

Money Management *for the Christian*

Class Workbook

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INTRODUCTION

Anyone can have financial order in their lives by simply deciding to live a disciplined life in accordance with a wise budget plan. By following a logical step-by-step plan, minimizing debt, and being cautious of emotional and impulsive spending, anyone can get control of his or her finances.

God's plan for the Christian not only offers a life of financial order, but better yet, a life of **FINANCIAL FREEDOM!** You will learn as you progress through this workbook, ***financial freedom is the result of having the right attitude, not an abundance of money.*** Many of the wealthiest people in the world are living in bondage. Money can buy the things and experiences that bring temporary pleasure, but it can never buy the peace and contentment that are the by-products of freedom.

This workbook will guide you through a self-study of many of the important Biblical and practical principles regarding *money, planning, spending, saving, investing, giving and teaching children about money.* The main objective of this workbook is to equip you with the Biblical and practical knowledge necessary to live life skillfully and successfully. True financial freedom is only available to those who understand and apply sound practical and Biblical principles in the management of their financial lives.

I hope that this study will not only equip you with the practical knowledge necessary to get control of your financial life but that it will also strengthen your faith and dependence upon the Word of God as **THE** absolute, not only in the area of money management, but in all of the issues of life.

Assignments:

In order to get maximum benefit from the series, the class member should complete the three parts (Biblical, practical, and review questions) of the class workbook.

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AUTO

“The Smell of New Leather”

Session 1

Session 1 Auto “The Smell of New Leather”

Biblical:

“Forgotten Freedoms”

"A double minded man is unstable in all his ways."

James 1:8

Statistics point us to the conclusion that Christians are as equally affected by the temptation to pursue a lifestyle of materialism as are non-Christians. As a result, the inevitable financial problems that occur are cited as the leading cause of divorce in both Christian and secular marriages.

Surveys indicate that nearly 75% of the problems in Christian homes are directly related to family finances. Financial pressures are a leading cause in all forms of mental and physical sickness from depression and stress to substance abuse and suicide. Have Christians forgotten the freedoms that God so richly offered them at the day of their salvation?

Our *attitude* about money and the way we handle it serves as an excellent indicator of our level of commitment to God's principles. In most cases, money problems on the outside are nothing more than indicators of spiritual problems on the inside.

God's promise of blessing and freedom are freely offered to every Christian. In order for God's freedoms to become a reality, we must be willing to put God's principles into action by *making wise choices*. As a result of our obedience, we can enjoy God's blessings today. We suffer a great loss when we become *a forgetful people*.

A Forgetful People

As a result of the wise plans of the obedient servant Joseph, all of Egypt was saved from starvation (*see Lesson 6*). Egypt became extremely prosperous under his leadership. Joseph was a national hero! Upon the death of Joseph, “... *there arose up a new king over Egypt, which knew not Joseph.*” (**Exodus 1:8**) This new Pharaoh became fearful of the rapidly expanding size of the Jewish people. He was afraid that they might one day turn on him and join hands with one of his enemies to defeat him.

The Pharaoh of Egypt made the Israelites his slaves. He afflicted them with great burden by making them build his cities. He “... *made their lives bitter with hard bondage, in mortar, and in brick, and in all manner of service in the field: all their service, wherein they made them serve, was with rigor.*” (**Exodus 1:14**)

After years of being held in bondage as slaves, the children of Israel cried out to God to free them (**Exodus 2:23**). God called His servant Moses to go to Pharaoh to seek their freedom. Through God's miraculous power, the Israelites were freed (**Exodus chapters 3-14**).

1. Read **Exodus 14:11, 12**. Even after seeing the miraculous way that God had freed them from Egypt, what was the reaction of the children of Israel at the first test of

- their faith in God?
2. Read **Exodus 14:31 - 15:2**. As a result of God's faithfulness, how did the attitude of the Israelites change?
 3. Read **Exodus 15:24; 16:2, 8; 17:3; Numbers 14:27; 17:5**. What was the common attitude of the Israelites?

The Israelites were quick to forget the freedoms God had given them. At every test of their faith, they were quick to offer their God given freedom in exchange for their return to the sufferings of bondage to slavery.

Developing the Right Attitude

Developing the right attitude can only occur as a result of having the right convictions in your heart. "*For as he thinketh in his heart, so is he:...*"

Proverb 23:7. The choices you make in life (*wise or foolish*) will be a reflection of the strength of your convictions.

4. Read **Philippians 2:13-15**. Our testimony is displayed in our ***attitude (our true heart felt convictions)***. The development of a right attitude is dependent upon a growing knowledge of who God is and the capability of His power.
 - a. How should the Christian do all things and why? (vs. 14, 15)
 - b. In the midst of a crooked and perverse nation, what will be the result of our testimony? (vs.15)

Only with the *right attitude (convictions in your heart)* will God's freedoms become a reality in your life. As a result of your having the right attitude, you will have a tremendous opportunity to give testimony of Him to a needy world.

5. Read **Luke 16:13**. Jesus makes it clear that we must choose. He said that we must choose between what two things?
6. Read **James 1:8**. What happens to a person that lives without conviction and refuses to make a choice?
7. Read **Matthew 6:19-21**. What does Jesus warn us will result from the choices we make?
8. Read **II Peter 2:19**. Many have bought the lie that the things of the world can bring happiness. What does this verse say will happen as a result of our weakness?

Anything material (*houses, cars, boats, clothes, furniture, etc.*) that takes priority over God will put us in bondage to that thing. We begin to care more for the things in life than we do for people and our relationship with God.

The first sign of being in financial bondage is usually a decrease in our interest in spiritual things. This occurs first in our personal lives (*Bible study, prayer, giving*). It then spreads like a cancer into our relationships with our spouse and other members of our family. Almost simultaneously there is a decrease in church attendance and association with those still active in the church.

At first, we compromise or make excuses for our change in priorities. We may even try to fake it as a way of avoiding confrontation. But soon, our lives are noticeably filled

with worry where there was once peace, anger where there was once love, and greed where there was once contentment. As time goes on, we begin to move further and further away from God's plan for financial freedom.

9. Read **I Corinthians 3:3** and **James 3:16**. Explain what happens to the Christian when he/she becomes self-seeking?
10. Read **Luke 12:13-21**. What did Jesus say about hoarding and greed in the parable of the Rich fool?
11. Read **Psalms 73:2-3**. What can happen when we become jealous of others?
12. Read **Proverbs 23:17** and **I Timothy 6:6**. What instruction does the Bible give us in regard to envying others?

Wise Counsel - The Bridge to Independence

Many times for Christians, financial problems are not a result of their unwillingness to implement God's principles into their lives but rather an *ignorance* of the principles themselves. Until we are able to search out and find these principles, we might need to seek the counsel from those who understand and are actively applying these principles in their lives.

13. Read **Proverbs 14:15**. What is the advice of this verse?
14. Read **Proverbs 11:14; 12:15; 15:22**. What instruction does God's word give us about getting wise counsel?
15. Read **Proverbs 20:5**. What kind of person is able to make use of wise counsel?
16. Read **Proverbs 19:21**. The wise man seeks the counsel of others in order to ultimately determine what?

God gives *every* Christian the *opportunity* to walk in His freedom and His blessings. In order to turn this opportunity into a reality, we must make the choice to *learn* His principles and *apply* them to our lives. Through a changed attitude, we will begin to actually experience the wonderful blessings of God in every area of our lives.

Forgotten Freedoms - answers

1. They wanted to return to Egypt (slavery).
2. They feared the Lord, and believed the Lord, and his servant Moses.
3. Complaining, murmured, focused on self.
4. a) Without murmurings and disputing that you may be found blameless.
b) Shine as lights (giving testimony of our Savior) to a needy world.
5. God and mammon (money).
6. He/she is unstable in all his/her ways.
7. Our hearts will follow our choice "there will your heart be also".
8. We will be brought into bondage.
9. We become carnal (without Holy Spirit's Control), confused, evil.
10. It is foolishness. Life is more than the things we have. We should strive to be rich toward God. Life is too short to waste it.
11. We have a tendency to slip, fall away from our walk with God.
12. Do not let your heart envy sinners - seek godliness with contentment.
13. Don't believe everything you are told. Take the responsibility to know and learn.
14. There is safety in our plans with wise counsel.
15. A person with understanding.
16. The counsel of the Lord - God's will for our life!

Session 1 Auto “The Smell of New Leather”

Practical:

The #1 money problem in the lives of most Americans is **DEBT!** The number one consumer debt item that cripples most American households is the automobile. How much car can you *really* afford? Should you buy a used car, a new car, a new luxury car/sports car or just bum a ride everywhere you go? Should you pay cash, finance it with a minimum down payment or just lease it?

Auto dealerships have different means of earning a profit and you might be surprised when you see where they make their money. In an article published by Smart Money Magazine, it was reported that according to the National Auto Dealers Association, auto dealerships derive their profits in the following order:

1. Financing Contract (traditional or lease)
2. Shop Repairs
3. Extended Warranties
4. Sale of Auto

As you consider the method that you are going to use to acquire your next auto, take time to understand the consequences of your choice. Put your emotions aside and make a wise decision based on your needs and financial abilities.

Questions about Buying Autos

- **How much car can you really afford?**
- **Should you pay cash or finance your next auto?**
- **What about leasing it?**
- **What is the FREE CAR Program?**

How much car can you really afford?

The best way to answer this question is to take a look at your budget. What? You mean you don't have a budget? Well, I guess you'll need to put a budget together in order to answer the question. We'll get to that in Session 5. The rule you will learn in the budget section is that the combined percentages of your Net Spendable Income (more commonly known as "take-home" pay) for HOUSE, FOOD and AUTO should not exceed **65%**. So, if you live in a cracker box and your definition of fine dining is an evening out at Taco Bell, then you should be able to drive a relatively expensive auto for your income. My only warning is that you might never get out of that cracker box and forbid that Thanksgiving dinner consist of a burrito supreme. I should also remind you that your **monthly car payment** is not a part of your AUTO expenses. The monthly car payment (if you have one) should be listed separately on your debt repayment plan (which we will cover in Session 3). The AUTO category includes things like gas, oil, maintenance, insurance, etc.

In order to decide how much car you can really afford, you need to start thinking of purchase price rather than monthly payments. You need to look at your current financial situation and your goals for the future. Do you own a home or are you working on saving

the down payment for your first home. Which is more important to you? A down payment for a home that will appreciate in value or a shiny new auto that will eventually find its way to the nearest salvage yard. It becomes a matter of priorities.

The emotional love affair that Americans have with the automobile makes it extremely difficult to make a logical decision when searching for their next vehicle. I have seen couples on relatively modest incomes with excessive consumer debt justify buying or leasing a brand new luxury auto because they wanted something safe and reliable. Remember that I said , "**THERE IS NOTHING WRONG WITH BUYING A BRAND NEW EXPENSIVE LUXURY CAR AS LONG AS YOU CAN AFFORD IT!**" However, even if you can afford it, a one to three year old luxury car would be a better value when you consider the front end depreciation on new autos.

Should you pay cash or finance your next auto?

There are several things that you should consider before deciding whether to pay cash or borrow the money when you purchase your next auto. First there is the fact that an automobile is a disposable item. Everyday it becomes worth less and less until its only value is that of salvage. This is called **depreciation**. When you graph the depreciation curve of an automobile, you will discover that it is not linear. In other words, it does not depreciate in value an equal amount each year. Most of the depreciation occurs during the first few years of the cars life. According to consumer reports, a new car will depreciate approximately **40-60%** within the first 4 years.

For example, even with a car that has a relatively strong resale value, the results are still sobering. A 2001 Honda Accord has a MSRP of \$25,500 while a 1997 Honda Accord would sell for approximately \$13,000 or approximately 50% of the original sticker price. The rapid depreciation of new automobiles far exceeds the amortization period of normal auto loans of four and five years. When you finance an item that decreases in value faster than the loan is repaid you no longer have the collateral to repay the loan in the event you become unable to make the payments (unexpected job loss, etc.). This puts you in a position of "**surety**". This is also referred to as being "**upside down**" in the loan. Therefore, if you must finance your next auto purchase, do it in a way that will allow you to repay the loan faster than the value of the auto depreciates. This can be accomplished by getting a short term on the loan (1-2 years). Of course if the auto you purchase is used, the depreciation will be at a slower rate. However, many lending institutions are not always as generous when making loans for used cars as they are for new ones.

It is a common occurrence that the need for a replacement vehicle occurs before the money required to purchase it is available. The results are that you are forced to borrow the money to purchase the auto due to being unprepared. The problems start when you go shopping for an auto with a "**payment mentality**" rather than a "purchase price" mentality. This usually will result in the purchase or lease of a vehicle that is outside of your logical financial ability. In the years that follow as the car gets older and requires maintenance, the owner will still be making payments. Before long the emotional distress pushes the owner to consider another new replacement vehicle and the cycle starts over again. It is compounded when the old vehicle is traded-in for less than its value. This process continues to eat away at the financial health of even the most well intended person. This conditions you to believe that you will always have a car payment as long as you drive. It doesn't have to be this way.

You need to get into the financial position that will allow you to make a car payment to yourself and stop being a slave to the bank. To do this you must start with less expensive cars and work your way up.

What about leasing it?

Simply put, leasing is nothing more than another way to **finance** an auto. The major difference is that at the end of the term you have **NOTHING!** In effect you are **renting** your transportation.

Simply put, an auto lease is generally designed in such a way that the lease payments will cover the depreciation of the auto plus a profit. I doubt there are any companies that would be willing to lease you an auto knowing that they were going to lose money. With this in mind, according to consumer reports, a new \$18,000 auto will depreciate approximately 60% within the first 4 years. That would result in the value of the car dropping to \$11,000 by the end of the 4th year or a depreciation of \$7,000. If you leased the auto for 4 years, you can count on your lease payments being \$146 per month just to cover the depreciation. When you add all the extras (return fee, excessive wear, excess mileage, etc.) you can see that the cost to lease an auto will always cost you more in the long run.

Leasing has become popular because it offers the opportunity to drive a newer or more expensive auto for lower monthly payments than would be required if the same auto were purchased through traditional financing. The lease is a masterfully thought out business program that preys on the emotions of the average American who is living beyond his/her means. The wording found in the marketing plans is designed to make them sound like they are the right thing to do. For example, "SMART BUY" or "SMART LEASE" are names given to some of the newest efforts of dealers to cash in on those who live and die with a payment mentality.

Below is an example of the difference in cost of obtaining an auto using three different methods: Cash, Traditional Finance, Smart Buy (lease).

PAYMENT PLAN	CASH	FINANCE	SMART BUY
PRICE	\$15,040	\$15,040	\$15,040
MONEY DOWN	\$0	\$0	\$1,000
MONTHLY	\$0 per month	\$356 per month	\$283 per month
TERM	0 months	48 months	24 months
APR	0 %	6.5 %	10 %
LAST PAYMENT	\$0	\$356	\$9,920
TOTAL COST	\$15,040	\$17,088	\$17,429

NOTE: If you elected not to pay the final balloon payment on the Smart Buy lease plan, then you would be required to pay a **\$250** return fee in addition to any excessive wear charges and excess mileage charges over the allowed **15,000** miles per year (different mileage plans are available for an additional charge). Without including any excess charges the Smart Buy would cost **\$7,759** for 23 months which result in a per mile cost of **52 cents** ($\$1,000 + \$250 + [\$283 \times 23]$)/15,000. Doesn't sound too smart to me!

Session 1 Auto *“The Smell of New Leather”*

Review Questions:

How Much Car Can You Really Afford?

The maximum percent of the N.S.I. for HOUSE, FOOD and AUTO should not exceed _____ %.

When deciding on an amount to budget for AUTO, you must remember that the monthly car payment should be budgeted as consumer _____.

Should You Pay Cash Or Finance?

The value of a new car will depreciate _____ to _____ % in the first four years.

When you finance a new car, the loan value will be reduced _____ than the car will depreciate. This will put you into a position of surety.

Accumulating excessive debt begins when you shop for an auto with a _____ mentality.

What About Leasing?

Leasing is nothing more than an alternative way of _____.

The difference between traditional financing and leasing is that at the end of the lease you own _____.

In effect, you are _____ your transportation when you lease.

HOUSE

“Home Sweet Home”

Session 2

Session 2 House *“Home Sweet Home”*

Biblical:

"FINANCIAL FREEDOM - GOD'S WAY"

“If I were hungry, I would not tell thee: for the world is mine, and the fulness thereof.”
Psalm 50:12

Most people would agree that *freedom* means being able to do what you want, when you want. If applied to our finances, this would mean that we could have what we wanted, when we wanted it. One of Webster's definitions of being free even says, "*no longer burdened by obligation and debt...*".

Many people spend their lives pursuing this type of financial freedom. Of the majority who are unable to attain it, as they had hoped, many turn to easy credit as an alternative means of making their dreams come true. As a result, they are in effect exchanging their freedom for their infatuation with materialism. How foolish we are when we *buy things we don't need with money we don't have to impress people we don't know*.

1. Read **Proverbs 27:20** and **Ecclesiastes 4:8; 5:10 ; 6:9**. What do we learn about our ability to be *satisfied* with riches?
2. Read **Proverbs 23:4-5**. What happens to the riches that some labor so hard to get?

Warnings to the Rich

God is the giver of all riches and wealth. With the *right attitude*, a wealthy person can be a great blessing to the work of the Lord. But, there is a great danger when one is "*wanting of nothing*". It becomes extremely difficult to trust in God. It often takes a misfortune that money can not correct before the right attitude and perspective can be acquired.

Although there are many warnings given to those that God has blessed with wealth, *the Bible never says it is wrong to accumulate wealth*. God is only concerned with our **attitudes**. *Envy, hoarding, greed, and the lack of concern for the needs of others* are examples of the attitudes that God warns against.

3. Read **Ecclesiastes 6:1-2**. King Solomon, the wisest, richest, most influential king in Israel 's history was without a doubt, in the eyes of the world, financially free. To what did he compare the riches and wealth given by God?
4. Read **Luke 12:13-21**. *The Parable of the Rich Fool* was an attempt by Jesus to emphasize the dangers of hoarding and greed. It serves as a warning to those that are rich as well as to those that desire to be rich.
 - a. What was the problem with the *attitude* of the man who asked Jesus to help? (vs. 13)
 - b. It is interesting to notice that Jesus knew that the attitude problem with the man was common among us all. Who was the parable directed to? (vs. 15,16,17)
 - c. Jesus points out the vanity of the rich man's pursuits. Instead of laying up treasure for ourselves, what did Jesus suggest as the alternative? (vs. 20-21)

When we implement Biblical principles into our lives, as the result of our *heart felt*

convictions, we will then become rich toward God.

5. Read **Luke 18:18-27**. In *the Parable of the Rich Young Ruler*, Jesus knew, as with all wealthy people, that it is very difficult to develop the *right attitude*. As paradoxical as it may sound, it is usually the riches and wealth of a person that keep them from becoming financially free.
 - a. What kind of life had this man lived since his youth? (vs. 20,21)
 - b. What did Jesus tell this young man to do? (vs. 22)
 - c. Why do you think Jesus ask this man to do this?
 - d. What was the young mans response? (vs. 23)
 - e. Why do you think the man responded that way?
 - d. Summarize Jesus' comments after he heard the man's response? (vs. 24-27)
6. Read **Deut. 8:18; I Chron. 29:12; Eccl. 5:19; I Tim. 6:17-18**. Those with riches and wealth must always remember:
 - a. Where do the riches and wealth come from?
 - b. Where are they warned *not* to put their trust?
 - c. Where are they told to put their trust?
 - d. What should they be willing to do with their abundance?
7. Read **John 8:31-32**. For the Christian, where can *real freedom* be found?

