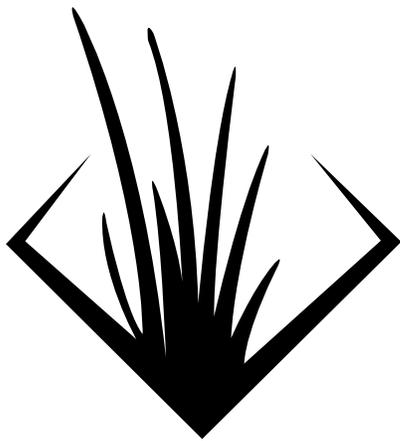




**IT'S A
NEW DAY**

FOR FINANCIAL FREEDOM

— *Workbook* —



IT'S A NEW DAY

FOR FINANCIAL FREEDOM

by David Scobey

INTRODUCTION

The purpose for this study is to help you and me grow in our ability to manage or steward the resources that God has entrusted to us. Why did I include both of us in the previous statement? I'll tell you why. I've counseled and taught on this subject for 18 years and dealt with it personally on a monthly basis for 30 years prior to that. If I've learned one thing, it is that the enemy takes great pleasure in disrupting our financial lives. We all are affected by his schemes, and, with God's help, it requires continued diligence and effort on our part to rise above societal pressures and manage finances in a way that honors God.

The study is organized in weekly segments in order to facilitate the weekly small group discussion session, which should be scheduled at the end of each weekly segment. There are individual lessons for reading as well as reflection time and action steps for each lesson. You should notice that there are fewer lessons than there are days in a week. And, a big plus, the lessons are short! This is intentional in hopes that the reading assignments will not be overwhelming and that more time can be devoted to the reflection portion and following through with the action steps.

A video, which is to be viewed after each week's lessons have been completed, will accompany the study. This will serve two purposes: one, to provide additional teaching and examples during your weekly small group session, and; two, to function as the facilitator for the small group session. This was done with the hope that no additional responsibility or pressure would fall on any one group member and that all of the group participants could focus on their own personal study and growth.

Note: While this study was designed to be used with a small group (ideally 6 to 10 people), it can be successfully completed by an individual or with a larger group. If you are participating in this study on your own, use the discussion questions on the Video for additional reflection time. If the study is being used in a large group session, consider assigning the Video discussion questions to smaller groups to be discussed during the week.

Not surprisingly, the study begins with laying out the scriptural foundation which should motivate all of our financial decisions. Two subjects that both Larry Burkett and Howard Dayton (Crown Financial Ministries) introduced to me were God's Ownership and our stewardship. I relied on much of their teaching and the scriptures they cited to support it, to help communicate God's truths in the first several lessons. Later, the study moves into extremely detailed and practical methods and techniques to aid us in managing finances both now and into the future.

It is my hope and prayer that this study clearly communicates two main topics:

1. The truth of God's principles in a straight forward and concise manner.
2. Easy to understand practical methods to help put His principles into practice.

I will trust the Holy Spirit to do just that.



David Scobey
President, The Scobey Group LLC



ABOUT THE AUTHOR:

David Scobey retired from military service as a Colonel after completing a career that spanned 30 years. As a United States Air Force instructor pilot, David began his professional career teaching. He continues to use his gift of teaching today. In the last several years David has spoken to hundreds of audiences and counseled hundreds of individuals and couples on the basics of getting their financial house in order.

He formerly served as both a counselor and an educator for Consumer Credit Counseling Service, a national non-profit agency that assists individuals with basic financial management and debt reduction. For over a decade he has volunteered, developed seminars and taught with Crown Financial Ministries, a financial ministry co-founded by Larry Burkett and Howard Dayton. Like thousands across this country, David was profoundly impacted and influenced by Larry Burkett's teaching, first through Christian Financial Concepts and subsequently Crown Financial Ministries. It is David's experience and teaching with both Consumer Credit Counseling Service and Crown Financial Ministries plus his interaction with peers and subordinates in his military career that have inspired this study. While Crown Financial Ministries inspired the framework of the study, all discussion, explanations and illustrations, except as noted, are those of the author. Several interactions and experiences with others are shared in both the text and the associated video. The names are fictitious and specifics of those interactions have been changed to protect privacy. Any resemblance to an actual person is entirely coincidental.

David and his wife, Judi, are both graduates from the University of Arkansas. They have two daughters and five grandchildren. They currently reside in Gainesville, GA.

WELCOME

Dear Brother/Sister in Christ,

It is with great privilege that I present to you the *It's a New Day* workbook. This workbook is designed to help you, as a child of God, honor Him through the stewardship of His resources left in your care. We know through His Word that God is the owner of everything and that we own absolutely nothing.

It is my sincere prayer that this 24-lesson, six-week resource, along with the corresponding videos, will help you become all that God has called you to be, to be an individual who practices great generosity and a person who always focuses on The Great Commission. You can use this resource in your home or in a small group setting in your local church. As you take this six-week journey, always keep in mind that God's faithfulness is incomparable to anything you can imagine. He will see you through until His will is accomplished in your life.

May God Bless you,

A handwritten signature in cursive script that reads "Willie McLaurin". The signature is written in a dark ink and is positioned below the text "May God Bless you,".

Dr. Willie McLaurin
Vice President for Great Commission Relations and Mobilization
Southern Baptist Convention Executive Committee



Perhaps We Should Have Read One More...

The first scripture I referenced was Psalm 24:1. Many of us who grew up in church memorized the 23rd Psalm. Psalm 23 is comforting, encouraging and faith building, **but Psalm 24:1, which immediately follows, is a revelation!**

We should have continued reading and memorized Psalm 24:1. Had we done so and had we taken it to mean exactly what it does mean, you and I would have had a much better perspective on all of the stuff we've acquired through the years.

Because, the bottom line is...

All of the stuff "we" have is not ours - it is His!

He owns it; we don't. Think for just a moment about what this means. Could it mean that if the car you drive is dented in a fender bender, it would be God's dented car? Then, just perhaps, He might help you sort out how He wanted you to repair and pay for His dented fender on His car?



REFLECTION: Consider all that is under the umbrella of "your" household: family, pets, houses, cars, appliances, tools, toys, etc. If you accepted the fact that God is the owner of everything, how would your view change? How would it impact your relationships, attitude, stress level, consideration of value, etc? Identify and prepare to discuss with your group the scripture, statement or concept that was most meaningful to you in this lesson. **Record your thoughts here:**



ACTION STEP: In Crown Financial Ministries' small group study many find it helpful to make a written list of all of the possessions they had previously considered theirs and then make a written declaration that they relinquish ownership. This is often referred to as a quitclaim deed - a document that transfers right of ownership from one party (the grantor) to another party (the grantee). An example deed is provided for your use on page A-1 (appendix). Why don't you spend a few moments and complete the deed? Be comprehensive; don't leave out any major item (house, car, furniture, etc.) because it all belongs to Him. Read carefully the statement at the bottom, then sign and date. If you're married, you should complete this

jointly with your spouse. (Obviously, this has no legal standing, but is a good exercise to visualize the spiritual transfer).

Video



sbc.net/newday01

LESSON 2

Are You Glad You're Not in Charge?

If we accept the fact that everything we walk on, drive on, sit on or talk to belongs to God, doesn't it follow that He would have orchestrated some sort of plan for all of it? What you and I can't comprehend is that He had all of this in mind from the beginning. Paul talks about this in his letter to the Colossians...

Scriptural Foundation

Take a look at **Colossians 1:16**

Read it again, more slowly this time. A few years ago, I noticed the prepositions in the above scripture.

**By Him
Through Him
For Him**

His plan was totally comprehensive in the sense that our Lord was involved in every possible aspect of His creation and His resulting sovereign rule over it.

Sovereign is another one of those words that we sometimes say in church, but don't really grasp the full meaning. It essentially means that our Father has supreme rule and authority over everything. That's a tall order! But think of the implications for you and for me.

The fact that He is sovereign over His creation and His possessions, means not only that I don't have the right to be in charge, but **I also don't have the need to be in charge!** Think about it. **That takes an enormous amount of pressure off me.** I don't have to take on the burden of yesterday or tomorrow. I live for today, and I do so by His grace and through His strength.

The Old Testament has a few things to say on the subject as well. **Deuteronomy 8:17:** **"Otherwise, you may say in your heart, 'My power and the strength of my hand made me this wealth.' But you shall remember the LORD your God, for it is He who is giving you power to make wealth."**

For by Him all things are created, both in the heavens and on earth, visible and invisible, whether thrones or dominions, rulers or authorities, -- all things have been created through Him and for Him.
Colossians 1:16

SOVEREIGN
unconditional *leader*
total ULTIMATE POWER
king **RULER** *absolute*

Do you get it? Sure, we go to school, learn a trade and put in a lot of effort to make a living. But ultimately, the skills we acquire and the wisdom we have to make decisions come from Him. So, we receive the paycheck and the benefits, but it all results from His sovereign will for us.

The fact that He has a plan for us should be at the top of our thanksgiving list. We're clearly told in **Jeremiah 29:11** that "I know the plans I have for you" and that His plan "is not for calamity to give you a future and a hope." **Yes, you read it correctly, HOPE!** How many times do we grumble and struggle through the day as if there is no hope for something better? He never intended for you and me to do that.

"...I'll show up and take care of you as I promised and bring you back home. I know what I'm doing. I have it all planned out—plans to take care of you, not abandon you, plans to give you the future you hope for..."

Jeremiah 29:11 (The Message)

It's Not Just Academic

All of the above is easy to say, and maybe even easy to accept in theory. But what about the times when this sovereign plan of His looks like a train wreck from our perspective? The apostle Paul helps us in those times by the divinely inspired statements he made when he wrote to the Romans, specifically in **Romans 8:28**. **"And we know that God causes all things to work together for good to those who love God, to those who are called according to His purpose."** Please note, Paul (or our Heavenly Father) never said all things are good. What he did say was that our Father can take all of the mess in our lives and weave it together for our perfect good in His perfect plan. Do we understand it all? No. Is it always fun? Definitely, no! Do you love God? Do you have a sense that you are called according to His purpose? If you answered yes to the last two questions, **can you trust Him to be true to His word? Emphatically, yes!**



LESSON 3

So . . . Where Do I Come In?

Even if you haven't been reading very thoroughly, you should have discovered by now that God is the owner of everything, and He is sovereign over everything. Is there anything left? Is there any room for you and me? As a matter of fact, and it should come as no surprise, He included us in His master plan -- He needed managers of all that He owns. And that is precisely where we enter the picture. The Sunday morning term for a manager is a steward. The word isn't used so much anymore, but it simply refers to a manager. I think the word "stewardship" has gotten a bad rap in the church. For years, the only time I heard the word stewardship used was when the pastor was talking about the need to meet the annual budget or the desire to build a building. That type of thinking is a distortion of the meaning of stewardship or stewards.

To put it simply, to be good at stewardship, we need to be good managers. We will discuss in detail later, but for now realize there are just a few options for us as stewards or managers of the resources that God entrusts to us: We can consume or spend them; we can maintain or hold them; we can improve or multiply them; or we can give them away for someone else to use. We can be good or bad managers in any of those options. We'll get into the practical ways to do this later, but for now, let's look and see what Jesus had to say about stewards/managers.

The parable that Jesus told in Matthew 25 is a great example of what He expects of us as managers. It is often called the "Parable of the Stewards" or the "Parable of the Talents". I encourage you to read it over several times, but allow me to paraphrase in 21st century language.

Scriptural Foundation



Jesus is telling a story of an owner or operator of a business that is preparing to leave on a journey. The owner is referred to as "master". The owner calls three of his managers to him in preparation for his departure and distributes some talents for them to manage in his absence. (A talent was a unit of weight or measure, typically silver or gold.) He doesn't give the three the same amounts. He gives five talents to one, two talents to another and to the third manager, he gives a single talent. By the way, Jesus is talking about what

you and I call "dollars and cents", not some other kind of talent. We know that because of what he says later to the third steward when the owner said the manager should have put the talent in the bank and earned interest. You don't earn interest on a musical talent, so we know this story is about managing cold hard cash.



Please notice as you read the scripture what Jesus says about the owner's distribution plan. He says, "He gave to each according to his own ability". Please think on this point for a moment. What can we take away from this teaching? I'll tell you what it says to me. This tells me that you may have more ability to manage than I do, and you might receive more to manage, or vice versa. But it also says this to me, and this is more important - **it is at God's discretion as to whom He gives what!** That is enormously freeing for me. It means that I don't have to compare myself to others who may have more (or less). Wow! I really don't have to keep up with the Jones'.

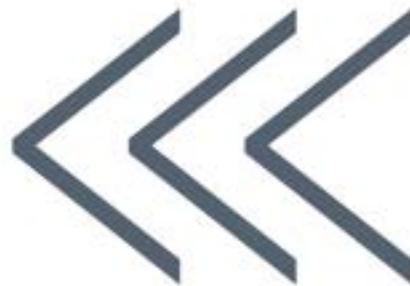


So, the owner leaves and later returns. Note what happens next. The managers report in. The owner didn't have to look for them or send the collectors after them. They must have understood that the talents they had been given belonged to the owner - they understood the ownership/stewardship principle. So, the first one reports in with 10 talents, he doubled the money. The same with the second, he doubled the money by turning two into four. Note that the owner had the same response to both, "Well done good and faithful steward. You were faithful with a little, I will put you in charge of a lot. Come and enter into the joy of your master." It made no difference that 10 was a bigger number than 4 - the owner wasn't looking at quantity; he was looking at quality of management skills!

Then the third manager reports with a different story. He thought he'd be frugal, not take any risks and turn in what he had received. As a matter of fact, he buried the talent to make sure it wouldn't disappear. Wrong approach - the owner was not impressed in the least. Look at the language the owner used when addressing this fellow: wicked and lazy! Not exactly complimentary terms. Then he takes the single (and probably dirty) talent and gives it to the first guy. The next statement is the closure. The owner says, "depart from me" -- in today's language, "get out of my face".

The Moral of the Story

So, what's the takeaway? What is Jesus saying to us? I think it's pretty clear - **He wants us to be accountable, efficient, faithful, trustworthy and maybe even industrious managing His resources.** And, if we're not, we run the risk of having some of those not so complimentary terms added to our ID card.



Lesson 4

When Less is Definitely Better

I hope you will agree that the principles we've discussed so far – His ownership and sovereignty and our responsibilities as His manager – are foundational as we move forward managing resources, specifically money.

Now that we have a better understanding of our responsibilities, I also hope you will agree it might be a good idea to take an assessment of where we are before we continue our role as manager. A popular song when I was younger contained the lyrics “I just dropped in to see what condition my condition was in”. So, let's take an assessment to see what condition **our** condition is in. I call this a financial stress test, and we'll be using the Financial Condition and Stress Meter you see on the next page. This meter should give you a good awareness of your preparedness to be an effective manager. As is true with many medical scores and all golf scores, we want to score on the Financial Condition and Stress Meter to be **as low as possible**.



Scriptural Foundation

There are countless scriptural references that support a low score on such a test. On numerous occasions, the scriptures encourage us to unload the stress. I could fill the page with them, but here are just a few:

- **Cast all your cares on Him** - 1 Peter 5:7
- **Come to Me all who are weary and heavy laden, and I will give you rest** - Matthew 11:28
- **Peace I leave with you, My peace I give to you** - John 14:27
- **It is the blessing of the Lord that makes rich, and He adds no sorrow to it** - Proverbs 10:22
- **Therefore do not be anxious for tomorrow** - Matthew 6:34
- **I came that they might have life, and might have it abundantly** - John 10:10

It is clear from Scripture that the Lord wants us to take our manager role seriously, but at the same time, do it in a way that doesn't raise our blood pressure. Let me say that another way – our Lord wants us to be a faithful, accountable, trustworthy, and stress free manager!

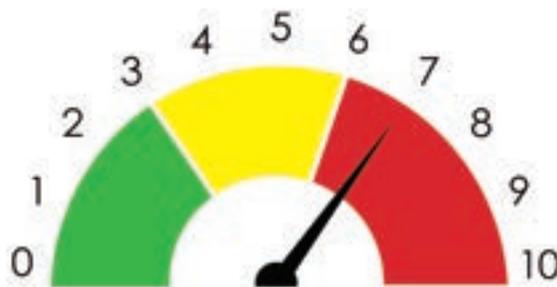
The action step below will have you determine your rating or score on the meter. When you rate yourself, **be brutally honest**, and don't be surprised if you have a higher score than you want. **I regularly talk with people who are practically pegging the meter**. If you happen to be one of those, seek counsel soon, but also take comfort, because help is on the way in the weeks and lessons ahead.

Due to the nature of this lesson, we will reverse the order of the Action Step and the Reflection Time. (Note, however, the second Action Step at the end, which will help you prepare for future practical activity.)

Before you score yourself, let's analyze the scoring system on the Financial Condition and Stress Meter:

- | | |
|----|---|
| 0 | Completely relaxed; calm; no significant financial issues; sufficient reserve for major emergency |
| 1 | Fairly relaxed; occasional issue; liquid reserve in place for six months of monthly living expenses |
| 2 | Finances are under control, but potential problems possible; three months reserve |
| 3 | Managing ok on a monthly basis, but sense need to build more reserve; 1 month reserve |
| 4 | Some anxiety; getting by on a weekly basis; discretionary funds limited; little reserve |
| 5 | Unsettled; can pay the bills, but just getting by; minimal reserve (less than \$500) |
| 6 | Pressure is building; barely making payments; living pay check to pay check; no reserve |
| 7 | Stressed; behind on at least one payment; definite need for more income/fewer expenses |
| 8 | Losing sleep; behind on multiple payments; uncertain of how to proceed |
| 9 | Need immediate help; one pay check away from disaster; don't know where to turn |
| 10 | At the breaking point; stress is unbearable; bankruptcy imminent; humiliation |

Financial Condition & Stress Meter



ACTION STEP: First, **honestly** rate yourself on the Financial Condition and Stress Meter. Use the scoring description as a tool to help assess your scoring. If married, each spouse should rate themselves individually, then come together to discuss each other's assessment. Once you have selected a score, **determine the first step** that needs to be taken to **begin** to move the meter to the left. If you have a high score and are at a loss where to turn, seek counsel from members in your group and/or look on page **A-6** for help from accredited, non-profit agencies. If you are "in the green", congratulations! However, don't think you can't benefit from the

remainder of this study. You will discover many additional principles, practices, and techniques that will make things even better!

My score: _____ **First step to take to lower score:** _____



REFLECTION: Slowly read again the scriptures referenced in the third paragraph of today’s lesson. What is the common denominator? How can you appropriate (use in your daily life) the scriptures in your current situation? Is it possible the Lord could begin to reduce your stress level, even before changes are made to your financial condition? If so, how? Identify and prepare to discuss with your group the scripture, statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ADDITIONAL ACTION STEP: To facilitate implementing your financial plan which will be discussed in Week 3 of the study, it is necessary to begin to track your daily expenses.

Reasons and Process:

- You need to account for the money you are spending within the areas of expenses.
- Use the spending areas listed on the form on page A-4.
- example, assign a utility bill expense to “housing”; gasoline to “transportation”; burger at fast food to “eating out”, etc.

The form will be completed during Week 3, so don’t attempt to complete the form now, just use the spending areas referenced for your tracking categories.

- Techniques for tracking:
 - pocket size notebook and write a spending area on each page.
 - numerous phone apps available (Mint.com, for example)
 - keeping the receipt works best for me – record when I get home – takes no more than two or three minutes.

Please don’t skip this step – it will be critical in developing your plan as you move forward. The benefit as we will see later, cannot be overstated.



Lesson 5

That's Right, He's First

As you may recall from last week's Lesson 3, we said there were only **four options** when it comes to managing resources, specifically money. **We can spend it, hold it, multiply it, or give it.** What about losing money or having our resources stolen? Sure, those things happen. Sometimes it is through our own carelessness that they do happen, but often those events happen outside of our control. So, for the purposes of this study, let's stick with the four major options we've mentioned. **Would you agree with me that the most popular option is the one that I listed first: spend?** It is definitely the most popular option, because for most people it is viewed as the most fun. Later lessons in this study will highlight that it is also the option which can cause the most pain.



I suggest the listed order of the options (spend, hold, multiply, give) presents a perfect opportunity to apply one of Jesus' stated principles: the first shall be last, and the last shall be first.

In keeping with that principle, **let's rearrange the order like this: give, spend, hold, multiply.**

This way, **GIVE** becomes first. As you will soon see, Scripture is very clear on why that should be the case.

Entire books have been written on why we should be generous people. Countless sermons have been preached on the reasons and need to tithe. You probably receive as much mail as I do from dozens of ministries and organizations pleading their case as to why we should single them out for support. It is never ending. But we still have to live, right? We have to pay the bills, buy the groceries, keep clothes on the kids – the list is almost endless. In Week 1, we learned and have accepted the fact that everything we have belongs to the Lord. At the same time, He's put us where we are, and there are daily and monthly obligations that require money. **So how do we balance everything?** How do we arrive at the point where we have both money to give and money to support our needs? It should come as no surprise that there is an answer to that question, and Scripture provides it.

Scriptural Foundation

Proverbs 3:9 provides the key. "Honor the Lord from your wealth, and from the first of all your produce, so your barns will be filled with plenty and your vats will overflow with new wine".

Before you get hung up on the barns and vats reference, let's look at the fundamental principles listed in the first two phrases of the proverb.



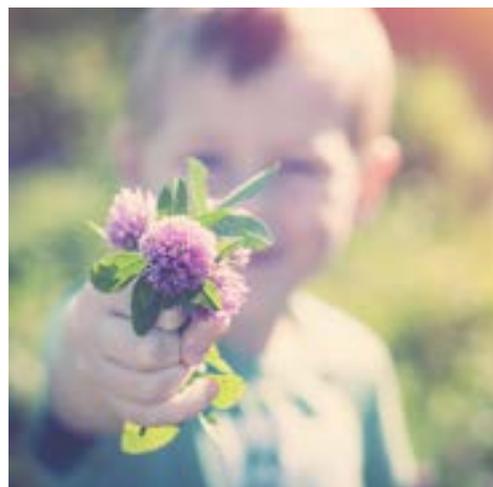
First, we are to honor Him. We honor Him by acknowledging Him as the source of all that we receive and by giving Him our first. **Simply stated, we honor Him first by Him being first.** When we get to Week 3 in this study, we will discuss very specifically how to set up a monthly allocation or spending plan. To track with the principle established in Proverbs 3:9, we will make sure that the Lord is first on the list in our money allocation. We honor Him this way. The problem for many families is that the Lord is moved to the bottom of the list. He receives whatever is left over after all of the other obligations are met. That attitude or approach is a direct violation of scripture. When I counsel people who are under heavy debt or massive car payments they can't afford, I'm never surprised when I see their almost nonexistent giving levels.

It's clear to me from Proverbs 3:9 that if I honor Him by giving Him the first (it's called the first fruits principle), then He says to me that the barns and vats will be in good shape. Obviously, most of us don't deal with barns and vats as they did in Biblical times, but what would the text look like in 21st century language? Barns were where they stored the harvested crops; vats were where they stored the harvested, processed grapes. Where do we store the products of our labor today? Banks and houses. So, **what would Proverbs 3:9 look like in today's language?** How about this:

**“Honor the Lord by giving Him priority in your financial management.
If you do that, you won't have to worry about your bank account and your
stuff - He'll see that all of your needs are met, and you will have abundance!”**

Please don't misunderstand this principle. We don't give to get. Receiving is not our motivation for giving as you will see in later lessons. But there is a spiritual principle at work when we honor Him with our first fruits. He, in turn, seeing our obedience is delighted to bless our efforts. We can then honor Him even more.

It took several years for me to understand and apply the principle of Proverbs 3:9. Once I grasped it and once I applied it to our financial management, I never looked back. He has always provided. We have never had a financial need that was not met, and, as a matter of fact, there has been abundance. I could tell you story after story after story of major expenses that have been met simply because we took Him at His word and followed His guidance to put Him first.



Too simple, you say? Or maybe you say, “Sounds good and I believe it, but I scored in the red on the Financial Condition and Stress Meter. If I wrote a check to the church at the first of the month, it would bounce. How do I get there?”

You get there the same way the guy ate the elephant – one bite or one step at a time. **Your very first step** is to make the decision to take the Lord at His word and honor Him with your finances. You will have more specific guidance on how to set up your plan in later lessons, but for now begin by giving the first to Him. You may start with a dollar or thirty one dollars, or whatever amount can be identified that doesn’t cause you to miss a payment or generate a foreclosure or repossession notice. Once you have your heart right, and once you have made the commitment to honor Him with your first fruits, you will be amazed at how He will guide you in getting the remainder of your finances in order.

Your next questions may be, “How much should I give, and to whom do I give it?” The Lord will clearly answer those questions in the next lesson, but for now let’s get our head around Proverbs 3:9.



