." I believe these points still hold true today.

Quote #1: *"And there being constant danger of excess, the effort ought to be by force... to mitigate and assuage it. A fire not to be quenched, it demands a uniform vigilance to prevent its bursting into a flame, lest, instead of warming, it should consume."*

Washington seems to be speaking about the danger of political parties, departments within the government, and individuals who try to seek more power and riches for themselves. He indicates that the spirit of always wanting more is good to a certain extent (a fire not to be quenched); however, if not vigilantly watched or kept in check and balanced, it could destroy (consume). This lesson can still apply to both personal and government spending and the importance of living within our means.

Quote #2: *"As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, but remembering also that timely disbursements to prepare for danger frequently prevent much greater disbursements to repel*

it..”

Washington appears to be emphasizing how important having good credit is. He was advising the nation and its citizens to be careful how often they use credit and for what purpose. Washington also seems to acknowledge that for a prudent purpose, credit could and maybe even should be used if the benefit ensures stability and offers a hedge against potential risks. These important financial lessons should jump out of history books and into our personal and government spending habits!

Quote #3: “...avoid likewise the accumulation of debt, not only by shunning occasions of expense, ut by vigorous exertion in time of peace to discharge the debts which unavoidable wars may have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear. ... You should practically bear in mind that towards the payment of debts there must be revenue...”

Washington warns against going into debt unless the expense is absolutely necessary. In today’s times, many people incur debt to go to school, purchase a car or buy a home; but that does not mean you should necessarily go into debt if you don’t have to. Washington also points out that debt incurred during hard times should be repaid during times of peace and prosperity; if not, the debt will likely not get paid off. (He has definitely been right about that on a national level!) On an individual level, the takeaway is to consider paying off debt when you have extra cash available, and ideally to pay it off sooner rather than later.

Washington was a truly legendary leader, and in his Farewell Address I believe he was speaking to the nation as a whole and to its people as individuals. I also believe Washington’s advice is as timely and true in 2012 as it was in 1796. With such powerful and still-applicable words, it’s no wonder that reading Washington’s Farewell Address has been an annual tradition in the U.S. Senate since 1896. And remember, we know Washington’s words must be true because he could not tell a lie!

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