We become a Christian by responding to an opportunity that God has made available to us through Jesus. When we decide to put our trust in God's Words concerning our finances it is likewise an act of our will. It does not mean that we can now sit and wait for God to bless us with great wealth. It means that we are now *ready to begin learning* what our position of responsibility is in regard to our money. It means that we have truly been convinced that, as the Creator, God's plan for our finances is in our best interest. It means that we are now willing and ready to *do our part!* As we transfer more and more of our trust in this area to Him, we will begin to develop a *new attitude* about what it means to be wealthy. As we begin to realize the reality of God's blessings, we will then see the lie that the world has believed concerning what *true financial freedom* is.

God Owns It All

The most important truth that the Christian must believe in is that ***God owns everything and the ability to have anything is given by Him and Him alone***. Without a genuine acceptance of this Biblical truth, the Christian can ***never*** have financial freedom.

With the *right attitude*; the poor or struggling family will continue to do all they can to improve themselves and be content; the middle class family will stop transferring their wealth to the banks by the means of borrowing and easy credit; the wealthy family will trust in God and not in their riches.

8. Read **John 1:3; Colossians 1:16-17; and Proverbs 22:2**. What did God make?
9. Read **Deut. 10:14; I Chronicles 29:11; Psalms 50:10-12**. What do these verses imply that God owns?
10. Read **Psalm 24:1 and 1 Corinthians 6:20**. Who owns **YOU** ?

We are not our own. *We are owned*. At birth, we become responsible to God. The Bible teaches that life on this earth can be orderly and meaningful only insofar as there is a

clear understanding of our relationship to God (*God is sovereign and man is subject to God*).

God owns our body, soul, mind and talents. Our refusal to accept God's ownership takes us out of His will.

Ownership Verses Stewardship

One of the best illustrations of the attitude that God is looking for can be seen in the *Parable Of The Talents*. Read **Matthew 25:14-30**.

11. What did the Man (*God*) give unto His servants (*us*)? (vs. 14)
12. How did the Man determine how many talents to give to each of the three servants? (vs. 15)
13. What did each servant do with the talent(s) he was given:
 - a. (Servant with 5 talents)
 - b. (Servant with 2 talents)
 - c. (Servant with 1 talent)
14. When the lord of the servants returned and saw what the servants had each done, what did he say:
 - a. To the servant with 5 talents?
 - b. To the servant with 2 talents?
 - c. To the servant with 1 talent?
15. What were the differences in the comments and the rewards given to the servant with 5 (*now 10*) talents and the servant with 2 talents (*now 4*)?
16. Who was given the last servant's one and only talent and why?

God owns it all, even you! ***We own nothing!*** We are only *managers (stewards)* of what God has given us. Webster's dictionary defines a "steward" as "*one who manages another's property*". God decides what we are to manage based on our abilities (*both God given and acquired*). Just as with the servants, God is concerned with our *attitude* and our *motives* rather than the money itself.

As could be seen by the rewards given to the first two servants, the amount of money was not important. They *both* had the right attitude and did the best they could with what they had. ***Their reward was the same.***

After he had seen what the first two servants had done, he said the same thing to both of them; "*...thou hast been faithful over a few things, I will make thee ruler over many things...*". Because of their faith, they could now be entrusted with more responsibility. They were then told that they could now "*...enter thou into the joy of thy lord.*"

This Parable of the Talents shows us that *true financial freedom* is achieved when we acknowledge God's ***total*** ownership and accept our appointed position as stewards (*managers*).

Financial Freedom God's Way - answers

1. The eyes of a man are never satisfied with riches!
2. Riches fly away (are temporary)
3. An evil or evil disease (riches can be as a cancer)
4.
 - a) Greed
 - b) Those that were gathered near by - not only the man
 - c) To be rich toward God
5.
 - a) A good life; obeyed the commandments of God
 - b) Sell all that you have and distribute it to the poor and follow Him
 - c) To test the man of where his true love was
 - d) He was very sorrowful
 - e) His heart was not right. He could not transfer ownership of all to God.
 - f) Jesus knew the man's heart. He knew that he loved his money more than God. Jesus illustrated how money can rob us of the true riches
6.
 - a) God
 - b) Uncertain riches
 - c) The living God
 - d) To do good works and be willing to distribute to others as God leads
7. The Truth
8. Everything - God owns it all!
9. God made ALL things!
10. God owns you
11. Talents
12. Based on their abilities
13.
 - a) Invested - doubled it
 - b) Invested - doubled it
 - c) Did not invest it - stayed the same
14.
 - a) "Well done, thou good and faithful servant: thou hast been faithful over a few things, I will make thee ruler over many things: enter thou into the joy of thy lord."
 - b) Same as the first servant
 - c) "Thou wicked and slothful servant,..."
15. None
16. The first servant (the one with the greatest ability).

Session 2 House *“Home Sweet Home”*

Practical:

The largest single purchase that most families make will be a house. The most frequently asked question is, “How can I decide how much house I can afford to purchase?” The warning I give is that if you don't compute what you can afford **BEFORE** you go house hunting, you can be almost guaranteed that you will purchase a home that puts your household finances in a great bind. This is a very common mistake made by the prospective home buyer when they let the bank/lending institution qualify you for what you can afford. **REMEMBER...THEY ARE IN THE BUSINESS OF SELLING DEBT!** They will qualify you for as much as possible (usually 28-33% of your Gross Pay). That amount far exceeds the amount that will allow you to have a workable budget and continue to save money monthly.

Questions about House

- **How much house can I really afford?**
- **How much should I put down as a down payment?**
- **How many years (term) should I finance my house?**
- **Should I pay my mortgage off early?**
- **Should I pay someone to set me up on a bi-weekly payment schedule?**
- **Should I refinance?**

How much house can I really afford?

A house is the most expensive purchase that most people will ever make. The total monthly expense required to purchase and maintain a house accounts for the largest single line item in the personal budget. When too much house is purchased, it has the potential to wreck a families financial situation. It is therefore imperative that you accurately calculate how much house you can afford **BEFORE** you go house hunting.

In the classical scenario, a couple (or single person) will initiate their search for the single family home based on emotions and hope. Dreams of a comfortable nest that they can call their own and be proud of and the hope that the bank will lend them the money to make it all come true is usually justification enough to call a realtor and begin the hunt. The realtor will attempt to size up your interest, desires and financial capabilities and direct you towards your maximum potential (remember, the realtor gets paid a % of the **purchase price**). The lending institution will also attempt to fit you for the maximum loan possible even if the fit is more like a chain and ball (remember, the lending institution is **SELLING debt**).

The cute little story about house hunting ends with a beautiful house being **SOLD** (as apposed to being bought) to a poorly prepared buyer with a monthly payment for principle, interest, taxes and insurance (P.I.T.I.) that is at the absolute maximum. Then comes "the rest of the story....". The next step is to personalize and equip our little castle with window coverings, furniture, lawn equipment, landscaping, etc., etc. Having barely been able to scrape up a small down payment, the only possible way to pay for all this extra stuff is with debt (credit cards). Oh but don't worry, we **BOTH** expect to get raises soon and that annual bonus is only a few months away. And the story goes on with many

unexpected financial surprises which result in stress and argument that quickly turns the castle into a dungeon (go check out the video "Money Pit" for a comical view of this serious problem).

So what is the solution? The first step is to develop a monthly budget and calculate how much you can really afford to pay. Start your house hunting journey equipped with the knowledge of what will work for you and hire a realtor that will work for you not against you. When the journey comes to an end, you will be proud that you made a wise purchase and a good investment that you can afford. As your financial situation improves, you will be able to build strength and move up in housing if you so desire. You must take control rather than letting those who are NOT concerned about your future use you to make their lives better.

The standard loan limit for most lending institutions is 28-33% of your GROSS income (depending on outstanding consumer debts). I highlight gross income because if you are inclined to make charitable contributions or pretax savings then you will come to find that the standard loan limits will result in your financial demise. The number you must focus on for all calculations is Net Spendable Income (N.S.I.) or take home pay. This is the amount that remains after all taxes, contributions, and pretax withdrawals have been made. You can only spend 100% of these dollars each month and no more.

I recommend the HOUSE category to be **limited to 30-40% of N.S.I.** When 40% is exceeded you will have difficulty making a budget work. When the total percentage for the big three (house, food, auto) exceeds **65%** of your N.S.I. your budget will usually not work. I would start with **25-30% for P.I.T.I. and 5-10% for other HOUSE items** such as utilities, lawn care, maintenance and other HOUSE related expenditures.

The bottom line is that you MUST be disciplined to calculate the amount of HOUSE you can afford BEFORE you go shopping. It will make the difference between having a life and being HOUSE poor!

How much should I put down as a down payment?

In our debt ridden society, very few people are able to put their hands on a large amount of cash. If asked to write a check for \$1,000 today, the majority of Americans could not do it. Mortgage lenders know this and have devised several ways to get your debt business even though you are low on cash for a down payment. Down payments range from 5 % to 20 % or more. These loans are available in all forms and formats. But again, I remind you that lenders/banks are in the business of selling debt. Be disciplined enough to know when the time is right for you to buy that house based on a solid financial plan.

When a mortgage lender allows you to borrow a large percentage of the total value of the house you are purchasing (more than 80%), they require you to pay for insurance that will protect them in the event that you default on the loan. This default insurance is called Private Mortgage Insurance (P.M.I.). If however your down payment is 20% or greater, then you are not required to purchase P.M.I. **P.M.I. insurance typically cost approximately \$75/month per \$100,000 borrowed.**

The only way to have the P.M.I. dropped from your monthly payments once it has been added is to prove to the lender that the amount owed on your house is equal to or less

than 80% of the current market value (this is referred to as a loan to value of **20%**). This can be done with a new **appraisal** of your property. The time required to build the required 20% equity will depend on the amount of your original down payment, the amount paid on the principle balance of the loan and the appreciation/depreciation of your house since it was purchased.

If at all possible I strongly recommend that you wait until you have a 20% down payment prior to taking out a mortgage loan. It is one more step in the right direction and proving to yourself that you are in control. Be patient!

How many years (term) should I finance my house?

I recommend that when you first start to crunch the numbers that you start with a term of 15 years. This will insure that your house debt is retired in time to make some serious progress towards long term savings goals. It will also allow for a more comfortable standard of living. If your HOUSE needs are large and income low then you might be required to opt for a 30 year term with a plan to make additional payments as your income allows. This of course requires extreme discipline for most and without a monthly budget it will be next to impossible.

How does a 15 year term vary from a 30 year term? The interest rate on a 15 year term will usually be lower (approximately **1/2%** lower than a 30 year) and the monthly payments will increase by only about **20-30%**. The **total** amount paid on a 15 year will be considerable less than a 30 year. Below is a chart of the differences.

LOAN	TERM	RATE	PAYMENT	TOTAL PAID
\$100,000	30 YEAR	7 %	\$665	\$239,400
\$100,000	15 YEAR	6.5 %	\$871	\$156,780
DIFF =	-15 YEARS	-.5 %	+\$206	-\$82,620

A **\$200** increase in your monthly payment results in an overall savings of over **\$80,000!** That's not too bad.

Should I pay my mortgage off early?

We live in a society that considers debt to be normal and is willing to accept the longest term possible. Just to give you a comparison as to how our society has changed, in 1929, 2% of the American homes were mortgaged while 98% were owned without debt. By 1962, 98% were mortgaged with only 2% being owned debt free.

The question always comes up, "what about the tax write off that I get from my mortgage loan?" The first rule to live by is "**NEVER KEEP AN EXISTING DEBT BASED SOLELY ON THE TAX CONSEQUENCES**". Sure, the small tax deduction you get is a great thing but it does not justify keeping the debt.

Many people don't understand how the tax deduction is computed. Let me explain. Assume your mortgage payment (P.I.) is \$1,200/mo. Approximately \$200 is applied to the principle and the remaining \$1,000 goes to pay the interest on the loan (as the loan is

repaid, this ratio will change). The amount that you are allowed to deduct from your earned income at the end of the tax year is equal to your **tax rate** times the interest paid. For example, if you are in a 30% tax bracket (round number), you would be allowed to deduct \$300 from your earned income. In effect that \$300 deduction cost you \$900 in payments to the bank. Once your mortgage is paid, you will be able to keep the money you paid the bank resulting in an increase in cash flow into your budget of approximately \$800. At this point you could even give the \$1,000 you were paying in interest to a charitable organization and continue to get the \$300 tax deduction.

The illustration above shows that while the tax deduction allowed on your mortgage interest is a good thing, it is not justification to keep the debt. You would realize an **increase** in cash flow into your budget if your mortgage loan was paid in full. Having said that, the mortgage loan should be one of the last debts that you focus on. The primary focus is always on consumer debts (services or items that go down in value or have been used or consumed that have been purchased using debt).

The goal with a mortgage loan is to at least be able to pay it off before you reach the age of retirement or reduced earning capacity. But better yet, to pay it off in time to maximize your savings for retirement so as not to be dependant on relatives or welfare. The shorter the term of the loan the faster you will reach your goals. Your income level and HOUSE requirements (determined by your budget) are the variables that determine what an acceptable mortgage payment should be.

Below is a chart that will show you how you can dramatically change the length of your mortgage with a relatively small additional payment to your principle (all of the rates are computed at 7%).

LOAN	TERM	PAYMENT	INCREASE	NEW TERM
\$100,000	30 yrs	\$665	\$50	24.75 yrs
\$100,000	30 yrs	\$665	\$100	20.6 yrs
\$100,000	30 yrs	\$665	\$150	18 yrs
\$100,000	30 yrs	\$665	\$200	16 yrs
\$100,000	30 yrs	\$665	\$250	14.5 yrs

As a word of encouragement, anyone who has a mortgage that is within their means, is willing to apply the necessary discipline and live by a monthly budget can be **TOTALLY** debt free in 10 years!

One last comment about paying your mortgage off early. Some would argue that the additional dollars used to pay off your mortgage would be better used if invested at a higher interest rate than that of your existing mortgage rate. This always sounds good on paper but in reality there are several variables that are not always factored in. First, the rate that you pay on your mortgage is RISK FREE. This means that for every dollar that you pay on your mortgage debt, you are in effect guaranteed a rate of return equal to your loan rate. **Risk** is often an overlooked factor when considering an investment. There are also the tax consequences of capital gains to consider. Another small consideration is that when your mortgage debt is retired, your life insurance requirements can be reduced.

And then there is freedom and peace of mind which in my opinion and has been my experience, far exceeds any potential financial considerations.

Should I pay someone to set me up on a bi-weekly payment schedule?

Before you pay someone to do something for you that you can do for yourself, just send your money to me and I'll do it for you. All of the bi-weekly payment plans charge a fee for their service. You can do the same thing for yourself just by making an additional principle payment to your mortgage either monthly or periodically throughout the year. The effect on the term of the mortgage is the same. Making a bi-weekly payment is approximately equal to making an additional payment once a year.

Should I refinance?

You should consider refinancing if you plan to stay in your home longer than the number of months required to **break even** on the cost required to refinance. The closing cost will be approximately **2-3 %** of the loan amount. To calculate your break even point use the example below:

Loan Amount	\$100,000
Current Loan Rate	8 %
Current Principle and Interest Payment (P.I. only)	\$733
New Loan Rate	7%
(Minus) the new Principle and Interest Payment	\$665
Equals your Monthly Savings	\$68
*Closing Cost divided by Savings = months to break even	30.88 months

* Assume a closing cost of \$2,100 or 2% of the \$100,000 loan amount.

The lower the new loan rate is the greater the savings that will be realized and the shorter the time until break even on the cost to refinance. In the above example, a one point reduction in the loan rate would require almost a three year commitment before breaking even.

If you are considering whether to refinance or not, you might want to look at the possibility of keeping the same **payment** and **reducing** the term. This will result in major savings as outlined in the examples given above.

Session 2 House *“Home Sweet Home”*

Review Questions:

How Much House Can You Afford?

Determine how much house you can afford _____ you go looking!

The maximum percent of your Net Spendable Income that you should budget for HOUSE is _____ to _____ %.

The primary business of lending institutions is selling _____.

A realtor is paid based on the _____ price of the house.

When the total percentage of N.S.I. for House, Food, and Auto exceeds _____%, you will have extreme difficulty making your budget work.

How Much Should I Put Down?

A down payment of at least _____ % will keep you from paying Private Mortgage Insurance.

To get the lender to drop the P.M.I. requires that you prove that the loan to value is at least _____ %. This will require you to get a new _____.

What Term Loan Should I Use 15/30?

The loan rate for a 15 year loan verses a 30 year loan will be approximately _____ % less.

The monthly payment would increase _____ to _____ %.

The big savings would be realized as a result of the _____ paid.

Should I Pay My Mortgage Off Early?

Never keep an existing debt based solely on _____ consequences.

The amount of the interest payment that you are allowed to deduct from your earned income is equal to your _____ rate.

The cash flow into your budget will _____ if you pay your mortgage off.

The one variable that is often not considered when looking at an investment as apposed to reducing your mortgage is _____.

Should I Refinance?

The closing cost required to refinance is approximately _____ to _____ % of the loan value.

You should consider refinancing if you plan to stay in your home longer than the number of months required to _____ on the cost required to refinance.

If you are considering refinancing, you might want to keep the same _____ while _____ the term of the loan.

DEBT

“Free to Serve”

Session 3

Session 3 Debt “Free to Serve”

Biblical:

“Living Without Debt”

“The rich ruleth over the poor, and the borrower is servant to the lender.”

Proverb 22:7

Debt is the most common way that people get themselves and their families into financial bondage. Believe it or not, living without debt is possible - even today. The Bible even tells us that it is God's plan for the Christian to live debt-free.

To Borrow or Not To Borrow

Does the Bible say that it is wrong to borrow money? No. The Bible does not prohibit the Christian from borrowing. However, it does teach that it would be better if you didn't.

1. Read **Deuteronomy 15:6; 28:12**. These verses show that borrowing is not prohibited. What do these verses say is God's plan for the Christian in regard to borrowing?
2. Read **Matthew 5:42** and **Luke 6:34-35**. What did Jesus say was even better than being a lender?

Two Rules To Remember - If You Plan to Borrow

RULE #1

It is your responsibility to repay IN FULL what you owe.

3. Read **Ecclesiastes 5:5**. Just as when we make a vow to God, what should be our commitment to our debtor?
4. Read **Psalms 37:21**. Who borrows and does not repay?
5. Read **Proverbs 3:27-28**. What is your responsibility to your creditors?

During difficult times, it becomes a true test of our trust in God to do what is right. In an effort to guard ones assets, there is sometimes the temptation to withhold from paying debts. Because of a sinful attitude, Chapter 13 bankruptcies have become a very popular and socially accepted way to be forgiven of large amounts of unsecured debt. The sole purpose for a bankruptcy should be to provide you more time to repay your creditors - not simply to allow you to be forgiven of the debts.