REFLECTION: Once again, prayerfully read Proverbs 3:9. Ask the Holy Spirit to give you a clear understanding and conviction of His desire expressed in this scripture. Then ask yourself these questions: Is the Lord really a priority in my financial life? Do I start the month or the year thinking about giving to Him, or am I more concerned with making the house payment, car payment, paying bills, buying groceries, entertaining myself, etc.? Is there a connection between my attitude toward honoring Him with the first fruits and my bank balance and overall financial condition (either positively or negatively)? Identify and prepare to discuss with your group the

scripture, statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: Your first step must be making the decision to honor Him first. If you are not at that point yet, go back to the reflection section. Spend time in prayer until the Lord shows you that His promise is true. If you are diligent in your prayer, He will bring your understanding in line with His desire for your life. Once you have made the commitment to honor Him first, determine an amount to give to Him off the top from your next paycheck (before other obligations are met), and then do it. Continue tracking your daily expenses using the spending areas listed on page A-4.

Enter the amount here: _____



sbc.net/newday05

Lesson 6

Why Don't We Take the Test?

I am sitting at the desk in my home office as I type these words. (Yeah, I know it's God's home office, but please give me the liberty of using the conversational pronoun on occasion 🙄). In the last 20 minutes, I have received one solicitation phone call and two solicitation emails. As was mentioned in the last lesson, there seems to be an endless list of organizations appealing for their share of the money with which we have been entrusted. Assuming we accept the truth that we are to honor Him first in our giving, it should naturally follow that He will help us sort out just where the money goes and how much goes where. He does. And He will. Before we get too specific, however, let's look at additional rationale for giving that might not be immediately apparent.



Paul informs us in **Romans 8:29** that **we are to become like Jesus**.

Scriptural Foundation

“For whom He foreknew, He also predestined to become conformed to the image of His Son.”

Let's think about this for a second. If you and I are conformed to Jesus' image, then we will start looking like and behaving like Jesus.

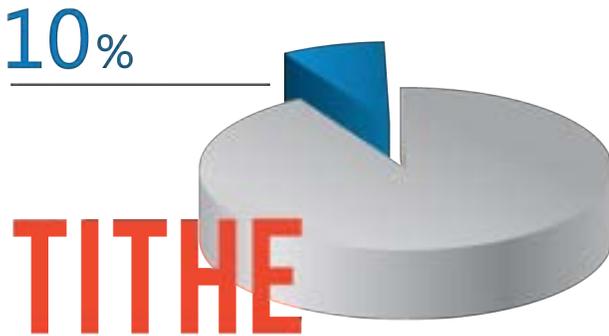
Who demonstrated the essence of giving more than Jesus? Answer: No one.

His entire earthly ministry espoused giving, and of course, He demonstrated the ultimate gift when He allowed Himself to be nailed to the cross. Giving is in His DNA. If we're conformed to His image, then giving becomes a part of our DNA as well. Consequently, a person who is in Jesus' DNA lineage, and who is seeking to first honor the Lord, should have a radically different approach toward giving than one who isn't.

As you may know, there is only one place in scripture where God challenges us to test Him. It occurs in the 3rd chapter of Malachi. If your Bible has an outline of topics, you'll probably find **Malachi 3:8-10** under the heading of “robbery”. As a matter of fact, the prophet uses that illustration:

“Will a man rob God? Yet you are robbing Me! But you say, ‘How have we robbed Thee?’ In tithes and offerings. “You are cursed with a curse, for you are robbing Me, the whole nation of you! Bring the whole tithe into the storehouse, so that there may be food in My house, and test Me now in this,” says the Lord of hosts, “if I will not open for you the windows of heaven, and pour out for you a blessing until it overflows.”

Even in the permissive society we find ourselves experiencing today, robbery is still serious business. It carries with it penalties. God says if I ignore His tithe (we'll deal with offerings later) I am essentially robbing Him. Would you agree with me that robbing Him and honoring Him would be on opposite ends of the spectrum? He is asking us to test Him, by honoring Him with His tithe.



The word “tithe” means “a tenth”. God keeps math simple. It's pretty easy to compute a tenth. If I earn a hundred dollars, a tenth of that is ten dollars. **Remember, the entire \$100 I earn belongs to God.** He has a right to all of it. But He recognizes that we have needs and responsibilities, and much of what we earn will be needed to satisfy those needs. So, in His financial system, He wants us to test His faithfulness by returning a tenth to Him to be used for His purposes. He goes on to say that if we do, we'll experience blessings that overflow.

I can hear what some of you are thinking. This is Old Testament teaching – Jesus doesn't mention the tithe. Before you head down that path, look at Matthew 23:23. Jesus is talking to the scribes and Pharisees pointing out their hypocrisy in focusing on the tithe and forgetting justice and mercy. Jesus goes on to say **“these things (the tithe) you should have done”** without neglecting the other. Jesus is clearly saying that not only should we tithe, but we should also be doing even more! Jesus regularly raised the standard of the Old Testament teaching, and that is precisely what He is doing here.

So, how much of what we earn should we give? The Biblical starting point is a tenth, and offerings are on top of that. Does that discourage you? If so, rewind one lesson. If you're in the red on the Financial Condition and Stress meter, you start somewhere with an end goal of at least the tithe. **Remember the Lord's promises:** as we begin to honor Him, He blesses; when we tithe, He blesses. So we have blessings on top of blessings to look forward to. Rest assured, as you start out on this path you will not look back, because along the way you will experience His blessings in so many ways.

Malachi 3:10 also tells us where the tithe should go – the storehouse. In the next sentence of this verse, God refers back to “My house”. Very simply stated, the storehouse is the church. Where do you go to worship God and fellowship with others? That's your storehouse.

So, here's how it works for my family. Our tithe (initially 10% of our total gross income – we've worked to increase that percentage over the years) goes to our local home church. Offerings (money that is given above the tithe) go to other ministries, some in our church, several outside. If we give to other non-profit causes, and we do, those dollars are considered gifts on our tax return, but we don't consider them as part of our tithes and offerings. I only mention this to say that if



we give to the Red Cross, for example, we don't subtract that amount from the tithe, because those dollars did not go into His "storehouse".

There are many other scriptures that provide guidance for our giving. For the sake of time, let's look at only two. **1 Timothy 6:18, for example, instructs us to "be generous and ready to share"**. Being ready to share implies that our giving should be part of our overall plan, not an afterthought as the collection plate is being passed. You will see this play out in a very practical way when you begin to build your plan during Week 3 of this study. **2 Corinthians 9:7 tells us we should give cheerfully, "not grudgingly or under compulsion"**. To say it a different way: God looks at our heart, not the amount of the check we write or the amount of the bank transfer. So, if you are not yet tithing by definition, start giving some amount with the tithe as your goal.

To wrap up our lessons on giving, allow me to discuss the subject very frankly. Over the years, the church, and pastors specifically, have been criticized over the perceived constant focus on money. It's annual budget time, or there is a building that needs to be built, or the sanctuary needs new carpet, etc. True, there have been people and techniques that have probably deserved the criticism. But if we can get our focus off "them" and refocus on the Lord and how we play into meeting the needs of His plan, we will have a better perspective. He wants the best for His church, and He wants the best for you and me. He knows that if we will honor Him first; if we will provide tithes and offerings necessary for His church to minister in this world, people will come to know Him. The result for us will be our being blessed beyond measure, both in this life and the one to come.



REFLECTION: Review the five scriptures mentioned in this lesson (Romans 8:29; Malachi 3:8-10; Matthew 23:23; 1 Timothy 6:17-19; 2 Corinthians 9:7). Are you at the point in your spiritual walk where you are willing to take God at His word? If you are not yet tithing, are you willing to test Him? Pray and ask the Lord to help you take the next step in totally trusting Him with your finances. Identify and prepare to discuss with your group the scripture, statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: The action step for today's lesson is an extension of the previous action step and will help you get a jump start on the spending plan (budget) you will create next week. Today's step is simple – determine your giving amount for next month. As discussed, your goal is the tithe (10%). If you can tithe next month, great. If you're in the dire financial situation we discussed in the previous lesson, then set an amount that starts you heading in the right direction. Once you are tithing, then pray and plan for offerings above that. Also, determine the timing for your gift(s). Incorporate the first fruits principle. If you are married, this should be a joint

prayer subject and joint decision with your spouse. Continue tracking your daily expenses using the spending areas listed on page A-4.

Video



sbc.net/newday06

Lesson 7

Wise or Foolish? Shouldn't Be Much of a Decision

Most of us have heard the quote by Benjamin Franklin, “In this world nothing can be said to be certain, except death and taxes”. A rather pessimistic and fatalistic view of the world, but he had a point. Obviously, we have to be alive to be in this world, so the life we have is just as certain. I make this distinction to say this: **while we are alive, the Lord has given us choices as to how we handle money.** As we discussed in the last two lessons, our first priority should be to Him. Another priority, and to Franklin’s point, is the necessary obligation to the state and federal governments. Consequently, in our budget, **we should be planning and setting aside resources for both our giving and taxes.**



Let’s establish some terminology, so we can be on the same page throughout the remainder of this study. First, we’ll assign the title **Total Income (TI) to all of the sources of income we may receive throughout the year.** Earned income, pension, social security, dividend, gifts received, sale of assets, etc. are all part of your **TI**. Also, most of us have payroll deductions held out of our checks (taxes, Medicare, Social Security, insurance, etc). So, let’s assign the title **Available Income (AI) to the amount of the check or direct deposit that we receive.** For the self employed, subtract estimated tax payments to compute your **AI**. If we’re following the Lord’s guidance to honor Him first, we should set His tithe apart (**we should consider Total Income when establishing the tithe to truly honor Him with the first fruits**). As you will see

in this lesson, our next priority should be setting aside dollars to meet our future needs, i.e. saving and investing. Consequently, the amount remaining after we have given to the Lord; met all of our payroll deductions and directed money to savings will be referred to as **Usable Income (UI). UI is the amount we have remaining for spending.**

Hopefully you agree with the point made in the previous paragraph – that after we honor the Lord with His first fruits, our next focus should be to make sure we have enough money saved to take care of our own future needs? I hope so, because it is logically sound and consistent with scripture.

Proverbs 21:20 – “There is precious treasure and oil in the dwelling of the wise, but the foolish man swallows it up”.

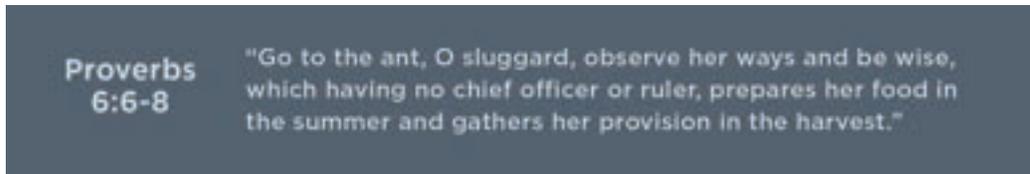
Scriptural Foundation

Once again, let’s update this to 21st century language: You are wise if you set aside money for



unexpected needs; you're foolish if you consume all you have. Do you want to be wise or do you want to be foolish? Probably an unnecessary question, don't you think?

Try this on for size:



At first glance, you might not see much wisdom here, but when we dig deeper there is a lot to gain. First of all, you and I are told to observe the ant (I guess we have to accept that we fit into the sluggard category, but hopefully you get the point). Have you ever taken a few moments to watch an ant colony at work? I have. You see these little critters constantly working – they never stop. They bump into each other, trip over blades of grass, drop what they're carrying, then go back to get it. It's really fascinating – they are tireless.

The proverb tells us they “prepare” the food in the summer. In other words, during the growing season they are preparing.

Preparing suggests the idea of a plan. So, our plan should include setting money aside during our growing season (when we are able to earn it), so it can be gathered “in the harvest”. The ant’s harvest time was when food wasn’t available. Do you get it? God is providing you and me resources today, so we can set them aside now. He knows there will come a day when we will need resources beyond our ability to earn at the time. Remember, God is sovereign – He knows what needs are down the road and part of the way **He provides for our future needs** is by providing money for us today.



There is a story about a scientific study of relocating an ant colony from the northeast US to southern Florida. The scientist wanted to observe the climate change on the ants. Interestingly, the first winter in southern Florida, the ants did what they had always done – they built their ant hill. But when the next winter, if you want to call it winter in southern Florida, rolled around there was no ant hill. The ants had somehow discerned that the very moderate climate didn't require the extra food normally stored in the summertime. Moral of the story: the ants store, the ants do not hoard. You see, the Lord wants us to set aside resources because He knows we'll need them, but He doesn't want us to build “bigger barns” (See Luke 12:18) to store more than we would ever need.



We will make a distinction between saving and investing. Saving is basically setting money aside to meet future unexpected expenses. As you will see later, you will set saving targets that will gradually help you gather an amount equal to at least 6 months worth of your living expenses. Investing, on the other hand, is planning for the long term future, i.e. education, business, retirement.

The flip side of saving, of course, is spending and borrowing. We'll deal with spending in the next lesson, but let's take a quick look

at the Lord’s guidance for borrowing. He had lots to say on the subject when He established guidance for the children of Israel. Interestingly, He did not prohibit borrowing. It would make teaching on this subject a lot easier if He had, but He didn’t. But here is the subtlety that most people miss: He instructed His children to be the lender and not the borrower (**Deuteronomy 28:12** – You shall lend to many nations, but you shall not borrow). **Our Lord knew the long term problem that debt would cause, and He wanted His children to avoid it.**

The premier Scriptural reference on debt can be found in **Proverbs 22:7**:

“The rich rules over the poor, and the borrower becomes the lenders slave”.

According to this truth, if you or I have borrowed from a person or a company, that person or that company is our master. How many masters are we to serve? The clear answer from Scripture is One – His name is Jesus! And Jesus tells us in very straight forward language that **“no one can serve two masters” (Matthew 6:24)**. The reason that debt hangs over us and we sense a burden because of it, is not just because it creates stress and stretches our budget, but also because we’re violating a Scriptural principle by having more than one master. We’ll talk more on this subject in our group discussion this week, but for now take comfort in knowing that the financial plan you will create will include an aggressive plan to eliminate debt as soon as practical.



REFLECTION: Prayerfully read again Proverbs 21:20; 6-6-8; 22:7. Are you making a conscientious effort to set money aside each month before you spend it? Are you being wise or foolish? Pray and ask the Lord for guidance to help you establish the right priorities. In the last six months, have you created any additional debt? If so, do you sense additional pressure to meet your monthly obligations? How many masters do you have? On the flip side, have you been so preoccupied with increasing your savings that other needs have been placed on a back burner? Read Luke 12:18 and spend time in

prayer asking the Lord to help you seek a balance. Identify and prepare to discuss with your group the scripture, statement or concept that was most meaningful to you in this lesson.

Record your thoughts:



ACTION STEP: By the end of this week, accumulate information necessary to accurately calculate your annual **Total Income (TI)**, **Available Income (AI)** and **Usable Income (UI)**. The actual calculations will be accomplished during next week's lesson. Your ultimate goal will be to compute a monthly **UI** as accurately as possible. The budget will be established on a monthly basis because that's the way we live life. The house payment or rent is due monthly; likewise utilities, loan payments, etc. The more accurate the **UI**, the easier it will be to prepare your monthly budget. Continue tracking your daily expenses using the spending areas listed on page A-4.

Video



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Lesson 8

The Piper Will Be Paid . . . So Plan For It

So far we've dealt with three of our four options for using money. We have saved the most popular option (spending) for last. As we said in an earlier lesson, most people consider this to be the most enjoyable option. We see immediate results. Yesterday, the shelf was bare; today a high definition flat screen TV sits on it. Yesterday, the tank was empty; today it's full. Yesterday, the jeans we wore were 3 years old and generic; today they are new with a designer label on them. Yesterday, there were no plans for June; today the boarding passes have been downloaded for the trip. And more often than not, the bank balance hasn't decreased a penny because the credit card payment isn't due for almost a month. Ahh, the joys of the American way!



The problem with the scenarios laid out in the previous paragraph is that eventually the piper must be paid. The credit card bill comes due, and if we don't have the funds to pay the balance, we experience the thrill of paying double digit interest rates on all of that "enjoyable" or even necessary spending. Please don't get me wrong - there are very legitimate reasons to spend money, and yes, sometimes it is for pleasure. But I am hopeful that you clearly see the point of this discussion. **It is simply this: all spending should be a conscious decision made within the boundaries of the spending plan you have previously developed.** In short, all of us should have a plan for spending money. That plan is called a budget.

Scriptural Foundation

Proverbs 27:23: "Know well the condition of your flocks, and pay attention to your herds".

Before you start laughing and wondering what in the world the previous Proverb has to do with anything we're talking about, think about this. In biblical times, wealth was stored and resources were traded with livestock. A man's status and ability to influence others was determined by the size of his flocks and herds. If we fast forward several centuries and restate Proverbs 27:23 in today's language it would read something like this: Know well the condition of your bank account and pay attention to how you use (spend) your money. In other words, we should be on top of our finances. We should be absolutely certain that our deposits exceed our expenditures. And if for some reason they don't at a point in time, we should have a definite plan to quickly remedy the situation.

You may have noticed that the word, **plan** has already been used on multiple occasions in the study. Here is one reason why: **Proverbs 21:5:** "The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty."

It must be time for another needless question with an obvious answer. Do you want to have an advantage, or would you like to experience poverty? I don't have to wait for your answer. Do you see the amazing wisdom in the book of Proverbs? It is loaded with extremely practical guidance that is as relevant today as it was when it was written.

If we will put a plan in place and make our financial decisions based on that plan, we will definitely find an advantage in managing money today, tomorrow, and next year. (This point will be hammered over and over for the remainder of this study, so you might want to read it again.) On the other hand, if we go through the motions without any sort of plan and make hasty financial decisions, i.e. decisions that are made on the emotion of the moment, we will find ourselves living paycheck to paycheck and digging ourselves into a deeper and deeper hole. That, my friends, is what the Proverb refers to as “poverty”. The choice could not be simpler. **Do we want to put a plan in place and take control of our financial lives, or do we want to continue to do what we have been doing and hope for the best?**

In the next lesson, you will begin to develop your plan. But before we get into the mechanics of it, allow me to share some of my experiences. In a previous lesson's action step, I asked you to begin tracking your expenses. There was a definite reason for that. It has been my experience in life that **I have no hope of managing money unless I first know where I'm spending it.**



To illustrate, I offer two counseling experiences:

I was counseling Ron and asked him how much money he was spending each month for lunches at work. He thought for a second and said, “Fifty dollars”. I started asking more questions, like “how many days do you eat out?”, “where do you eat?”, “what do you eat?” etc. I helped Ron discover that he was not spending the \$50 he thought, but he was spending \$218 per month – about \$2600 per year. I spoke with Debra who discovered she was spending \$60 per week in vending machines! That's over \$3000 per year! Interestingly, both Ron and Debra said the exact same thing to me; they just used slightly different words. The first thing they said was “I can't afford to do that”. And the second thing they said was more important than the first. It was this: “I don't want to do that.”



Here is the **key point** that I am committed to stomp into the floor until the day the Lord takes me off this earth: **Until you know where you are spending the money, you do not have enough information to make a decision as to whether you want to continue spending it that way.** You see, Ron and Debra didn't want to spend what they were spending, **but they didn't know it** until they tracked their expenses. They became aware of what they were doing! You must know where you are spending money if you have any hope to manage your finances well.

Another Proverb that has had a significant impact on my financial life is found in the 16th chapter – **Proverbs 16:3:**

“Commit your works unto the Lord, and your plans will be established.”

That’s quite an offer. The Lord is telling us that if we commit our financial life to Him, He will help us set up our plan. As previously stated, next week’s lessons begin the practical portion of this study. Our Lord is offering to help you as you move forward. **Once again, you have two choices.** You can go it alone, or you can benefit from His help. Why don’t you take Him up on His offer?



REFLECTION: Spend time meditating on Proverbs 21:5 and 16:3. Are you ready to develop and follow a plan to take control of your finances? Are you ready to commit your financial life to the Lord? Before you answer, think about what that means - you’ll follow His lead and His principles on giving, saving, investing, borrowing, and spending. It also means that you may have to say “no” to things to which you’ve previously been saying “yes”. Identify and prepare to discuss with your group the scripture, statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: There is another aspect of expenses that makes up today’s action step. I call it Minimum Required Expenses (MRE). For those of you with military backgrounds, you might know the acronym MRE as Meals Ready to Eat - essential food items for one in the field or deployed. There is an interesting parallel between the two acronyms. The military MRE provides the essential nutritional requirements without many frills. The MRE I’m talking about are those expenses that you will likely incur every month, without too many frills. So, this action step asks

you to add up those expenses that you expect to incur on a monthly basis and determine your MRE. It’s not necessarily limited to just the essentials (housing, food, transportation, medical, etc.). But, for example, if you take your family out for fast food every Thursday night or if you subscribe to a streaming movie service, that is included in your MRE. The importance of knowing your MRE is this: if your income, for whatever reason, should drop below your MRE then you know that life style changes must occur to prevent accumulating



debt. Knowing your MRE will help you in many ways, not the least of which is determining your margin between Usable Income (UI) and your MRE - in other words, are you in danger of not having enough Usable Income to meet your Minimum Required Expenses? Use the spending areas listed on page A-4 to assist you in determining your MRE. Continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 9

It's Time To Get Practical

Let's call her Melissa. When I met with her, the credit card balance was \$67,000. Due to the very high interest rates, Melissa was paying more than \$1000 per month in interest just to prevent the balance from increasing. She admitted that her problem didn't happen overnight. She started out with a \$2600 balance; then \$5800; then \$16,500 and before she knew it, she was approaching \$70,000. **There seemed to be no end in sight.**

We'll call the couple I met with **Jeff and Sarah Sullivan.** The Sullivans were both pharmacists, and not unlike many parents, they had four teenagers who were helping them spend the money. I helped them construct a budget. The process I use when I do that is to ask a lot of questions regarding their estimated spending in the various areas of normal expenses – housing, food, transportation, medical, miscellaneous, etc. Based on the information that the Sullivans provided, it appeared that they were spending about \$300 more than they were making in a typical month. I then took a look at their credit card balance – it was a little over \$36,000. Next, I asked how long it had taken them to generate that much debt on the credit cards. Jeff thought for just a few seconds and said, “Two years”. I did the math: \$36,000 divided by 24 months (two years) equals \$1500. I said, “Jeff, based on the budget we developed, you think you're spending \$300 per month over your income. But this credit card balance tells me you've been spending \$1500 per month more than you're making!” **His response was classic. After the light bulb in his brain came on, he said, “They don't teach this in pharmacy school.”**

I shared the previous two counseling stories to illustrate this basic point: **neither Melissa nor the Sullivans planned on being in debt, but neither of them had a plan to avoid it!** Simply stated, they did not have a plan. They were going through the motions each month hoping for the best, and their hoping was only taking them further in debt.



If you and I are to be successful at managing money, we must have a plan.

Crown Financial Ministries developed the Crown Money Map © - a suggested outline of destinations for an individual to follow to arrive at true financial freedom. See www.crown.org to view the Crown Money Map ©. Other non-profit and for-profit organizations have outlined several steps one should follow in order to reach personal financial freedom. Many have common components, and all can provide insight and assistance in your financial journey. For the purposes of this study, we will establish:

3 preparatory steps & 9 primary milestones

When these milestones are attained, you will be on sound financial footing.

Preparatory Steps:

1. Adopt the principles we discussed during the first two weeks of this study and establish them as fundamental for all of your financial decisions.

2. Set specific financial goals and write them down.

(Time doesn't allow me to discuss all of the benefits of recording our goals, but suffice it to say that if they're written down, we have a much better chance of accomplishing them.)

3. Determine where you are in relation to the milestones that follow, and then work toward the next one.



Milestones:

MILE 1 Milestone 1: Establish a balanced monthly budget. (Specific instructions are provided in the next lesson)

MILE 2 Milestone 2: Break the credit cycle – stop deficit spending. (Ensure budget allocations are not exceeded)

MILE 3 Milestone 3: Start an emergency fund. (At least \$1000 in accessible funds)

MILE 4 Milestone 4: Aggressively pay off all debt with interest rate at 10% or higher. (Applicable credit cards and loans)

MILE 5 Milestone 5: Increase savings to equal at least one month's living expenses.

MILE 6 Milestone 6: Aggressively pay off remaining debt with exception of mortgage. Build and maintain savings at an amount to avoid future consumer debt (at least 6 month's living expenses)

MILE 7 Milestone 7: Purchase home (if applicable) with a minimum 20% down payment. Maintain savings at previous level.

MILE 8 Milestone 8: Begin investing for education and retirement; begin prepaying home mortgage.

MILE 9 Milestone 9: Pay off home mortgage; build savings and investments sufficient to maintain God directed lifestyle and giving levels.

For easy reference, these Milestones are repeated on page A-10.

