

◆ The Freedom Report ◆

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Principle to ponder:

Assumption
Averses
Presumption - what is the difference? We are warned not to "presume" upon God. When we "presume", we take upon ourselves the *unwarranted* liberty of believing that something will come to pass.

When we "assume", we take upon ourselves the belief that something will come to pass based on the warranted conditions of the past.

When you purchase housing, don't "presume" on the future!

James 4:13-17

Home Sweet Home

The great American dream continues to be a home that one can call their own. A safe neighborhood, a big backyard and an affordable mortgage! The question is, "How much house can you really afford?"

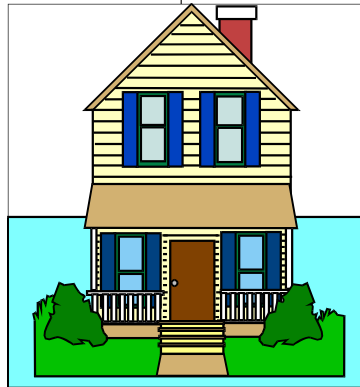
Too often the decision to buy or not to buy is based on emotion rather than logic. (Proverb 24:27) When trying to decide on the purchase price of your dream house, a wise steward will consider two very important factors:

1) The current condition of your *financial foundation*.

2) A plan for securing your *financial future*.

The status of your *financial foundation* is determined by looking at the first three steps of my five step plan. 1) *Have you established a surplus in your checking account that allows you to stop living paycheck to*

paycheck? 2) *Have you eliminated all of your consumer debt?* 3) *Have you built up an emergency cash reserve in your savings account of 3-6 months of your expenses?* With the foundation in place, you are ready to move forward.



In 1926, 2% of all homes were financed while 98% were debt free; In 1962, 98% of all homes were financed while 2% were debt free!

The next big step is the down payment. To avoid the bite of having to pay private mortgage insurance (PMI) you will need a down-payment of at least 20%.

Ownership carries with it a great financial responsibility. The temporary alternative is to rent until your *financial foundation* is in place. Renting is not "throwing your money away" as some would make you believe.

If you make the decision to become a home owner prematurely, you can very easily and very quickly damage your ability to secure your *financial future*.

Remember, debt is
(continued on page2)

Is Mortgage Debt Good?

So often you hear people say, "I don't pay off my mortgage because it is tax deductible." What exactly does that mean?

Based on your tax bracket and the interest that you pay the bank or mortgage company, you are allowed to reduce your taxable income.

For example, if you are in the 28% tax bracket, you are allowed to reduce your taxable income by 28% of the amount that you paid in mortgage interest. Therefore, for every \$1,000 dollars you pay in mortgage interest, you are allowed to reduce your taxable income by \$280 (*not considering the effects of incremental taxes*). This means that in effect, it cost you \$720 for every \$280 of allowed deductions - *not a good plan!* Having the tax deduction is great but not justification for the debt!

Another thought worth considering is that for every dollar you apply towards the principle on your mortgage, it is the equivalent of making a tax free, no risk investment equal to the rate of your mortgage loan. Other than these considerations, let God speak to your heart about debt!

Financial Freedom Seminars

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Christian Oriented Education, Inc. is a non-profit ministry whose mission statement is summarized by Colossians 1:28: "...warning every man, and teaching every man in all wisdom: that we may present every man perfect in

Home Sweet Home (continued)

aggressively marketed! Banks and mortgage companies will qualify you for more house than you can afford - *trust me on this one!* The lending ratio is approximately 28-33% of your **gross** income! When you obligate yourself to those ratios, you will find it extremely difficult to tithe, contribute to retirement savings, and to save for known major purchases like cars, vacations, Christmas gifts, etc.

So, how do you compute a *real* number for your housing expenses? First, determine your net spendable income (N.S.I.). Your N.S.I. is your gross income (be careful about considering dual incomes for newly marrieds), minus your tithe, minus your taxes (if your *financial foundation* is in place, you should also consider subtracting your pre-tax savings from your gross income).

For gross incomes under \$50,000, a target

of 25-30% of your N.S.I. should be budgeted for principle, interest, taxes, and insurance (P.I.T.I.) and another 5-10% for utilities. Therefore the total budgeted amount for housing expenses should be approximately 35-40% of your N.S.I.

Another rule of thumb is to keep housing, food and auto within 65% of you N.S.I.

If you find that these percentages do not provide you with what you consider to be adequate housing, then you must be willing to make some tough choices. To commit yourself to more than 40% of your N.S.I. for housing, you must become a very frugal shopper. You must always drive old cars, buy your clothes at second stores, toys at garage sales, eliminate expensive vacations, just to name a few. But whatever you do, **don't stop saving for the future!**

***"A home is not a house.
A house is a building."***

In The Next Issue..

Planning with Purpose!

Financial Freedom Seminars are being conducted by C.O.E., Inc. in churches for the sole purpose of helping Christians understand and apply God's plan for financial freedom!

The seminar has a strong Biblical emphasis while at the same time giving the necessary instruction in the practical areas of money management.

Christian Oriented Education - Ministry Update

After only three short years, it is encouraging to look back and see how the ministry as grown. God has truly used every ounce of my abilities and every spare minute of my time as He has led me. It continues to be a very encouraging work and blessing for my entire family.

The growth and development has been done only as God has provided the resources and the time. It is exciting to see how He has done both.

A few things that I am especially excited to see accomplished are:

Early on, we were

able to receive our 501(c) 3 tax exempt status from the I.R.S.

The presentation format has gone from paper handouts to a fully digital format complete with video and animation.

The Budget Organizer has been improved to include the new Budget Planner Disk designed to work on the computer.

The newsletter has finally become a reality. Although small now, it is a start for us to be able to continue to encourage others after conducting seminars.

Many ideas and projects continue to keep us

busy:

The development of a web site is in the works; an updated computer budgeting program; a method to streamline the assembling of materials for seminars; the development of a follow-up course to be used by churches and individuals after conducting the Financial Freedom Seminar; the completion of my book.

As you can see, there is plenty to do. Pray with us that God will continue to guide and provide the resources and the time.

God Bless,
Mike