6. Read **Proverbs 22:1**. Many people will do almost anything to get ahead or stay ahead financially. What is more important than financial gain?

When we borrow, we must repay. It is a sin for us to think otherwise - even in times of hardship. We must remember, if we choose to borrow, God requires us to repay it in full.

It is our moral and spiritual responsibility.

7. Read **Romans 13:8**. When Paul was talking about our responsibility to pay taxes, he highlighted a very important principle. What did he say would be the best relationship to have with our neighbors in regard to debt?

RULE #2 **NEVER become “*Surety*” for your debts.**

Webster's Dictionary defines surety as; “*something that gives assurance, as against loss; one who makes himself responsible for another.*”

Surety results when you borrow money to purchase an item or service that is consumed or depreciates. This results in a debt that can not be paid by returning the item that was purchased.

Examples of ways you can become surety for a debt are:

- a) Owing more for an auto loan than the car is worth without adequate cash reserves;
- b) Buying clothes, food, gasoline, furniture, or other consumable goods on a credit card and paying other than the full amount due (i.e. paying only minimum due) without adequate cash reserves;
- c) Co-signing with someone for a loan without adequate cash reserves.

Let's assume that after three years, you owe \$5,000 on a car loan but the value of the car is only \$4,000. If you have \$1,000 or more available in cash, you would not technically be in surety for the loan. As long as you have an absolute certain way to repay the loan, you avoid becoming surety.

When you become surety for your debts or for the debts of another, you are personally taking responsibility to pay the debt without the collateral to back it. Becoming surety for a debt is in violation of Biblical principles.

8. Read **Proverbs 6:1-2**. What happens as a result of becoming surety for your friend (*co-signing*)? (vs. 2)
9. Read **Proverbs 11:15**. One who is surety for a stranger shall smart (*suffer*) for it. What happens to the one who hates suretyship?
10. Read **Proverbs 17:18**. What kind of man striketh hands and becomes surety in the presence of his friends?
11. Read **Proverbs 22:26**. Plain and simple, what does the Bible say in regard to becoming surety for a debt?

The Dangers of Debt

The American people have become comfortable with an alternative means of satisfying their obsession for the "things" they want by taking advantage of easy credit. *The danger occurs when the credit turns into debt.*

From 1930 to 1940, debt was virtually nonexistent. From 1950 to 1960, banks began to loan money for the purchase of homes. From 1960 to 1970, we began to see financing for autos. During the '70s, '80s, and '90, the use of credit was made available for almost anything. Credit card debt alone grew 221% from 1983 to 1993.

Thomas Jefferson once said, "*I place economy among the first and most important virtues, and public debt as the greatest dangers.*"

12. Read **Proverbs 22:7**. What is the greatest disadvantage and danger of borrowing money for any reason?

Easy credit makes it difficult for the Christian to trust God. Instead of waiting for God to supply the means, we go borrow the money and get the things we want. Instead of praying about every purchase, we respond to our emotions as we follow the secular world down the path of destruction. Our *pride* demands that we have the new cars, stylish clothes, and homes that exceed our budgets.

13. Read **Proverbs 16:18**. What will be the result if we respond to our prideful demands?
14. Read **Proverbs 13:22**. The Christian who chooses to live in separation from the wisdom of God's Word will reap the results. The results of being surety, defaulting on loans and other unwise and sinful practices will result in much suffering. Who will end up benefiting from the mistakes of the foolish?

Becoming A Wise Saver

An important part of a wise budget plan is savings. We save to be able to *provide* for ourselves and our families, not *protect* them. We trust God to protect, but He warns us that it is our responsibility to provide for our families within our abilities (**I Tim. 5:8**). There will always be unexpected financial requirements. A wise plan will include a reasonable amount of funds set aside to provide for most unscheduled expenses.

15. Read **James 4:13-14**. Savings put aside for emergencies maintains flexibility in our budget. What do these verses tell you about the certainty of tomorrow?
16. Read **Proverbs 21:20**. The wise man has a plan. The fool lives for today. Describe how this verse compares the wise man to the foolish man?
17. Read **Proverbs 27:12**. We must expect that life is filled with unexpected events and occurrences. What happens when we choose to disregard this known fact?

Giving God His Place

Before we call upon the secular world to supply our needs, go to God. As we learn to transfer more and more of our trust to Him, we will see His faithfulness to us as He promised.

When we borrow from the world, it puts us into a servant relationship to those who do not follow God. Take your needs to the Lord and to your church. Remember, *where there is a lack, there is an abundance*. Give God the opportunity to make your life a testimony by trusting Him for everything.

18. Read **Psalm 50:15; Philippians 4:6,19**. What does God want us to do when we have needs?

Debt robs more people of their freedom than anything else. In most cases, debt is not necessary. Debt is usually a voluntary act of imprisonment. *Yes, you can live without debt!*

Formula for Getting Out Of D-E-B-T

D-iscipline in your actions

E-xcellence in your attitude

B-udget all your resources

T-ime will pay your debt

Living Without Debt - answers

1. Not borrow but be lenders.
2. Lend not hoping to get it back; be givers.
3. Always repay if you borrow.
4. The wicked.
5. Pay them what you owe.
6. A good name.
7. Owe no man anything.
8. You become snared (trapped).
9. He is sure (safe).
10. A man void of understanding.
11. Don't do it!
12. The borrower becomes a servant.
13. Destruction and fall.
14. The just man.
15. We do not know what will happen tomorrow.
16. Treasure in the house of the wise; the fool spends it up.
17. We are punished.
18. Call upon God; let your request be made known to Him.

Session 3 Debt “Free to Serve”

Practical:

The sad truth is that most Americans have been conditioned to believe that debt is a **normal** part of life. Since the late 1960's (when the credit card was introduced), DEBT has become a product that has been aggressively **marketed**. Millions of Americans surrender daily to the bait laid in the trap by marketing professionals whose #1 goal is to make you feel good about becoming a slave to debt. For example, most Americans today feel that the only way to purchase an automobile is with debt (payments). The question asked today is not, "Can I buy the item?" but rather, "Can I make the payments?".

Credit is the means to pay **later** for goods or services obtained **now**. When the privilege of credit is accepted to purchase an item or a service a **debt** is incurred. With the ease of obtaining credit, Americans are pumping up their current lifestyles in exchange of their future financial well being. Debt has become the cancer that is claiming the financial lives of many households across America.

Statistics tell us that the average American is spending 10% more than they make each month. With **70% of all Americans living paycheck to paycheck**, it is only a matter of time until their debt becomes unmanageable. This voluntary financial demise that results in the lives of those who choose to live beyond their means has resulted in the skyrocketing increases in filings for personal bankruptcy. In 1999, 1.3% of all households in America filed bankruptcy. That is up from .8% only five years earlier in 1994.

Are you getting calls from creditors or collectors about past due accounts? Learn the law and how you are protected from harassment by referencing the link on the website to the Fair Debt Collection Practices Act in the DEBT section.

Are you considering filing bankruptcy? Before you jump, calm down and get a little education. You will not be sent to prison for not paying your bills (there is no debtors prison in the U.S.). Most people who file bankruptcy are not bankrupt. (See the link to Bankruptcy Law in the DEBT section of the website)

If you answered "yes" to either of the questions above, you must do the following things immediately:

1. Close all credit card accounts with balances, cut up the cards, STOP trying to borrow your way out of debt.
2. List all of your creditors and the balances you owe them starting with the lowest balance at the top of the page and the minimum payment required by each creditor to keep the account current (use the Form 5).
3. Attempt to reduce high interest rates by rolling existing balances to lower rate offerings (check your mailbox for the best offers). Call your existing creditors and attempt to negotiate a lower rate.
4. Put together a bare-bones monthly budget plan listing *only* the total minimum payments required for all of your debts on the line for debts (this will be covered in the BUDGET session). The main purpose for the budget is to protect your savings.

5. Follow the 5 step plan for "What to do with my savings" (this will be covered in the SAVING session).
6. Sell any items around the house that are collecting dust that can be used to help speed up the process (boats, campers, guns, motorcycles, etc.). Pick up more hours at work. Get a temporary part-time job.
7. If you are married, hug your wife/husband and tell her/him that you love them and that *together* you are going to walk out of the mess that either you created or that has come your way as a result of circumstances that were beyond your control.
8. Pray and ask God for grace and wisdom as you put together a recovery plan and begin the journey towards a great future that awaits you!
9. Provide for your family **FIRST** and then pay your creditors.
10. Don't let anyone take your **HOPE** away, this too shall pass (Proverb 13:12)!

Total consumer debt has been soaring. From 1999 to 2001 it was up 25%. Revolving debt (mostly credit cards) has climbed nearly 30% during the same time period. The debt service burden of consumers (payments on installment and mortgage debt as a share of after-tax income) has risen from 13.79% in the first quarter of 2000 to 14.35% in the first quarter of 2001. This is close to an all time record of 14.38% set in the fourth quarter of 1986.

The consumer's non-mortgage debt level as a percentage of income stands at a record-high level after adjusting for home equity lines and automotive leasing. Both of these sources of debt are not included in the government's statistics. We believe that the consumer is nearly "tapped out", which is evidenced by the recent dramatic increases in delinquency levels and slowing retail sales. Housing has been flat-to-down over the last several months, even though long-term interest rates are two full percentage points lower than last year. The consumer has been able to continue piling on debt which has delayed defaults (until recently), as credit card issuers have advanced more and more credit to seemingly "anyone with a pulse".

If you have become a slave (Proverb 22:7) to your creditors, it's time that you make the bold step of performing "PLASTIC SURGERY". Decide now that you are going to take control and begin your journey towards a debt free life! **IT CAN BE DONE!**

In this session, I will highlight most of the classical forms of consumer debt that you should avoid. Stop being taken advantage of and begin your journey towards becoming **DEBT FREE!**

Types of Consumer Debt

- **Credit cards**
- **Home equity loans**
- **Finance companies and thrifts**
- **Friendly loans and co-signing**
- **Debt consolidation**

Credit Cards

There are 7,000 institutions issuing credit cards (Visa, MasterCard) in the United States, 30,000 different credit card programs (Visa, MasterCard, Discover, American Express

and Diners Club), 200 million new credit cards issued in 2000 with an average charge per transaction (Visa, MasterCard) of approximately \$70.00. Source: CardWeb.com, Inc.

The average interest rate charged on credit cards is approximately 14% with the highest credit card interest rate being charged by CompuCredit at 41%. In 2001, the average U.S. household with at least one credit card owed \$8,562, up from \$2,985 in 1990. The average credit card holder has 6.5 credit cards while the average number of cards per household is 14.3. Source: CardWeb.com, Inc.

How much does your credit card cost? Did you know that making the minimum payments on a \$3,000 balance carrying an 18% APR will take 431 months (almost 36 years) to pay off and cost you \$7,511.74 in interest? WOW! That is what I call prison! And just think, you did it voluntarily! Source: CardTrak

Some of the common rationalizations that are used to justify credit cards:

1. Must have a credit card to **cash a check**.
2. Must have a credit card to **rent a car**.
3. Must have a credit card to **rent a motel**.
4. Must have a credit card for **business**.

Each of the above needs can be satisfied with a debit card. However, there are some car rental companies that do not accept debit cards.

Even for those who claim to pay their credit card balances off each month, there is still the hidden danger of over spending. Surveys prove that when plastic is used **54%** more is spent for food items and **12 to 18%** more for non-food items. A credit card provides a great convenience but the same convenience is available with a debit card. The most important concern with spending money is when it is impulsive and unmonitored. No matter whether your purchases are made with cash, check, debit card or credit card, the only way to stop impulsive spending is when all of your purchases are for budgeted items. A monthly budget provides a means of control and accountability.

A very simple test that you can give yourself to determine if you should have a credit card consist of two questions.

1. Are ALL of your credit card purchases for **budgeted** items?
2. Do you **ALWAYS** pay your credit card bill in full on the date it is due?

If you answered no to either question above, you failed the test and should conduct PLASTIC SURGERY on both his and hers credit cards.

Home Equity Loans

Equity is computed by subtracting the amount owed from the market value of your house. For example, if the market value of your house is \$150,000 and you owe \$100,000, then your equity is equal to \$50,000. The job of many lending institutions is to find a way to convince you to pay them a fee and interest to help you spend your hard earned equity.

There are several creative schemes that have been devised to help you turn your equity into debt. One such way is a credit card that is tied to the equity in your house. As you use the credit card, the debts are paid with your home equity (until it is gone). Another program I have seen allows the home owner to use their equity to purchase an automobile. There is nothing like taking money that is appreciating and purchasing something that goes down in value like a rock. You might ask, "What have I got to lose?" You could lose **your house!**

The bait used to attract many people into the home equity trap is that the debt is **tax deductible**. As it was discussed in the section on HOUSE, the deduction only applies to the interest portion of the loan and does not justify the cost of the debt. These type of loans have **high** interest rates that normally **float** (fluctuate with the economy).

Finance Companies and Thrifts

Finance companies and thrifts are the ultimate "rip-off" when it comes to lending money. These companies specialize in **high** risk loans and charge extremely **high** interest rates! Depending on state regulations governing interest rate caps, these loans can be **20+%**. The bait used for many of these loans is **90** days same as cash. They prey on the needs of those who live paycheck to paycheck with poor credit. Be aware that on the 91st day of the loan you will be charged interest for the previous 90 days if the loan is not paid in full.

Friendly Loans and Co-signing

One of the best ways to lose a friend or strain a relationship is to **borrow** money from a friend or family member. You would be better off just giving the money to the friend or family member.

When it comes to co-signing on a loan with a friend or family member, **NEVER** do it! When you co-sign with someone **you** are in effect borrowing the money. If your friend or family member defaults on the loan, you are 100% liable. This has the potential of destroying the relationship (Proverb 17:18; 22:26)

Debt Consolidation

Lenders who market debt consolidation loans normally pay all of your bills off and then let you pay them, plus a **fee**. This method might **decrease** the number of checks you write monthly but will in most cases **increase** the number of months you write the checks. The bait used for this type of loan is "**one** easy payment"! Debt consolidation does not eliminate the debt, it merely juggles it around. This method of getting out of debt should not be used (even if it is at a lower interest rate) until the **spending** problem is corrected. (see WARNING about credit-counseling agencies on the website)

Session 3 Debt “Free to Serve”

Review Questions:

I. Credit and Debt:

Credit is the means to pay _____ for goods or services obtained _____.
(Buy now, pay later encourages impulsive purchases.)

When the privilege of credit is accepted to purchase an item or a service a _____ is incurred.

Debt is a product that has been aggressively _____ since the late 1960’s!

The sad truth is that most Americans have been conditioned to believe that debt is a _____ part of life.

With planning and sacrifice, you can live a life that is debt _____!

II. Types of Consumer Debt:

A. Credit Cards (Credit Card Rationalizations:)

1. Must have a credit card to _____ a _____.
2. Must have a credit card to _____ a _____.
3. Must have a credit card to _____ a _____.
4. Must have a credit card for _____.

“But I pay my credit card bill off monthly!”

Surveys prove that when plastic is used _____% more is spent for food items and _____% more for non-food items.

Two test questions for credit card ownership!

1. Are **ALL** credit card purchases for _____ items?
2. Do you _____ pay the bill on the due date?

(If you answered **NO** to either question, **PLASTIC SURGERY** is a must for you!)

B. Home Equity Loans

Equity is computed by subtracting the amount _____ from the market value of your house.

What have you got to lose? _____

The bait used for this trap is _____.

These type of loans have _____ interest rates that normally _____ (while you sink!).

C. Finance Companies and Thrifts

These companies specialize in _____ risk loans and charge extremely _____ interest rates!

Depending on state regulations governing interest rate caps, these loans can be _____%.

The bait used for many of these loans is _____ days same as cash.

D. Friendly Loans and Co-signing

The best way to loose a friend or strain a relationship is to _____ money from a friend or family member.

Never, never, never co-sign! When you do, _____ are borrowing the money!

E. Debt Consolidation

Lenders who market debt consolidation loans normally pay all of your bills off and then let you pay them plus a _____.

This method might _____ the number of **checks** you write monthly but will in most cases _____ the number of **months** you write the checks.

The bait for this loan is _____ easy payment! “Let us help you.”

Debt consolidation does not eliminate the debt, it merely juggles it around. It should not be used (even if it is at a lower interest rate) until the _____ problem is corrected.

INSURANCE

“Managing the Risk”

Session 4

Session 4 Insurance *“Managing the Risk”*

Biblical:

“WHY MONEY?”

“He that trusteth in his riches shall fall: but the righteous shall flourish as a branch.”

Proverb 11:28

Money in itself is only as valuable as the paper (*or plastic*) it is written on. The *value* of money is in its ability to be traded for needed items (*food, clothes, homes, cars, etc.*). Because of our limited ability to exchange services and goods (*barter*), we have grown dependent upon money to have the things that we need.

Since it first began being used, many people have grown to accept the attitude that money brings happiness. They believe that it is the pleasures that money buys that brings happiness. Jesus spent much of his time trying to convince people of just the opposite. It may bring temporary satisfaction through the enjoyment of pleasure, but money never has nor will it ever bring *true* happiness. Although the people of Jesus' time were basically poor, Jesus knew that money was the one thing that they all had in common. Money and wealth became an excellent tool for Him to use to get their attention as He taught about the kingdom of God. Of Jesus' 39 parables, over half of them use money or work as a teaching tool. All but one reference to The Kingdom of God begins with a parable about money. *Jesus knew that as long as people felt that money would bring happiness, they would never be in a position to receive His blessings.*

The Blessing of Provision

Material Provision:

Because of a lack of faith and trust in God as The Provider, those with an abundance fear losing their wealth; those that live on little worry about having enough. The results are that both rich and poor live a life of bondage. With the *right attitude*, God's Word can point every Christian (*rich and poor*) to a life filled with peace and financial freedom through His promise of the blessing of provision.

1. Read **Matthew 6:25-34**.
 - a. What does Jesus tell us not to worry about? (vs. 25)
 - b. How did Jesus use the fowls of the air as an illustration? (vs. 26)
 - c. What did Jesus indicate keeps us from trusting Him like we should? (vs. 30)
 - d. Is your need so specialized that God is unaware of it; what did Jesus say?
 - e. What did Jesus say was our first and most important responsibility to insure that our needs were met?
2. Read **Matthew 7:11**. How does Jesus compare God to an earthly father?

Attitude of Contentment:

We often want to believe that God's blessings in return for our obedience will come in the form of material gain. God wants us to see that His blessings **far surpass** the *temporary*

pleasures of materialism. He warns us of becoming blinded by the world's shallow understanding of true blessing. God has an individual plan for each Christian's life. You must come to the place of being able to accept God's plan for you.

3. Now read **I Timothy 6:3-9**.
 - a. What should we do when we find ourselves in the company of those who feel that because of a godly life, we should expect material gain? (vs. 5)
 - b. Where can we expect to find great gain? (vs. 6)
 - c. What does this passage say is for certain? (vs. 7)
 - d. God has great blessing He wants to bestow on the *obedient* Christian. Materially, what is the *minimum* we should be content with? (vs. 8)
 - e. What happens to those who *desire to be rich*? (vs. 9)
4. Read **Luke 12:15**. Why did Jesus warn against covetousness?