I should mention that **your monthly giving continues with each Milestone**. Also, these Milestones are a good general guide, but I recognize that every situation is different. For example, many people find themselves with a home mortgage before they have reached Milestone 7. While that situation somewhat limits how aggressively one can eliminate debt, it is doable. Another example might be that you may work for a company that offers matching for a 401K contribution. Due to the immediate return on that investment, it may be prudent to begin contributing prior to Milestone 8. I advise that you consider all factors and discuss your situation with a financial counselor or someone you trust. You'll see as we proceed with the development of your budget and your overall plan, that you will be able to go back and fill in the gaps.

You should have enough information to determine at which Milestone you find yourself. For example, if you have no debt and have more than six months of living expenses in savings, but have yet to develop your budget, you are working toward Milestone 1. As soon as you develop a balanced monthly budget, you will “fast forward” to Milestone 6 or 7. Remember, you arrive at a Milestone when the items or actions listed at that Milestone have been accomplished. **Don't be discouraged if you find yourself working toward Milestone 1 - most people I meet with find themselves at that exact point as they begin their journey.**

**If you don't already
have a budget in place, it
is now time to develop one.**



I can hear the groans, because most people don't use one, and most people think a budget is confining and restrictive. It is actually just the opposite of that. Allow me to share a word picture that will hopefully counter most misunderstandings about a budget. Larry Burkett, the founder of Christian Financial Concepts and subsequently Crown Financial Ministries, and long time radio host, told the story years ago about driving by a pre-school that had major construction underway on the adjacent property. Due to the potential danger, the children were kept very close to the school's front door during their recess period - most of the playground was off limits. A few weeks later he drove by the same school and noticed that a large fence had been built between the school's property and the construction area. The children were scattered and playing over the entire playground. Do you see the connection? The fence (boundary) provided more freedom for the children, not less! **That's exactly what a budget does. It allows us to establish spending within the areas we want and gives us the freedom to spend within our ability.** It also provides a boundary to keep us from exceeding our desired spending level, because that is where the danger lies.

In the next lesson, you will take the information you've gained from tracking your expenses and begin to construct your own personal budget - if this is a first for you, get ready to be amazed at how well you will take control of a huge portion of your financial life.





REFLECTION: Think about the two counseling stories at the beginning of this lesson. Can you see yourself in either of those situations? Have you been going through the motions in your financial life and hoping for the best without having a definite plan/budget in place? How has that worked for you? Are you seeing progress or are you just treading water? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: Step 2 of the preparatory process is setting a goal. So, let's do that now. Determine one very specific/finite financial goal that you want to accomplish by this time next year (round up to the beginning of next month, i.e. if it is the middle of October, set your target goal date to November 1st next year). Your goal might be saving a certain amount for your emergency fund; it might be paying off a debt; it might be saving for a purchase. It doesn't necessarily matter what the specific goal is, what matters is that you set a reasonable, attainable goal and that you meet it. Use

the worksheet below to help you determine the monthly amount needed to meet your 1 year goal. If you're a couple, come together to discuss and determine the best goal that meets your family's need. Obviously, this will become part of your budget. Take into account your progress on the Milestone path. Continue tracking your daily expenses using the spending areas listed on page A-4.

Specific Attainable Goal	Target Date	Amount	Amount per month
Example: Emergency Savings	November 1	\$1200	\$100



Lesson 10

Let's Sharpen the Pencil

We have been talking about it for several lessons, so let's put the pencil to the paper and build your budget to arrive at Milestone 1. For some of you, this will be a landmark moment – you are about to take charge of something you've never been in charge of before. That fact alone should excite you! One of the action steps for Lesson 4 from Week 1 was tracking your expenses, so gather that data as we proceed. **Note:** The forms in the appendix and the following explanation of how to use those forms is based on using a manual budgeting system. It is much easier to visualize the overall budgeting process and to understand making spending decisions using a manual system, like the one I will illustrate in these lessons. In reality, I encourage you to use a computer based or phone app budgeting system to make the entering and calculation of data easier. See Appendix A-6 for budgeting system options. Once you have a clear understanding of the budgeting process, you can apply that knowledge to any type of budgeting system, manual or computerized.



The form on page A-2 in the appendix is the Monthly Expense Tracker (MET). Immediately following the MET are the two worksheets (one for income; one for expenses) on pages A-3 and A-4. Use the worksheets to assist you in determining the totals for both your income and the major spending areas. You are free to make as many copies of the appendix forms as you want. **Complete the Monthly Income Estimate Worksheet** (explanation follows). In the Lesson 7 action step, you were asked to accumulate the necessary information to compute your **Usable Income (UI)**, so this should be a simple math exercise. Identify all income sources. Consider periodic income, recurring gifts, commissions, etc. Refer to page A-8 for how to deal with variable income. Do the best you can to accurately calculate your average monthly income, even if a portion of it doesn't occur each month, e.g. bi-weekly paycheck. As you see in the illustration, the sub-areas are added together to generate the **Total Income (TI)**.

Total Income (TI)	
Salary	3,900
Salary	2,500
Commissions	_____
Additional Part-time	100
Interest	25
Dividend	_____
Other (gifts, rebates, etc)	10
	6,535



The **Available Income (AI)** is computed by simply subtracting everything that is withheld from your **TI**. Those self-employed should subtract estimated tax payments. The **AI** should agree with the monthly total of your checks or direct deposit. If any of your income is paid bi-weekly, you will have to do some computation to determine the equivalent monthly amount. Your **UI** is computed by subtracting your giving, saving and investing amounts from the **AI**. **UI is the amount of money you have remaining to spend each month.**

Now let's move to the spending side of the ledger. **Most people don't know where they are spending money.** Most have an idea of their checking account balance and go through the month hoping there will be enough left in the checking account (money to spend) to get them to the next month. The Monthly Expense Estimate Worksheet breaks your spending down into one of eleven different major areas. The major spending areas are not cast in stone, but they do represent the areas where most of us spend money. One huge advantage of developing a budget is to assign that available "money to spend" in the checking account into smaller spending areas. By doing so you gain much more information and much more ability to make wise spending decisions. These decision processes will be explained in detail in the next lesson.

The rationale expressed in the preceding paragraph is why you were given the action step of tracking expenses during week 1 and have been reminded to do so each day. You should have been tracking expenses for about 10 days by now. This is not enough time to determine accurate monthly spending levels for every major spending area, but it should be enough to help you get started estimating your monthly expenses. Using that data plus any historical information you have, **complete the Monthly Expense Estimate Worksheet.** Last week's action step of computing your Minimum Required Expenses (MRE) should also assist you as you complete this worksheet. The process of adding together the sub-areas to determine the total for each major area is also used on the Monthly Expense Estimate Worksheet (see example). Refer to page A-8 for periodic and variable expenses. Do the very best you can to be as accurate as possible.

Transportation	
Payment(s)	275
Gas	115
Maint./Oil Change	30
Insurance	102
License/Tax	10
Commuting	—
Parking	15
Other	—
	547



When you have computed both income and expense worksheets, it is a simple matter to compare the two, which you will do at the bottom of the Monthly Expense Estimate Worksheet. Obviously, your goal is to have your **UI** exceed your monthly expenses by as much as practical. The excess is diverted to giving and/or saving/investing, so your final **UI** will equal your budgeted spending, i.e. a balanced budget. If you find that expenses are greater than **UI**, it is necessary to **immediately look for ways to reduce expenses.**

Let me emphasize the previous sentence by asking a question. If I put my budget together and my expenses exceed my UI by \$1, would it make any difference to me if I increased my income by \$1 or reduced my expenses by \$1 in order to balance my budget? For those of you who answered there is no difference, let me explain why I think there is. If I increase income by a dollar, it requires extra effort/work, and I have to pay taxes on that dollar, so I only see about 75 cents after taxes. But if I reduce expenses by a dollar I will realize a full after tax dollar reduction, and it didn't require any extra effort or work. I get a bigger bang for the buck – pun intended. **It is always to our advantage to look for spending reductions first.** This may seem counterintuitive. Most people I counsel immediately start thinking about ways to generate more income when they find their UI below their spending level. Consequently, always strive to find ways to first reduce expenses. Then, if additional income is required the additional amount needed will be less once spending has been reduced to the minimum necessary.

If you are upside down, i.e. expenses exceed UI, don't panic! Many find themselves there.

We will discuss a process in a later lesson which will be extremely beneficial in helping you dig out of the hole.



Once you have completed both the worksheets for income and expenses, **transfer your UI and the total (budgeted) amount for each spending area to their appropriate places on the MET** (page A-2). This initial budget will be refined over time as you gather more data. Notice that there are 31 numbered rows on the MET – one for every day of the month. Each day that you have an expense in one of the spending areas it will be recorded in the appropriate row under the appropriate column heading. As the month unfolds, expenses in each spending area are subtracted from the budgeted amount for that spending area. As a result, the remaining balance in each spending area becomes apparent. If you don't use commercial budget software or a phone app, the MET has been adapted to Excel and the math will be done for you. See page A-6 for information on how to access this and other Excel spreadsheets. Also, a link to an MET Sample Budget is provided on page A-6. **In the next lesson we will discuss in detail the decision processes as you move through your budget month. You will then see the power and freedom you will gain by operating on a monthly budget.**

For now, pat yourself on the back – you've just constructed your first one!





REFLECTION: As you recorded and/or estimated your spending in the various spending areas, did anything stand out? Do you sense an area where there is room for reduced spending? Are you encouraged or discouraged with the difference between your UI and your expense total? If discouraged, what can you do about it? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: Today's lesson is your action step! It may take you more than a day or two to complete your budget, but try your best to have it completed before starting next week's lessons. Continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 11

It's Decision Time

Most people make spending decisions based on the need, desire, or the emotion of the moment. Consequently, money is spent during the month with no thought given to when and how much. The result is usually very inefficient money management. Comments such as “I can’t get ahead”; “I feel like I’m on a treadmill and can’t get off”; “Will it ever end?”; and “It’s hard to keep my head above water” are commonplace. Maybe that used to be you. But now that you are operating on a budget, those spending decisions will take on a whole new look and those kinds of comments will be things of the past. Let me show you why.

Based on data you gathered by tracking expenses combined with your best estimates, you have assigned an amount for each spending area on the **Monthly Expense Tracker (MET)**. The budgeted amount for each area is the amount you anticipate will be needed for the month. You can spend less, and you hope you do, but you plan to not spend more. First, let’s take a single spending area (Grocery/Supercenter) to illustrate the thought process of operating on a budget. As you can see in **Figure 1**, \$550 is the monthly budgeted amount and the month has been compressed (days omitted) to save space and to make the illustration simpler.

Let’s walk through the month: on the 1st you went to your favorite supercenter and spent \$115; again on the 15th, you spent another \$186 (you’re recording those receipts each time and the balance at the bottom of the column is decreasing). Nine days later, on the 24th another \$212 was spent; then a quick trip the next day for things you forgot cost \$35. Your balance is \$2. Now the question: what happens if you need groceries on the 28th? In the old days (pre-budget) you would probably go to the store and get whatever you needed. But now, you have a plan. **You**

made the decision to limit your grocery/supercenter spending to \$550 per month. So you say to yourself, “I only have two bucks available. I think I’ll get creative and instead of going to the store, I’ll look in the pantry and see what I can come up with for dinner.” Your entire thought process has changed. You are beginning to **make spending decisions based on information**

rather than emotion. This mindset change is huge! The end result is that you stick with your plan, and you don’t overspend your budget. The next illustration will show you an option if your pantry was empty.



In **Figure 2**, we’ll add a few more spending areas of a typical MET with amounts assigned for illustration purposes. Once again, several days have been omitted for simplification and space consideration. Let’s use the “Transportation” area to walk through

Figure 1

Day	Grocery/ Supercenter
Budget Amount	\$550
1	\$115
6	
15	\$186
19	
24	\$212
25	\$35
31	
Balance	\$2

another decision process you will experience.

For example, it is the 25th of the month and you just put gas in your car. Gas prices have gone up. You know that you will need more than \$14 (the balance left for transportation) to make it to the 1st of next month.

You estimate that you'll need at least \$40. What do you do? Before the budget, you would have thought nothing about it - buy the gas and hope. But now you have information! You look at "Clothing", for example, and you see that your balance in that area is \$50. Why not make the decision to move \$26 from "Clothing" to "Transportation" to bring the Transportation balance up to \$40?

You decide to do that and your budget now looks like this (see **Figure 3**): The new allocation amounts are \$501 for Transportation and \$49 for Clothing with the corresponding new balances. **It is that simple.** Originally, you made a conscious decision to establish your budgeted amounts at \$475 for Transportation and \$75 for Clothing. Life happened. You now make another conscious decision to offset a need in one spending area by reducing the planned spending in a different spending area. As in the previous illustration, **you just made a fact based decision rather than an emotional one. You avoided the mistake that most American consumers are making - they are making spending decisions based on the emotion of the moment, not based on information.** Of course, now you discipline yourself to limit any clothing expenses for the remainder of the month to the new clothing balance of \$24. Consequently, you don't overspend, and you don't create debt.

As you gain experience with your budget and you gather more data as the months go by, the budgeted amounts will become more accurate and there will be less need to adjust during the month. Just remember, if it is crunch time, **always offset excess spending in one area by reducing available spending in another area.**

The final illustration in today's lesson is extremely powerful. What follows probably reflects the single biggest mistake most American consumers are making. Let's use the "Miscellaneous" spending area for the illustration. It's the 25th of the month. You take a glance at your budget as you and your spouse walk out the door for a quick trip to the supercenter.

You notice in **Figure 4** the balance of \$11 in your miscellaneous

Figure 2

Day	Grocery/ Supercenter	Transportation	Eating out	Fun	Clothing
Budget Amount	\$550	\$475	\$100	\$100	\$75
1	\$115	\$250	\$30		
6		\$35		\$35	\$25
15	\$186	\$41	\$45		
19		\$110	\$12	\$42	
24	\$212				
25	35	\$25			
31					
Balance	\$2	\$14	\$13	\$23	\$50

Figure 3

Day	Grocery/ Supercenter	Transportation	Eating out	Fun	Clothing
Budget Amount	\$550	\$501	\$100	\$100	\$49
1	\$115	\$250	\$30		
6		\$35		\$35	\$25
15	\$186	\$41	\$45		
19		\$110	\$12	\$42	
24	\$212				
25	35	\$25			
31					
Balance	\$2	\$40	\$13	\$23	\$24

Figure 4

Day	Miscellaneous
Budget Amount	\$150
1	\$45
6	\$26
15	\$37
19	
24	\$31
25	
31	
Balance	\$11

allocation. You have your checkbook with you and since you balanced your account yesterday, you know you're "in the black" with a checking account balance of \$437. While your spouse is picking up a few grocery items, you happen to stroll through the electronics section and see the deal of the month: a new wireless headset with all of the bells and whistles, perfect for your afternoon jogs. Cost: \$49.95 – what a deal! You have a decision to make. You have \$437 in your checking account; surely you can handle a \$50 purchase. But you then remember the \$11 balance in your budget for miscellaneous expenses. And the headset is definitely a miscellaneous expense.

Don't miss this: when you look at your checking account balance, **you must remember** that those dollars have been allocated elsewhere in your budget. The \$437 funds all of the other spending areas for the rest of the month. If you reduce that number and an insurance premium is due, or a car oil change is required or some other necessary expense occurs, the money is not there and the potential for debt, late fees or increased stress increases exponentially. So, to continue today's theme of making fact based decisions, **make your spending decisions by referencing your budget; not by looking at your checking account balance.** The answer for you today is "No, I will not buy the headset." If you choose and want to wait until the beginning of the next month, then feel free to buy it then, but for today, the answer is "no".

I have counseled countless numbers of people that realized violating this rule was their biggest problem and the reason they were in so much debt. They were looking at the wrong number when they were spending money. That's why we build our budget – it gives us the correct information to make our decisions. It gives us the power and information to take control of our financial lives – finally!



REFLECTION: Think about the information based decision processes that have been discussed today. How frequently have you followed these guidelines in the past? How can you implement the power of a budgeted decision process in your family's finances? If you have kids, how can you explain this concept to them? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts here:**



ACTION STEP: This action step is a simple one: Continue to develop your budget. Also, commit to updating your budget at least every other day (daily is even better) to ensure your balances for each spending area are current. Then refer to those balances when making your spending decisions. Continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 12

Actually, You CAN Get There From Here

You don't get many near 100% guarantees in this life, but I'll give you one today. This guarantee is based on the information we've discussed in the last three lessons. Here it is - barring any financial catastrophe - if you will earnestly and accurately establish a budget and make your spending decisions based on the information the budget provides, you will experience a dramatic change in your financial situation. You will begin to see your giving and savings increase. You will begin to see debt reduce. And, overall, the day-to-day stress caused by money issues will decrease drastically. Additionally, your score on the Financial Condition and Stress Meter will rapidly begin moving toward the green.



As good as the previous paragraph's guarantee is, some of you are in the middle of a financial situation that seems hopeless. You understand the concept of a budget, but you are barely making ends meet. You have no savings, and you're having trouble making it to the next paycheck. The thought of having enough money to budget for an entire month is a pipe dream. If that describes your situation or the situation of someone you know, this lesson is for you. And, you are not alone. There may very well be others in your group who are in very similar circumstances. The good news: there is hope!

The process I will describe in this lesson is the answer to the question: “How can I avoid living pay check-to-paycheck?” It provides the techniques to dig your way out of a financial hole. In reality, it can and should be used by anyone who is working toward Milestone 5 (building savings to one month's living expenses). To play on the lesson's title, it outlines how you can get there from here.

We will use the Getting There Worksheet (GTW) on page A-5 as the tool for the process. This is another worksheet which has been adapted to Excel. Review the worksheet and become familiar with the format. A small version of the worksheet is provided below for the illustration. The left column is your target budget - the maximum amount you plan to spend in each category once you have dug yourself out of the hole. Columns numbered 1 through 12 are designated for “Income cycles” (explained during this lesson). There is no significance to the number of columns; 12 fit conveniently on the page. On the row

Getting There Worksheet													
Target Budget	Income Cycle	1	2	3	4	5	6	7	8	9	10	11	12
		Date											
	Balance Forward												
	Received												
	New Balance												
	Housing												
	Grocery/Supplies												
	Transportation												
	Eating Out												
	Fun												
	Clothing												
	Toys												
	Insurance												
	Medical												
	Miscellaneous												
	Debt												
	Total												
	Balance												



titled “Received” under each income cycle column you will record your Usable Income (UI) on the day it is received from any source (paycheck, rebate, gift, social security payment, commission check, etc). The “Received” amount is added to the “Balance Forward” amount to create a “New Balance” for the income cycle. **Note:** the “Balance Forward” entry under column 1 is your starting balance, i.e. the amount of money that is on hand (in your wallet/purse, checking account, in the dresser drawer, etc.). In other words, it is the total amount of money you have accessible to spend when you start this process.

To improve the process’s efficiency, maximize your Available Income (AI). The first step, if possible, is to reduce your tax withholdings (or estimated tax payments) to the minimum. Your end of year tax goal is to break even with Uncle Sam. A tax refund allows the government to use your money tax free during the course of the year. **It is much more efficient for you to use it each month.** You may also want to stop **temporarily** any 401K contributions. The larger the amount of Available Income, of course, will increase the amount of your Usable Income.

To better understand this process refer to the illustration below (a portion of a GTW). Your target (desired) budget is in the left hand column. In this example, the target budget totals \$4000. But, you are living paycheck to paycheck and you have \$63 to your name (Column 1, balance forward amount). On March 2nd you receive a paycheck - your UI from that paycheck is \$2000. The new balance for Income Cycle 1 is \$2063.

Now comes the interesting part. For Income Cycle 1, **you will limit your spending to the absolute, bare bone, essentials - no fun, no frills.** You make whatever house or car payments that are due; you pay utilities; you buy basic groceries; you make minimum payments to credit cards or loans that are required to avoid late fees, etc. You do not spend one penny that is not absolutely necessary until the next income cycle begins. The balance at the end of Income Cycle 1 is \$78. That amount is recorded as “Balance Forward” at the top of column 2. A new cycle begins when you receive some form of income - in this illustration \$600. You discipline yourself to the same limitations for this cycle - absolutely no spending on anything that is not essential. Notice at the end of cycle 2 the balance is \$293. You continue the process to the next cycle, etc. Again, notice that the balance at the end of each cycle is increasing.

Getting There Worksheet					
Target Budget	Income Cycle	1	2	3	4
	Date	2-Mar	10-Mar	17-Mar	23-Mar
	Balance Forward	\$63	\$78	\$293	\$543
	Received	\$2,000	\$600	\$2,000	
	New Balance	\$2,063	\$678	\$2,293	E
1320	Housing	\$950	\$85	\$925	T
600	Grocery/Superstore	\$275	\$145	\$225	C
560	Transportation	\$395	\$75	\$295	E
120	Eating Out				T
120	Fun				E
160	Clothing				R
200	Kids		\$20	\$35	A
200	Insurance	\$150		\$75	
320	Medical	\$40	\$25	\$95	
200	Miscellaneous		\$5		
200	Debts	\$175	\$50	\$100	
4000	Total	\$1,985	\$385	\$1,750	
	Balance	\$78	\$293	\$543	

Please note: I am assuming that you are receiving enough income to meet your basic, essential expenses. If you are not, then income must increase or life conditions must change – there is no alternative. Therefore, assuming that you have sufficient income to meet the essentials, **the balance at the end of each income cycle will increase!** It must increase because you are only funding the basics. As you continue this process, the balance will increase, and you will be able to direct at least \$1000 to savings to meet Milestone 3. Eventually, the balance will grow to equal your target budget amount, in this illustration \$4000. At that point there will be sufficient money available to fully fund your next month’s budget, and you will have broken the pay check to pay check cycle.



I will be the first one to admit that going through this process is painful.

It will require discipline; it will require saying “no” to yourself and to your kids, when you don’t want to say “no”.

This process is no fun. But, I cannot overstate the amount of stress reduction you will experience as you move through the cycles and the weeks. As you see progress being made, you will get to the point where you can finally “exhale” and have some breathing room.

The sacrifices that you and your family make during the process are far outweighed by the stress reduction and freedom gained when you have broken the paycheck to paycheck cycle.

Let’s consider some factors that are relevant to this process and will help answer your question, “How long will this take?” In last week’s Lesson 8 you computed your Minimum Required Expenses (MRE). That amount should not exceed your basic essential expenses by much. So refine your MRE to help you determine the absolute essentials. You should be able to accurately estimate your housing, utilities, groceries, minimum credit card payments and other essentials. Yes, there will be the occasional surprise, but those surprises should be minimal. Since you should know both the amount and the frequency of your projected UI and can accurately project your essential expenses, you should be able to use the GTW to estimate the number of income cycles it will take for you to reach Milestone 3 and ultimately, to dig yourself out of the hole. **The calculations are easy; the more difficult part is the commitment and determination necessary to follow the process.** There will be temptations along the way. But, if you are faithful to the process, you will experience a satisfaction that is indescribable, and you will be well on your way to taking control of your financial life.





REFLECTION: What do you think will be the most difficult aspect of the “Getting There” process? What are some ways you can minimize the difficulties? If you already have sufficient savings to fully fund your budget month, do you know of others who could benefit from this process? Is there a way you could encourage them to get started? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: If the Getting There Worksheet (GTW) is applicable to your current situation, begin using it today. Use a second copy to estimate the number of cycles required to generate a balance that would equal your monthly target budget goal. Ask for prayer support to help you maintain the necessary discipline to complete the process. If you already have enough savings to fund your monthly budget, consider using the same process for a particular problem area. Continue to develop your budget, if you have not yet completed it and continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 13

But What About Murphy?

My best research tells me that Murphy's Law morphed out of a statement made by Captain Edward Murphy at Edwards Air Force Base, CA in 1949. Today's version is usually quoted as "If anything can go wrong, it will." Does that hold true with your personal monthly budget? Let me answer the question this way: I will be shocked if Murphy's Law takes a pass on your budget. There are just too many moving parts, and as we all know, life happens. Having said that, let's not forget the truth we learned earlier from

Proverbs 16:3, "Commit your works unto the Lord, and your plans will be established." The Lord is now the One we depend on to help us implement our plan and to help us with the inevitable problems. At the same time, we know the enemy will try hard to steal our peace and joy.



Should we become discouraged and throw in the towel knowing that our best planning will more than likely experience a few wrecks along the way? Absolutely not, **because having the plan in place gives us a far greater chance of overcoming the setbacks than having no plan at all.**

Let's look at a couple of examples: First, you're cruising along; you've been working the budget for a few months and you're making progress. You're working toward Milestone 6 (paying off a car loan), when your spouse is unexpectedly laid off, reducing your Usable Income (UI) by 40%. What do you do? Answer: Immediately have a family meeting and explain the situation. Implement the GTW process and continue the GTW until the income is restored. I don't mean to oversimplify the situation, but you have a plan in place and tools to use at your immediate disposal. This fact is far superior to winging it and panicking when things go wrong?



Or let's say you're working toward Milestone 3 and have \$800 in savings. The refrigerator that has been temperamental for months decides to quit, and the frozen food is rapidly thawing. Now what? Answer: Maybe a few options - a trip to a discount furniture or appliance store to find a refrigerator for \$800 or less that will give you a few years service, or a quick search on the Web for someone trying to sell one in the process of a move. You then reengage the GTW process, if necessary, to quickly replenish your savings account. **What you don't do is grab the credit card and buy a \$2,000 refrigerator, because as you will see later, it will cost you far in excess of the purchase price.**

Once again, you have a plan. You take the necessary steps to address the short term problem and you stay on track to meet your future Milestones. Is it discouraging to take a step backwards? Probably, but you know that **if you stay the course the long term benefits far outweigh the temporary setbacks.**

I hope you noticed that the two previous examples would have been minor bumps in the road if adequate savings had been available to meet the emergency. That's why in the Bible the Lord provides us the savings guidance that He does.



He knows that if we will follow His plan, the big crises become minor crises and the Holy Spirit is then free to flood us with His peace.

So, how can we accelerate the Milestone process and **get to the point where Murphy's Law is a moot point?** For most people, the answer lies in eliminating the nagging debt. When debt is no longer an issue, all of the dollars that were diverted to servicing debt can be diverted to servicing our savings or investing accounts.

In the next lesson, we will develop the process of accelerating debt reduction. But first, let's look at why consumer debt is a problem in the first place. I used the term "consumer debt" in the previous sentence because you may hear some people propose that some debt is "good debt"; that it can be used to leverage your position in investing and other business ventures and actually help you build wealth faster. Let's leave that discussion for another day, but for the purposes of this study **consumer debt is always bad debt**, for a few reasons.



First of all, interest on consumer debt (credit cards, department store accounts, furniture/appliance loans, car loans and any other loan on a depreciating asset) only benefits the creditor. There is zero benefit for the consumer. Most consumer debt carries with it high interest rates (10% or more and, often, much more). In addition, consumer debt can be insidious. The marketplace is very skilled at diverting the consumer's

attention from the long term effect of consumer debt and persuading the purchaser that the monthly payment will be very low and manageable.

It is very important that you are aware of two of the most deceiving aspects of debt. I call the first one, the **Monthly Payment Illusion**; the second is the amount of interest you are paying the creditor each month just to service the debt.

Remember the \$2,000 refrigerator used in the example a few paragraphs earlier?

The chart in **Figure 1** illustrates why you don't fall for the salesperson's pitch about the low monthly payments and buy it when you don't have the full purchase price. In Figure 1, I'm using the current interest rate of several popular department stores that sell appliances (25%+/-).

If you use the credit card offered by the store and buy the refrigerator, you will have two primary choices when you receive the bill the following month - either pay the bill in full or send in a minimum monthly payment. Credit card companies are now required to include the total cost of the monthly payments, but most people don't pay attention to the information. The chart shows you the difference between what you would actually pay for the refrigerator if you paid for it when the bill was due (\$2,000 plus tax) vs. the total cost (\$5,680) and the time to payoff (10.5 years) if you chose the minimum payment option.

My question to you is simply this: When you were shopping for the refrigerator and the \$2,000 price tag had been replaced with a \$5,680 price tag, would you have been motivated to buy it knowing that it would take you over 10 years to pay it off?

Unlikely, right? But we pay that kind of price for stuff when we are tricked by the illusion that a monthly payment is an acceptable method to pay. Obviously, the cheapest way to pay for the refrigerator is to pay the bill in full when it is due. Let's say you already find yourself in the above situation and don't have the money to pay the full amount. Watch what would happen if you doubled the monthly payment (paid \$90 instead of \$45 per month).

Notice in **Figure 2** that by paying \$90 per month rather than \$45, **the payoff time is reduced by 8 years!** And the refrigerator costs \$714 more than if you had paid cash, rather than \$3,680 more! **This is a perfect illustration of the time factor of money.**

Remember this: when interest is compounding and working against you, you want to reduce the payoff time as much as possible (preferably to zero by paying in full); when interest is compounding and working for you (saving and investing), you want to extend time as much as possible. Compounding interest is a powerful tool as you will see in later lessons; **the key is that we want it to work for us rather than against us.**

The second deceiving aspect of debt that is missed by most consumers is **just how much interest is being paid monthly** for credit cards and loan accounts. Another reason companies offer "low" monthly payments is that a huge amount of their profits comes from interest the consumer is paying.

Figure 1

Monthly Payment Illusion					
Price	Minimum Payment	Interest Rate	Time to Payoff	Total Cost	Difference
\$2,000	\$45/mo	25%	10.5 yrs	\$5,680	\$3,680

Figure 2

Monthly Payment Illusion					
Price	Minimum Payment	Interest Rate	Time to Payoff	Total Cost	Difference
\$2,000	\$90/mo	25%	2.5 yrs	\$2,714	\$714

In the previous \$2,000 refrigerator example, initially only \$3 of the \$45 payment goes toward the price of the refrigerator. That means you are “donating” \$42 in interest to the company for the privilege of receiving another statement the next month showing that you now owe \$1,997! What if that scenario is multiplied a few times each month by other credit card bills, furniture loans, car loans, etc? The amount of interest many people are paying each month is staggering. Do you remember Melissa’s situation from Lesson 9 of last week? Just the interest portion alone on her monthly credit card payments were more than \$1000! You and I derive no benefit whatsoever by paying consumer debt interest – the only beneficiary is the creditor. This issue was the biggest motivator in my life to encourage me to get out of debt years ago. When I saw the amount of money I was paying each month in interest, it made me sick. I concluded that I had rather take that same amount of money and use it for more constructive purposes.

Maybe debt is not an issue for you, but if it is, I want you to determine how much total interest you are paying each month. Hopefully, it will be as much of a motivator for you as it was for me to get out of debt as quickly as possible. A **Monthly Interest Calculator** is available for you at the link provided on page A-6. The illustration below will explain the concept. You will need two pieces of information for each creditor: the current balance and the annual interest rate. This information is available on your monthly statement (either the printed statement or on-line).

The calculator allows you to enter the name of the creditor, the current balance and the annual interest rate. The amount of monthly interest in the far right column is computed for you. There is a Subtotal amount for all consumer debt (excluding mortgage(s)). In this illustration, the subtotal (almost \$381 per month) is being paid in consumer debt interest. That amount doesn’t include the mortgage and equity line interest because the mortgage generally represents an appreciating asset (obviously not guaranteed).

Monthly Interest Calculator			
Creditor (non-housing)	Balance	Annual Interest Rate	Monthly Interest
Credit Card 1	\$ 6,000	18%	\$ 90
Credit Card 2	\$ 4,000	21%	\$ 70
Department Store	\$ 2,500	12%	\$ 25
Auto	\$ 8,000	8%	\$ 53
Auto	\$ 16,000	6%	\$ 80
Student Loan	\$ 15,000	5%	\$ 63
Subtotal non-housing	\$ 51,500		\$ 381
Creditor (housing)	Balance	Annual Interest Rate	Monthly Interest
Mortgage	\$ 175,000	4%	\$ 583
Equity Line	\$ 10,000	5%	\$ 42
Subtotal housing	\$ 185,000		\$ 625
Total	\$ 236,500		\$ 1,006

If a concentrated effort was made to aggressively eliminate the consumer debt, you would essentially receive a \$381 per month after tax pay raise! That money would then be available to help fund other areas of the budget or, preferably, be directed to savings to reach Milestone 6.



REFLECTION: Spend some time in prayer asking the Lord to sustain you through any Murphy Law interruptions. Think about the advantage you will have once sufficient savings are in place to reduce Murphy’s impact. How will that encourage you to faithfully continue with your plan? How motivated are you to reduce debt and eliminate wasteful monthly interest payments? In what way does the paying of interest each month reflect on your stewardship of the Lord’s resources? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson.

Record your thoughts:



ACTION STEP: Using the Monthly Interest Calculator (download from link on page A-6), compute your monthly interest cost. Determine how you will use the equivalent amount of money once the consumer debt is eliminated. Continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 14

Let's Put the Pedal to the Floor!

If you are up to date with the action steps from the previous lessons, you should be at least to Milestone 2 – you’ve constructed your budget, which should keep you from overspending.

Consequently, you have broken the credit cycle – a huge step forward. If you needed to employ the GTW process you should be well on your way to Milestone 3 (at least \$1,000 in savings). You are beginning to sense an easing of the pressure and the needle on the Financial Condition and Stress Meter is beginning to move toward the left. In short, you are making progress. If you feel you are still behind the power curve, don’t sweat it. Just be diligent and follow the process – remember, the Lord will help you establish the plan as you commit it to Him.



Consequently, you have broken the credit cycle – a huge step forward. If you needed to employ the GTW process you should be well on your way to Milestone 3 (at least \$1,000 in savings). You are beginning to sense an easing of the pressure and the needle on the Financial Condition and Stress Meter is beginning to move toward the left. In short, you are making progress. If you feel you are still behind the power curve, don’t sweat it. Just be diligent and follow the process – remember, the Lord will help you establish the plan as you commit it to Him.

If you are not already at Milestone 4 (eliminating debt with interest rates at 10% or more), it will be your next target. There are two primary reasons people struggle with eliminating debt. First, they don’t have a plan to stop it from getting worse. Think about this: **the quickest way out of debt is by not creating more debt** – the balance can only go down! Second, they don’t have a plan to pay it off.

Figure 1

Creditor	Balance	Interest Rate	Minimum Payment	Contact Information
Department Store	\$ 395	25%	\$ 20	800-555-1212
Credit Card 1	\$ 825	18%	\$ 20	etc.
Credit Card 2	\$ 2,400	12%	\$ 48	
Credit Card 3	\$ 3,500	19%	\$ 70	
Credit Card 4	\$ 5,800	24%	\$ 128	
Milestone 4 (accounts above are paid off)				
Auto Loan	\$ 8,200	7%	\$ 325	
Student Loan	\$ 12,000	5%	\$ 125	
Equity Line	\$ 15,000	8%	\$ 150	
Milestone 6 (accounts above are paid off)				
Mortgage	\$ 180,000	4%	\$ 860	
Milestone 9 (mortgage is paid off)				
Total	\$ 228,120		\$ 1,746	

The plan we’ll develop to aggressively eliminate debt is probably similar to other plans you’ve read about. The difference is that we will do a bit more analysis to make the plan as efficient as possible. To make this process easier to understand and visualize, let’s consider a situation where we have nine creditors, including five credit cards, an auto loan, a student loan, a second mortgage in the form of an equity line and a primary mortgage on the home. The first step is to organize the debt. The simplest way to begin is by rank ordering the debt from the lowest balance to the highest balance. You can see that has been done in **Figure 1**.

Reaching Milestone 4 requires that any creditor with interest rates of 10% or more be paid off. In this illustration, that will require paying off the first 5 creditors on the list. The next 3 creditors will be eliminated in the process of reaching Milestone 6, and then paying off the primary mortgage will position us to reach Milestone 9. Those Milestones are also illustrated on the chart. To summarize the illustration there are nine creditors with balances ranging from \$395 to \$180,000 and interest rates ranging from 4% to 25%, organized from lowest to highest balance. The total debt balance is \$228,120 with a minimum total monthly payment to all creditors of \$1,746. Paying at the minimum payment rate would result in reaching Milestone 4 in ten years, Milestone 6 in fourteen years and Milestone 9 in thirty years! There must be a better way – and there is. Let’s adopt an Accelerated Payoff Plan (APP), which will be explained in the following paragraphs.

Since our first target is Milestone 4, let’s initially concentrate on the top 5 creditors. The APP requires that we pay the maximum possible monthly payment to the creditor with lowest balance. In **Figure 2**, the Department Store’s balance is \$395. It is also the highest interest rate. Consequently, we will experience a double benefit to pay it first. For this illustration, we’ll pay the balance in full (\$395). If we didn’t have the funds to pay the full \$395, then we would pay the most we could put our hands on, but in this example let’s say we could pay the entire \$395. For every other creditor, we will pay the absolute minimum required. The minimum required would be the stated minimum payments due on the remaining credit card accounts and the minimum loan payments we could negotiate. For auto and home loans the minimum is usually the stated monthly payment. By paying the maximum to the lowest balance creditor we will eliminate it as quickly as possible and begin to see creditors drop off the list sooner. That, in fact, is our initial goal – reduce the number of creditors as quickly as possible. This does two things. First, it motivates us by seeing immediate progress. Second, it starts simplifying the process, because we have fewer creditors to deal with. By being aggressive we are paying a total of \$661 each month toward our credit card accounts.

Figure 2

Creditor	Balance	Interest Rate	Payment
Department Store	\$ 395	25%	\$ 395
Credit Card 1	\$ 825	18%	\$ 20
Credit Card 2	\$ 2,400	12%	\$ 48
Credit Card 3	\$ 3,500	19%	\$ 70
Credit Card 4	\$ 5,800	24%	\$ 128
Milestone 4			
Total	\$12,920		\$ 661

Figure 3

Creditor	Balance	Interest Rate	Payment
PAID (Dept Store)	\$ -		
Credit Card 1	\$ 818	18%	\$ 415
Credit Card 2	\$ 2,385	12%	\$ 48
Credit Card 3	\$ 3,484	19%	\$ 70
Credit Card 4	\$ 5,788	24%	\$ 128
Milestone 4			
Total	\$12,474		\$ 661

Since we paid the full balance of \$395 to the first creditor, the list looks like this (**Figure 3**) after 1 month – 4 credit card account balances instead of 5. Notice the balances on the remaining accounts have reduced by very little because of the low monthly payments and the high interest rates. The \$395 that was paid to the department store is now available to be added to the Credit Card 1 minimum payment of \$20. Then \$415 (395+20) is available to be paid the following month to Credit Card 1.

The total monthly amount being paid to all of the credit cards remains at \$661.

After two additional months or a total of 3 months from the start of our APP, Credit Card 1 has been paid off as you see in **Figure 4**. Once again, notice how slowly the three remaining creditor balances are decreasing – that’s what high interest rates do! Two creditors have been eliminated in just 3 months. Our emotional energy is high because we are seeing definite progress. Now that we have the energy high, it is time to do some analysis.

Continuing to focus on **Figure 4**, we can see the high 24% interest rate on the Credit Card 4 account. Even though the Credit Card 4 balance is greater than the other two, it would be to our advantage to eliminate it first. So we move Credit Card 4 from the bottom of the list to the next one on the list. We continue paying \$661 total and this makes the Credit Card 4 payment \$543 per month (we added the \$415 to the original Credit Card 4 minimum payment of \$128). We will continue to pay the minimum to Credit Cards 2 and 3. Since the Credit Card 4 balance is substantial, another 12 months are required to pay it off, but after a total of 15 months in the process, look at the progress.

At the 15 month point (**Figure 5**) there are only two remaining credit card accounts with a balance and the analysis process continues. We see, once again, it would be to our advantage to pay Credit Card 3 before Credit Card 2 due to the interest rate difference.

We do that, and after 6 more months pass (the 21 month point since we started), there is now only a single credit card account remaining with a balance. (**Figure 6**)

Due to the size of the payment (\$661), Credit Card 2 will be gone in short order. **As a matter of fact, after just over 23 months from the beginning of the APP, all credit cards have been paid off and Milestone 4 has been reached!** (**Figure 7**)

At this point, the APP can and should be continued to eliminate the remainder of the consumer debt to attain Milestone 6 and then continued to drastically accelerate the payoff of the home mortgage enroute to Milestone 9.

Figure 4

After 3 Months...			
Creditor	Balance	Interest Rate	Payment
PAID (Dept Store)	\$ -		
PAID (CC 1)	\$ -		
Credit Card 4	\$ 5,764	24%	\$ 543
Credit Card 2	\$ 2,355	12%	\$ 48
Credit Card 3	\$ 3,452	19%	\$ 70
Milestone 4			
Total	\$11,571		\$ 661

Figure 5

After 15 Months...			
Creditor	Balance	Interest Rate	Payment
PAID (Dept Store)	\$ -		
PAID (CC 1)	\$ -		
PAID (CC 4)	\$ -		
Credit Card 3	\$ 3,237	19%	\$ 613
Credit Card 2	\$ 2,050	12%	\$ 48
Milestone 4			
Total	\$ 5,287		\$ 661

Figure 6

After 21 Months...			
Creditor	Balance	Interest Rate	Payment
PAID (Dept Store)	\$ -		
PAID (CC 1)	\$ -		
PAID (CC 4)	\$ -		
PAID (CC 3)	\$ -		
Credit Card 2	\$ 1,550	12%	\$ 661
Milestone 4			
Total	\$ 1,550		\$ 661

Figure 7

After 23.5 Months...			
Creditor	Balance	Interest Rate	Payment
PAID (Dept Store)	\$ -		
PAID (CC 1)	\$ -		
PAID (CC 4)	\$ -		
PAID (CC 3)	\$ -		
PAID (CC 2)	\$ -		
Milestone 4 REACHED!			
Total	\$ 0		\$ -

If you don't get anything else out of this discussion, get this:

The scenario laid out in this APP process would shorten the time to reach Milestone 4 from the ten years mentioned earlier to just less than two years; as the process continues you will reach Milestone 6 in less than four years instead of fourteen years and will reach Milestone 9 in eleven years instead of thirty years! In the process, almost \$100,000 would be saved in interest, not to mention the fact that you would be totally debt free 19 years sooner!

I hope you see that the moral of this story is pretty clear. We develop a balanced spending plan that is called a budget; we then add to that an organized accelerated payoff plan. These two elements combined with disciplined savings will move us through the Milestones at a blazing pace compared to a month to month lackadaisical approach that barely keeps our head above water.



REFLECTION: If you could reduce the amount of interest you will pay over the life of your car loans, mortgages, consumer loans, etc by \$100,000 and limit the amount of time you have any debt at all to 11 years, how motivated would you be to put such a plan in place? What obstacles do you see that would prevent you from starting such a plan this month? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson.

Record your thoughts:



ACTION STEP: If you have more than one creditor, establish an accelerated payoff plan like the APP described in this lesson. If debt is not an issue for you, adopt the same aggressive approach and establish a definite monthly amount to aggressively build your savings to reach Milestones 5 or 6, as applicable. Continue tracking your daily expenses using the spending areas listed on page A-4.



Lesson 15

Turn On The High Beams

I have shared several counseling experiences with you so far in this study. If there is one common thread in all of the situations; if there is one underlying issue that results in people having less in savings, more in debt and making poorer spending decisions it is this: Most consumers are very near-sighted. They are thinking about today and not next month, and certainly not next year or the year after.



As I alluded to earlier this week, the marketplace encourages our near-sightedness. The sales force wants you to focus on the monthly payment - on the short term. Have you ever driven by a car dealership where the huge billboard out front stated “Only \$39,945!!”? Of course not, it’s always “Only 0.5% interest!” or “Only \$199 down!” It is just another aspect of the American way - part of the instant gratification society that has matured over the last several decades. Young couples think nothing about “buying” a house the size and cost of the one their parents and grandparents worked an entire career to afford. And of course, they are not actually buying the house. They are taking out a huge mortgage that allows them to occupy the house until they move to the next house. I don’t want to beat this horse to death, but out of the hundreds of people I have spoken with, **I cannot think of a single counseling situation (excluding medical emergencies) that was not adversely influenced by this very near-sighted, short term view of things.**

Remember Proverbs 21:5 - The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty.

Over the next few lessons, we’ll look at different commodities and situations where if we would turn on our high beams in order to see much farther down the road, we would experience much “advantage”. **Our near sightedness, our instant gratification, and our very short term focus can all help put us on that road to “poverty”.** Let’s look at ways to avoid that.

The largest and most expensive purchase most of us will ever make will be a house. In an earlier lesson we dealt with the cost of credit and in the previous lesson we saw how long it takes to



pay off a mortgage. Most people would agree they want to borrow the least amount possible, but most don’t fully understand why. By taking a quick look at an amortization schedule, it becomes obvious why we want to borrow the least and pay off the loan as soon as possible.

Amortization is a big and intimidating word, but it is a rather simple concept once we understand it. Let's say we purchase a \$250,000 house by making a down payment of \$50,000 (20%), and taking out a 30-year \$200,000 mortgage at a 5% interest rate. As I write this, interest rates are at historical lows, but you can rest assured they will be increasing. We'll ignore taxes and fees to keep the math simple. The mortgage company will provide lots of paperwork in the process and one document is an amortization schedule – if it is not provided in print, it will be available electronically. An amortization schedule breaks your monthly payment down into two components: the portion you pay the mortgage company (interest) and the portion you pay yourself (increase in principal or decrease in the loan balance). The entire amortization schedule begins with your first month's payment and continues with a monthly entry for a total of 360 months (30 years). **Figure 1** displays the first five payments of the 1st year of the schedule (payments 1 through 5); **Figure 2** displays the first five payments of the 30th (last) year of the schedule (payments 349 through 353).

Notice that the payment of \$1,074 is constant throughout the entire loan because it is a fixed-rate mortgage. During the first year only a little over \$240 of the total payment is going to reduce the loan balance. A much larger portion of the payment (over \$830) is interest on the debt. You can see at the bottom of the First Year chart that you would have paid almost \$10,000 in interest, while reducing the loan balance by only \$2,951. Now look at the same chart for the 30th year of the mortgage (**Figure 2**). The payment is the same, but almost all of the payment is being applied to principal and reducing the mortgage balance and only a very small portion is for interest. At the end of the 30th year you've paid off the mortgage by paying \$12,541 on the principal and only paying \$342 of interest. Why is that? The answer is a key point that you would do well to remember anytime you are considering buying anything using credit.

Figure 1

\$200,000 at 5% Amortization Schedule (First Year)				
Payment Number	Payment Amount	Principal	Interest	Loan Balance
1	\$ 1,074	\$ 240	\$ 834	\$ 199,760
2	\$ 1,074	\$ 241	\$ 833	\$ 199,519
3	\$ 1,074	\$ 242	\$ 832	\$ 199,277
4	\$ 1,074	\$ 243	\$ 831	\$ 199,034
5	\$ 1,074	\$ 244	\$ 830	\$ 198,790
End of Year Totals and Balance		\$ 2,951	\$ 9,937	\$ 197,049

Figure 2

\$200,000 at 5% Amortization Schedule (30th Year)				
Payment Number	Payment Amount	Principal	Interest	Loan Balance
349	\$ 1,074	\$ 1,021	\$ 52	\$ 11,520
350	\$ 1,074	\$ 1,026	\$ 48	\$ 10,494
351	\$ 1,074	\$ 1,030	\$ 44	\$ 9,464
352	\$ 1,074	\$ 1,034	\$ 39	\$ 8,430
353	\$ 1,074	\$ 1,039	\$ 35	\$ 7,391
End of Year Totals and Balance		\$ 12,541	\$ 342	\$ -



Key Point: The monthly amount of interest you pay is computed on the remaining balance.

The sooner the balance decreases the sooner a larger portion of your payment goes to you (principal) and a smaller amount of the payment goes to the bank (interest). **This is the fact that should motivate everyone to borrow the absolute minimum needed and to pay off the debt as fast as possible.** This is true for home loans, car loans, credit cards, revolving charge accounts, etc.

Look at the first year's schedule again. Let's say, for example, when you received your amortization schedule, you noticed the amount of your payment that was being applied to principal the second month of the first year (\$241). If you had an extra \$241 and included it with your first monthly payment instructing the bank to apply the extra to principal, your loan balance would be reduced to the amount listed on the second month of the schedule (\$199,519). What if you included the extra again the next month? If you did, your loan balance would reduce at a much greater rate. This is called pre-paying your mortgage and is an extremely powerful tool to pay off your mortgage much faster, saving thousands of dollars in interest. You saw in the last lesson how the mortgage can be included in the accelerated payoff plan. This is a very similar principle. As a matter of fact, if you included an extra \$241 with each monthly payment, the 30-year mortgage would become a 20-year mortgage and you would save \$69,000 in interest! What if you could only find an extra \$100 to send? That results in a 25 year payoff and saves \$39,000 in interest. How about only an extra \$25? **You would pay your mortgage off over a year and a half early and save over \$11,000! Instead of going to a movie each month and dropping well over \$25, you could turn that amount into \$11,000.** That's a pretty good return on a \$25 per month investment. If you're following the path we've outlined in this study, three things happen when you pay off the mortgage: First, you will reach Milestone 9; Second, you will receive a deed to the property that includes only your name on it (no mortgage company); and, third and most importantly you will be in sync with scripture and you will have only one Master. **The spiritual lightening of the load is inexpressible.** It just requires turning on the high beams and looking beyond next month.

Another aspect of housing that can benefit from being far-sighted is maintenance. I taught first-time home buying classes for a few years. Counseling young couples on acquiring sufficient funds for both the mortgage payment and home maintenance issues was always a challenge. I remember one such couple who were dead set on buying. I helped them put their budget together, and it appeared they had enough money to barely make the mortgage payment for the loan they were to sign in a matter of days. The house was an older one which would probably soon need maintenance. I wasn't at all confident that they had enough margin in their budget to deal with the inevitable major maintenance issues. Each time we would look at the numbers, the husband restated that he



was confident he could make the house payment. After an hour of explaining the potential for large expenditures for air conditioning systems, plumbing, electrical, roofing, etc. the wife became very uncomfortable about living “on the edge” with practically no financial safety net. Finally, through tears, she convinced her husband that they needed to delay the house purchase until they had money in an emergency fund that would surely be needed. I remember receiving a phone call from the selling real estate agent chastising me for “interfering with his sale”, but I slept well that night knowing I had been instrumental in saving the couple from a potential foreclosure.