The Blessing of Prosperity and Success

God does not ask us to be content with food and clothes because that is the extent of His ability to provide. He is trying to affect in our lives an *attitude change*. When we can reach the point of being content with the bare minimums, it is only then that the battle with materialism is won. It is then that God can begin a beautiful work in our life of revealing to us His *true riches* - the blessings of prosperity in Him.

5. Read **Matthew 19:29**. How much did Jesus say that we would receive when we developed the *right attitude* in relation to material things?
6. Read **Galatians 4:7**. *Everything* in this world belongs to our Father in Heaven. What does this verse imply that we are recipients of as Christians?
7. Now read **Ephesians 3:20**. What is God capable of doing?
8. Read **Psalms 37:4**. What will God give us when we put Him first in our lives?
9. Read **Joshua 1:8 and Psalm 1:1-3**. What do these verses say are the *prerequisites* of a prosperous and successful life? Money is necessary in our society as a *tool*, but greater than money, for the Christian, is the understanding of God's blessings and how to obtain them.

Why Money? - answers

1.
 - a) What you shall eat, drink, or put on
 - b) They are lower than we are and God cares for them
 - c) Lack of faith
 - d) No. God knows our needs.
 - e) Seek first the Kingdom of God and His righteousness.
2. Earthly father is evil and still provides - God will do more.
3.
 - a) Withdraw thyself
 - b) Godliness with contentment
 - c) We can carry nothing with us when we die
 - d) Food and clothing
 - e) Fall into temptation and a snare and into many foolish and hurtful lusts
4. Because a man's life consisteth not of things
5. A hundred fold
6. Heir of God - all that God has is ours
7. Exceeding, abundantly above all that we ask or think
8. The desires of thine heart
9. Meditate on scripture day and night; and to do all that is written

Session 4 Insurance “Managing the Risk”

Practical:

Insurance is probably the most expensive product sold that is the least understood. Nearly 1 in every 12 dollars spent in our economy goes to pay for some type of insurance (6.8% of all household spending in 1993). Studies by the nonprofit National Insurance Consumer Organization show that more than nine in ten Americans purchase and carry the wrong types and amounts of insurance coverage. By contacting your state's Department of Insurance you might be able to compare rates for your area for different insurance products. Life is filled with uncertainties (*accidents, illness, disability, death, fires, floods, earthquakes, etc.*) which require us all to take **risk** daily. The purpose of insurance is to allow us to transfer the unacceptable **risk** of loss to someone else. Understanding risk management is the first step in planning for insurance needs. Making wise decisions when purchasing insurance requires that the buyer have an understanding of the basics so that insurance can be *bought* not *sold*.

Simply put, there are only two categories of insurance: (see the website for complete details on Material and Personal Insurance)

- **MATERIAL INSURANCE**
Homeowner's, Renter's, Condominiums/Townhouses, Umbrella, Auto, Other
- **PERSONAL INSURANCE**
Health, Disability, Life, Long-term Care

Risk Management

Could it happen to YOU? Are you prepared?

The unknown CAN happen. Catastrophic losses DO occur. Even the best financial plan can fail if it doesn't consider risks such as death, disability, personal liability and loss or damage to substantial assets.

Making informed decisions about insurance means becoming better acquainted with the risks that you and your family face. You need to decide whether to work toward avoiding certain risks altogether, to insure some risk or to simply accept that you will be exposed to some risks and will count on your own resources to cover those risks.

One or more of these approaches can be appropriate for a given risk. It is difficult and complicated -- but very important -- to decide when to and when not to insure. The Risk Management Process described below can help you make those decisions.

The Risk Management Process

Five Key Steps

1. Define Potential Risks and Financial Consequences
2. Determine the Length of the Exposure

3. Develop a Strategy for Each Risk
4. Set Priorities for Coverage
5. Monitor Risks and Coverage

Each step is described below.

Define Potential Risks and Financial Consequences

The first step is to define the risks that you and your family face. Obvious everyday examples are the risk of loss of your home to fire or the risk of damage to your automobile in an accident. Personal risks include poor health, disability or unexpected death. Other risks may be less obvious. Are there special liability risks associated with your work or with participation in community activities? Are you indirectly responsible for the long-term care of your parents or adult children who need financial help?

You must examine your situation carefully to make sure that you have identified and defined the scope of all significant risks.

After you identify the risks, it is important that you then measure the financial consequences. What are the dollar amounts at stake?

For example, if you or your spouse dies prematurely, the long-term financial security of your family may be at risk. A measure of the risk is the amount of money needed to replace your family's current income (let's assume \$50,000 per year).

Determine the Length of the Exposure

How long will a particular risk continue? How will it change over time?

The risks to which you and your family are exposed will vary over your lifetimes. Once you've estimated the initial financial consequences of a risk, then you need to estimate how long the risk may continue and how the financial consequences may change with time.

For a family spending \$50,000 per year now, what are the financial consequences of the premature death of the family's primary income earner? There are several things to consider.

Suppose that the children in the home will be in school for ten more years, including four years of college. After all the children are finished with college, the surviving spouse intends to return to work and generally be self-sufficient within three years from a financial perspective.

The facts so far suggest a time frame over which the risk exposure will last and show how the amount of the risk can change over time in reasonably predictable ways.

With these facts, knowledge of the specific circumstances and goals of the family and a calculator, the family can begin to estimate the total exposure over time and, with the help of an advisor, determine an amount of life insurance coverage that makes sense.

A final point: some risks cover extended periods of time. In those cases, it's important to assess the impact of inflation when estimating the risk exposure. Thus, the family in our example may want to build in an assumption of inflation in defining its life insurance needs.

The important point is that you begin to think about each risk that you and your family face in specific financial and time-oriented terms.

Develop a Strategy for Each Risk

Managing risk does not only involve buying insurance. Other strategies may be more appropriate, the costs associated with a risk are so great that the best plan is to avoid the risk altogether. An example is not building a house in an area that is frequently flooded.

In other situations, the cost or probability of the risk may be relatively small, so the best approach may be to simply cover the risk yourself.

For example, you do not have to plan extensively for a \$25 kitchen appliance because cost of a total loss is insignificant. Similarly, managing the risk of being struck by a meteor is not justified because the chances are so remote. These extreme cases are easy.

In contrast, many risks that are sufficiently likely to occur or would be so costly if they do occur simply cannot be ignored. In these situations, insurance can make the economic consequences of the risk more manageable by shifting some or all of the exposure to an insurer.

Earlier, we reviewed the situation of a family estimating the financial consequences of the premature death of the primary income earner. The family's strategy for managing this risk might include:

- Consulting with an insurance advisor.
- Deciding to assume part of the risk with personal savings and investments.
- Purchasing a term insurance policy in an amount to cover the years when the risk is greatest.
- Planning to decrease the amount of term insurance for the later years when the exposure is reduced.

Set Priorities for Coverage

Your next step is to prioritize the risks based upon which are most important to you and the seriousness of the financial consequences. If your resources are limited, setting priorities will help you decide which risks to deal with first (see BUDGET). At a minimum, develop a plan that addresses the risks that are sufficiently likely to occur and that would have the most immediate financial consequences. For example, you may decide to have homeowners' insurance because the risk of theft or damage is sufficiently likely to occur and the consequences could be expensive.

Also consider whether you can devote some portion of your insurance budget to covering risks that may be remote but that could have consequences. Acquiring an "umbrella" or excess liability policy to protect against personal injury claims might be one example.

Over time, as additional resources become available, you can address additional risks that may have greater long-term consequences.

Monitor Risks and Coverage

Over time, the risks you face will change. At least once a year, you should set aside time to review the effectiveness of your risk management game plan. You may need to address new risks or reassess how you are addressing previously identified ones. For example, if your health has deteriorated since you last considered your life insurance, you may find acquiring any new coverage difficult or costly.

Your yearly review is also a good time to review the cost effectiveness of your insurance coverage. Insurance market conditions change in response to the economy and many other uncontrollable external influences. As market conditions change, often so do premium costs. You may find out about lower cost alternatives during your review.

Schedule time now for your own risk management and insurance checkup!

Session 4 Insurance *“Managing the Risk”*

Review Questions: *(in order to answer the insurance questions you will need to review the INSURANCE section of the webpage).*

The purpose of insurance is to _____ the risk of unacceptable loss.

Types of Insurance

There are basically only two categories of insurance:

A. Material Insurance:

1. _____ 2. _____

3. _____ 4. _____

Material insurance insures against the loss of things that are too valuable to replace from current _____.

B. Personal Insurance

1. _____ 2. _____

3. _____

Personal insurance insures against the permanent or temporary loss of _____ or from high medical costs resulting from an unexpected _____ or _____.

_____ % of all 40 year old men will become disabled prior to reaching age 65.

Disability insurance is designed to pay you a _____ of your income if you become medically disabled (80% Max).

Social Security disability benefits are only available if you become _____ disabled.

If possible buy _____ disability insurance.

The _____ the elimination period the _____ the premiums will be.

Although there are different types of life insurance _____ and _____, all life insurance is in actuality _____ insurance.

The reason for life insurance is to replace lost _____ or to pay for _____ expenses.

Life insurance should be purchased for anyone whose death would cause a _____ burden to the remaining family members.

A general rule when purchasing life insurance is to purchase _____ to _____ times your annual income.

The best type of insurance to purchase is low cost _____ insurance.

Some life insurance policies accumulate CASH VALUE as a means of PRE-FUNDING _____ insurance cost.

Without exception, the cash value portion is _____ refunded in the event of death.

The average real rate of return of most cash accumulating life insurance policies is _____ - _____%.

Commissions on cash value policies can be as high as _____ % to _____ % of the first years premiums (in addition to initial fees and administrative charges.)

Each dollar spent on life insurance will buy approximately _____ % to _____ more coverage if the policy does not accumulate any cash value.

BUDGET

“Counting the Cost”

Session 5

Session 5 Budget “Counting the Cost”

Biblical:

“THE IMPORTANCE OF PLANNING”

“A man’s heart deviseth his way: but, the Lord directeth his steps.”

Proverb 16:9

Every family needs a written plan (*budget*) for how they are going to spend their money, *especially those who think they don't*. It is impossible for you to efficiently manage your finances without a written plan (*if married, both the husband and wife must agree on the plan*). As stewards (*managers*), we are negligent with God's money when we refuse to develop and follow a written plan for the home.

The Small Business Administration said that the number one reason that small businesses fail is due to poor planning. The home is nothing more than a small business that God has appointed you to manage. The finances of every Christian home should be a representation of orderliness and excellence as a testimony to a world driven by greed, envy, and indulgence.

First Things First

1. Read Proverbs **16:1-9**.
 - a. Before we can begin to develop a financial plan for the home, what is the first thing we must do?.. (vs.1-3)
 - b. The amount we manage is not important. What is important? (vs. 8)
 - c. Our opinions are in our head but our convictions are in our hearts. Where do our plans originate, *head or heart?* (vs. 1,9)
 - d. The way you plan to spend the money that God has given you to manage will be a direct reflection of the convictions in your heart. What is the result of plans from a prideful heart? (vs. 5)
 - e. When your plans please God, to what extent do we experience peace? (vs. 7)
2. Read **James 1:5**. How does God promise to help us as we put together our financial plan for our family?

Planning - The Responsibility of A Leader

In every Christian home, God has appointed a leader (*head*). Except in the case of singles, that person is the husband and father. The leader of a Christian home has the God given position of responsibility to provide for that home. Planning is a critical part of that process. Although the leader is responsible, it is vitally important that the decisions required to be made in the development of the budget plan be made by those who are going to have a part in making the plan work.

3. Read **I Timothy 5:8**. What does the Bible equate one to that does not provide for his own family?

4. Read **Proverbs 14:15**. Webster's Dictionary defines “*prudent*” as, “*exercising sound judgment in practical matters, cautious in conduct; managing carefully.*” What does this verse say is a characteristic of a “*prudent*” man?

A written financial plan for the family (*budget*), allows you to be able to carefully consider and track the “*goings*” of your money. Without a written plan you become a “*responder*”; one who reacts rather than controls (*Those who fail to plan are planning to fail*).

5. Read **Proverbs 27:23,24**. Why are we told to be diligent to know and attend to the state of our flocks and herds?
6. Read **Proverbs 24:27**. Many times young married couples want it all now - *the new cars, the new homes, fancy toys*. What is the advice of this verse to us in the generation in which we live?
7. Read **Luke 14:28-30**. When Jesus was teaching on discipleship, He used an illustration that emphasized the importance of planning.
 - a. What did He say one must do first before starting to build?
 - b. What are the results of a lack of planning?

We can relate building a tower to living one month; one year; etc. Without a written plan, the outcome of our months, years, or our entire life is at best, a guess. Plans must be flexible but visible. As the leader of your home, God has made you responsible for your finances. It can not be over emphasized; those involved in executing the plan should have an active part in its design.

The Results of A Wise Plan (Genesis 37-47)

The story of Jacob's youngest son, Joseph (*the son of his old age*), teaches us an excellent lesson about the importance of planning. Because of the hate and envy of his older brothers, Joseph was trapped and sold as a slave when he was only seventeen years old. Joseph endured many more trials and temptations but because he remained strong in his faith, the Lord blessed Joseph.

God had a great plan for Joseph's life. His close relationship with the Lord allowed him to be able to interpret the dream of The Pharaoh of Egypt. After his interpretation of the dream, he presented a master plan to The Pharaoh that would in the end save all of Egypt (*including his entire family*) from starvation.

8. Read **Genesis 41:34-36**.
 - a. What was the *first step* of the plan?
 - b. What percentage was saved?
9. Read **Genesis 41:37-46**.
 - a. After hearing the plan, what was Pharaoh's initial thoughts?
 - b. Who did Pharaoh recognize as being behind the wisdom of Joseph?
 - c. What were the details of Joseph's newly appointed position?
10. Read **Genesis 41:54-57**. What were the results of the wise planning of Joseph?

When we obey God and live by His principles, we are promised blessings. This is seen in the story of Joseph's life. Whether on a national scale or a personal scale, God's wisdom never fails.

Planning is critical if we are to maximize the resources God has entrusted to us. Only by proving ourselves to be worthy will He find use for us in His service. It is in service for Him that we find His blessings. It is *“The blessing of the Lord, it maketh rich, and He addeth no sorrow with it.”* (Proverbs 10:22)

The Importance of Planning - answers

1.
 - a) Commit thy works unto the Lord.
 - b) A righteous attitude
 - c) The heart
 - d) It will be an abomination to the Lord.
 - e) Great Peace - even our enemies are at peace with us.
2. Give us wisdom
3. Lost person (infidel)
4. Looketh well at his goings
5. Riches are not forever
6. Get your family and working life in order and then build. Be patient. Don't put unnecessary stress on the family too soon.
7.
 - a) Sit down and count the cost.
 - b) Mocked (embarrassment) - can't complete what you started - bankruptcy.
8.
 - a) Save (appoint officers to take up 1/5 during good years)
 - b) $1/5 = 20\%$
9.
 - a) This is a good plan - “none is so discreet and wise as thou art”
 - b) “For as much as God hath showed thee all this” - God.
 - c) He was made ruler over all the people as 2nd in command and was made the ruler over all of Egypt
10. In all of Egypt there was food (bread) for the 7 years - even enough to sell to the other countries. Much wealth was the result of good planning.

Session 5 Budget “Counting the Cost”

Practical:

The most important step in getting and keeping control of your personal finances is to establish a monthly cash flow plan or budget. As the old saying goes, "Those that are failing to plan, are planning to fail." With 70% of all Americans living paycheck to paycheck and spending \$1.20 for every \$1.00 earned, it's no wonder that personal financial failure is more common than success.

The Small Business Administration says that the number one reason small businesses fail is due to a lack of planning. The financial affairs of your household are in effect, nothing more than a small business. The goal of every business, small and large, is to make profits. In regard to your household business, profits equate to savings. So, the number one purpose for a monthly budget is to establish control so as to protect and maximize your savings.

For the Christian, the Bible is very clear to point out our responsibility to plan. For a detailed step-by-step guide to using the budget organizer, go to the MATERIALS page on the website and download the booklet "Using the Budget Organizer".

Questions about Budgeting

- **What is a budget?**
- **What is the difference between a "budget" and a "spending record"?**
- **How can I make a budget work?**
- **How does a zero based budget work?**
- **Is it important to make budgeting a joint effort (if married)?**
- **How do I transition from living week-to-week to living on a monthly budget?**
- **How can I budget if I have a irregular income?**
- **What is the envelope system?**
- **What about running a small business?**

What is a budget?

If defined by a lawyer it might sound like this: *"A budget is a voluntarily designed and implemented control mechanism that is jointly agreed upon by all parties who are responsible for , or actively engaged in, the exchanging of economic resources with commercial business entities inside or outside of the local community, whether for items of substance or merely for activities resulting in entertainment or pleasure. It is not an instrument that is to be crafted by one party for the primary purpose of defining power or inflicting pain upon the party joined at hand. It is merely a tool designed to restrain and guide in the disposition of economic resources for the benefit of those concerned."*

What is the difference between a "budget" and a "spending record"?

A spending record is a report that shows the spending results of the **previous** month(s). When the month ends, the expenses from the previous month are recorded. This allows you to keep track of trends in your spending habits.

A budget is a plan for spending in the **next** month. By starting with your projected next months earnings, you can put together a spending plan for the upcoming month. Many of these future expenses will be fixed expenses such as mortgage payments, insurance, certain utilities, consumer debt payments, taxes, etc. The budget plan is the most important tool in managing your personal finances. Once the budget for next month is developed, you will then need a means of tracking your spending throughout the month to ensure that you stay within your plan. Adjustments are often required but are made "on purpose" so as to maintain control of your finances.

How can I make a budget work?

Many people have tried to set up a household budget and have failed. There are four key elements in order for a budget to be successful.

1. **IT MUST BE WRITTEN**

If you don't write it down, then it's not a budget; it's just that simple! It really doesn't matter what you write it on or how you keep track of it, just write it down! It is often the man who thinks that he is capable of keeping the budget details in his head. No matter how good you are with numbers, a budget must be in writing.

2. **IT MUST BE DONE TOGETHER**

If you live alone, this step does not apply to you. But assuming that you are sharing the responsibility of making ends meet with a spouse, son, daughter, cousin, aunt, uncle, stepson, stepdaughter, or just a roommate, then you both must be on the same page and in AGREEMENT as to how the money will be spent. A chain is only as strong as it's weakest link. The key is to make spending decisions together, and on purpose.

3. **IT MUST BE COMPLETED BEFORE THE MONTH BEGINS**

A true budget is a spending plan for the future. Not to be confused with a spending record which is merely a summary of how much was spent in the past. Once the plan is established, there must then be a method to track its progress.

4. **IT MUST BE EASY**

Very simply, establish a spending plan, track the plan, spend less than you make and do it again the next month. We have all the tools you need to set up a budgeting system for your household. The materials and forms are available from this web site and are FREE! They have been proven by many families to be easy to use yet very complete.

How does a zero based budget work?

A zero based budget is simply a budget that is reset at the beginning of each month. So each month you start over with a clean page as you establish the next month's budget. One of the reasons that many people have failed in their budgeting attempts is due to difficult accounting requirements of the budgeting systems they have tried to use.