Consequently, the housing portion of our budget must have enough money allocated to not only make the mortgage payment, insurance premium and taxes, but also enough to handle major house system expenses.

Obviously, potential maintenance should be a factor in the home buying process. Always have a home inspection conducted by a reliable company. Negotiate with the seller on major maintenance issues. Minimizing the potential for major maintenance expenses when buying a home can be catastrophic on your budget. The information in **Figure 3** will help us visualize the potential future issues by listing the life expectancy of various home systems. The point of this discussion should be obvious. These home systems are all big ticket items.

Figure 3

System	Life Expectancy
Roof	15 years
HVAC	10-12 years
Appliances	10 years
Carpeting	12-15 years
Exterior Paint	7 years



Life expectancy and costs vary depending on the part of the country in which you live. I recommend you estimate the cost of each of these for your particular situation. For example, let's say you have a conventional shingled roof. Your house is five years old. You should expect major roof issues within 10 years. If the cost to replace your roof will be \$10,000, then in ten years, you need to have that amount set aside. \$10,000 needed in ten years means you need to save \$1,000 per year or \$84 per month for the roof. If you allow 10 years to pass and don't have sufficient funds for the roof, the equity lines or credit cards or other forms of credit raise their ugly heads, and we've already seen what that will do. If the roof lasts five years beyond its life expectancy, so much the better. Your emergency fund will be just that much larger when you need it.

You should conclude, as I have, that when we add all of the potential system repairs together, the amount of savings needed is substantial. **Not having enough savings for home maintenance issues creates more problems for home owners than anything else.** This issue is the reason we should arrive at Milestones 6 and 7 before purchasing a home – we are more likely to have sufficient reserve for emergencies. If you have already purchased a home without adequate savings, use the techniques we've already discussed to build your savings as rapidly as possible. At the risk of repeating what I have already stated more than once, we need to be looking farther down the road than we do.





REFLECTION: How near-sighted are you? Have you thought about how much more efficient you could be by having sufficient savings? Consider the previous lessons this week on the cost of credit and the accelerated payoff plan. How do those issues combined with the lesson today complete the picture on why we want to have savings to draw on rather than depending on credit to meet emergency needs? If you are purchasing or own a home, what system need are you likely to experience next? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: If you are beyond Milestone 6 and are purchasing a home, identify an amount per month that can be dedicated to prepaying your mortgage. Using the accelerated payoff calculator link on page A-6, compute how much time would be shaved off your mortgage and how much interest you will save. Estimate the cost to you of the house systems listed in the life expectancy chart, and include that amount in both your short and long term saving goals. Continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 16

Turn On The High Beams . . . Continued

Another major area where our near-sightedness can work against us is transportation. We'll limit this discussion to include cars and trucks. The motorcycles, boats, 4-wheelers, personal watercraft (PWC), etc. will be relegated to the fun area of spending although they have very similar properties to the main forms of transportation; they cost a lot, they require maintenance and insurance and they depreciate in value at a rapid pace.



If we are honest with ourselves, there are really only two ways to view the vehicles we drive.

We can determine we need reliable, safe transportation to get us from point A to point B. Or we can forget about all of that and “drive in style”. Can we do both? Maybe. But, is that the most efficient, practical use of the resources we’ve been put in charge to manage? You’ll have to make that call. I come at it from the first viewpoint, because vehicles just don’t mean that much to me. Our history is that we purchase a vehicle that is dependable and looks good. Then we drive it until it is no longer dependable, but still looks okay.

I will go ahead and apologize now to the new car dealers who might be in your group. I understand the desire to buy the new car. The new smell, the tight seals, the glistening paint are all very appealing. I’ve been there. The very first car my wife and I purchased was new; that was back in the day when you ordered what you wanted from the factory and then waited several weeks before it was delivered. It was sweet; wish I still had it. So, I can identify with wanting to smell that new leather and carpet.

The problem is that when I teach on this subject, people like Amy motivate me to forget about the new smell. Amy was a young, single working mom with two kids. She was having trouble finding enough money to buy groceries for her two little girls. Much of her problem stemmed from the fact that she was trying to make a \$430 per month car payment on the new \$30,000 car her boyfriend convinced her to buy. He said, “Honey, you need a new car! Let’s go down to the car dealer; I’ll help you with the down payment.” What he didn’t tell her was that after 3 months, he would be out of the picture, and she would have to figure out how to make the monthly payments on her own. She couldn’t and buy food at the same time.

You may think Amy’s story is an isolated case, but I’ve seen hundreds of “isolated” cases with people getting in way over their head because of that new car look and smell. And, just like Amy, they became “upside down” (car value less than loan amount) very quickly and didn’t know what to do.

If you're committed to the new car and you have enough money to pay cash, that's your decision. But if you're not in that situation, allow me to share some facts with you and suggest some alternatives.

A fellow Crown Financial Ministries volunteer and engineer conducted a fairly detailed study of American made vehicles. He discovered, on average, that after a new car has aged three years its resale value is about one half of the original sticker price. After four years, the resale value drops to approximately 40% of the original. From that point the vehicle's depreciation slows considerably. Let's be conservative and assume the life expectancy of an American made car is 150,000 miles. If the driver averaged 12,000 miles per year, the car would last about 12 ½ years. Now, let's consider two people: you and me. Refer to **Figure 1**. Here's the scenario: You buy a new car for \$30,000 and drive it 3 years at which time its resale value is about half of the original price. You sell it to me for \$15,000. I maintain it and drive it for 10 years until it's time to donate it to the local salvage yard. It cost you \$5,000 per year for the privilege to own it; it costs me \$1,500 per year.



Figure 1

The Car Saga of You and Me					
You Purchase	You Drive	You Sell	I Purchase	I Drive	I Sell
\$ 30,000	3 yrs	\$ 15,000	15,000	10 yrs	\$ -
Your Annual Cost	(\$15,000/ 3 yrs) \$5,000 per year		My Annual Cost	(\$15,000/ 10 yrs) \$1,500 per year	

I get a much bigger bang for the buck than you do. I do my homework; I shop around and find a good, reliable vehicle that is about 3 years old. It will typically have about 30,000 to 35,000 miles on it. I pay about one half of the original sticker price. The original owner (that's you in this illustration) pays for half of the car! I pay for the other half and

drive it for seven years longer than you do. Can you see anything wrong with this picture? I can't from my perspective. I come out well ahead.

I'm frequently asked, "When is the best time to trade or sell a vehicle?" The same chart will help you think through the answer. As I mentioned, I use vehicles to get me from point A to B. I don't consider them a status symbol. I have determined that I am willing to commit \$3,000 toward the annual cost of a vehicle. I define "annual cost" as the purchase price plus maintenance divided by the number of years I drive it. So, if I buy a car for \$14,000 and spend \$1,000 in maintenance while driving it for 5 years, my annual cost is \$3,000. ($15,000/5 = 3,000$). That is the amount of money I spend on an annual basis for the privilege to drive it. Consequently, if I spend \$15,000 to purchase a vehicle I know that I plan to drive it for at least 5 years. I don't consider operating costs (gas, oil, tires, etc), when I compute annual cost, because we all have to deal with operating costs, no matter what we drive. When repair costs begin to push me above my annual cost threshold then I determine it's time to find a more recent model vehicle.

You may remember the SUV I mentioned on the Video during our Week 1 discussion. It was a substantial purchase (the last new car we purchased; they have all been pre-owned since then – I became a little more educated on the subject). We drove the SUV for more than 15 years and our annual cost was \$2,450. I drove a sedan for over 20 years and lowered the annual cost to less than \$1,200 per year. The sedan developed a significant engine issue that would have elevated my annual cost considerably, so I determined it was time to retire it with dignity. I sold it for \$1,500, which lowered my annual cost even more.

You pick your annual cost threshold. Maybe you want to drive newer vehicles. Maybe your annual cost threshold is more than mine (or less) – that’s your decision. But when potential repair costs would drive you above your threshold you know it’s time to make the move to the next one. I hope you notice this has the same flavor of the decision processes we discussed in Week 3. **You are making your decisions based on data; based on logic, not on emotion.**



What are other ways we can lower the annual costs? Since you now know the monthly cost of credit, it should not require rocket science to determine that you want to pay cash for the vehicle. The surest way to reduce the expense of a vehicle is by avoiding interest costs. Because, a \$20,000 vehicle costs \$20,000 only if you pay for it when you drive it off the lot. If you finance it at 5% for 4 years it costs over \$22,000! As you work toward Milestone 6 your savings should grow to an amount sufficient to pay cash for your next vehicle.

Here is one technique that works for a lot of people: once you’ve made the last payment to the finance company, continue making the same payment the next month to your savings account.

This is a relatively painless process since both you and your budget are used to that monthly expenditure. Then once you have purchased your next vehicle with cash, use the technique we discussed earlier and determine your annual cost threshold. That information will give you a better idea of how long you’ll drive the vehicle and how much you will need to save to purchase the next one.

I can hear some of you thinking that you will avoid all of the above issues and drive “new” by leasing. The age old question: **“To lease or not to lease?”** I can’t answer you based on personal experience, but I can definitely answer you based on someone else’s experience. A trusted friend I met with Crown Financial Ministries operated a car leasing business for 15 years. He told me, unequivocally, that he had never seen a lease that would have been a better deal than the purchase would have been for the individual. Fleet leasing for companies is a different story. But he said, **for the individual consumer, the lease is never the best option. As a matter of fact, he didn’t call it the leasing trap; the term he used was the “fleecing trap”.** He said the lease is always based on the highest interest rate at the time; the terms always benefit the dealer; the contract language is complex and difficult to understand and it is next to impossible to terminate the lease before expiration. He said he would never lease a



car. And that comment was from someone who had been in the business for 15 years!

If we accept the fact that purchasing is the best option, there is another potential bottomless pit in which we can throw money. **That pit has a caution sign next to it labeled “vehicle maintenance costs”, which can often blow the lid off the budget** of the most well intentioned consumer. Similar to the house purchase, do your best to evaluate the vehicle prior to purchase. Some reputable dealerships have pre-certified used vehicles that come with a warranty. Do your homework on where you purchase the vehicle, and only use dealers with a track record of good customer service.

You can reduce much of a vehicle’s maintenance costs by simply reading the recommended maintenance section of the owner’s manual, and then doing what it says. Believe it or not, the maintenance interval recommendations are based on data, and I’m sure you will agree that preventative maintenance on vehicles is far less costly than the actual repair. Each vehicle’s maintenance requirements are different based on the systems, the type of driving, the age and the overall condition. As an aid, use **Figure 2** to help you identify the major system issues that are likely to cost big bucks. Then check your owner’s manual for the recommended service or inspection interval (either mileage or months) and put the stated mileage or dates on your calendar. If you are like me, I’m much more likely to be aware and follow through with something that is on the calendar.

Figure 2

System	What to Check	If You Don't
Engine	Oil/Coolant	Shortens life/\$\$\$
Air Conditioning	Refrigerant/Compressor	Potential failure/\$\$
Transmission	Fluid	Potential failure/\$\$\$
Timing Belt	Condition	Potential failure/\$\$
Serpentine Belt	Condition/tension	Tow truck/\$
Wheels	Alignment	Shortens tire life/\$
Battery	Charge under load	Tow truck/\$
Brakes	Pads/rotors/fluid	Safety/\$
Tires	Pressure/wear	Safety/\$

I recognize that I have discouraged new car purchases in this discussion. I will concede, on occasion, depending on market forces at the time of purchase, new vehicles can be very competitive with a late model pre-owned vehicle. An additional benefit is they come with a much longer warranty than the pre-owned vehicle. The key in purchasing a depreciating asset is to get the very best value for the money. Do your analysis; if you can determine that your annual cost for a new vehicle will be similar to the pre-owned and you can avoid a loan in the purchase process, be my guest.

BOTTOM LINE: Make your decision based on the VALUE and NEED rather than the shine and smell.





REFLECTION: Did you make your last vehicle purchase based on a need or a want? Do you consider a vehicle to be a status symbol or a tool to provide for your transportation needs? Are you willing to establish a dedicated savings plan to ensure the next vehicle purchased is paid in full at the time of delivery? How would you assess your stewardship qualities in the area of transportation? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: Immediately review your vehicle(s)' owner's manual(s) and schedule an appointment for the next recommended service, if due or overdue. Project the likely purchase date for the next vehicle, then establish a monthly savings amount to allow you to pay cash for the next purchase - working toward Milestone 6. Establish a projected purchase price, based on what you can afford, not necessarily what you desire. Continue tracking your daily expenses using the spending areas listed on page A-4.



sbc.net/newday16

Lesson 17

Unmask the Credit Monster

You may agree with me that today's marketplace makes it very easy to spend money. As a matter of fact, I could spend my entire monthly allocation in just a few minutes sitting right where I am. Online shopping has added a completely new meaning to the expression "shop till you drop". But think of all of that money I'm saving on gas by shopping online . . . right. The varied and multifaceted opportunities to spend, coupled with very aggressive credit card issuers create the perfect storm for the consumer. So, let's take a look at the credit business in general and credit cards in particular to see if we can master some techniques which will prevent us from becoming victims of the credit system.



The credit reporting system is a very complicated and confusing one. You are constantly seeing pitches attempting to take even more of your money by selling various credit services to you that should be provided for you (and usually are) for nothing. For example, every consumer is entitled to a free annual credit report from each of the three Credit Reporting Agencies.

Go to www.annualcreditreport.com to take advantage of this free service.



Your credit score is not provided on the free report, but often, your bank or insurance company will provide a free credit score periodically. It would be easier if we could just ignore the credit score, but unfortunately, we all need to make an effort to maintain a good one. Even if you don't plan on buying anything on credit, the credit score is now used to evaluate insurance premium rates, housing rental applications and job applications, to mention a few.

The FICO® score (formerly Fair, Isaac and Company) is one of the most popular monitored credit scores. You can go to www.myfico.com to find out more than

you probably want to know, but here is a quick summary. Your credit score will fall in the range from 300 to 850.

The higher, the better. Generally, a score above 700 is good; above 800 is excellent.

There are numerous factors that affect your credit score, and it has been my experience that no one can predict exactly the impact of one particular action on your credit score. Based on my experience, two factors have a major influence on your score.

First, the amount and length of your credit history. That means you want several different types of creditors reporting good information for a long period of time. This information of yours is reported to 3 major Credit Reporting Agencies, also called Credit Bureaus: Experian®, Equifax® and TransUnion®. The second major influence is the debt to available credit ratio for your accounts. For example, if you have an account with a \$10,000 credit limit and you have a \$5,000 balance, the debt to available credit ratio is 50%. You want to maintain the debt to available credit ratio near or below 20% to improve your credit score. High ratios negatively affected your score because it appears you are pressing your credit limit and not managing responsibly.

Bottom line: if you have a good payment history on several accounts for the last two years and your debt to available credit ratios are kept low, your credit score should be well above average unless there is some previous history dragging you down.



Credit problems such as late payments, creditor initiated closed accounts, written off accounts, and other negative information generally remain on your credit report for seven years. As a consumer, you have certain rights under the Fair Debt Collection Practices Act. Information regarding those rights and others can be found at the Federal Trade Commission's website, www.ftc.gov.

I am often asked about the impact on one's credit score if they seek help paying off their debts with not for profit

credit counseling organizations that offer consumer debt relief. The point to remember is that the Credit Bureaus compile and report what creditors report to them. So, your credit score is dependent upon the information the creditor reports to the Credit Bureaus. A debt management plan through a not for profit organization should not affect your credit score, but will most likely restrict your ability to obtain additional credit during the payoff period. Monitor your credit report on a regular basis. If you find errors, the credit bureaus have processes in place for you to use to correct errors. **I strongly encourage you to communicate with your individual creditors if problems are on the horizon.** It is much easier to deal with a creditor before a delinquency occurs rather than after - be very proactive. That's why every creditor provides a toll free number—use it.



We can't talk about credit without discussing most every American's favorite form of credit – the credit card. I will go ahead and state what should be the obvious: if you are in the red on the Financial Condition and Stress Meter, your use of credit cards should cease immediately, at least until the meter moves considerably to the left. And, for some people, the credit card should be off limits, period. The most recent federal data indicates the average household credit card debt in the US has increased to over \$16,000! I'm hoping you're not helping raise the average. If you are, use the tools we discussed in Weeks 3 and 4 to attack the debt aggressively. On the other hand, for those who have a balanced budget in place and have been operating on it successfully for at least six months, a credit card can be a useful tool.

The key to remember about the credit card is that we want it working for us, not the creditor.



Credit cards can work for us in the form of convenience, rebates and security. However, **studies have shown that you or I will spend more if we regularly use a credit card than if we use cash.** Why is that? Think about this scenario: you or I walk into the big box store and see a flat screen that we really like for \$1000. If we walk to the register and slide or insert the credit card very little wrist motion is required, and the transaction is almost invisible. But, if we had to count out fifty \$20 bills, by the time we counted to number 25, we might start having second thoughts about how nice that flat screen looked. Let's admit it, that credit card makes it all too easy to spend money.

So, how do we make them work for us? First of all, we should shop for the best deal on a credit card just like we shop for the best deal on anything else. I have two minimum requirements for a credit card. 1) There is no annual fee. 2) The card pays me a rebate in cash. Some people like airline points and other types of benefits. For me, the cash rebate is king, because I can use the cash for anything, unlike some of the other types of rebate. **Various web sites are listed in the appendix to help you compare credit card offers.**

Next, it is imperative that the monthly balance on the credit card is paid in full by the payment due date each month. If the balance is not paid in full or if the payment is late there is no "grace period" on the interest rate. You will then pay the stated interest on the previous balance and interest on your next purchase from the instant you make the purchase. Also, a late payment usually results in the interest rate jumping to the highest rate allowed stated on your credit card agreement. During counseling sessions, I've had people complain to me about what the credit card company had just done to them (raising rates, closing accounts, etc.). Please hear this. The credit card company did not do anything that the credit card holder did not authorize them to do when the user signed the credit card agreement. We are often guilty of not reading what we sign. If there is any doubt that you will not pay your credit card bill in full and on time, make certain you know the consequences that you have agreed to in writing.

Make the pledge today, that if you don't pay the balance in full, you will stop using the account until you do.

Other credit related topics that I am often asked about are balance transfers, zero percent offers and loan consolidations. If you receive a balance transfer offer and can transfer a credit card balance which is costing you interest each month to one which doesn't, obviously the zero rate is preferable. But, it is not quite that simple. There is almost always a transfer fee, typically around 3%. If you transfer \$10,000, your transfer fee would be \$300 at a 3% rate; \$500 at 5%, etc. Compare that to the remaining amount of interest you would pay on the original account; if the savings are considerable, then the transfer might be to your advantage. Realize also, each time a creditor makes an inquiry into your credit history, that inquiry reduces your credit score slightly. Several inquiries over a short period of time can significantly reduce your score.



What about the home improvement store's offer of making a major purchase with 0% interest rate for six or twelve months – often called “same as cash”? I will place a big **IF** on this one. **IF** the purchase is a planned purchase within your budget, and **IF** you have your monthly spending under control and you are absolutely certain the funds to pay the bill in full will be available on the due date, then feel free to use the company's money instead of yours for those months. The best technique is to pay yourself the equivalent monthly payment each month to make certain the full amount is available to pay the bill on the due date. Because, if you don't pay in full when the bill is due, interest accrued from the original purchase date will be due.

Let's deal with the ugliest one last – loan consolidation. This is what I typically see when someone attempts to consolidate a lot of credit card or other debt into a single, larger loan at a lower interest rate: Spending habits don't change, and the next thing the person realizes is that the credit card debt is right back where it was. At that point, they have the consolidation loan and more credit card debt and there is no option for future consolidation. The end result is that they are in much worse shape than they were before the consolidation. The same condition applies to this situation as the 0% offer above. **Only use loan consolidation if you are absolutely certain spending is under control.**

Here are the keys to all of the credit related issues above. If you will put your spending plan in place; if you will successfully operate on it for several months; if you will reach Milestone 6, then you will be in a position where all of the credit techniques can start working for you instead of against you. You will see that your credit score will increase, your bank account will increase because of rebates and smarter shopping, and your stress level will decrease.



REFLECTION: For the credit system to work for you instead of against you requires much discipline. Are you certain you have the discipline necessary? Are you willing to totally stop using credit, if necessary? If you are not already in a position to make the credit system work for you, how can you accelerate your financial progress to get to that point? How is easy access to credit adversely affecting your monthly spending? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: If you have not checked your credit report within the last year, go the website mentioned in the lesson and order one. One technique is to order one from each of the 3 credit bureaus every four months. This process will result in your receiving three free reports per year. If you are not yet to Milestone 4 (page A-10), focus your efforts and stop any credit card balance increase. Continue tracking your daily expenses using the spending areas listed on page A-4.



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Lesson 18

Don't Beware . . . Be Aware!

On more than two occasions in this study I have mentioned that adequate savings would have prevented major financial crises. We will explore creative ways to save in this lesson, but before we do, let's come to understand why saving is so difficult in the first place.

Based on my counseling experiences, I've learned that one of the biggest obstacles to wise money management and the resultant saving shortfall is the lack of awareness of where money is being spent. This is the primary reason the tracking of expenses has been so emphasized in the action steps. This lack of awareness, which is a first cousin to the near-sightedness we discussed previously, can be seen in every type of purchase - from homes, to major appliances, to vehicles, to a pack of chewing gum. I don't think this condition is intentional. It's just that our fast paced, throw away, instant gratification society doesn't promote more awareness. As a matter of fact, the marketplace is anticipating our lack of awareness to maximize sales.



Let's consider major purchases first. We touched on this in Lessons 15 and 16, but go a little deeper with me. When someone is considering a home purchase, they usually don't investigate the real estate tax rates - why the taxes are what they are and the likelihood of increases. They don't consider routine maintenance costs. (As I am typing this, the HVAC technician is conducting the winter check up - it's not free). They don't consider tree pruning or removal required to keep from interfering with the house structure. I could go on, but I think you get the point. How about the hidden cost of purchasing a vehicle - the cost of the personal property tax, either paid in a lump sum or annually? Don't forget insurance. What about the cost of replacement tires now that the rim size is an inch larger than the previous vehicle? What about the exorbitant cost of the filter for a major appliance which, by the way, can only



be purchased from the manufacturer in many cases.

I'm not suggesting that we spend months prior to every purchase conducting an exhaustive investigation to determine every single potential problem that might cost a buck or two. What I am suggesting is that we go into every purchase with our eyes open aware that the price tag is only a portion of the total cost. The "after costs" can easily cause you to exceed your spending plan.

Another lack of awareness issue is an extremely costly one, and it doesn't involve large purchases. In fact, the small purchases, generally cause the largest problems. You may remember the two counseling examples I shared in Lesson 8 - one spending too much on lunch at work and the other too much in vending machines. This phenomenon of spending a lot of money for insignificant items has become a favorite of mine during counseling sessions and teaching. I think the reason is that if we would increase our awareness just a little bit, the rewards would be huge. Here's another example:

I was teaching a budgeting class and the group had just returned from their lunch break. Sadie was near the front of the room and had just placed a 20 ounce soda on the table in front of her. I saw a potential opportunity for a teaching moment - I didn't know at the time that I would share her experience for years to come. I casually asked her how much she paid for the soda (or pop, if you're from the Midwest, or "coke" - even if it's not a Coke, if you're from the South).



She replied, "\$1.15". I then asked her how often she might buy one of those 20 ounce drinks. Sadie surprised everyone in the room, including the instructor, when she replied, "Four a day." I think I said something like, "Man, not only are you a sodaholic, but you're going to be a great seminar illustration!" As soon as I regained my composure from the "Four a day" response, I did the math in my head. When you do the math of \$1.15 plus tax x 4 per day x 365 days a year, it comes out to be a little over \$1,700 per year. I then asked Sadie, if she chose to spend \$1,700 per year for her variety of soda. After she picked her jaw up from the table, she said emphatically, "No!" You see, she was spending an enormous amount of money in a way she didn't realize. She worked across the street from a convenience store, and she would literally walk across the street 4 times a day to buy her soda, plus she also drank them on the weekend. I don't know if her blood sugar level suffered, but I definitely know her bank account did! Here is the point: we all do this sort of stuff. Oh, we may not drink and pay for that much soda, but we all do things unconsciously that cause us to spend money in ways we are not aware.

Let's analyze Sadie the sodaholic for a minute...

What if she could cut her soda intake by 50%? That would equate to an \$850 annual savings. What if she continued to drink the same amount, but bought the soda from a wholesale club for ¼ the cost? She would save over \$1,250 per year.

In other words, what if she became aware of what she was doing, and became motivated, disciplined and creative to cut costs? She would take control of something that was controlling her.

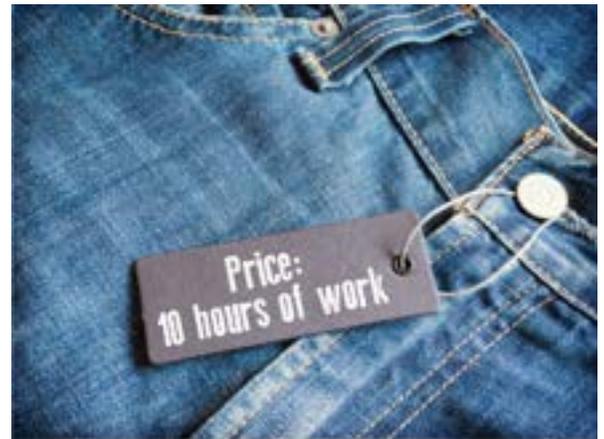
The Key: Become Aware!

Today's action step will help you become aware of the small expenditures you are making and help you benefit by that awareness. This is a powerful and practical way to start saving money.

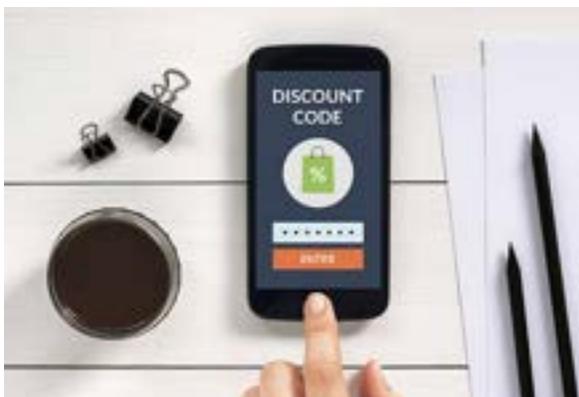
Another awareness related issue can dramatically impact your spending. In Lesson 10 you computed your AI (remember, that is the amount of income you actually see after all of the withholding). Now I want you to take that one step farther - divide your AI by the number of hours required to generate it. The end result is the amount of money you are earning per hour after everything is held out of your pay.

The next time you consider a purchase, determine how many hours, or days, or months worth of work will be required to pay for the purchase.

For example, I counseled Joe, who at the time was making \$10 per hour (about \$8 after taxes). The \$80 pair of jeans he purchased didn't just cost him \$80, it cost him 10 hours worth of work (\$80 divided by \$8 per hour). **This awareness puts an entirely different perspective on your spending!** It gives us something to which we can relate - work. I've looked at potential purchases before and thought - that will take me 3 hours, or 3 days, or 3 months, or even more to pay for it. The conclusion for me was that it wasn't worth my time. That's the key point on this one: ask yourself if whatever you want to buy is worth the time and effort required to pay for it?



There are other ways to reduce spending for eventual saving. My wife is a super shopper. Not only does she like to shop, I will put her up against any other person on this planet who shops smart and pays amazingly less than others pay. She does 95% of her shopping at very nice stores that sell name brand, quality labels at a fraction of the retail price. The store system she frequents (3 different stores in the conglomerate) issues a credit card that provides a 5% rebate on every purchase. Each month she receives a credit certificate for several dollars. Over the years, she has spent thousands upon thousands of dollars less than her contemporary shopper, because she searched for the bargains and used the credit offer to receive the rebate.



Many people use coupons. Some are experts at the technique. I have had testimonies from seminar attendees that save 90% of their grocery bills by working the coupon system. Many are full-time moms. I point out to them that their coupon savings would exceed any part-time job income they could find, plus they are able to stay home with their kids. A good website that can provide not only coupons, but also training on how to make the system work for you is www.couponmom.com.

Selling online is another tool that many use to save on purchases, but also generate cash for savings by selling items. I've talked to many who claim to make \$400 to \$600 average per month selling online. When I ask where they find the things to sell, answers range from "I find it" or "I shop garage sales." It's amazing to me how many people are looking for things to buy online. Here's my personal example: A couple of years ago a laptop I had purchased about 18 months earlier (just out of warranty, of course) decided to give up the ghost. It stopped booting. I was finally able to get it to boot one final time to get my stuff off. Before I threw it in the trash, I mentioned the situation to my daughter, who suggested I sell it online. So, I sent her a photo and description and she listed it for me. At the time I didn't have my own account (I since do). The dead computer sold in a couple of days for \$100! There was this guy in Texas who bought computers for parts and sent me \$100 for something I was just about to throw in the trash.



What are some other ways to reduce costs and generate excess cash for savings? How about buying generic? If truth be known, many of the generic brands are produced and packaged by name brand producers. I can't mention the brand, but my wife was at the supercenter and noticed her brand of coffee was off the shelves. The store personnel told her that the company had an interruption in their supply chain and they expected shipment the next week. He said that's why you don't see our store brand cans either - they are made by the same company!

Another technique in grocery shopping is to check the unit cost. But don't be fooled. On occasion a smaller size is actually cheaper than a larger container, when the unit cost is compared. It's an easy thing to check and the savings add up considerably over time.

Phone apps from different supermarkets and other retailers frequently transmit sales and coupon information. The apps are user friendly and the discount coupon can almost always be scanned from your phone.

We could continue this lesson for several more pages discussing garage sales, reducing tax and travel expenses by internet shopping and a host of other methods, but I'm thinking by now you see the point. But just in case you missed it:

The point is to become a consumer who is aware of where you are spending money and why you're paying what you're paying. Look for ways to not only save on purchases, but ways to generate extra cash that can be directed to savings.

Refuse to pay retail prices. Talk to merchants. Ask about upcoming sales. Ask about discounts. Do all of the things a smart consumer should be doing, because **remember who's money we're managing. We want to manage it well.**



REFLECTION: Think about personal situations similar to some discussed in this lesson where you have saved money or generated excess cash. Are you an informed shopper? When you shop, do you spend time finding the best value, or are you more impulsive?

Record your thoughts:



ACTION STEP: On the chart below list one or two items or expenses you incur on a regular basis. (Examples: Snacks, drinks, DVD, hair/nails, hobbies, books, etc) List the average cost, then compute the annual cost. Determine if there are alternatives in order to reduce the annual cost. Could you use the amount you could save to help reach the savings goal you established in Lesson 9? And while you are at it, compute your hourly AI and determine how much work was required to pay for your incidental purchases. Don't get me wrong, if you determine that you spend several dollars per year on an item, and you're okay with it, that's your decision. The main purpose for you in this exercise is to help

you become aware. Once you become aware, you have more information on which to make a decision. Continue tracking your daily expenses using the spending areas listed on page A-4.

Item	Individual Cost	Frequency	Annual Cost	Hourly AI	Hours Work Required
(Example) Latte	\$ 4	4/week	\$ 728	\$ 14	52
Total					



Lesson 19

But I Thought I Was Supposed To . . .

Because of email and social media, we are exposed to a lot of fake news, urban legends and myths that take on a life of their own. It's not unusual to read a post or an article that has enough truth in it to be somewhat believable, but there are aspects of it that seem suspiciously false. How do we know what to believe and what not to believe? The answer usually requires verification by someone who knows for sure, or your own analysis or common sense to guide you. A



similar phenomenon occurs in sorting out financial decisions made by a person because someone else told them, "That's what you need to do". Let's explore some of those financial myths in this lesson.

Just last week, a group I was with discussed an error a fellow was making by maintaining a balance on his credit card. He had been told by someone he trusted that if he paid off the balance each month, the credit card company would likely close his account. He rationalized the company would conclude he didn't need the credit line if he could afford to pay the bill each month. A variation of this is the guy who maintained a monthly balance because he thought it would help improve his credit score by making a payment every month. He thought if he paid the balance in full and on occasion skipped a month without a charge, his credit score would suffer.

As we discussed in Lesson 17, we place ourselves at a huge disadvantage by not paying the credit card bill in full each month. We are accruing interest on each purchase beginning on the day of the purchase, if we don't pay the bill in full.

The techniques mentioned in the previous paragraphs are myths.

The credit card companies want our business. They don't love us any less by paying them in full each month. If we use the cards on a regular basis and are not delinquent in our payments, you can rest assured they will want to keep us as a customer. What is the credit score impact of paying the bill in full? The creditor reports our payment history and our average balance to the credit bureaus each month. From a reporting standpoint, it doesn't matter if we pay the minimum payment or the entire balance as long as we pay on time. However, think about it: paying less than the balance each month on an active account would result in the average balance typically increasing. A larger balance creates a larger debt to available credit ratio, which you learned is not a good thing. So, from a credit score standpoint, our score is more likely to improve by paying in full, because our average balance will be lower. I have paid my credit card account balances in full for well over 20 years, and my credit score has never suffered.

While it might not fall into the financial myth category, another mistake consumers make is buying a replacement house or car (or any other big ticket item) before selling the previous one. Usually the rationale is convenience, or in the case of a house, a soft housing market. **Regardless of the reason, it is a dangerous technique.** Almost all of the people I have talked with through the years that have purchased the second asset with the intention of selling the first immediately, didn't. The sale took much longer than had been expected and, of course, extra money was required to maintain two instead of one. In the house situation, there is almost always a second house payment involved and the budget comes under extreme pressure. **You may think we are beginning to overuse Proverbs 21:5, but once again, it applies: "The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty".**

**I hope you will weld Proverbs 21:5 to your brain.
If you do, the Holy Spirit will alert you each time you
may try to violate the principle. This scripture has saved
me from a lot of poorly thought out and quick decisions
that would have been extremely costly.**

Another financial myth is when the consumer is told to use a debit card in situations when a credit card is more beneficial. I'll preface this discussion by restating a point we mentioned in Lesson 17. **If you do not have the personal financial discipline to make a credit card work for you instead of against you, then totally avoid opening a credit card account.** But, for those who are responsibly maintaining a balanced budget each month, the credit card has many advantages. **So, how do I know when it's better to use a credit card or a debit card? Check the links listed on page A-6 for more information, but we'll do a quick summary here.** I use a debit card for two purposes: to get cash out of an ATM or to get cash back when making a purchase because an ATM isn't convenient. As you know, your bank account is debited the instant the transaction is made. Make sure your debit card account won't allow an overdraft with a corresponding overdraft fee. The credit card, on the other hand, provides me with more benefits and more protection than the debit card. See **Figure 1. I must emphasize that the benefits listed are only of maximum value if the credit card account balance is paid in full every month and an annual fee and any other fees are avoided.**

Figure 1

Credit Card Benefits
Cash rebates/other awards
Often account opening bonus
Limited liability if lost or stolen
Grace period for payment of purchases
Insurance protection for rental cars
Product warranty in certain situations
Reports to Credit Bureau (builds credit)
Accepted where debit card may not be

One of my favorite financial myths that I've dealt with over the years is the conviction of so many home owners to maintain a mortgage so they can receive a tax deduction.

Pointing out the fallacy of this argument will take a few paragraphs, but I think you will appreciate the time spent. First of all, let's make some assumptions. The owner (Frank) is in a 15% to 25% tax bracket and he is itemizing his deductions when he files his tax return. Let's use the 25% tax bracket to make the math a little easier, but the argument is the same



regardless of the tax bracket. We'll assume that the interest portion of Frank's annual mortgage payment is \$10,000 (again to make the math easy).

When Frank files his tax return, he adds up all of the expenses that he can include on his IRS Form 1040 Schedule A (itemized deductions) such as real estate taxes, charitable contributions, interest on mortgage, etc. We will keep it simple. Let's say his only deductions are the \$3,000 he pays in taxes, the \$10,000 in interest on the mortgage, and the \$5,000 he gives to his church.

It would look like **Figure 2**.

When a person itemizes deductions instead of using the standard deduction, the total of the itemized deduction is subtracted from adjustable gross income to compute taxable income. So, a higher itemized deduction total results in a lower taxable income amount. Consequently, less tax is owed to Uncle Sam.

Figure 2

Itemized Deduction	Amount
Real Estate Taxes	\$ 3,000
Mortgage Interest	\$ 10,000
Gifts to Charities	\$ 5,000
Total	\$ 18,000

But let's think about the impact of the \$10,000 interest deduction. Since Frank is in a 25% tax bracket, lowering his taxable income by \$10,000 reduces his tax bill by \$2,500 (25% of \$10,000). Let's state the same fact another way - if he had paid off his mortgage and didn't have the interest as a deduction, the amount he owed Uncle Sam would be \$2,500 more than with the deduction. But, think about this: if the mortgage was paid off, Frank would not have paid the mortgage company the \$10,000 in interest! Sure, he would owe \$2,500 more in taxes, but there would be \$7,500 (\$10,000-\$2,500) more in his bank account. In other words, he's keeping a mortgage and paying \$10,000 in interest so he can save \$2,500 in taxes. That makes no sense to me. What if he paid off his home loan by using the accelerated payoff plan we discussed in Lesson 14? He would arrive at Milestone 9 much sooner. He would be totally debt free and have the option to give the same amount to his church that he had been paying in interest to the mortgage company. If he did, his Form 1040 Schedule A would look like **Figure 3**.

Figure 3

Itemized Deduction	Amount
Real Estate Taxes	\$ 3,000
Gifts to Charities	\$ 15,000
Total	\$ 18,000

Frank would still have the \$18,000 in deductions! Don't get me wrong. I'm not suggesting your motivation to give to the Lord should be to get a tax break. I'm just saying...

I would rather donate the money to the church rather than to the mortgage company. The end result is the same for your taxes, but the money is being used for far greater purposes.

Chalk up the idea of "maintaining a mortgage to get a tax break" as one of the better financial myths.





REFLECTION: Have you been operating under any financial myths because someone said it was a good thing to do or because you haven't thought through the action? Can you think of ways to increase your usable income or your "bottom line" by changing your thought process? Could you explain to a friend the fallacy of maintaining a home loan in order to receive a tax benefit? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



ACTION STEP: If you have a home loan and are itemizing your deductions, use the process discussed above to determine the tax benefit you are receiving and how much interest you are paying to realize the tax reduction. Use the Monthly Interest Calculator to aid in your computations. Continue tracking your daily expenses.



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Lesson 20

It's a Family Thing

Over the last 19 lessons we have discussed the principles and practices of managing our day to day finances. Most of us don't operate our daily lives in isolation. Many of us are married and have kids, and in some cases those kids have kids. Our financial lives are impacted by all of those other people, and that fact alone makes managing much more complicated.

In this lesson, we'll deal with the challenges the other people in our life can present and the techniques to minimize the stress of those challenges.



I have been married much longer than I was single. The techniques to deal successfully with money in a marriage relationship are fresh on my mind, so we'll deal with them first. You may have noticed that men and women are different – I have. We're very different especially when it comes to dealing with money. Larry Burkett said in his audio tape entitled "Honey Let's Talk", that if a man and woman should come to the realization that they are alike in every single way, then one of them is unnecessary! He meant that jokingly, but there is a lot of truth to it. God put the husband and wife together to compliment each other. I have strengths in areas where Judi has weaknesses; on the other hand, she is much more capable in areas where I have severe shortcomings. Remember, the Word said "and the two shall become one" – God's purpose is for the two to come together to make a stronger "one" than if they operated individually.

Larry also points out in his tape that we need to recognize the differences which the man and the woman bring to the financial management table. I will make some generalizations in the next several sentences, and there are exceptions, but very few exceptions. First, the man looks at money from a long range, macro and freedom perspective. He is thinking about the future and about his "master plan"; he's thinking that if he has money in the bank, he'll be able to do what he wants and when he wants. The lady, on the other hand, is typically looking at money from a short term and security perspective. If there is money in the bank, she feels good about it because the home is secure, she can provide for the kids and she can relax a bit because the bills are being paid. You and I must understand the differences. If I am up in my "nether land" and totally oblivious to my wife's concerns about the daily finances, it creates conflict. Likewise, if she is stressing about clothing the kids and thinks I don't understand where she's coming from, it creates conflict. **Based on every survey that I have ever seen, the number one cause of marital conflict is money.** If we can eliminate the number one cause of conflict, it will go a long way in preserving our marriages. How do we do that? First, **we recognize and accept that men and women are wired differently** and sometimes those differences are magnified in discussing and managing money. Next, we employ techniques to minimize the conflicts. We will explore a few of those now.

The order in which these techniques are discussed does not indicate a priority, but we'll start with assigning an "accountant". **Either the husband or the wife should take the lead as the accountant in the family. That role should default to the person who has the skill set to develop and monitor the monthly budget.** However, both husband and wife participate in the process. One doesn't totally abdicate all of the duties to the other. The accountant establishes the budget in consultation with the other spouse. They jointly determine the amount of allocation for each area of spending. The accountant monitors the spending during the month. At some point during the month (I recommend about mid-month), the accountant updates the spouse on where they stand in each spending area. This usually requires less than 15 minutes. By the way, this doesn't occur on the "date night". This is a separate brief discussion to keep the husband and wife on the same page. If available funds need to be reallocated, both spouses are involved in the process. **Think about what happens when this type of process is implemented. Spouses start having normal conversations about a subject that frequently results in tension. Both are seeing the same numbers. They are literally on the same page, and they start speaking the same language. Both are participating.** For example, in our family, I'm the accountant, but Judi enters most of the receipts in the computer, which takes some of the workload off me. We both know where we stand at anytime during the month.



Another technique that can have a tremendous impact on reducing the contentious discussions about money in a marriage is the "his" and "her" miscellaneous account. We will use Don and Laura as our examples. Don likes to play golf, and Laura likes to shop. This process requires that the two of them discuss and arrive at an amount of money that can be designated for discretionary miscellaneous spending. They then divide the amount evenly, and create a "Don miscellaneous account" and a "Laura miscellaneous account" (these are not separate bank accounts, just a paper or computer allocation). **The rule for operating the**



accounts is simple. Both Don and Laura agree that either of them can do whatever they choose with the money in their respective account, and they will not hold the other person accountable. For example, Laura can buy the 47th pair of shoes to add to her huge shoe collection, and Don is fine with that, because they agreed on the front end that it is her discretionary account. On the other hand, Don can buy the new putter to replace the "new" one he bought the week before, and that's okay with Laura for the same reason. This is a simple technique, but

think of the impact on the marriage. If handled properly, the "his" and "her" accounts will absolutely stop the "don't you have enough of those?" or "do you always need to be spending money like that?" type of questions. It will reduce the contentious discussions in a marriage to almost zero! **My wife and I have used this technique for years, and it has practically eliminated any disagreement over how money is spent in our household.** The keys are agreeing on an amount that is fair, and then disciplining the tongue when the temptation arises to make a comment.

Still another technique is using what many refer to as the “envelope method”. The type of container is not important, but the principle is as valid today as it has been for over a hundred years. **This technique is especially helpful with the problem areas of spending.** Referring to the spending areas in our budget, the ones that generally cause the most problems are grocery/supercenter, eating out, fun, kids and miscellaneous. Let’s use the “Eating Out” spending area as the example. We’ll refer to Don and Laura again because they have 3 kids below the age of 12. Laura is the accountant for the family finances because she has the skill set. **She has determined, and Don has agreed, that their budget will support \$125 per month for eating out. Laura also knows that the family has a discipline problem in this area, and they are frequently exceeding their \$125 limit. So she takes a legal size envelope, writes “eating out” in big letters on the front and places \$125 in cash into the envelope at the beginning of the month.**



The family eats out the first weekend. Laura takes the cash with her, pays the check for the fast food and returns the remainder of the \$125 to the envelope. They continue that process throughout the month. Near the end of the month, the youngest child says, “Let’s go eat out”. Laura brings the family together, opens the eating out envelope and holds up for everyone to see the \$3.17 left in the envelope. She then says, “Okay, we can go eat out. We’ll buy a \$3 hamburger and slice it into five pieces and enjoy our dinner out. Or, we can stay at home tonight for dinner and pop some popcorn and watch a movie. Which would you prefer?” Here is the obvious key point: Don and Laura made the decision to limit their eating out expenses to \$125 per month. If the money is available, they spend it; if it’s not available, they don’t.

This very simple, visual technique keeps them from spending more than they want to spend, and it helps the kids see why the decision is being made not to eat out. It works; use it.

Let’s shift gears and discuss the kids for a moment. Those of us who have, or are currently raising kids know that they have a huge impact on our monthly finances, not to mention future expenses. The earlier they get a grasp of how family finances work, the sooner



they can help with solutions rather than be a source of problems. When I was growing up, my parents would say things like, “You know money doesn’t grown on trees.” Today, we would have to modify that by saying, “You know money doesn’t continue to come out of that wall.” Kids see the dollars jump out of the ATM slot and think it is an endless source of money. Depending on their age, your kids don’t need to know exactly how much income is being produced. But they do need a sense that there is a plan in place and that there is not an infinite amount of money to

provide for their every want. A technique that Judi and I used, and I recommend for you, is a variation of the envelope system we just discussed. A good age to implement this technique is about 10 to 12, depending on the maturity of the child. Some children under 10 may be able to use this approach, that's your decision as the parent.



You make the decision as to how much the child needs on a monthly basis. The funds can be in the form of an allowance, or a combination of an allowance and money earned from doing special chores. (Some chores should be accomplished for the privilege of living in the house, so I don't recommend paying a child for every routine chore that is done.) Regardless of the source of the money, you set up an "account" for the child to manage. It might be cash as in the envelope system, or it may be a separate account at the bank. In our

case, each child had an ATM card and had a monthly limit on withdrawals.

The rules are simple: at the beginning of the month an amount will be deposited in the account. The child can spend it on day one, or they can spread out the spending over the month. But, the well is dry when the balance drops to zero. It will be senseless going to mom or dad asking for additional money until the beginning of the next month. This is a wonderful learning experience for the child. They can begin to understand what mom and dad are dealing with each month. It is important for the parent not to bail the kid out when a poor decision is made.

When we used this technique, we explained that we would provide for our children's needs (food, clothes, school expenses, etc.). But if they wanted the designer jeans instead of the generic, they paid the difference. If they went to get a snack after school with friends, that was on them. They paid for the birthday gifts for friends (with a few exceptions), etc. We provided the needs, they funded their wants. They understood that "payday" occurred at the same time each month, and advances on pay was not part of the process. This process stopped cold, the requests that parents hear all of the time, "Hey, Dad I need 10 bucks" or "Hey, Mom we're going down to so and so, do you have 15 bucks?"

It works; use it.

We have talked about couples and kids, but what about the singles?

Are there techniques that will help the single person?

I have brainstormed this subject with a lot of singles and the best technique boils down to this: multiply yourself. The couple has a built in sounding board – the other spouse. The





couple often has two incomes and can share expenses. The single, of course, is limited in those areas, so look for ways to overcome those limitations. Find an accountability partner – someone you can trust who will be honest and objective with you. Ask him or her to evaluate your budget to see if they see areas for improvement. Look for people with whom you can partner to share expenses in housing (roommate, subletting), in transportation (carpooling, cost sharing), and in household expenses (buying in bulk at warehouse clubs). Get creative and look around for any and every way to join with someone else to make your individual expenses less than they would be by going it alone.



REFLECTION: Think about the situations that create the most tension and communication problems for you in your daily finances. What techniques discussed in this lesson would have the greatest impact on minimizing those problems? If you are married, think about the different ways you and your spouse deal with money issues. Pray and ask the Lord to help you understand and accept those differences. Record your thoughts:



ACTION STEP: If you are married and haven't already, designate the "accountant" for your household finances. Define the specific role for each family member. If you are single, find an accountability partner. Regardless of your marital status, try using the envelope system at least for one month for your biggest problem area. Continue to track your daily expenses. Please note: the envelope system will eliminate the need to track expenses for that spending area. The process itself does that for you.



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Lesson 21

Looking Farther Down the Road

As we begin the last four lessons of our study, I recommend we become even more farsighted. Regardless of our age (under 25, over 50, or anywhere in between) there will be a time when our earning power is reduced, and we will begin to use the resources we have saved over the years. After all, a major reason the Lord encourages us to save today is to provide funds for needs He knows we will have in the future – both emergency needs and “retirement” needs. I placed the word “retirement” in quotes because when I search the Scriptures, the only retirement



reference I can find is the one regarding the Levites. (Numbers 8:25). I’ve checked my family tree, and search as I might, I’m not a Levite. We may be disappointed, but the American view of retirement – playing golf seven days a week, or sitting on the beach all day long, or any other full-time leisure activity isn’t promoted in scripture.

The Lord probably has work for you and me to do until the day we leave this earth, but it may not pay as well as it does now. So, we need to plan for the days when we are still living, but not earning.

For those of you under 30, indulge me for a moment. The subject of retirement planning or anything related to it is far from your mind. I get it – I’ve been there. Planning for next year is a stretch, let alone planning for decades from now. However, I’m asking you to do two things: First, recognize the huge advantage you have due to your young age. Second, stick with me through these last four lessons. If you do, and if you apply what you learn, you will be light years ahead of most of your peers when it’s your time to teach your grandchildren these principles.