Many budgeting systems require that you reconcile your checkbook register with your previous month's budget plan. This method only makes a simple process difficult. Although it is critical that you manage your checkbook, we teach that you use the budget plan to guide you in your monthly spending while also ensuring that you do not forget to accurately balance your checkbook each month. Our budgeting system is very simple and can be used as a manual system or on your computer (requires MS Excel) or both.

Is it important to make budgeting a joint effort (if married)?

It is extremely difficult if not impossible to maintain a successful personal budget if all those who have the privilege to spend are not actively engaged in the planning process. This would include being in agreement before the month begins as to how the projected income should be spent.

How do I transition from living week-to-week to living on a monthly budget?

The most freeing thing that will ever happen as you establish your **financial foundation** is when you have completed the transition from living without a budget to living with a budget. Remember, 7 out of every 10 Americans are living paycheck-to-paycheck (week-to-week) or as I have heard it called hand-to-mouth.

Your first goal is to sit down and establish a monthly budget on paper (allocate every dollar you plan to earn *next* month to a spending category) using Forms 1, 2, and 3. If you are currently paid weekly or bi-weekly (as many people are), you will probably be a bit confused as to how you are going to make this *monthly* budget plan work. This is usually due to the fact that most people have "0" cash reserves and are only able to pay bills as the checks from work have been deposited. What a miserable way to live! You can change that with a little effort and planning.

The yellow tabs in the budget book have been designed for this purpose. Yellow tabs are associated with categories that are usually discretionary (not required every month). These categories will need to be minimally funded during your transition from a no budget life to a budgeted life in order to increase your cash reserves. As painful as it might be, you must make this very important first step from living paycheck-to-paycheck to getting control of your money. You must either temporarily increase your income (part-time work or sell something) or cut your expenses in order to jump start your budget. This would be a great time for a garage sale.

I recommend that you try to build up a cash reserve that is equal to at least two weeks worth of expenses. This will take a lot of the pressure off of you as you plan and implement your monthly budget. Remember, the fourth step to making a budget work is "it must be easy". I further recommend that, after your consumer debts have been eliminated, you set a goal to build up a cash reserve equal to an entire month's expenses. This is the way I have lived for years and I can tell you from experience that it makes life so nice. On the first day of every month, my checking account has enough money in it to pay all of my budgeted expenses for the up-coming month (plus a \$1,000 pad that I do not even show in my check book balance). When the bills come in I simply pay them and record them in the budget under the appropriate category. As the month progresses, money comes in (income checks deposited) and money goes out (checks for expenses) of my checking account. The beauty of it is that I know the money is already there for the known expenses as long as I stay within my budgeted amounts for each category.

Until you have accumulated some cash reserves, you will need to operate your budget on a weekly basis. It is the same concept as the monthly budget but instead you will need to break your income and expenses down into weeks. If you are paid bi-weekly, you could break it down into two week periods. You should look at this only as a temporary transition to a monthly budget plan.

How can I budget if I have an irregular income?

People with irregular incomes might include those with commissioned sales and those that are self-employed. If you have an irregular income, you should establish your initial budget based on an average income month. If you don't have an income history, you can use the lowest projected income for the upcoming month. After several months of budgeting, you will discover your minimum budget requirements. It is important for those with irregular incomes to maintain above average cash reserves.

Prioritize your expenses by importance. The budget book is set up using a priority system (most important to least important). As money comes in, pay those expenses with the greatest priority (not urgency). When you get an income check in, you must ask yourself, "If I can only pay one thing, what would it be?" Keep asking yourself this question as checks come in. You must stick to your plan and not be persuaded to pay an urgent request from a creditor when you should be paying an important bill such as your house payment or utility bill.

It is highly recommended that those on irregular incomes have a goal to get themselves in a position where they are able to budget the upcoming month's expenses on the current month's income. In other words, on the first day of the new month your checking account balance should be equal to the planned budgeted expenses for the upcoming month. Basically, this means that you would be one month ahead. This will eliminate much of the stress of living with an irregular income.

What is the envelope system?

The envelope system is a simple method to control spending in variable expense categories in your budget. After budgeting next month's expenses for a particular category, you would put the actual cash required for that category in an envelope. It could be done weekly or biweekly or for the entire month. For example, if you budgeted \$200 for entertainment/recreation for next month, you would put the cash in an envelope. When the cash is gone you would stop entertaining and recreating. It is that simple. It is one of the strongest methods of control and is very effective for discretionary categories.

Small Business Concerns

The most challenging task that the self-employed sole proprietor faces is keeping his/her personal financial life separate from the business finances. You must have two separate sets of books - one for your personal life and one for your business. I strongly recommend that you write yourself a payroll check from the business checking account on a regular basis (weekly/bi-weekly/monthly). Deposit that check into your personal checking account and operate your personal budget with that money.

Another common problem among small business operators is taxes. Always deposit an adequate percentage (normally 20-25%) of every dollar earned into a separate account/category labeled taxes. This will insure that when tax time comes, you will not get caught short. The tendency in a start-up business or struggling business is to use every penny you make to either pay yourself, your employees, buy materials or supplies or even attempt to grow the business prematurely. The results of poor planning are usually the downfall of the business and with it can go your personal financial life. Remember, The Small Business Administration says that the number one reason for small business failure is poor planning. **Don't become a statistic!**

Session 5 Budget *“Counting the Cost”*

Review Questions:

Getting Started

The first and most important tool in personal finance is the _____.

The number one cause of financial failure is _____.

The number one purpose for a monthly budget is to establish _____ so as to protect and maximize your _____.

In addition to using a monthly budget, you must always remember to balance your _____.

What is the difference between a budget and a spending record?

The spending record is completed _____ the month ends and the budget is completed _____ the month begins.

What are the 4 keys to a successful budget?

1. Must be in _____.
2. Must be done _____.
3. Must be completed _____ the month begins.
4. Must be _____!

SAVING

“First Things First”

Session 6

Session 6 Saving

“First Things First”

Biblical:

“GOD'S PERSPECTIVE ON WORK”

“But if any provide not for his own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel.”

1 Timothy 5:8

From The Beginning

Many Christians believe that when God first created man, he was not required to work. Many believe that the man was put in the Garden Of Eden and that all he had to do was to sit back and take it easy for the rest of eternity. Then, one day God saw that the man was bored, so He made a beautiful woman (*Eve*) to give him company. This is far from the truth found in the Bible.

The Bible tells us that God's plan for man was that he would always work. From the first day that God put Adam in the Garden Of Eden, he was given a job. And then God later made Eve for the purpose of being a helper to Adam.

1. Read **Genesis 2:15**. What was the first job that God gave man to do?
2. Read **Genesis 2:19**. What was another task God assigned to Adam?
3. Read **Genesis 2:18**. When God saw that it was not good that man was alone what did He say He would do?
4. Read **Genesis 1:28**. Not only were Adam and Eve told to be fruitful and fill the earth but what other task were they given?

God gave man and his helper (*woman*), a great job to do. He told them to be His appointed guardians over His creation and to rule over all things. God wanted man to care for His creation. God's plan has always been for man to work.

After man disobeyed God and sinned, the conditions surrounding the work environment changed.

5. Read **Genesis 3:16-24**.
 - a. What were the two things that changed for the woman?
 - b. What did God curse as a result of their sin?
 - c. How was man's work environment changed?
 - d. Just as the woman must now bear children in great pain, describe the way that man would find his work?

Attitude of Service

God has always intended for man to work but as you have seen, the work experience and the conditions surrounding the work environment changed greatly after man sinned.

The *attitude* in which we approach our work is the key element that God is concerned about. The Christian with the right attitude carries a tremendous testimony in the work place for God. As Christians, our attitude at work should reflect the heart of a servant. Charles Spurgeon once said, “*There are no crown-wearers in Heaven who were not cross-bearers below.*” In order to lead, we must first learn how to serve.

God has a plan for every person based on how He has equipped that person. No matter what we do to provide for ourselves and our families, we must do it with the right attitude.

6. Read **Proverbs 22:29**. What should our attitude be in our work?
7. Read **Ecclesiastes 9:10**. How much effort should we put into the work God has given us?
8. Read **Colossians 3:17,23**. Who should we be trying to please in our work?

We often find workers who are trying to *get* as much as they can while *giving* the least that they must. This creates an environment of waste. This lazy, slothful attitude is very contagious and can ruin a good testimony.

9. Read **Proverbs 10:4; 12:24; 13:4; 18:9; 21:5; 22:29; 24:30-34**.
 - a. What is God's plan for those that are diligent in their work?
 - b. Summarize how the Bible describes the slothful person?
10. Read **II Thessalonians 3:10-11**. What did Paul have to say about work?
11. Read **Proverbs 13:11 ; 14:23 ; 28:19**. What does the Bible say are the benefits of labor?

The fast paced world that we live in today often destroys the balance that is so important to the Christian life. The balance between personal time with God, family, work, church, recreation, etc. It seems as though there is not enough time in each day. An Amish man once said, “*The hurrier I go, the behinder I get!*” Oh, how true.

In order to have the *things* we want, we sacrifice our most valuable resource, *time*. We soon find ourselves all stressed out. If we are not careful, we will develop an attitude of urgency in the pursuit of materialism. In The Paradox of Time, Henry Dobson said, “*Time goes,*” you say. “*Ah, no! Alas, time stays! We go!*”

God's plan for building wealth is one of orderliness and excellence in *His time*, not haste.

12. Read **Proverbs 21:5; 28:20,22**. What are the results of haste?

Quite often, young couples are eager to buy their first home as soon as possible. This wrong attitude creates an emotional trap resulting in their making unwise decisions. In many cases they are willing to do almost anything to satisfy their wants and desires.

The decisions made as a result of wrong attitudes begins a pattern for more wrong decisions. For the Christian, this takes them far from God's plan for their lives. ***Instead of financial freedom, there is financial bondage.***

13. Read **Proverbs 24:27**. Explain in your own words what this verse is saying in regard to our priorities and timing?

It is easy to be overcome with the obsession for materialism. With the encouragement and approval of the world, you can even believe that it is the right thing to do.

14. Read **Proverbs 12:15 ; 14:12** . What do these verses tell us about our ability to choose the right way without God?
15. Read the *Parable Of The Two Builders* in **Matthew 7:24-27**.
 - a. What will result in a firm foundation in our lives?
 - b. What did Jesus say would result from a weak foundation?

We should do all we do to the glory of the Lord - including our work. Our work should reflect an attitude of responsibility and quality. God gives us a great opportunity of testimony in our work. In order for our attitude about work to be a positive reflection on Christ, we must have the conviction in our hearts that our work is to be done *unto the Lord rather than man*.

God's Perspective on Work - answers

1. To dress and keep the garden.
2. Named all of the animals.
3. He made Adam a helper (help meet).
4. Subdue (rule over) and have dominion over all living.
5.
 - a) Sorrow in conception was greatly multiplied and she was given a desire for her husband - she was to be ruled over by her husband.
 - b) The ground
 - c) Thorns and thistles were now added
 - d) The work was hard with sweat and sorrow.
6. Diligence
7. With all thy might
8. All in the name of Jesus, as unto the Lord (not to please man)
9.
 - a) Riches; become a ruler (leader); have plenty; stand before kings (responsible)
 - b) Lazy; unwilling to work; results in a miserable life.
10. If a man is not willing to work then he should not eat
11. Have an increase; profit; plenty of bread.
12. Great want; guilt; poverty.
13. Get your financial house in order and only add to it with caution.
14. In the long-term, it is impossible for us to choose the right way.
15.
 - a) Our lives will be strong; we will be wise.
 - b) Unstable life resulting in failure.

Session 6 Saving

“First Things First”

Practical:

While people in other countries are saving 10%-15% of their annual incomes, the savings rate of Americans has fallen below 0%. According to the Commerce Department, savings as a percentage of after-tax income have been reported the lowest since the government began tracking the rate on a monthly basis in 1959. Saving money is not unspiritual nor does it represent a lack of faith. Saving money becomes wrong only when it turns into hoarding (Luke 12:20-21). Saving money in order to purchase a future need and prepare for the prospects of advancing years are signs of a wise steward. If saving money does not become a lifestyle, **DEBT** will!

Questions about Saving Money

- **Why save money?**
- **How do I save money?**
- **What should I do with the money I save?**
- **What does the Bible say about saving money?**

Why save money?

First, you need to understand the difference between the terms *save* and *invest*. Saving money merely means to put it aside as a store or reserve. Investing money means to commit it in order to earn a financial return.

There are basically two practical reasons why you need to save money:

To build a strong FINANCIAL FOUNDATION and then

To build a strong FINANCIAL FUTURE

A strong financial foundation is designed to take the anxiety, pressure and stress out of personal money management. It puts a buffer between you and danger. A strong financial foundation is established in order to deal with the inevitable unexpected negative financial events in life (Proverb 27:12). In order to establish a strong financial foundation, you must complete the first three steps of the Five-Step Plan. The need to build a strong financial future is a reality that we all must face. Time is your greatest asset and procrastination is your greatest enemy. Once your financial foundation is established (*steps 1-2-3 of the five-step plan*), you should then start working on steps four and five.

How do I save money?

As basic as it might sound, before you can *save* money, you have to *spend* less than you make. In order to do this, you must do one of two things or a combination of both: Limit your lifestyle (Proverb 21:17) and or Increase your income (Proverb 13:4).

A money principle that seems to prove itself true more often than not is "*the more you make, the more you spend*" (Ecclesiastes 4:8; Proverb 27:20). The fact is, it's not how

much you earn that is important but how much you *keep* of what you earn (Proverb 18:9). I have seen high-income earners that have retired broke and average income earners that have retired millionaires. When you limit your lifestyle, you will obviously reduce your monthly expenses. This might not only include the variable expenses (*food, entertainment, personal, etc.*) but also the fixed expenses (*housing, auto, insurance, etc.*). Once your expenses have been reduced to a minimum, you might also need to consider short-term options for increasing your income (*working more hours at your present job, taking on an additional part-time job, etc.*). (Proverb 6:6-8) Long-term, you should always consider making yourself more valuable through further education or increasing your skills (Proverb 22:29). The key to gaining control of your day-to-day finances is the budget. A budget will allow you to quickly identify and control negative spending habits. The monthly budget is *the* most important tool in personal finance.

What should I do with the money I save?

Once you have identified the amount of money that you can save each month, those saved dollars should be systematically directed towards five goals called the "Five-Step Plan". The first three steps make up the financial foundation. Steps 4 and 5 are the keys to building a solid financial future. Steps 1, 2, and 3 should be accomplished in order. When step 1 has been completed, you can then start working on step 2. When step 2 has been completed, you can move to step 3. Accomplishing steps 4 and 5 will be a life-long process that will ensure a solid financial future.

Financial Foundation (Steps 1-2-3):

Step 1: Checking Account Reserve

Most Americans are living paycheck to paycheck (*week-to-week*) with little or no cash reserves to call upon in the event of a negative financial event. Assuming that your monthly budget is in place and all of your monthly expenses (*including minimum payments on debts*) are covered, all of your surplus dollars should be directed towards building a cash reserve in your checking account. How much? To start with, build a minimum of a \$1,000 reserve. This reserve in your checking account will allow you to stop living week-to-week and serve as a temporary emergency fund until you can get to step 3 where you will build a *real* emergency fund in your savings account. If at anytime during the accomplishment of steps one through three you are required to use any of the \$1,000, you must immediately return to step one in order to restore your checking account surplus to \$1,000.

Step 2: Debt

The second step is to systematically apply all of your monthly surplus dollars towards the elimination of consumer debts (*credit cards, auto loans, student loans, furniture & appliance loans, etc.*) using the Debt Repayment Plan described in the section on DEBT.

Step 3: Savings Account

The last step in building the financial foundation is the establishment of a *real* emergency fund (*contingency account*). The emergency fund should be used only for *real* emergencies! These might include unanticipated medical expenses, a temporary layoff, a

transition between jobs as a result of downsizing/termination or unexpected auto repairs. Financial planners often recommend having 3-6 months living expenses set aside in a contingency account. I suggest your goal be a minimum of \$10,000. The emergency fund is not an investment but rather a cash reserve. The emergency fund should be located in a place that guarantees safety and stability of principle and is completely liquid (*easily and quickly converted to cash*). A good place to store these funds would be a money market mutual fund (MMF), a credit union or even a NOW account at your local bank. MMFs are essentially as safe as insured money market accounts offered by banks, have check writing privileges and charge no withdrawal penalties, but pay 1%-1.5% more. (Proverb 27:12).

Financial Future (4-5):

Step 4: Major Purchases

Steps four and five can be started simultaneously. At this point you are ready to begin building a strong financial *future*. The purpose of step four is to get you into a position to be able to pay cash for all of your known major purchases (*autos, vacations, Christmas, household furnishings, down payment on a house, etc.*). Paying cash for major items will allow you to enjoy the benefits of compounding in a positive direction. Compounding is magical, but when it is in a negative direction it's like a chain and ball. These funds should be stored in an account that offers safety and stability of principle along with liquidity unless the item you are saving for will not be purchased within the next five years. In such a case, you can consider options that might allow for a greater return. Either my FORM 4 - Savings Distribution sheet or FORM 8 - Investment Distribution can be used as a tool for tracking your progress as you save for major purchases. (Proverb 21:5)

Step 5: Long-term Savings

Step 5 requires that you begin investing your savings in order to provide (I Timothy 5:8) financially for the long-term needs of your household and to increase your assets in order to serve God more fully. You need to determine your investment goals and develop an investment program that fits your tolerance for risk. Your enemies are inflation, taxes and procrastination (*not necessarily in that order*). I recommend that all of your long-term investments first be invested through your qualified investment options (*IRAs, 400 series plans, etc.*). There is nothing wrong with the accumulation of wealth as long as your motives are pure (Psalm 62:10).

Session 6 Saving

“First Things First”

Review Questions:

A. A financial plan consists of two parts:

- _____
- _____

1. A Strong Financial Foundation

Your first goal is to start _____ money and stop living _____ to _____.

2. A Strong Financial Future

Your second goal is to pay _____ for all major purchases and to save for _____ income needs.

B. How do you save money?

You **MUST**: _____ your lifestyle **and or** _____ your income.

C. What to do with the money you save?

The first three steps (one at a time):

1. _____ reserve
2. _____ elimination
3. _____ fund

The last two steps (start simultaneously):

4. _____ purchases
5. _____ savings

LONG - TERM

“Making a Difference”

Session 7

Session 7 Long -Term “Making a Difference”

Biblical:

“Long-Term Planning”

“Give a portion to seven, and also the eight; for thou knowest not what evil shall be upon the earth.” *Ecclesiastes 11:2*

Long-term planning includes things such as *elimination of debt, insurance, retirement, education, investments, wills and burial plans*. God expects the Christian to be a responsible steward in all of these areas. With the right motives and by using wise methods, we will find ourselves in the best possible position to serve the Lord throughout our entire lives.

1. Read **Matthew 22:37-38**. What did Jesus say should be the number one priority of every Christian?

In order for the Christian to effectively respond to this first and greatest commandment, our lives must be an example of excellence and orderliness. Then we will be free to call upon the Lord in times of trouble outside of our control.

Check Your Motive

God's Word teaches that we should look ahead and identify future needs, and plan for them. The problem comes when we cross the line that divides *need* from *greed*. Without a long-term plan, not only will you be unable to provide for yourself and your family but it will be extremely difficult to do God's work.

2. Read **I Timothy 6:7**. This verse serves as a good starting place for establishing the right attitude about long-term planning. Why is there futility in hoarding and greed?
3. Read **Psalms 39:6**. What happens to the riches of the one who, because of greed, hoards?

The Christian is best able to plan for the future when he has accepted his position as a *steward* as opposed to an *owner*. Then the motive for his plans will be established with the right attitude.

4. Read **Proverbs 13:4; 20:4**. We are responsible to manage what God has given (*small or large*). When we fail to do our part by not planning for the future, we become like the sluggard. What is the result of such an attitude?

Webster defines “prudent” as, “*exercising sound judgment in practical matters; cautious in conduct, not rash; managing carefully.*”

5. Read **Proverbs 13:16; 14:8,15; 27:12**. When you accept the responsibility of planning for your future, you become very prudent. What are some things the Bible says a prudent man will do?

6. Read **Proverbs 6:6-8**. How does the ant provide for us an example of the necessity to plan for the future?

Every Christian needs to address the different aspects of long-term planning. In doing so, we exemplify an attitude of orderliness and excellence. The critical aspect of our planning is our motive. If your motive is to create a surplus, then you are hoarding. Let your plans be a result of known future financial needs rather than insatiable greed.

Plan Your Method

The goal of the Christian in long-term financial planning should be to get into a position to better be able to serve in the ministry that God has called you without having to be pressured with the “daily grind”. Due to the destructive power of inflation, this is only possible through some method of investing.

Every method of investing has a risk associated with it. Typically, the greater the return offered, the greater the risk. In all of your investment planning, if you will apply God's principles, you will find success over the long run.

After the establishment of an emergency fund (*approximately 3 - 6 times your monthly expenses*), the wisest use of your investment/savings dollars would be to free yourself from all debt (especially consumer debt or debt on things that go down in value). The next step would then be to consider a method of long-term investing for things like retirement or college funding.

7. Read **Ecclesiastes 11:2**. Diversification (*don't put all your eggs in one basket*) is an important Biblical principle to adhere to. How many times did Solomon recommend that we diversify?
8. Read **Proverbs 15:22**. Before you invest, what should you do?

WARNING!

NEVER invest in something that you don't fully understand how it works and the risk involved!

9. Read **Proverbs 16:8**. When you participate in any investment, it is your responsibility, as a steward of **God's money**, to insure that the investment is ethical. What is the message of this verse?

Is a Surplus Unscriptural?

Many Christians mistakenly believe that it is wrong to accumulate a surplus. As we have seen, this is only the case if the motive is one of greed and hoarding. Saving for known future needs is a part of being a wise steward. Some Christians even believe that it is *unspiritual* for a Christian to be wealthy.

10. Read **Matthew 25:14-23** (*The Parable Of The Talents*). How many talents did the first servant end up with at the end of the parable?

It should be noted that at that time, one talent was equal to \$5.7 million (*gold*); or \$384,000 (*silver*). One days wages was equal to \$32.00. Jesus made no mention of their wealth being a problem - He even praised two of these servants for making wise investments!

11. Read **I Kings 3:11-13**. Solomon chose wisdom (*the understanding to discern judgment*) instead of anything else. What did God give him in addition to wisdom?
12. Read **Job 42:10**. Because of his faithfulness, what did God give Job?

It is obvious by these and other passages that God made it clear that riches and wealth are not a problem. The problem, is the *wrong attitude*. In all three cases mentioned, these were extremely wealthy men (*Solomon the wealthiest ever*). But in all three cases, their attitudes were exemplary of what God desires of us all.

Serve Your Master

As Jesus said in **Matthew 6:24**, “No man can serve two masters...”.

When money is our master, it becomes our sole purpose in life. When our motive in long-term financial planning is the surplus itself, we are hoarding. On the other hand, when we are negligent in planning for long-term financial needs, we are irresponsible Christians.

God has given us clear principles that will guide us in the practical matters of life. We will always find His blessings in those principles.

In addition, the Christian has a higher calling than to spend our lives muddled among those whose master is money. This life is like a vapor (**James 4:14**) and will quickly pass. The greatest investment that the Christian can ever make is in those things with lasting eternal value.

13. Read **Matthew 6:19-21**. Where does the Christian with the right attitude store up his/her “treasures”?
14. Read **Psalms 37:25**. In his old age, what did David notice about the heirs of a righteous man?
15. Read **Proverbs 13:22**. More important than money is the spiritual inheritance that we leave our children. What is the result of a good man's life?

Long-term planning is the responsibility of every Christian. If you are married, you need to set aside a time to discuss each area of concern with your spouse - everything from debt to burial plans. ***A life of orderliness and excellence is God's standard for the Christian.***

Long-Term Planning - answers

1. Love the Lord with all thy heart, soul, and mind
2. The results have no eternal value; it only provides for temporary satisfaction.
3. They will be left behind at his death.
4. He shall have nothing; he will become a begger.
5. Be knowledgeable and wise in his dealings; plan for the future in an orderly fashion; be prepared for the emergencies and unexpected events in life.
6. Even without a leader, the ant continues to display a self drive to accomplish the things required to prepared for every season of life.
7. Seven (7) and also to eight (8).
8. Become educated (by the counsel of wise men) about your investments before you invest.
9. We must not compromise our morals and ethics for financial gain.
10. Ten (10)
11. Riches and honour.
12. Twice as much as he had before.
13. In Heaven (things of eternal value)
14. He never saw them having to beg for bread.
15. A good man leaves a *spiritual* inheritance to his children's children.

Session 7 Long -Term *“Making a Difference”*

Practical:

The topic of Long-term planning encompasses many very important aspects of becoming a good money manager. As a good money manager, it is your responsibility to not only address the short term financial needs of your household but also the long term needs. Living in a society that embraces a payment mentality, it takes discipline to put together a long-term strategy that will serve to adequately meet the specific needs of your household in the years to come.

A strong **FINANCIAL FUTURE** is dependant upon a strong **FINANCIAL FOUNDATION**. As discussed in other sessions, the key to building a solid financial plan is to develop a strategy that provides for an increase in financial strength each step of the way. The **Five Step Plan** that I outlined in the session on **SAVING** provides for a systematic approach to building a strong financial plan.

This session will continue to build on the principle of order. Having a plan and staying focused is the most effective and efficient method to reaching your long-term goals.

The Basics of Investing

In this section I will answer some basic questions that everyone should be familiar with. Learning what you need to know in order to start investing is not difficult. Making wise decisions requires that you stick to a sound, long-term approach to investing rather than a get rich quick scheme. There will always be risk associated when you invest but a greater risk is present when you choose not to invest. Learn the basics of investing and then continue to increase your knowledge and understanding.

- **What is investing?**
- **Why do I need to invest?**
- **When should I start investing?**
- **Where should I invest?**

What is investing?

Investing money is different from saving money in that money that is invested is committed for a period of time with certain risk for the purpose of earning a financial return. Saving money merely means to put it aside as a store or reserve. Your goal in investing should be to make the greatest return possible in the shortest period of time without losing any of the principle amount you originally invested. Many people are afraid to invest their hard earned money. One of the main reasons for this fear is ignorance. The more you learn and understand the better equipped you will become to make wise decisions as a money manager. This session will give you the basics needed to get started on your journey towards becoming a better investor of your money.

Why do I need to invest?

One of your key responsibilities is not only to provide for yourself and your family in the short term but also in the long term. Unlike saving money, investing will always incur risk. The degree of risk is dependent on the investment option you choose and is usually proportional to the potential return of the investment. The old saying, "If it sounds too good to be true..." it usually is. Each person has a different tolerance for risk. You should not invest in things that make you lose sleep at night.

Due to the negative effects of inflation, it is my opinion that making the choice not to invest is the greatest risk you can make with your savings. **Inflation** is the single greatest threat to your future financial well-being. It results in the constant, steady erosion of money's value.

When should I start investing?

Time is your greatest asset in the accumulation of wealth. You should begin to invest as soon as possible but not until you have built a solid financial foundation. Investing requires a long-term commitment. The money you allocate to your investments should not be money that will be required for many years. In the event of a major negative financial situation, you don't want to be forced to withdraw money that has been allocated in a long-term investment to meet the requirements of a short term need. It is therefore imperative that your financial foundation be strong. As a minimum, you should eliminate all of your consumer debts (credit cards, student loans, furniture loans, car payments, etc.) and build an adequate cash contingency account (emergency fund). If you start your investment program while you still have existing consumer debts it is in effect the same thing as borrowing money to make your investments. Your greatest risk free return would always be to pay off your existing consumer debts prior to committing your money to investments.

For quick calculations, \$1.00 invested monthly at an average return of 12% for 20 years will grow to \$1,000; 30 years will grow to \$3,500; and for 40 years will grow to \$12,000. Therefore, if you invested only \$100 per month for 40 years and earned an average annual rate of return of 12% your investment would be worth approximately \$1,200,000. You would be a **MILLIONAIRE!** If your investment had been in a Roth IRA, you would be able to enjoy the growth on your \$1.2 million dollars **TAX FREE!**

Where should I invest?

There are an unlimited number of investment opportunities. Your investment selections should include a moderate level of **risk** in exchange for a reasonable rate of **return** with the maximum degree of **diversification**. When you are ready to begin investing, your first investment plan should be one that is qualified by the IRS. Qualified savings/investment plans are those that are designed by the IRS (government) with certain tax advantages to encourage Americans to participate in a long-term savings program. The most basic qualified plan that is available to all Americans that have earned income is the Individual Retirement Arrangement (IRA). An IRA can consist of many different types of investments. It can be a mutual fund, a certificate of deposit (CD) at a local bank, or a number of other options. An IRA comes in three different flavors:

1. **Traditional Deductible IRA**
2. **Traditional Nondeductible IRA**
3. **Roth IRA**

Every American that has earned income can open and contribute a maximum of **\$2,000** (2001), **\$3,000** (2002-2004), **\$4,000** (2005-2007), **\$5,000** (2008 and after).

Using the new 2001 maximum IRA limits, if the IRA were started in 2001 and continued until 2011 with no further contributions, the balance would grow to \$1.1 million by 2033. If you continued the maximum contributions the balance would grow to \$1 million by 2029. If it was a Roth IRA and all of your contributions were made **after** taxes, the total earnings on your investment would be **TAX FREE!**

Wills and Trust

How would you like to give your state government all of your money and the authority to decide who would raise your children in the event of your death? Well, if you are like **70%** of the people in America who do not have a valid will or trust, that is exactly what will happen when you die.

A will names the guardian to whom you entrust your children if both you and your spouse die. The key here is if you **BOTH** die without a will (called intestate). Even if all of your possessions are in joint ownership with right of survivorship this does you no good if you both die at the same time, such as in a auto accident. A will also gives instructions on how to handle and distribute all of your worldly possessions. If you have children who are minors, a will is a necessity. If you don't have kids, a will still makes good sense. No matter what your net worth is, it is poor stewardship of what God has entrusted to you if you don't have a plan for the provision of your minor children and/or the distribution of your personal property after your death.

Death is not an option, it's a fact. A small amount of time and money invested now can result in a huge savings in time, money, and grief (for your loved ones) later. You can only decide how and where your assets will be disbursed while you are living. Solomon's admonition is one we should all keep in mind: ***"When there is a man who has labored with wisdom, knowledge and skill, then he gives his legacy to one who has not labored with them. This too is vanity and a great evil."*** (Ecclesiastes 2:21)

Estate planning can be very complicated (depending on your specific needs) and requires that you seek the advice of a professional prior to making any important decisions. This section is designed to equip you with a basic understand of wills and trust and encourage you to take action in this important area. It is only a brief overview. Below are the answers to some basic questions about wills and trust.

- **What are the requirements for preparing a will?**
- **What is a trust?**
- **Can a living trust keep me from paying taxes?**
- **What is a living will and medical powers of attorney?**
- **What about taxes?**

What are the requirements for preparing a will?

In order for a will to be valid, it must meet the legal requirements of your state of primary residence. For example, the laws for validating a will vary from state to state, usually requiring two or more witnesses. The process of determining a will's validity is called probate, which means to prove or to testify. It is a good idea to use more witnesses than the law requires, just in case one or more of the witnesses have died or cannot be located when your will is probated. If your will is challenged and the legal number of witnesses cannot be located, your will may be declared invalid.

The law does allow a person to prepare his or her own will. One example is a holographic will, which must be entirely in the handwriting of the person drafting it. However, if you draft your own will, you may be increasing the risk of it being contested or declared invalid. High-quality, user-friendly software packages and will kits are also available on-line and in most bookstores for preparing wills, living wills, medical power of attorney and trust and are a much better option than doing a holographic will. In all cases, you should have your will reviewed by a competent attorney to be certain it complies with the laws of the state in which you live.

Once your will has been completed, you should periodically review it and make the necessary updates when your circumstances dictate. If changing circumstances require that you update your will, it is not necessary to make an entirely new will. Instead, these changes could be made through the use of a codicil, or supplement. The codicil is subject to the same laws of probate as the will, so it must be drafted properly, and only the original is valid in court. If you have previous wills in existence, you should specify that your latest will or codicil supersedes all previous drafts.

Attach all original codicils to the original will and store them together. The original copy should be kept in a safe location, such as your attorney's office or maintained in a secure file with other important papers. It is not always a good idea to store your original wills in a safe deposit box. Depending on the state in which you live, your bank officer may or may not be allowed to enter your safe deposit box. If you live in a state that does not allow a bank officer to enter your safe deposit box, then you will need to authorize another person. Otherwise, a court order may be needed to enter it which could delay the probate process.

One last concern in the creation of a will is the executor. The selection of an executor(s) is a very important function. You should select an executor with the same degree of caution you would if he or she were your own guardian. A common misconception is that the executor is simply a legal requirement that anyone can satisfy. Just the opposite is true. The primary responsibility of settling an estate falls on the executor not the attorney.

The duties of an executor might include: locating the will and studying it, conferring with the attorney who drew the will, locating witnesses and notifying creditors, locating all the decedent's property, obtaining all canceled checks for the past several years, authorizing appraisals for real estate, evaluating leases and mortgages, filing an income tax return for the deceased person, filing estate tax returns, preparing information for the final accounting (including all assets, income, and disbursements), and disbursement of estate assets as specified in the will.

Often your spouse is the best selection for the position of executor. An alternate executor such as another family member, a CPA, or an attorney who is familiar with your circumstances and assets and knows where you keep important documents can be named that would be willing and able to take over if the spouse can't serve. You could also select a third alternate, such as a major bank with a trust or estate department that you know could serve if all the alternates failed.

Executors are often compensated for their work. If you and the executor agree that there will be no compensation then you should specify that in your will. When you die without a will, the court will appoint an executor for your estate. Depending on the state allowance, a court appointed executor could be allowed to receive a percentage of your estate as compensation.

What is a trust?

A Trust is an entity for owning and managing assets. A Trust is created when an individual (grantor or settlor) transfers part of his assets to another person or corporation (the trustee) to control and manage on behalf of a further specified individual or group of individuals (the beneficiaries). You create a trust, transfer assets into it, and choose a trustee to manage the assets and disburse them to beneficiaries.

There are five (5) basic categories (types) of trust:

1. **Discretionary Trust** - This is the most common form of Trust. The trustees retain discretion with regard to the administration of the Trust including investment of the trust funds and distributions to beneficiaries. The settlor generally provides the trustees with a letter of wishes, that sets out for the trustees the manner in which the settlor wishes the Trust assets to be dealt with both during his lifetime and after his death. The settlor can amend this letter at any time.
2. **Protective Trust** - This is a Trust where the beneficiary has a life interest and which ends (or becomes a discretionary trust) if certain events (commonly including the bankruptcy of the beneficiary) take place. At the occurrence of such an event, the income of the property is applied at the absolute discretion of the trustees for the beneficiary or his family, the beneficiary no longer having any right to receive the income himself.
3. **Fixed Interest Trust** - As the name implies a fixed interest Trust defines the interest that each beneficiary can have and these constraints may not be varied by the trustees. This provides certainty to all parties at the cost of the flexibility.
4. **Accumulation and Maintenance Trust** - An accumulation and maintenance Trust is a gift of assets usually where the beneficiaries are the settlors children and the right to participate in the accumulated income from the trust depends upon the beneficiary attaining a certain age.
5. **Purpose Trust** - A purpose trust does not have beneficiaries and is established to achieve a specific purpose.

A Trust can be *intervivos* (during life) or *testamentary* (at death). Just as the name implies, an *intervivos* Trust is drafted and implemented during a person's lifetime. These Trusts are also referred to as living trusts. In contrast, a *testamentary* Trust is set up to begin when a person dies.

A Trust may also be revocable or irrevocable. If it is revocable, the trustor (Trust maker) reserves the right to modify or even cancel the Trust and to remove or substitute property as long as he or she is alive. An irrevocable Trust means exactly that; it is irrevocable and cannot be changed once established. In addition, property assigned to the Trust cannot be recovered by the trustor, who is bound by the terms of his or her Trust.

Generally speaking, assets held in a revocable Trust are still the property of the trustor and, as such, are subject to federal and state inheritance taxes (although they would bypass probate costs). Assets held in an irrevocable Trust are not part of the decedent's estate. Therefore, they are not subject to federal or state inheritance taxes. However, assets assigned to irrevocable Trusts may be subject to gift taxes if they exceed the annual or cumulative exemptions. Unlike wills, living Trusts are "private" documents and, as such, do not require probate. As a result, the terms of the trust won't be available for the public to read.

If you feel you need a Trust to help protect your estate assets, always consult a competent estate planning attorney.

Can a living Trust keep me from paying taxes?

There is a lot of buzz about living trust and the ability they have to shield you against the tax man. The key to keeping property out of the taxable estate, with or without a trust, is that you must give up both control and the right to receive personal benefit (no strings attached).

"Keeping property in a Trust and out of your probate estate does NOT mean you pay no income tax on income from the asset. Nor does it mean the asset is out of the taxable estate for federal estate tax purposes. To accomplish tax savings of either kind, a variety of more complicated, irrevocable Trusts are available.

For income tax purposes, whether or not a Trust will be recognized as a separate entity depends on the degree of control retained by the Grantor (settlor). Basically, any meaningful, ongoing control over Trust property that one might want to keep, would make it a "Grantor Trust" under the tax code (E.g., The mere power to revoke makes any revocable Trust a "Grantor Trust"). "Grantor Trusts" are completely ignored by the IRS for income tax purposes. The Grantor would be taxed as if the Trust property were owned in his individual name, and not Trust existed.

For estate tax purposes, the Grantor Trust regulations do not apply, but the "no strings attached" rule still does, and the result is basically the same. A Trust can be drafted to enable the Trustee to handle a wide variety of future situations, but if it is intended to avoid inclusion in your taxable estate, it must be written in stone. Certainly, any Trust that the Grantor can revoke will be included in his/her taxable estate. Likewise, if the Grantor retains the power to change the terms of the Trust in any significant way.

The bottom line is simple: To keep property out of the taxable estate - with a Trust or not - you must give up both control and the right to receive personal benefit."

What is a living will and medical powers of attorney?