Milestone 8 is the milestone achieved when you’ve purchased a house (if you chose), paid off all consumer debt, and have begun to prepay the mortgage. Also, adequate short term savings is in the bank for emergencies. It is time to begin investing for retirement and educational needs. **This milestone should be a relatively short term goal for everyone.** You saw in previous lessons how an accelerated payoff plan can eliminate all consumer debt in less than four years with a systematic, focused effort. It should go without saying that when you reach Milestone 8, you are continuing to satisfactorily operate on a monthly budget, and you are making spending decisions based on that budget.



In Lesson 7, we made a distinction between saving and investing. According to Austin Pryor, the founder of Sound Mind Investing (SMI) and the author of the Sound Mind Investing Handbook, “Investing occurs when you put your money to work in a commercial undertaking, subject to modest levels of risk, and expect a reasonable return over a long period of time. What’s reasonable? About 3%-5% more than the rate of inflation.” I will use the Sound Mind Investing Handbook as a resource to help us better understand investment terminology, beginning with the purpose for it.

There are two basic reasons you and I want to begin to invest once we have reached Milestone 8:

- 1. To provide financially for our household.**
- 2. To increase our assets to serve God more fully.**

We can accomplish both of the above more efficiently by starting sooner, rather than later. We discussed the devastating impact of compounding interest working against us in Lesson 13, let’s now see the huge benefit when we put it to work for us.

Figure 1 illustrates the age necessary to begin investing the designated amount per month to accumulate \$1,000,000 by age 65. This assumes that the money is invested in an account that would average what the US stock market has averaged since its inception. The data points out the incredible difference in starting age.

A 25 year old can contribute only \$121 per month and accumulate \$1M by the time she is 65. If she waits until age 50 to start, she has to contribute nearly 20 times that amount (\$2,225) each month!

Figure 1

To save \$1,000,000 by age 65	
Starting Age	Monthly Payment
15	\$ 41
20	\$ 70
25	\$ 121
30	\$ 210
35	\$ 367
40	\$ 649
45	\$ 1,175
50	\$ 2,225
55	\$ 4,650
60	\$ 12,650

Figure 2

Save \$100 per month until age 65	
Starting Age	Total Amount Saved
15	\$2,469,066
20	\$1,432,005
25	\$ 828,595
30	\$ 477,503
35	\$ 273,222
40	\$ 154,361
45	\$ 85,202
50	\$ 44,963
55	\$ 21,549
60	\$ 7,926

Figure 2 displays the same principle in a different way. \$100 each month is deposited into the same type of account as was described in Figure 1.

Look at the amazing difference that time makes. The 20 year old has almost \$1.5 million at age 65! The 60 year old doesn’t have enough to buy a good used car.

Compounding interest is the way a small amount of money and a large amount of time can do amazing things.

Please start today; don’t wait until tomorrow. Set your sights aggressively toward Milestone 8, so you can preserve as many years in front of you as possible.

Both Proverbs 21:20 (wise and foolish), and Proverbs 6:6-8 (observe the ant) have been discussed as scriptural principles for saving. We will now add a third scripture to provide more of a foundation for longer term saving or investing:

Ecclesiastes 11:2 - Divide your portions to seven, or even to eight, for you do not know what misfortune may occur on the earth.

This scriptural guidance illustrates the need to be diversified in our investing.

While I can't say with certainty that the old saying, "don't put all your eggs in one basket" was inspired by the Ecclesiastes scripture, it most definitely could have been. The point is clear: we will have a much better opportunity for investment success if we are invested in many different types of assets. **The goal is to have enough assets whose good performance can offset the possible poor performance of others.**

We will discuss various asset classes and the importance of spreading our investments across several asset types in the next two lessons, but before we get too far down that path, let's stop and ask ourselves some basic questions. Before we begin investing, let's determine our overall purpose and identify the information we need to know to accomplish our purpose.



The following list of questions and the associated answers should help give you an insight into what you need to know:

- What will the investments support: education, retirement, business, etc.?
- When will I need to begin withdrawing?
- How much money will I have saved when I begin investing (amount above emergency fund)?
- How much will I need to withdraw per month?
- Where will I live (location, own, rent)?
- What will I do (part-time income, if any)?
- What will I need to buy?
- Whom will I support (anyone outside of my immediate household)?
- What is my risk tolerance (high risk, low risk)?
- How much will my spouse need if I leave earth first?
- How much will I leave behind to heirs?



Perhaps the most telling question is this one: “How many of the questions listed previously can I not answer”?

This emphasizes our study-long theme of needing a plan. Our lives are busy; it is so easy to procrastinate and deal with future issues in the future. **The problem is the future becomes today much sooner than any of us anticipates.** If you will determine an overall plan for what you want to do,

financial planning calculators (links provided on Page A-6) will do all of the calculations for you. The calculators require some assumptions on your part.

Take the time to think through the previous questions and answer any additional questions the financial calculators will pose. If you do, you will have a much better understanding of how much you need to invest on a regular basis to meet your investment goals.

One of the questions you may not be able to answer is “what is my risk tolerance”? I recommend that you take a risk tolerance questionnaire (sometimes called risk temperament) to help you assess your particular approach to investing. **Such a questionnaire can be found in the Sound Mind Investing Handbook or at various locations on the web.** Knowing your risk tolerance will aid you in determining the distribution of your investments over the various asset types.



Asset types will be discussed in the next lesson, which, by the way, will be somewhat lengthier than the other lessons. Consequently, this one is a little shorter. 😊





REFLECTION: Refer to the compounding interest illustrations. Are you more or less motivated to arrive at Milestone 8? Why? How many of the investment questions can you not answer? What do you need to do to be able to answer them? **Record your thoughts:**



RUN WITH IT
accomplished as a couple.

ACTION STEP: Spend a few minutes completing a risk tolerance questionnaire as discussed in this lesson. If married, both husband and wife should complete their own questionnaire. Also, set a date on your calendar in the next 2 months to spend at least a couple of hours answering the questions in this Lesson and inputting your answers into one or more of the financial calculators. (The links are provided on page A-6). If you are married, this activity should definitely be

Video



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Lesson 22

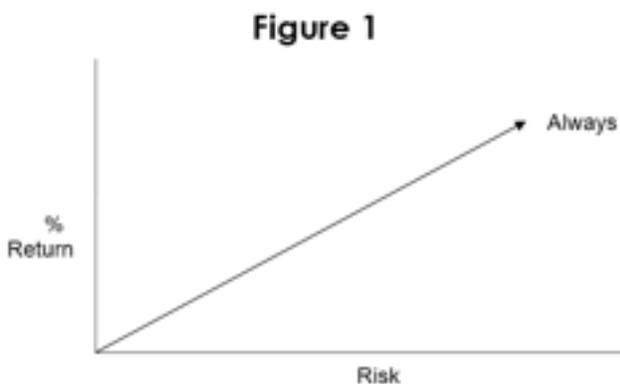
Mix It Up

This lesson deals with the basics of investing, and the need to be diversified in your investments.

CAUTION: You are entering a slow read zone. Take your time reading both this lesson and Lesson 23 - you may want to read in sections, then go back and review before reading the next section. It may be more than some of you want to know, but these lessons will provide valuable information that will help you ask informed questions to your financial planner, 401K administrator, or yourself.



There are basic rules to remember as we approach the investment milestone. First, if a higher return is offered, there is a corresponding higher risk - see **Figure 1**.



Please note, however: the increased risk does not guarantee the higher return. **Don't fall for the "sure thing" investment. There is no sure thing in investing.**

The second fundamental rule is that your asset allocation (the mix of stocks and bonds and types within each) will have a greater impact on your investment returns than the performance of the

individual investments. To quote Austin Pryor (SMI), **"Studies have shown that 80% or more of your investment return is determined by how much of your portfolio is invested in stocks versus bonds, and only about 20% is determined by how good a job you did at making the individual selections."**

To help understand the previous paragraph, let's explore the different asset types. For this study, we will limit our discussion to what can be purchased through the US stock market - stocks, bonds and mutual funds. Yes, you can purchase real estate or buy precious metals etc., but as a small investor, it is much simpler to be adequately diversified by investing in the US stock market. Plus, you actually can be invested in real estate and precious metals by investing in mutual funds that specialize in those type assets.

The following discussion is an oversimplification and is designed to provide you enough information to develop a general understanding of basic investing terminology. For more detailed information refer to the resources listed on Pages A-6 and A-9.

When you purchase a STOCK, you are an OWNER

- You can purchase shares of different size companies (“capitalization” describes size).
- Capitalization (cap) = number of shares outstanding x share price.
- Large cap (more than \$5 billion in value, generally speaking); Bank of America, for example.
- Mid cap (\$1 to \$5 billion)
- Small cap (less than \$1 billion) – could be riskier investment, but may have larger growth potential.
- Brokerage fees (buy/sell transactions) can be costly, especially with full service broker.



Two major styles of investing; Value and Growth.

- Value stock - share price compared to the overall company value appears favorable.
- Growth stock - company viewed as having potential for considerable upward growth.

When you purchase a BOND, you are a LENDER

- Bonds can be offered by a corporation, municipality, federal government etc.
- When a bond is acquired, you lend that entity money for a specified period at a specified rate of return.
- Bonds are basically IOUs – a promise to pay the bond holder the amount borrowed plus interest.
- Typically lower risk than stocks, but there are risks.
- Bonds are issued with set interest rates with different maturity dates.

Short term (2-3 years approximately)

Mid-term (3-10 years)

Long term (over 10 years)



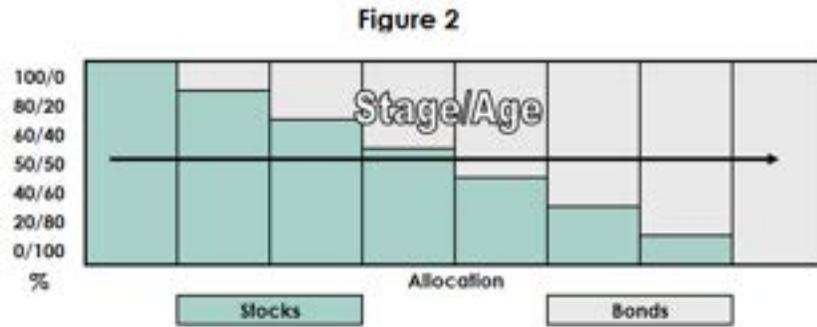
Fundamental fact: bonds are directly influenced by interest rates

- When interest rates increase, bond prices decrease.
- When interest rates decrease, bond prices increase.

For example, if you purchased a long term bond that paid 3% interest, and the overall market interest rates increased to 6%, you would continue to receive 3% on your investment. Also, the value of the bond would decrease, since it offers a lower interest rate than market rates. If you could sell the bond, it would sell for less than you paid for it. The reverse is true if you purchased at a higher interest rate and markets rates dropped. Your bond value would increase, and you would be earning a higher rate of interest than the current market rates.

Market conditions, the national economy, interest rates, and overall investor sentiment are constantly changing. If we add to that the individual investor’s risk tolerance, it is clear that the small investor is best served by having funds spread over different asset types and allocated within those asset types in a variety of ways. **Figures 2 and 3 on the next page will hopefully clarify the discussion of the last few paragraphs.**

As we begin our investment career, we may have more risk tolerance and want to be more aggressive. As we approach retirement age, our stock/bond allocation may become more conservative to reduce risk (fewer stocks and more bonds). The left hand column of **Figure 2** indicates starting with a 100% stock allocation.



As time goes on, the stock percentage of our portfolio decreases and the bond allocation increases. As we mentioned earlier, bonds generally are lower risk than stocks. When we are early in our investment career, we have more time to recover from a downturn in stock prices. As we move into our retirement years, we may want to be 100% invested in bonds (right hand column), both for the security aspect as well as the fact that bonds pay interest on a regular basis, which provides an income source.

Look at **Figure 3**. If we had our investments spread over the asset types listed, we would be well diversified. For example, if the US stocks grew in value over a six month period, they would offset any potential decline in the foreign stock value and vice versa. Likewise, part of our portfolio includes bonds, which would help offset a decline in stock values.

Figure 3

Diversified Portfolio Holdings
Small Cap Growth Stocks
Small Cap Value Stocks
Large Cap Growth Stocks
Large Cap Value Stocks
Foreign/International Stocks
Bonds (short, mid, and long-term)

Figure 4 represents the portfolio of an aggressive, higher risk investor. This may be appropriate early in your investing career. You are diversified, but diversified in stocks that have more potential for growth, and carry with that potential the stronger possibility of a temporary downturn.

Figure 4

Aggressive/Higher risk Portfolio
Small Cap Growth Stocks
Large Cap Growth Stocks
Foreign/International Stocks

On the other hand, **Figure 5** represents the holdings of a conservative investor. The stocks owned are probably larger, stable companies. The stocks combined with the lower risk bonds maintains diversity, but at a much lower risk than what was represented in **Figure 4**.

Figure 5

Conservative/Lower risk Portfolio
Small Cap Value Stocks
Large Cap Value Stocks
Bonds

Now that you have a general sense of the differences between stocks and bonds and an overview of the different types of each, let me put your mind at rest for all of you whose eyes are beginning to cross. For the average person who wants to wisely invest, but doesn't have the need or desire to become a financial analyst, your investment life has been made much simpler with mutual funds.

MUTUAL FUNDS

A traditional mutual fund is a large pool of money.

- Accumulated as a result of a lot of contributions from small investors.
 - If 1 million people deposited \$50 per month, the fund would have \$50 million to invest.
- Managed by professional investors guided by rules developed when the fund was created.
 - Example, XYZ fund created to specialize in small companies in energy sector.
 - Manager would evaluate hundreds of companies that fit the criteria.
 - Buys shares in 80 companies, for example, and monitors performance.
 - 75 do well, 5 do not, for example.
 - Manager sells 5 non performers and invests in 5 different companies.



This is an oversimplification of the process, but provides a general understanding of how a mutual fund works.

A mutual fund's share price is computed at end of trading day.

- Price is termed Net Asset Value (NAV).
 - Price per share that you and I pay if we purchase shares in fund.
 - An NAV of \$20 would allow us to purchase 5 shares for \$100.
 - Using previous example of XYZ fund – We would own 5 shares of the XYZ fund.
 - But the risk for our \$100 would essentially be spread across 80 companies!
 - No other way for the small investor to be so diversified!

There is a cost for owning mutual funds, but the cost is minimal.

- Some funds (called “no-load”) can be bought and sold without a commission.
- Annual administrative costs, however – typically about 1% annually.
- Fund's gain should well exceed costs in a good year.
- Be aware of a possible short term redemption fee if the fund is sold shortly after acquiring.
 - A 1% or 2% short-term redemption fee is not uncommon for a fund held less than 60 days.
 - Mutual funds are not designed to be traded frequently like individual stocks.
- Fees are listed in each fund's “Prospectus” (governing and performance document).
- Prospectus also lists the minimum investment required to make an initial purchase.
 - Minimum investments range from \$50 to several thousand.
 - Amount depends on the fund and if the fund is maintained within a retirement account.

Overall, there are numerous advantages for investing in mutual funds. Here are a few:

1. Reduces the anxiety of investing by being well diversified and managed by professionals.
2. Can be purchased in small amounts within a retirement account – easy to get started.
3. Can be purchased on a recurring basis – monthly contributions, for example.
4. Funds are less volatile in price swings than individual stocks.
5. Performance is public record. Each fund is required to publish a prospectus outlining guidelines.
6. Dividends can be easily reinvested.
7. Can be used in your retirement plans (individual accounts and employer accounts).
8. Can be sold when necessary – fairly liquid asset.
9. Relatively low administrative cost, and generally, no cost to buy and sell for certain funds.
10. Mutual funds are regulated by the federal government.
11. While not FDIC insured, they provide a safe place for your investment money.
12. Administrative paperwork is handled for you.

INDEX FUNDS

A special kind of mutual fund is called an “index fund”.

- Only one objective: to mirror the performance of a particular market index.
 - Example, Standard and Poor (S&P) is a financial company which monitors performance of companies around the world.
 - One index is made up of 500 large companies – called the S&P 500.
 - Portfolio manager for the S&P 500 index fund invests in the same securities (stocks) used in calculating the index, i.e., the same 500 companies.
 - If S&P 500 increases (or decreases) by 10%, the S&P 500 index fund price will do the same.
 - Your investment dollars are even more diversified (500 companies, in this case).
 - By using index funds, you keep pace with overall markets with little effort.

Exchange Traded Funds (ETF)

An Exchange Traded Fund (ETF) is a different type of index fund.

- Trades like an individual stock - share value fluctuates throughout the market day.
- Advantage in that it can be purchased in very small quantities (a single share).
- Can be sold as quickly as it was purchased without short-term redemption fees.
- Tremendous variety of ETFs from which to choose.
- Management requires less research and labor, so administrative fees are less.
- However, brokerage commissions can be costly if bought in small quantities.
- Share price can be influenced by the overall market conditions.
 - Could over or under inflate price compared to overall value of represented companies.

In the next lesson, we will discuss the different options you have to manage your overall investment portfolio. **For now, realize that traditional Mutual Funds, Index Funds and Exchange Traded Funds will likely be the primary vehicles to help you meet your investment goals.**



REFLECTION: Based on your risk tolerance assessment, where do you see yourself on the graph in Figure 1? How about Figure 2. Does the topic of investing create confusion for you? Would you be more comfortable having someone else manage your investments? Your answers will help you consider options discussed in the next lesson.

Record your thoughts:



ACTION STEP: If you are participating in an employer sponsored retirement plan, determine the different types of investments represented in your account. In light of this lesson, assess how your account is being managed (diversified, low risk, high risk, conservative, aggressive). Discuss with your account administrator to ensure your investment portfolio is in line with your temperament and stage of life.



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Lesson 23

When? How? Where?

Now that you have a general knowledge of investment asset types, **the next questions are: When do I invest? How do I invest? Where do I invest?** We'll briefly answer each of those questions in this lesson. However, some additional research and effort will be required on your part to actually implement your investment plan.



First, let's explore the frequency of your investment deposits (also known as contributions, if the deposit is made into a retirement account). There

are two benefits for making a monthly investment deposit. The first benefit is that it builds discipline into your investment plan; the second, is a very beneficial strategy called Dollar Cost Averaging (DCA). **Figure 1** will help illustrate DCA. Each month you make a \$100 deposit into an account with instructions to the manager of your account to buy XYZ mutual fund. As you learned in the last lesson, the XYZ fund price changes daily. Let's say the \$100 deposit is made on the 15th of each month. On January 15th the share price for XYZ was \$10.15 and the \$100 purchased 9.85 shares. In February the price of the fund dropped to \$9.85 per share, so more shares were purchased in February. As you look at **Figure 1**, you can see the cost of the shares each month with the corresponding number of shares purchased. At the end of the year, \$1200 had been invested and slightly over 117 shares had been purchased.

Figure 1

Dollar Cost Averaging			
Month	Investment	Share Cost	Shares Purchased
Jan	\$ 100	\$ 10.15	9.85
Feb	\$ 100	\$ 9.85	10.15
Mar	\$ 100	\$ 9.50	10.53
Apr	\$ 100	\$ 9.35	10.70
May	\$ 100	\$ 10.00	10.00
Jun	\$ 100	\$ 10.35	9.66
Jul	\$ 100	\$ 10.75	9.30
Aug	\$ 100	\$ 11.00	9.09
Sep	\$ 100	\$ 10.75	9.30
Oct	\$ 100	\$ 10.50	9.52
Nov	\$ 100	\$ 10.35	9.66
Dec	\$ 100	\$ 10.65	9.39
Total/Avg	\$1,200	\$ 10.27	117.16

The last entry in the share cost column (circled) is the average price per share for the year. This is where DCA comes into play. Notice the first five months of the year (Jan through May) - the share price each month was less than the average price per share. The remaining 7 months (Jun-Dec), the share price was above the average price per share. Obviously, if you had a crystal ball, the best month to purchase the shares was April (\$9.35) - you could have invested the entire \$1,200 that month and purchased more shares. But you don't have the crystal ball. What if you had made the \$1,200 deposit in August? That would have been the worst month. **So, by purchasing a little each month, you take advantage of the variation of the share price and your purchase price is dollar cost averaged. In the long run, DCA almost always works to your advantage.**

The how and where you invest go hand in hand, so we'll deal with them together. How you invest depends on your risk tolerance and your overall interest in the investing process. You basically have three choices.

First, most prefer to let someone else handle the entire investing process because the investor is either not interested, or thinks they don't know enough to make the decisions. Second, some people like to do their own research and make their own decisions. These few lessons on investing in this study will not train you sufficiently to become a stock broker, but the information will make you a more knowledgeable investor and help you know what questions to ask. The third choice is a combination of the first two – make your own decisions, but use professional advice in the process to help you make the wisest decisions.



Page A-6 provides a means to search for both full-service brokers and discount brokerage firms, as well as organizations and companies that can provide guidance should you want to use the combination approach.

If you have an employer sponsored retirement plan (401k or 403b, for example), much of the how and where will be done for you. You should have options on how the investments are allocated, but the administrator of the account will handle all of the month to month transactions. Also consider whether your employer matches any of your contributions. If your employer contributes (matches) up to a certain percent of your contribution, make every effort to contribute at least that amount – it is an instant return on your investment. If you have available funds in excess of your maximum contribution, you may be eligible to establish an Individual Retirement Account (IRA), as we'll describe now for those who don't have access to an employer sponsored retirement plan.

The IRA is an individual retirement “account”. I make this point, because of a pet peeve. I've listened to advisors on radio call-in shows instruct people to open an “IRA” or a “Roth IRA”, but they stop there with the advice. They don't advise them on what to put in the account, or how to use it. The IRA is a retirement account that provides tax benefits, but it doesn't do anything for you unless you have investments in the account. I could establish an IRA at my bank and put \$5 cash in it, but I should not expect to go on a cruise from the proceeds.

There are two main types of IRAs – traditional and Roth. Which one is right for you depends on several factors, including current and future tax brackets, income levels, time to retirement, etc. The features of each are outlined on page A-7. Reviewing the features of each should provide guidance on which type you choose. The biggest advantage to the Roth IRA is that earnings grow tax free. If you are several years away from needing the retirement funds, tax free growth should be extremely appealing. There are income limits to be eligible for opening a Roth. Annual contribution limits and income limits change periodically, so be sure to check with the IRS or a professional before opening or contributing to an account. Also, contributions into an IRA must be from earned income. For example, contributions cannot come from a pension, gift, interest, etc.



Over the last two and a half lessons, we've discussed a host of terms, definitions, and options. **For those of you who don't have an affinity for investing, your head may be swimming. Allow me to wrap up our investment discussions in a way that might bring it all together for you.**

To do so, I will introduce GuideStone Financial Services. GuideStone has helped meet the financial needs of both Southern Baptists and the wider evangelical Christian community for decades. Plus, they provide a family of Christian-screened mutual funds. In other words, your investments in GuideStone funds would insure your investment dollars do not support companies or products which you might find objectionable.

For example, let's say you have \$10,000 to invest (we'll use round numbers to keep the math simple). You've determined that you are 20 years away from retirement. You have completed a risk temperament assessment and have determined that you're fairly conservative, but recognize that by not needing to withdraw for 20 years you can take some moderate risk. The time until retirement and the temperament assessment both become factors in determining your stock/bond allocation, and the type of stocks and bonds you would want to own.

You conclude that you want your stock/bond allocation to be 80% stocks and 20% bonds. You then go to GuideStone.org and explore the mutual fund choices that fit your criteria. After reading the description of the funds under their Mutual Fund Listing, you determine to invest your \$10,000 as depicted in **Figure 2. I am not recommending this strategy or allocation for you; I am using this example for one main purpose -- to illustrate the concept and process of asset allocation.**

Figure 2

GuideStone Funds Allocation		
Fund	Type	Stock/Bond Mix
		80/20
Equity Index	S&P 500 Index	20% (\$2,000)
Value Equity	Value Company Stocks	20% (\$2,000)
Small Cap Equity	Small Company Stocks	20% (\$2,000)
International Equity	Foreign Stocks	20% (\$2,000)
Medium-Duration Bond	Fixed Income/Medium-term Bonds	20% (\$2,000)

Based on your review of the available mutual funds, you determine that your 80% stock allocation would be further diversified as shown - 20% to an S&P index fund; 20% to value stocks; 20% to small company stocks and 20% to foreign stocks. The final 20% of your \$10,000 will be invested in medium-term bonds. Those percentages total 100%.

So, if you enjoy managing your own investments, the next step is to open an IRA account with a company like GuideStone, make the investments and monitor your progress. Hopefully, you would continue to make a monthly investment to take advantage of DCA, as we discussed earlier. A year later, you would revisit the balances in each fund. For example, if the foreign stocks had a banner year and their percentage in your total portfolio increased from 20% to 25%, while the bond allocation dropped from 20% to 15%, you would sell shares of the foreign stock fund and buy more shares of bond fund. This would bring your allocation back in line with your desired allocation of 20% and 20%, respectively for those two funds and 80% stocks/20% bonds overall. That would take about 15 minutes. **Do you think you could find 15 minutes a year to manage your retirement account?**

“But wait a minute,” you say. “I admit I’ve learned some investing terminology reading the lessons this week, but I don’t have 15 minutes nor do I have the interest to manage my investments. What are my options?” I’m glad you asked. GuideStone can make it even easier for you. GuideStone provides “Asset Allocation Funds” - from conservative to aggressive. In other words, you can choose a single fund that does the asset allocation for you. The fund invests in the different asset types that match your risk assessment.