Living wills and medical power of attorney are useful additions to a standard will. A living will tells your doctor what, if any, life-support measures you would accept or would not accept. A living will only covers physical conditions that are considered to be terminal. Life-prolonging treatments that you may want to cover in your living will include respirators, kidney dialysis machines, ventilators and tub feeding. Persons who don't want to remain on life support indefinitely may place a time limit on how long they would want to continue in a comatose or vegetative state. Specific and clear instructions remove the emotionally devastating decision making responsibility from family members.

A medical power of attorney or Durable Power of Attorney for Health Care grants authority to someone you trust to make decisions with a physician regarding your medical care options (may vary from state to state). Even if your state doesn't have a health care power of attorney, all states will allow you to execute a General Power of Attorney, in which you can appoint someone to handle your business if you become incapacitated.

Inheritance Taxes and Death Taxes

Your estate is potentially subject to federal and /or state taxes at your death; and, depending on how you make your will, the state where you reside, and other factors, your tax burden can be very low or very high. Inheritance taxes are due to the federal government while death taxes are due to the state.

Fortunately, there are ways to escape some, or even all, of the federal estate tax burden at the death of one's spouse. One of these ways is to prepare a simple will, in which the husband leaves everything to his wife and she leaves everything to him. As a result, their estates are qualified for the unlimited marital deduction, which means the surviving spouse won't owe a penny of estate tax when the other spouse dies.

Another provision that can be used to reduce the federal estate tax is the unified credit (example of unified credit). This provision allows a person to make transfers during life or after death up to the estate tax exclusion or exemption (\$1,00,000 in 2002 and by 2009 it rises to \$3.5 million) to people other than his or her spouse and pay no estate tax on that amount. If properly used, this is an excellent provision to use in leaving property to children, other relatives, or friends.

How the estate tax will fade away

Year	Estate tax exemption	Gift tax exemption	Highest estate and gift tax rate
2002	\$1 million	\$1 million	50%
2003	\$1 million	\$1 million	49%
2004	\$1.5 million	\$1 million	48%
2005	\$1.5 million	\$1 million	47%
2006	\$2 million	\$1 million	46%
2007	\$2 million	\$1 million	45%
2008	\$2 million	\$1 million	45%
2009	\$3.5 million	\$1 million	45%
2010	Estate tax repealed	\$1 million	top individual income tax rate (gift tax only)

Many states have adopted the same code as the federal government, but others have not. You should research your particular state to see what the state death taxes consequences will be upon your death. If you happen to live in a state that tax an inheritance, the financial shock can be severe.

The amount of federal estate taxes and state death taxes can have a significant impact on heirs because the taxes must be paid in cash. Illiquid assets may have to be sold in order to raise enough money to pay these taxes. In some cases, due to the urgency of the situation, heirs may have to settle for less than the real value of the assets.

For that reason, it's wise to arrange for estate liquidity during your lifetime. One option for achieving this goal is life insurance, but you must plan carefully so that insurance proceeds won't increase the inheritance taxes and probate costs. Trusts can be set up so that the insurance proceeds are owned by an irrevocable trust, thus they are not part of the decedent's estate.

WARNING: You should always consult the advice of a trained and qualified professional in the area of estate planning, tax, or accounting as you put together a wise financial plan for your family.

Ministry *(Giving Back)*

The wise handling of finances should be a priority for everyone but especially for the Christian. When a person's financial life is in shambles, it prohibits that person from reaching his or her maximum potential. The self inflicted pain that is associated with poor money management creates an inward focus. It is only when a person understands and begins to develop a right relationship with money that they are able to reach out to the world around them. It starts at home with your spouse and children and continues into the lives of extended family, friends and associates. Understanding and applying sound money management principles is the foundation of a strong family and the cornerstone of an effective ministry.

The greatest investment that a Christian can ever make is in things that have **eternal** value (Matthew 6:19-21). God has individually equipped **every** Christian for work in a ministry that is especially suited for them (Ephesians 2:10; Matthew 5:13-16). It is only when our eyes are focused on **eternity** that we will have a burden for those who are without **Christ** (Galatians 5:17; 6:8-10). Therefore, serving the Lord in the **ministry** to which God has called you is your greatest investment opportunity.

Session 7 Long -Term *“Making a Difference”*

Review Questions:

The Basics of Investing

A strong financial _____ is dependant upon a strong financial _____.

Having a plan and staying _____ is the most effective and efficient method to reaching your long-term goals.

The one main variable that differentiates investing from saving is _____ . "He who will not risk cannot win." John Paul Jones

Your goal for investing should be to earn as much return as possible while not losing any of your _____.

_____ is the single greatest threat to your future financial well-being. It results in the constant, steady erosion of money's value.

Although _____ is your greatest asset, your investing program should not begin until you have completed two very important steps:

#1 The elimination of all consumer _____.

#2 The establishment of an _____.

Your investment selections should include a moderate level of _____ in exchange for a reasonable rate of _____ with the maximum degree of _____.

Wills and Trust

_____ should have a will or trust.

_____ % of Americans do not have a valid will or trust.

When a person dies without a valid will or trust the _____ will determine guardians for minor children, appoint an executor and decide on the distribution of assets within the estate.

A _____ will is used to request that life-prolonging techniques be withheld or withdrawn.

The _____ credit is a provision which allows a person to make transfers during life or after death up to the estate tax exclusion or exemption limit.

Ministry (Giving Back)

The greatest investment that a Christian can ever make is in things that have _____ value.

God has individually equipped _____ Christian for work in a ministry that is especially suited for them (Eph. 2:10)

Only when our eyes are on _____ will we have a burden for those who are without _____.

Serving the Lord in the _____ to which God has called you is your greatest investment opportunity.

GIVING

“The Big Picture”

Session 8

Session 8 Giving

“The Big Picture”

Biblical:

“Releasing The Blessings”

“Honour the Lord with thy substance, and with the first fruits of all thine increase:”
Proverb 3:9

Beginning With The Tithe

The tithe (*one tenth*) is sometimes misunderstood by Christians to be an Old Testament Law that is no longer applicable today. In reality, the tithe presents the opportunity for *all* Christians in *all* ages to give a material testimony to the fact that God is *Sovereign*”, “*King*”, “*Owner*”, and *Lord!* In addition, *the tithe is the starting place for financial freedom.*

Old Testament history tells us that the “*Law*” required that all Jews make offerings that exceeded 20% annually. *The tithe was and is only a minimum.*

1. Read **Genesis 14:12-21; 28:20-22; Hebrews 7:2,4**. What did Abraham and Jacob give as a material testimony to God?

(It should be pointed out that the “Law“ had no influence on the decision that these men made to give a material testimony to God. For example, the event with Abraham occurred more than 400 years before the Law was even given to Moses.)

In order for the principal of tithing to become a conviction, there must be an alignment of your attitude with the teachings of the Bible. When this happens, you will begin to experience the blessings of the Lord. *The principle of tithing, as a result of the right attitude, is the key that opens the door to God's blessings in the life of the Christian.*

2. Read **Malachi 3:10**. Describe what the Bible says happens when you bring the tithe into the storehouse (*the local church*)?

When we view the tithe as a duty or a rule, it becomes legalism. The Bible makes clear that when the tithe is “given” as a result of legalism, it is in vain and will not return God's blessings. If we offer the tithe for the purpose of receiving God's blessings; this too is wrong. The tithe should be offered solely as a result of a proper perspective of God as the Owner and Giver of all things. Our offering of the tithe should be as a result of our love, respect and fear (*reverential awe*) of God.

Remember, God owns it all. The things God places in our care are for the purpose of serving Him. When we claim ownership to these things, we rob God. The tithe is nothing more than the *first step* in the acknowledgment that God is truly, the ***Owner of it all!***

3. Read **Malachi 3:8-9**. The prophet Malachi directed his message of judgment to a people who had become so sinful as a nation that God's words no longer had any impact in their lives. What did he say as a result of their not tithing?

4. Read **Matthew 23:23-25**. In these verses, we see Jesus rebuke the Pharisees. Even though they tithed, what was wrong with their attitude?
5. Read **II Corinthians 9:7**. What attitude does God want us to have when we offer our tithes and offerings?

Normally, the only way a person can give money away and be happy about doing it is when:

- a. The money belongs to someone else or
- b. When he won't suffer as a result of giving it away.

For the Christian who has accepted his/her position as a steward, as opposed to an owner, both of these conditions are met.

As the Bible teaches, *everything* you have belongs to God and if you live according to His principles, His blessings will provide provision for your needs. *So, with the right attitude, every Christian can be a cheerful giver.*

6. Read **Deut. 8:18; John 3:27; I Cor. 3:5-6; 4:7; II Cor. 3:5**. We must not forget. From where do we receive all things?

Tithing always has been and always will be an *opportunity* for the Christian. God does not punish those who do not tithe - they only *forfeit His blessings*.

The Christian must also understand that tithing is not a step towards personal surrender to God, it is something you do as a result of having already surrendered to Him.

When we focus on the tithe, we miss the object of the lesson. Although both (*attitude and tithe*) are necessary, God's blessings are more a result of our attitude than the offering itself. God doesn't want the money; **HE WANTS YOU!**

7. Read **II Corinthians 8:5**. In using the Macedonians as an example, what did Paul say that they gave to the Lord *First*?

Beyond The Tithe

The tithe is only the beginning. As we become faithful stewards (*managers*) of what God has placed in our care, we will learn how to be sensitive to the leading of the Holy Spirit in the wise use of all of our resources - money, time, talents etc. In each step of faith, God reveals more and more of Himself to us. We gain *a new attitude; a new strength; a new testimony; and a new freedom.*

8. Read **II Corinthians 9:6**. Getting control of our financial lives allows us to respond more freely to God as He touches our hearts in different areas of service and giving. This becomes possible largely due to the orderliness in our finances that is created as a result of our living on budget. What are the results of our giving *beyond the tithe*?

When we live an orderly and excellent life as a wise and faithful steward (*manager*), we have the opportunity to become a tremendous asset to the ministry of God through our local church and through our personal testimony.

Living on a budget plan allows us to identify true surpluses that God directs into our lives. Being sensitive to His leading, we can then direct those surpluses to the areas He has planned. Without a plan for your finances, you can be assured that you will **never** be able to identify a surplus.

9. Read **II Corinthians 8:14**. One of God's blessings is the joy and the privilege He gives us in helping others in their time of need or in furthering the work of the Lord. How is the want (*lack*) of one person or family met?

When God chooses to give you an abundance (*surplus*), you incur a great responsibility to seek His guidance as to its use. Just because you can, doesn't mean that you should give to the first person that approaches you with a need. God might be using the need in that person's life for a reason; to encourage obedience, faithfulness, trust, etc. Therefore, as God burdens your heart, you need to be ready to respond.

10. Read **Proverbs 30:8-9**. God's plan is that we have a balanced attitude toward material things. How do these verses define balance?

Three Ways to Give

There are basically three ways in which we can give the money God has entrusted to us: **First**, *the tithe*; **second**, *from the surplus*; and **third**; *through sacrifice*.

1. The Tithe

Every Christian can and should give the tithe. It should be given as a result of our love for God and our desire to obey Him. (*The tithe should be computed before you pay your taxes*)

11. Read **Proverbs 3:9**. Should you offer a tithe only on the money that you earn from your job? What about inheritances, interest on investments, profits on the sale of a house, and other windfalls?

2. The Surplus

Giving from the surplus is truly a blessing from the Lord. This money is above and beyond the needs of the family budget and can be freely used to meet the burdens God places on your heart. God gives the surplus, but it is our responsibility to be in a position to recognize it!

Only when you set up a budget plan will you be able to identify a surplus. Without a budget plan, not only is the tithe normally a strain to the family but all giving will *appear* to be a sacrifice.

3. The Sacrifice

The blessings are great for those who tithe. The blessings are even greater for those who give out of their surplus, beyond the tithe. But as Jesus so clearly illustrated, the

blessings are the greatest for those with convictions that allow them to give out of sacrifice. (*Remember, the blessing is in the attitude. God knows your heart when you give*).

12. Read **Mark 12:41-44**. How did Jesus compare the value of the money that was given from sacrifice with that which was given from abundance (*surplus*)?

God owns it all. We tithe to acknowledge that fact. The Christian that does not tithe is not in a position to receive God's blessings. Without the wonderful blessings of the Lord, the Christian life is hardly any different than a life without God at all. Why would the Christian settle for eternal life when God is offering the abundant life **NOW** through His blessings? (**John 10:10**)

START WITH THE TITHE

Releasing the Blessings - answers

1. A tenth of what they had (tithe)
2. God will pour you out a blessing that there will not be room to receive it.
3. They were cursed with a curse.
4. Their motive for giving was wrong. They had the wrong attitude.
5. Not grudgingly, but instead, cheerfully.
6. God
7. They first gave their own selves.
8. As we sow, so shall we reap.
9. Through the abundance of another.
10. Not so rich as to deny God and not so poor that we would be tempted to lie and steal.
11. The tithe should come from the first fruits of *all* thine increase.
12. Although much less, that given from sacrifice is worth much more (it normally reflects a positive condition of the heart that is pleasing to God).

Session 8 Giving *“The Big Picture”*

Practical:

When you claim ownership to anything, you voluntarily place yourself in **bondage** to that item. It might be that new car you are crazy about...or the dream house you just bought. You might even have feelings of ownership over your children. An attitude of ownership desensitizes a person in the area of giving.

The concept I want to introduce is "stewardship". Stewardship is a term that you might associate with a church or religion. If so, then use another word with the same meaning "manage". When you become a manager you have responsibility for what you manage but without the burden of ownership. This is the concept you need to develop in your life in regard to your money.

You might ask, "If I am the manager or steward of my money then who is the owner?" God is the owner...He owns it all! You will find a freedom to enjoy the benefits of your money more when you understand this concept. You will also feel free to give your money to worthy causes as God directs. True financial freedom is the by product of a right relationship with your money. You will know when you have reached a position of true financial freedom not when you "have" but when you are able to "give". Money is a fantastic tool and has many great uses but it makes a very bad master over your life. Your attitude about money will determine how financially free you really are.

The three main steps to true financial freedom are:

- The first step is to **transfer ownership** to God (Proverb 11:28)!
- The second step is to trust in and apply **God's principles** (Proverbs 3:5,6).
- The third step is to maintain **balance** (Psalm 127:2).

Three Ways to Give

- **Tithe and Offerings** (*Proverb 3:9; Malachi 3:8*)
Giving the tithe acknowledges God's ownership
- **Surplus** (*2 Corinthians 9:6,7*)
The surplus can only be identified with a budget
- **Sacrifice** (*Mark 12:42-44*)
Sacrificial giving requires that you deny yourself

All giving should be done as God leads rather than from guilt. Giving starts when you accept your position as a steward and acknowledge God as The Owner. This releases His blessings into your life. The next step is to become a wise manager and position yourself to be able to identify the surplus. Giving sacrificially can then occur if God so leads.

Many churches have periodic programs that are designed to get their congregations to make promises to give above and beyond for a period of time. It might be for a special annual mission offering pledge or as a result of a building program that resulted in excessive debt. The emotional charge from the pastor is usually Biblically based yet normally aimed at the emotions of the congregation in hopes of creating a feeling of guilt. In the case of a prospective building program, it is not uncommon for a church to

hire professionals to survey the financial capability of the congregation based on the type of jobs, homes, cars and lifestyles to determine what can be expected. Church building programs are often marketed and sold to a congregation by professionals no differently than any other consumer goods.

Is God honored when a church is built in His name when the people that are building it are doing so while living lives in contrast to His principles. For example, should a Christian pledge to give thousands of dollars to a building program when their personal finances are in shambles. If 70% of all Americans are living paycheck to paycheck with consumer debt exceeding half of their annual incomes, should they agree to take on their fair share of the debt of a new multi-million dollar building program? Should those in leadership positions in the churches across America encourage their members to give beyond the tithe when they know the sick financial state of their congregations and possibly their own lives?

It is my belief that it would be much more effective (especially long-term) to address the source of the problem that is to blame for the poor stewardship rather than attempting to find ways to get the congregation to give sacrificially. The source of the problem is the attitude of the person. When a Christian finally accepts the concept of ownership/stewardship, he or she will then be able to experience the unlimited financial capabilities of God.

If God does truly "Own It All" as the Bible teaches, then the focus of the church should be on getting the congregation to seek God and get their financial house in order BEFORE they are asked to open their checkbooks.

When asked to give to a special program from faith, it should not mean that you make a pledge and hope that God will honor it but that you seek God before you pledge and then wait for God to meet that pledge. This is called a "conditional vow". Our prayer should be, "Oh God, if you would so allow, let me be a vessel and give to this cause." Instead, the prayer is often, "God, I am going to give \$xxxxx in faith, please bless my offering."

Let me give you a personal example. We were once members of a church that was asking the membership to make a three year pledge towards a multi-million dollar building program. As a steward, I knew that all I had and could possibly give was dependant on God. Believing that God did "Own It All", I knew that my job was to ask God what amount He would *allow* me to give.

Knowing that I was merely a channel or vessel, I began to ask, "Why can't God just give the entire amount needed for the building program through me?" After I thought about it, I realized that the barrier would not be God but rather my ability to let such a large amount of money pass through me. I decided to make a pledge that would allow God to use me to the limits that He knew I was capable ("according to each ability"). I made a pledge that was within my budget and in addition a "conditional vow" that stated that I would give one-half of any increase in my income. My commitment was to continue this pledge until I reached what at that time seemed to me to be a very large amount of money or until the three years had ended, whichever came first.

I then waited and watched to see how God might use me. Events and circumstances during the next twelve months allowed me the opportunity to understand more clearly the meaning of the phrase "God Owns It All". The figure that I had pledged to give over the

next three years was met in less than twelve months. God proved himself to me to be a God with limitless resources.

The main problem in our society today that prohibits most Christians from being able or willing to hear God in the area of giving is the result of their own poor money management practices. It all starts with the commitment to start taking small steps towards getting your financial house in order. All giving is a blessing. Just as a little child gets excited when his or her parent lets them put the money in the offering plate, so should we be excited when God allows us the privilege and the blessings that follow as a result of doing the same with His money (2 Corinthians 9:7).

"If therefore ye have not been faithful in the unrighteous mammon (money), who will commit to your trust the true riches?"

Matthew 16:11

Session 8 Giving *“The Big Picture”*

Review Questions:

The Three Steps To Financial Freedom

The first step is to _____ to God.

The second step is to trust in a apply _____.

The third step is to maintain _____.

Ownership vs. Stewardship

When you claim ownership to anything, you voluntarily place yourself in _____ to that item.

The _____ is an act of obedience that acknowledges the fact the God is the owner and you are the steward.

Giving

The three ways that you can give money are:

- _____ and _____.
- _____
- _____

The tithe is 10% given _____ taxes.

In order to be able to recognize a surplus you must manage your personal finances with a _____.

A _____ vow says that I promise to give if God provides.

CHILDREN

“Beyond the Piggy Bank”

Session 9

Session 9 Children *“Beyond the Piggy Bank”*

Biblical:

“Teaching Children”

“Train up a child in the way he should go and when he is old, he will not depart from it.”
Proverb 22:6

One of the greatest concerns of the Christian parent should be that their child (*children*) have the wisdom of the Lord in regard to personal money management. With the wrong attitude about money, children are hindered from a productive life of service for the Lord.

As Christian parents, God appoints us as temporary stewards and guardians of HIS children. He has given us the great responsibility to train and equip them to be prepared for service for Him. Proper training of our children is one of our greatest ways of investing in the future work of the Lord.

Teaching by Example

Teaching your children is nothing more than the transfer of your understanding of the principles that God has given you, to them. When you are living a life of obedience, orderliness and excellence before your children, you are teaching by example. It doesn't matter what you say, your children will eventually see the convictions of your heart.

1. Read **Deuteronomy 6:5-7**.
 - a. What must we do before we can effectively teach our children? (vs. 5,6)
 - b. How are we told to teach our children? (vs. 7)
 - c. When are we told to teach our children? (vs. 7)

We can only effectively teach what we know and only if it is a personal conviction of our own, can we be convincing. We are told to very carefully teach our children about all of the issues of life.

The time that we are given to prepare our children is very brief. We will not be held responsible for their decisions but rather for the way we teach and train them. Our children are God's creation.

2. Read **Proverbs 22:6**. With the proper teaching on the Biblical and the practical matters concerning money management, our children are given a solid foundation upon which to establish their lives. Biblically, God owns it all and we are stewards (*managers*); practically, we need to exercise discipline and live on a budget. What does this verse say is the result of proper training?
3. Read **Proverbs 20:7**. What is the result of our being a good example for our children?
4. Read **Psalms 78:3-6**. The spiritual inheritance that God has given us is the greatest thing we can pass on to our children. What do these verses encourage us to pass on to our children?
5. Read **Psalms 103:17,18; 132:12 and Proverbs 17:6**. The blessings of sound

teaching do not stop in the lives of your children. Other than your own children, who will benefit from the time you invest in teaching them?

There are many oil producing trees mentioned in the Bible. The best oil was obtained from the green olive fruit of the olive tree. It was used for fuel for lamps (**Ex. 27:20**), as anointing oil (**Lev. 2:1**), as an article of commerce (1 Kings 5:11), and for dressing wounds (Luke 10:34).

The olive tree stood about 20 feet tall with a gnarled, twisted trunk, white flowers, and berries that ripen to a black color. The olive tree grew slowly and continued to bear fruit after reaching a great age.

A very interesting characteristic of the tree was that, before it died, new branches sprouted from its roots.

6. Read **Psalm 128:1-6**. In this Psalm we see a man who walks in the ways of the Lord. He is able to provide for his family and we can assume that he has his financial house in order. What are his children compared to?

Because of his teaching by example, we can see that his children will be able to continue to teach their children and the generations to follow will be blessed. Just as the olive tree continues to bear fruit in its old age and sprouts new branches before its death - so will the children of a man be who walks in the wisdom of God's Word.

7. Read **Proverbs 20:7**. What happens to the children of a man who walks in integrity (*completeness, honesty, soundness*)?

Teaching in Love

Many parents and grandparents mistakenly shower their children and grandchildren with gifts in the name of love. With the beginning of every tear is the promise of the purchase of an item that the parent hopes will serve to pacify the child's demands.

If we love our children and desire to see them grow up to become wise managers of their financial affairs, we must be willing to take the time required to teach them and train them.

8. Read **Proverbs 3:12**. What will be the response of a father that loves his children and wants the best for them?
9. Read **Proverbs 13:24 ; 22:15 ; 29:15**.
 - a. When we refrain from teaching our children by not correcting them, do we show them love? (vs.13:24)
 - b. What happens to children that are left to figure things out on their own with minimal teaching and correction from their parents? (vs. 29:15)
10. Read **Ephesians 6:4**. All teaching and correction requires an abundance of love. When we correct and attempt to teach with anger, we provoke our children to wrath. How are we told to raise our children?

Teaching with Hope

The Bible gives us hope that when we train and teach our children properly, our lives, their lives and the lives of their children will be blessed by God.

There is but a short time in the lives of our children that we can effectively teach them. We must take advantage of every opportunity (**Deuteronomy 6:7**). It is with the hope of God's Word that we continue.

11. Read **Proverbs 19:18**. What does this verse tell us about the time that we have to train our children?
12. The hope that we have is that our children will bring us joy. Read **Proverbs 15:20 ; 29:17**. What can we expect as a result of training our children in the ways of the Lord?
 - a. (Proverbs 15:20)
 - b. (Proverbs 29:17)
13. Read **Proverbs 29:18**. Not only do we need to have hope, but we must continually encourage our children. Set before them dreams and goals worthy of striving for, give them hope. How should this verse encourage us as to our purpose?

The most *efficient* way for you to train your children (*producing the desired results with a minimum of effort*) is by example.

The most *effective* way for you to train your children is in love.

Teaching our children *by example* and *in love* will return the greatest investment of our time.

14. Read **Psalm 127:3**. What are children?

To many parents, children are a pain, a problem, and a burden. The only way that we can have hope for our children is when we do all we can to teach, train, and correct them *in the ways of the Lord*.

Teaching Children - answer

1. a) Love the Lord with all your heart, soul, and mind. Our hearts must be filled with convictions from the Word of God.
b) Diligently
c) Constantly; at home, away from home, at night, in the morning.
2. Given the right training, our children are given a solid foundation for the future.
3. Our children will have the opportunity to be greatly blessed if our lives provide for them the correct role model coupled with the correct training.
4. The testimony of God's faithfulness in our lives when we put Him first in everything - including our money.
5. Our children's children (generations to follow will benefit)
6. Like olive plants (new branches from and old tree).
7. His children will be blessed.
8. He will correct (discipline and instruct) his child.
9. No. It shows a lack of love (even a hate).
10. Do not provoke them but instead teach them in the nurture and admonition of the Lord.
11. The time is short. There is but a period that we can hope. We must be focused, consistent, and effective.
12. a) We will be glad (happy) parents
b) We will be at peace because our children will be a delight unto our souls.
13. Let your children dream; encourage them to have goals; teach them that the only place they want to be is in the center of God's will for their lives.
14. Children are a great blessing from God; not only in themselves but in the way they help to make us more effective servants for God.

Session 9 Children *“Beyond the Piggy Bank”*

Practical:

The greatest practical gift you could ever give your children is a solid understanding of money management principles. *Surveys show that more than one-third of kids ages 12 to 17 still use a piggy bank to save money. And more than half have received no financial education at all.* Understanding the value of a dollar, the magic of compounding, and the dangers of borrowing money to buy things that go down in value are some of the key principles that will help your children build a solid financial future. The three critical areas that must be instilled in children in the area of money management are:

- **God owns it all**
- **Self discipline and moderation**
- **Everyone needs a budget**

Teaching your children how to manage money requires that you become very **pro-active**. The teaching and training process must become a lifestyle. The most **efficient** way to teach your children is by example (Proverb 20:7; Deuteronomy 6:5-7). Therefore it is imperative that you become a living example of what you want to teach. Even if you have made mistakes in the past, you must become committed to living a life in the future that will provide your children with the example they need. Your family and the decisions that you make with your money might be the only opportunity your children have to experience the reality of money management before they go "solo".

As your children grow up, the many opportunities for life lessons will be constantly changing. It might be as simple as making choices for the best value when grocery shopping or as advanced as helping you decide on a future auto purchase, a new house or how to best distribute your investment savings. The teaching and training opportunities are never ending. Parents must continually remind themselves that the teaching process is most **effective** when it is done in love (Ephesians 6:4).

The average student graduating from high school can't balance a check book. It's not because the child is not loved by his/her parents but due to the fact that most parents just assume that their children will learn what they need to know about money management at school or as the situations arise. In many families, the parents are so far behind in their own understanding and practice of basic fiscal responsibilities that they are unable to help their children. The children are then destined to be conditioned by a debt ridden society where eight out of ten families are living paycheck to paycheck with credit card balances at the maximum limits, driving financed or leased cars that far exceed the reasonable limits of their income and unable to save while spending more than they make each month.

Teens today are well on their way to a life burden with debt. As reported by Teenage Research Unlimited of Northbrook, IL (1/25/01), *"...30 percent of teens are interested in getting a credit card, while 42 percent of teens aged 18 and 19 already have a credit card in their own name. Another 11 percent say they have access to a parent's credit card"*

- ✓ *"College students represent 19% of the people who file bankruptcy." T.R.U.*
- ✓ *"Recent statistics state that most college students graduate with well over \$20,000 in debt (not just student loans)." T.R.U.*
- ✓ *"The average credit card balance owed by graduating college seniors across America is \$3,000." Source: Cardweb.com, Frederick, Maryland*

You must ask yourself, do you want society to be your child's teacher? If not, then the road to teaching your children how to become wise money managers begins with YOU.

After making the commitment to steer your family in the right direction, you must then realize that **IT'S NEVER TOO LATE TO START**, but the longer you wait the more **difficult** it will be. **START NOW!!**

Questions About Children and Money

- **What should I be teaching my children at the different ages?**
- **Should I give my child an allowance?**
- **Should I pay my child for good grades at school?**
- **Should my child get a job?**
- **Should I buy my child a car when they get their driver's license?**
- **How do I help my child prepare for the future?**

What should I be teaching my children at the different ages?

Teaching children about money should start at a very early age. It should be an open topic for conversation rather than something that is talked about in secret. As children grow up, they are conditioned by their surroundings. What they see their parent do and hear them talk about often results in the development of their own personal convictions. These convictions are the foundation for the decisions and choices that they will make in later life once they are independent and living on their own. For example, a young person who grows up in a nice home in the comfortable surroundings of new autos and name brand clothes is conditioned to believe that is the standard. But they might not be aware of the fact that their parents are living hand to mouth burdened by tremendous debts and constantly fighting about money behind closed doors.

It is essential that children be taught certain key principles about money **BEFORE** they are faced with making these decisions on their own. It only takes a few bad choices to set up a lifestyle of financial disaster. Parents should realize that it **IS** your responsibility to train and educate your children but you are **NOT** responsible for the choices your child makes once they are on their own. If you have provided your children with a good example and trained them in the basics of money management, you should be commended.

Below is a list of topics by age groups to consider when teaching your children about money. There are many different ways to work these topics into the daily lives of your children. The key is to be flexible yet proactive. You will find that as you teach your children about money, they will become an excellent way to keep you accountable to them for the decisions you make concerning your money.

During the ages of 1-10 the basic **attitudes** are being formed that begin to mold the child's **character**. The mid years of 11-16, the previous years of conditioning start to show up in the child's **convictions**. The last years of 17-21 are the years of **reality** training.

AGES 1-10	AGES 11-16	AGES 17-21
Ownership/Stewardship	Budgeting	Credit & Debt
Orderliness/Excellence	Spending/Saving	Work/Vocation
Relative Value	Compounding	Autos
Sharing/Giving	Taxes	Insurance
Responsibility/Reward	Smart Shopping	Mortgages
Intro. To Budgeting	Checkbook	Investing

Should I give my child an allowance?

The main purpose for an allowance is to allow a child to learn how to manage money. Children need to learn how to give, save, and spend. These lessons are best taught when a child must do this with money they call their own. I prefer not to give children an allowance that but rather rewards for assigned task. However, if an allowance is given, it should be given only when the child has accomplished required daily chores on a regular basis. Giving a child a set allowance weekly or monthly without a requirement to accomplish task or jobs is nothing more than welfare. This welfare mentality enhances a poor work ethic and defeats your efforts to teach the important lesson of the value of a dollar.

Should I pay my child for good grades in school?

Although a child's primary work responsibility is his/her school work, paying them for good grades can create a negative reward system. Grades are a measurement of relative performance in the classroom. If you decide to pay your child a set amount for every "A" they make on their report card, yet they bring home all "Bs", the child senses failure. If your child did their personal best in every way and was unable to make an "A", was it failure? No!

Students should be encourage to perform at their personal best. Regardless of the grade, when a child performs at their personal best, they should be praised. Rewarding for grades can create motivations in the child to find ways to make a grade rather than learn the material and develop good study habits. Some children might even be tempted to cheat in order to obtain the reward. This can result in the development of a multiplicity of negative character traits that can carry over into other areas of life.

Parents should monitor and assist in the development of good study habits in your children. Teaching organization skills and time management are key to being successful in academic endeavors beyond the high school level. The parent should also hold your child's teachers accountable for their actions in the classroom. In both public and private school systems, the teachers are your employees. You pay their salaries and expect them to manage the classroom in a fair and equitable manor. In our competitive society,

grades (especially 9th thru 12th) are important when it comes to acceptance into colleges and universities.

Should my child get a job?

At an early age, children should start learning the value of money. This is best done when they accomplish task in return for rewards. During their early years, value can be taught with relatively simple task and small rewards. As they grow older the jobs should become more demanding and the rewards larger.

With the abundance of domestic task available in most families, working outside of the home is not always necessary. However, children need to also have domestic responsibilities (chores) that are unpaid. For example, a child might be assigned to keep their room clean and made up daily. They might also take the trash out, care for a pet, do the laundry or help with kitchen duties during meal times. Then for extra paying jobs, they might clean out the garage or attic, wash cars or do lawn work. They might also offer to wash neighbors cars, do lawn work or baby sit.

Working outside of the home such as in a retail store creates other opportunities and concerns. Deciding to allow your children to become a part of the part time work force should not be made without first evaluating the time commitment, working environment and the particular needs of the young person. For example, a part time summer job might be a great opportunity for a young person to learn about discipline and respect for authority as an employee.

The goal is to use any working situation as a means to an end. The end goal is to teach and train your children to become wise and responsible money managers. The value of any job is not found in the money the child makes but the life lessons that are learned and that can be transferred into adult life.

Should I buy my child a car when they get their driver's license?

Most young people in their teens wait anxiously for that special birthday when they turn sixteen (some states may have a different age limit to obtain a drivers license). It's a time of increased mobility, freedom and from a parental perspective, responsibility. But is it a time for parents to present their young teens with the keys to their very own auto?

In a majority of American middle to upper class families, an auto is standard issue with each new driver's license. I believe the problem exist not with the fact that an additional auto is added to the family fleet but the issue of ownership. When children are unemployed, they are unable to "own" items that require money to operate and maintain. When a child is conditioned to believe that a particular auto is "theirs" yet they have no financial obligations (maintenance, gas, insurance, etc.), they lose the proper perspective of the value of a dollar. The time is limited for parents to teach their children the value of money. Every opportunity available needs to be used to help equip our children so that they become fiscally responsible adults.

The child may use a particular car from the family fleet more than another but needs to know that all of the cars belong to the parent. It might even be a good idea to insure that your young driver drives all of the family cars periodically to discourage the concept of ownership. When a child is given ownership to an expensive item such as an auto

without the financial responsible, it becomes increasingly difficult for them to identify with the reality associated with auto ownership.

How do I help my child prepare for the future?

I call it "reality training". Our children grow up in a bubble of isolation and security. One day that bubble is going to pop and they will be forced to meet reality head on. How can you as the parent help them prepare for the transition?

Think of your children as young adults in training. Our goal as parents should be to equip our children for the future in every way possible so as to help insure that they will have the best possible opportunity to live life skillfully and with much success. Many times we find that we have limitations as to the depth that we can help our children. Parents may not always have all of the answers but should be resourceful enough to be able to find someone that can help. The key is to be proactive even though at times it feels as though you are trying to put a square peg in a round hole.

The options for young people today are endless. Educational opportunities exist for those who diligently pursue them regardless of family income limitations. The problem facing most young people is two fold. First, their world is filled with an endless supply of distractions from reality and secondly, most parents are so busy in their own lives that they normally don't have time (or make the time) to provide the necessary coaching required to help their children focus on future professional dreams and opportunities. This is why many children default to following in their parents footsteps or opt for the first thing that comes along in the way of employment.

The following are few suggestions that can be used to help you coach and mentor your children as they seek to find a vocation and future that is best suited for them:

- **Be a good example (mentor) to your children in regard to the way you manage your money and finances.**
- **Encourage your children to maximize their potential by seeking to perform at their personal best in all of their endeavor.**
- **Talk openly and frequently about money around your children (what things cost, how much it takes to live certain lifestyles, what different career fields pay, etc.)**
- **Help them discover their interest by focusing on things they enjoy or do well (math, science, computers, creative, leadership, etc.)**
- **Make sure they understand the difference between an area of interest that is suitable only as a hobby and one that can provide a foundation for a career.**
- **Expose them to as many people and environments as possible in areas that they show interest. Take mini field trips or ask a friend in their area of interest to talk with them or show them their work up close.**
- **Use the abundance of free material on the internet to research areas of interest, career opportunities, salary levels (entry level and career maximums), educational requirements, etc. (see website links - Occupational Outlook Handbook)**
- **Assure them that God has "wired" them in a very special way. Their task (with your coaching) is to find the perfect place that best utilizes their gifts, talents and interest.**

Session 9 Children *“Beyond the Piggy Bank”*

Review Questions:

The three critical areas that must be instilled in children in the area of money management are:

- _____ owns it all
- _____ and _____
- Everyone needs a _____

Teaching children how to manage money requires that the parent become very _____.

It is never too late to start, but the longer you wait the more _____ it will be.

Teaching by example is the most _____ way to teach children.

Teaching in love is the most _____ way to teach children.

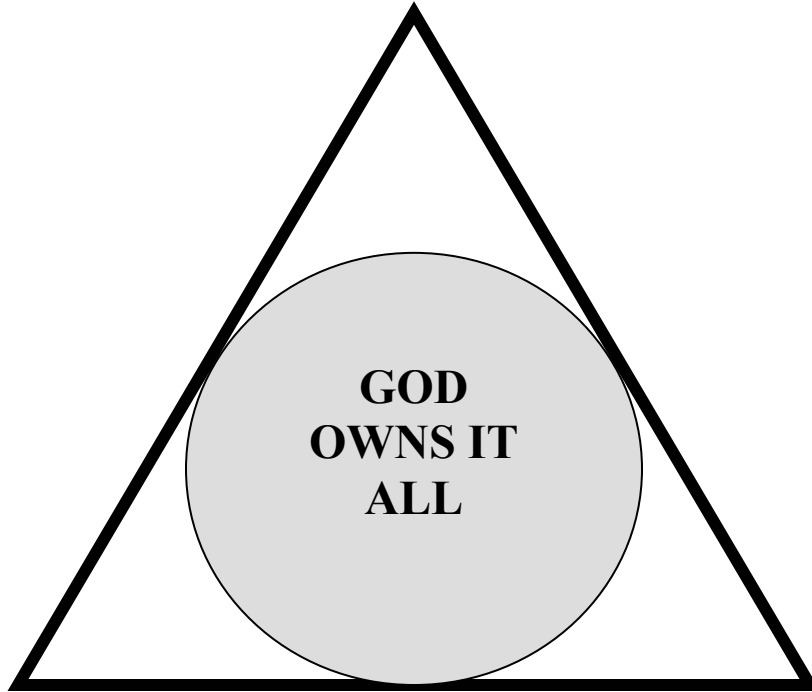
During the early years (ages 1-10), the basic _____ are being formed that begin to mold the child's _____.

During the mid years (ages 11-16), the previous years of conditioning start to show up in the child's _____.

The last years (ages 17-20), are the years of _____ training.

STAGES OF FINANCIAL FREEDOM

ASSIMILATION



ATTITUDE

APPLICATION

LIVING “IN THE ZONE”