GuideStone also provides an investment calculator that will simplify your investment process even more. When your criteria is input, one or more of their mutual funds will be identified which will establish the proper asset allocation to meet your retirement goal. It can’t be easier than that.

If you are clergy, or on staff at a church GuideStone Financial Services can potentially provide huge benefits that can’t be realized with any other investment firm. GuideStone also provides investment guidance which far exceeds the scope of this lesson. Consequently, links have been provided on page A-9 which will provide both the pastor and the layperson considerably more investment information and advice.

Whether you are the type who wants to do your own research or read a handbook, or the type that wants a firm like GuideStone to do the work for you, once you have the basics in place and understand the language, the management of your investments can be a relatively simple matter. **The key is to reach Milestone 8 just as soon as possible and take advantage of the time in front of you.**



REFLECTION: Did the asset allocation discussion provide any clarity for you as to why and how you should diversify your investments? Do you feel like you have enough information from the last three lessons to ask intelligent questions? What additional information might help you gain confidence in investment planning? **Record your thoughts:**



ACTION STEP: Your action step today is a simple one. First, review any of the subjects discussed in Lessons 21, 22 and 23 that might be confusing to you. Then, prepare a question to discuss with your group. Set a date on your calendar to review the applicable additional information on page A-9.



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Lesson 24

Why We Do What We Do

You have read 23 lessons over the last six weeks discussing God's ownership and sovereignty; our role as His manager; the ways we give, save, and spend money; how to set up a budget and make decisions using it; how to deal with houses, cars and credit cards; techniques for dealing with our spouses and kids, and planning for retirement. In other words, we've covered a lot of territory. **But why?** So we can be better managers and have more savings than we have debt? That would be a good thing, but is that the only reason or is that the main reason? **This lesson attempts to answer that question.**

Scriptural Foundation

1 Timothy 6:17-19 – Instruct those who are rich in this present world not to be conceited or to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy. Instruct them to do good, to be rich in good works, to be generous and ready to share, storing up for themselves the treasure of a good foundation for the future, so that they may take hold of that which is life indeed.

Matthew 6: 19-21 – Do not store up for yourselves treasures on earth, where moth and rust destroy, and where thieves break in and steal. But store up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in or steal; for where your treasure is, there your heart will be also.

Let's look at the 1 Timothy scripture first. Is Paul writing to us? According to New York Times' research "the typical person in the bottom five percent of the American income distribution is still richer than 68 percent of the world's inhabitants." From that statement alone, I conclude that you and I are addressed by the scripture.



Paul says we shouldn't be conceited. If we read and accepted the truth of the first week's lessons, how could we be conceited? God is providing all that we have - He's the source! Do we have the right to claim what He's given us and then to be puffed up because of His generosity? Probably not.

Then Paul says we should fix our hope on God, not on the uncertainty of riches. We make this one harder than it should be. Let's face it; we feel better when the bank balance is larger than when it is smaller. **But, at the end of the day, is it the bank balance that provides the peace "which surpasses all comprehension" or is it God?** Paul goes on to say that our Father is supplying us with things to enjoy. So, we are not to be devoid of things – we're not required to live like monks. God wants us to live balanced lives – depending on Him and enjoying His provisions!

Paul next says our richness should be displayed by good works; that we should be generous.

Can we be generous and have time to do good works without having enough money to provide for our family and sufficient resources to free up time for good works?

An obvious answer, would you agree?

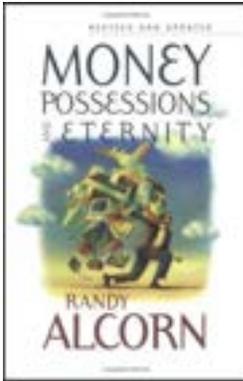
He wraps up this particular scriptural excerpt by telling us to **store a good foundation for the future, with the ultimate purpose of taking hold of life.** In the original language, the word that Paul used for "life" is the exact same word that Jesus used when he was quoted in **John 3:16, "that whoever believes in Him should not perish, but have eternal life."** As a matter of fact, it is precisely the same word used in **John 14:6 when Jesus said, "I am the way, and the truth and the life"!!**

In other words, all of this that we are doing – earning a living, providing for family; being generous to others; doing good works is so that we may take hold of Jesus and be guided by Him in the process.

Our financial life and our spiritual life are intertwined.

Not surprisingly, the Matthew 6 scripture is consistent. Jesus is speaking, of course. Jesus says that the things we acquire on this earth can be stolen and will eventually rust away and be gone. He suggests a better focus – storing up treasures where those things don't happen. Jesus has an eternal focus – ours is often temporal. **He wants us to shift our focus to the eternal, because we will spend so much more time there than we will spend here.** Then Jesus makes a profound statement. He says where our treasure is, there our heart will be found. Our heart always follows the treasure. If you and I place our treasure in things on this earth, our heart follows and ends up in the same place. But, if we can truly heed the words of Jesus and place our treasure in Him, then our heart will be right there as well.





Randy Alcorn, in his book *Money, Possessions, and Eternity uses a very appropriate analogy to help us understand the words of Jesus.**

What does it mean to lay up treasure in heaven instead of on earth? It means that Christ offers us the incredible opportunity to trade earthly goods and currency for eternal kingdom rewards. By putting our money and possessions in His treasury, we assure ourselves of eternal rewards beyond our comprehension.

Imagine for a moment that you are alive at the very end of the Civil War. You are living in the South, but your home is really in the North. While in the South, you have accumulated a good amount of Confederate currency. Suppose you also know for a fact that the North is going to win the war and that the end could come at any time. What will you do with all of your Confederate money?

If you were very smart, there is only one answer to the question. You would cash in your Confederate currency for U.S. currency – the only money that will have value once the war is over. You would keep only enough Confederate currency to meet your basic needs for that short period until the war was over and the money would become worthless.

The believer has inside knowledge of an eventual major change in the worldwide social and economic situation. The currency of this world – its money, possessions, fashions, and whims – will be worthless at our death or Christ’s return, both of which are imminent. This knowledge should radically affect our investment strategy. For us to accumulate vast earthly treasures in the face of the inevitable future is equivalent to stockpiling Confederate money despite our awareness of its eventual worthlessness. To do so is to betray a basic ignorance of or unbelief in the Scriptures.

Let me assume the role of “eternal financial counselor” and offer this advice: choose your investments carefully; compare their rates of interest; consider their ultimate trustworthiness; and especially compare how they will be working for you a few million years from now. If the nonbeliever sees with what Jesus called the “bad eye,” the Christians’ view of finances will be, must be, radically different than his. True, we may participate in some of the same earthly investments, our strategies may appear to overlap at times, and occasionally our short-term goals will be similar. But our long-term goals and purposes will be, must be, fundamentally different. As Christians we must not take our cue from the world but from the Word.





The preceding excerpt obviously encourages us to have that eternal focus that Jesus described in Matthew 6:19. One way I've implemented this is my own plan is to include the church in my will - it's called estate giving. By including my church in my estate plan I know a portion of my earthly investments will continue the Lord's work on this earth even after I've departed it.

A scripture that has spoken to me in recent years is found in **Hebrews 13:5**, **"Let your character be free from the love of money, being content with what you have."**

In that passage the Lord reminds me that He is the Provider, and I don't have to stress to obtain more. He will provide for my needs, and I can rest in His assurance that what I have is what He knows I need.

So, why do we do what we do? We manage well while we're on this earth, because the Lord wants us to be good stewards. We follow the Word's guidance on borrowing, spending, saving and, yes, giving. We give generously to provide for others and to advance His kingdom. We invest in heavenly treasures, because it is what He wants us to do. We invest in heavenly treasures, because it pleases Him. We invest in heavenly treasures, because we will have the immeasurable pleasure to enjoy them for eternity. **That is why we do what we do.**



REFLECTION: Read again the scriptures from 1Timothy, Matthew and Hebrews. Think about the Confederate money illustration. Spend time in prayer asking the Lord if your treasure is where He wants it to be. Include in your prayer a request for Him to help you maintain an eternal focus. **Record your thoughts:**



ACTION STEP: It is critically important that you continue with your financial plan as outlined in this study.

- **Monitor** your progress through the Milestones - put target dates on your calendar to reach each Milestone.
- **Review** the lessons occasionally to give you a spiritual lift and to motivate when things get tough.
- **Pray** for your group members.
- **Schedule** a group meeting in about 3 months for an accountability session.
 - Try to meet, at least quarterly, for the next year.

May the Lord continue to bless you as you remain faithful to Him!

** Used with permission: Eternal Perspective Ministries www.epm.org*

Video



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sbc.net/newdaywrapup



Quit Claim Deed*

In acknowledgement of His insurmountable grace, be it known that _____ [the grantor(s)] hereby transfer(s) ownership of all possessed property listed below to my/our Heavenly Father [the Grantee].

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

Father, today I/we relinquish the right of ownership of all that is listed above. Forgive me/us for assuming Your role until now. I/We look forward to living under Your Lordship as you teach me/us how to live and function daily in this relationship.

Steward Signature(s)

Date

**This form is for instructional use only and has no legal standing.*

Monthly Expense Tracker												
Month:	Usable Income (\$):											
Day	Housing	Grocery/ Supercenter	Transportation	Eating out	Fun	Coating	Gas	Insurance	Medical	Miscellaneous	Debt Payments	Total
AME Amount												
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
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27												
28												
29												



Monthly Income Estimate Worksheet

Income

Salary 1	_____
Salary 2	_____
Commissions	_____
Additional Part-time	_____
Interest	_____
Dividend	_____
Other (gifts, rebates, etc)	_____
Total Income (TI)	_____

Withholding

Federal Tax	_____
State Tax	_____
Social Security	_____
Medicare	_____
Medical Savings	_____
Insurance	_____
Retirement contribution	_____
Other	_____
Total Withholding	_____

Available Income (AI)

(TI minus withholding/estimated tax payments)
(Amount of check or deposit)

Giving

(Tithes & Offerings based on TI - "first fruits")

Tithe (local church)	_____
Para-church ministries	_____
Charities	_____
Other giving	_____
Total Giving	_____

Saving (short term)

Investing (long term)*

(Do not include any amount withheld)

* If you are not yet to Milestone 8 this amount is usually zero.

Usable Income (UI)

(AI minus Giving, Saving, Investing)

Monthly Expense Estimate Worksheet

Housing*
 Mortgage/Rent _____
 Taxes _____
 Insurance _____
 Utilities _____
 Telephone/Cable/Internet _____
 Security _____
 Maintenance _____
 Other _____
Total _____

Grocery/Supercenter
 Food _____
 Beverages _____
 Cleaning supplies _____
 Paper products _____
 Household items _____
 Other _____
Total _____

Transportation
 Payment(s) _____
 Gas _____
 Maintenance/Oil change _____
 Insurance _____
 License/Taxes _____
 Commuting _____
 Parking _____
 Other _____
Total _____

Eating Out
 Restaurant _____
 Fast food/drink _____
 Convenience store _____
 Vending machine _____
 Other _____
Total _____

Fun
 Movies _____
 Sporting Events _____
 Activities _____
 Vacation _____
 Other _____
Total _____

Clothing
 Essentials (under/socks) _____
 Work Related _____
 Footwear _____
 Other _____
Total _____

Kids
 Child care/baby sitter _____
 Tuition _____
 School supplies _____
 School activities _____
 Allowances _____
 Athletics/Hobbies _____
 Other _____
Total _____

Insurance
 Life _____
 Other _____
Total _____

Medical
 Doctor _____
 Dentist _____
 Prescriptions _____
 Medical Insurance _____
 Eyewear _____
 Other _____
Total _____

Miscellaneous
 Cell Phone _____
 Hair care _____
 Cosmetics _____
 Dry Cleaning _____
 Periodicals _____
 Gifts (birthdays/Christmas) _____
 Pets (food/care/vet) _____
 Other _____
Total _____

Debt Payments
 Credit Card _____
 Student loan _____
 Loans _____
 Other _____
Total _____

Total Expenses _____

UI (From Income Estimate Worksheet) _____

Difference (Overspending/Underspending) _____

* Note: All spending areas are provided for your assistance. If you choose to place an expense in a different major area that's your choice. The main point is to be consistent month to month.



Getting There Worksheet

	1	2	3	4	5	6	7	8	9	10	11	12
Income Cycle												
Divs												
Target Budget												
Balance Forward												
Expenses												
New Income												
Housing												
Grocery/Supplies												
Transportation												
Eating Out												
Fun												
Clothing												
Gifts												
Insurance												
Medical												
Miscellaneous												
Debt Payments												
TOTAL												
Balance												

Additional Resources*

*No recommendation is implied; provided for information only.

Non-profit agencies for debt and housing counseling

www.christiancreditcounselors.org
www.clearpoint.org
www.nfcc.org
www.crown.org

Accelerated payoff calculator

www.financialcalculator.org
www.crown.org
www.soundmindinvesting.com

Credit card and debit card information

www.bankrate.com
www.creditcards.com

Investment information

www.GuideStone.org
www.kingdomadvisors.com
www.soundmindinvesting.com
 - Sound Mind Investing Handbook

Financial planning (retirement) calculators

www.bankrate.com
www.soundmindinvesting.com
www.fidelity.com
www.vanguard.com
www.thebalance.com

Investment brokers (full service and discount)

(too many to list individually)
 Internet search for: "full service stockbroker" and "discount brokerage services"
 Online: www.betterment.com

Budgeting system options

www.mint.com
www.thebalance.com (search for "Top 10 budget software apps")

Link to tools and calculators provided in this study

Mortgage Interest Calculator
 Monthly Expense Report (MET)
 Monthly Expense Report SAMPLE BUDGET
 Monthly Income Estimate Worksheet
 Monthly Expense Estimate Worksheet

Individual Retirement Account (IRA)

Comparison of Traditional and Roth

Traditional

1. No income limit
2. Pre-taxed contribution (check with IRS)
3. Contributions are tax deductible
4. Distributions taxed as regular income after 59 ½
5. Distributions must begin at age 70 ½
6. Withdrawal penalties before age 59 ½
7. \$5,500 maximum annual contribution
8. \$6,500 after age 50
9. Contribution must be earned income
10. Can also have 401k account

Roth

1. Income limit (check with IRS)
2. Post-tax contribution
3. Contributions are not tax deductible
4. Distributions are tax free after 59 ½ if account is at least 5 years old
5. No required distribution
6. Contributions withdrawn without penalty
7. Same
8. Same
9. Same
10. Same

How to Turn Variables into Constants

Many have variable incomes; all of us have variable expenses. We need fewer variables in our financial lives and more constants – this is how to do it:

Variable Income

Gain as much history as you can to anticipate high income month. Example: High month is typically June (**Figure 1**). For computation purpose, delete high month (**Figure 2**). Next, divide new Figure 2 total (\$44,000) by the remaining 11 months. ($\$44,000/11 = \$4,000$). This yields a “low average” (a conservative estimate of next year’s average monthly income). Use the low average as the amount to pay yourself a constant income, in this example \$4,000 per month (**Figure 3**). When monthly income exceeds \$4,000, the surplus is directed to savings. When income is below \$4,000, draw out of savings to bring to \$4,000 level. If you begin the process on a low income month, implement the GTW process (Lesson 12) until income increases to required monthly average. The key is to arrive at a constant Usable Income (UI) each month to enable a constant spending plan.

Figure 1

Jan	3,000
Feb	3,000
Mar	3,500
Apr	4,000
May	5,000
Jun	6,000
Jul	5,500
Aug	4,500
Sep	4,500
Oct	4,000
Nov	3,500
Dec	3,500
Total	50,000

Figure 2

Jan	3,000
Feb	3,000
Mar	3,500
Apr	4,000
May	5,000
---	0
Jul	5,500
Aug	4,500
Sep	4,500
Oct	4,000
Nov	3,500
Dec	3,500
Total	44,000

Figure 3

Jan	4,000
Feb	4,000
Mar	4,000
Apr	4,000
May	4,000
Jun	4,000
Jul	4,000
Aug	4,000
Sep	4,000
Oct	4,000
Nov	4,000
Dec	4,000
Total	48,000

Periodic Expense

Example: \$600 semi-annual auto insurance premium due March and September. Divide semi-annual premium by 6 months. ($\$600/6 = \100). **Include \$100 per month in Transportation spending area each month** for car insurance. The money accrues each month and is available when premium is due. Do the same for quarterly and annual expenses. Divide quarterly payments by 3 and annual payments by 12. The key is to have a constant amount in the spending plan each month to ensure money is available when the bill is due.

Variable Expense

Example: Groceries. Determine best estimate for annual grocery expense and divide by 12 to establish constant amount for monthly spending plan. This amount will be refined as you gain data from tracking expenses. Once again, the key is to have as many constants in your monthly plan as possible. When the monthly grocery expense is below average, the money remains allocated to that spending area and is available when expenses increase.

GuideStone Financial Services

Additional Investment Information for the Pastor

General

Ministerial Resources (Webpage)

Benefits/Advantages of ChRP

The Church Retirement Plan (Video)

Mission/Church Assistance Fund for SBC Churches (Webpage)

Protection Section Copy/reference

State Convention Benefits - by state (Online Tool)

Minister's Housing Allowance

Ministers' Housing Allowance (FAQs)

Ministers' Housing Allowance Overview

Tax Issues Ministers Face

Minister's Tax Guide (Booklet)

Who is a "Minister for Tax Purposes"? (FAQs)

Ministerial Tax Issues (Brochure)

Don't Opt Out (Social Security)

What Should Ministers and Churches know about Social Security? (FAQs)

Four Ways to Sabotage Your Financial Well-being

Social Security Considerations: Why Opting Out Is Not the Answer

Social Security Maximization (Brochure)

Roth vs Traditional

Finding Your Fit: What's the Best Type of Investment Account for You?

Common Questions: IRAs (FAQs)

Tax-deferred vs. Roth for Ministers

Additional Investment Information for the General Investor

Compound Earnings

Make Regular Increases to Your Retirement Contributions (Article)

Your Guide to Stay on Track for a Confident Retirement (Article)

Invest in Yourself (Article)

Six reasons to start saving and stick with it (Article)

Small Steps Can Make a Big Difference (Article)

Mutual Funds and 403(b)

What is a mutual fund? (Video)

What is a 403(b)? (Video)

The Power of Starting Early

Growing Your Savings May Be Easier than You Think (Article)

Importance of Starting Early (Video)

Benefits of Starting Early (Article)

How do retirement contributions affect my paycheck? (Article)

Step Aside, Excuses (Article)

The Importance of Planning (Brochure)

You Need a Savings Plan (Infographic)

Budgeting and Saving Resources

Budgeting for the Season (Article)

Beating debt (Article)

Deep in Debt? (Article)

You need an emergency fund (Article)

Reducing Debt While Saving for Retirement (Article)

Organizing and Withdrawal Strategies

Retirement Withdrawal Strategy (Webpage)

Ages & Stages (Infographic)

Organize Your Assets (Brochure)

The Consequences of Early Retirement Withdrawal (Brochure)

Milestones:

- MILE 1 Milestone 1:** Establish a balanced monthly budget. (Specific instructions are provided in the next lesson)
- MILE 2 Milestone 2:** Break the credit cycle – stop deficit spending. (Ensure budget allocations are not exceeded)
- MILE 3 Milestone 3:** Start an emergency fund. (At least \$1000 in accessible funds)
- MILE 4 Milestone 4:** Aggressively pay off all debt with interest rate at 10% or higher. (Applicable credit cards and loans)
- MILE 5 Milestone 5:** Increase savings to equal at least one month's living expenses.
- MILE 6 Milestone 6:** Aggressively pay off remaining debt with exception of mortgage. Build and maintain savings at an amount to avoid future consumer debt (at least 6 month's living expenses)
- MILE 7 Milestone 7:** Purchase home (if applicable) with a minimum 20% down payment. Maintain savings at previous level.
- MILE 8 Milestone 8:** Begin investing for education and retirement; begin prepaying home mortgage.
- MILE 9 Milestone 9:** Pay off home mortgage; build savings and investments sufficient to maintain God directed lifestyle and giving levels.

Video Discussion Questions

Week 1

Lesson 1:

1. Since God maintains ownership of all that you and I possess, how does that change the way you look at all that you have?
2. Did the open palm illustration on the Video help your view of holding the things you have? How?
3. Share the scripture or statement you considered most meaningful and why?

Lesson 2:

1. What does the word “sovereign” mean to you?
2. Discuss your views of Jeremiah 29:11 and Romans 8:28 in the context of this lesson?
3. Share the scripture or statement you considered most meaningful and why?

Lesson 3:

1. What part of the parable was most meaningful to you and why?
2. Discuss the challenges you experienced completing the action step.
3. Was it easier to think of “well done” examples or “oops” examples? Why?

Lesson 4:

1. Discuss the scriptures mentioned in this lesson. Which one gives you the most comfort and why?
2. Discuss the point mentioned in Time to Reflect regarding reducing stress before any observable changes have occurred. Is it possible? How?
3. Discuss any questions regarding the Additional Action Step of tracking expenses.

Week 2

Lesson 5:

1. How would you answer the Lord’s question He asked in Luke 6:46, “Why do you call me Lord, Lord and not do what I say?”
2. During the Time to Reflect you were asked to determine if there was a connection between your attitude toward giving and your overall financial condition? Discuss your observations.
3. Share the statement you considered most meaningful and why?

Lesson 6:

1. Explain how the Scriptures referenced in this lesson clarified your understanding on giving (motivation, amount and recipients).
2. How difficult is it to trust the Lord by giving when money is tight?
3. Share the statement you considered most meaningful and why?

Lesson 7:

1. How could you avoid a situation like the one just described on the Video?
2. Discuss how much savings you think is necessary to be considered “wise” rather than “foolish”.
3. Have you previously considered the CEO of your credit card company or your mortgage company your master? How does that motivate you to change the relationship?
4. Share the statement you considered most meaningful and why?

Lesson 8:

1. If you have been managing your finances without a definite plan in place, discuss the frustrations you sometime experience.
2. Discuss the hope and/or the apprehension about developing a monthly financial plan moving forward. Consider Proverbs 16:3 in your discussion.
3. Did you find it difficult to arrive at an amount for your monthly Minimum Required Expenses (MRE)? Why or why not?
4. Share the statement you considered most meaningful and why?

Week 3

Lesson 9:

1. Think about the counseling situations in the written lesson and the one just discussed on the Video. Discuss how you can benefit by listening to their stories.
2. Discuss your view of the Milestones listed in the lesson. Do you consider any to be unrealistic or unreachable?
3. How did the word picture of the school children at play affect your view of a budget?
4. Share the statement or concept you considered most meaningful and why?

Lesson 10:

1. Discuss the biggest obstacle to building your own budget. Discuss ways to overcome that obstacle.
2. Discuss whether the designations of Total Income, Available Income and Usable Income were helpful or confusing.
3. Discuss any techniques group members have discovered to make expense tracking more efficient.
4. Share the statement or concept you considered most meaningful and why?

Lesson 11:

1. Discuss the factors you have considered when you have made previous financial spending decisions.
2. Discuss the advantages of making decisions based on information versus emotion.
3. Discuss the wireless headset illustration – did the Video explanation provide additional insight?
4. Share the statement or concept you considered most meaningful and why?

Lesson 12:

1. Discuss the most difficult aspect of implementing the “getting there” process.
2. How could you help a friend stay committed to the process?
3. Discuss how you could implement this process if you had a sudden loss of income. What would be your first step?
4. Share the statement or concept you considered most meaningful and why?

Week 4

Lesson 13:

1. Discuss how you can minimize, if not eliminate, Murphy’s Law’s impact on your financial life.
2. Share any thoughts or personal experiences regarding the Monthly Payment Illusion.
3. Did the Monthly Interest Calculator result reveal any surprises? Is it a motivator to do things differently?
4. Share the statement or concept you considered most meaningful and why?

Lesson 14:

1. Discuss the overall concept of an accelerated payoff plan (APP).
2. What obstacles would prevent you from adopting such a plan? How can you overcome any obstacle?
3. Milestones 6 through 9 may seem to be in the distant future for you. Discuss how the APP could dramatically shorten the times to those milestones.
4. Share the statement or concept you considered most meaningful and why?

Lesson 15:

1. Discuss the areas in your life that could benefit from being very far-sighted (thinking long term)?
2. Considering the future home maintenance items discussed in this lesson, discuss the amount of savings you should have available? When might the funds be needed?
3. Did the amortization illustration motivate you to reduce the balance of any credit account you have?
4. Share the statement or concept you considered most meaningful and why?

Lesson 16:

1. Discuss your overall view of cars, trucks, SUVs. Why are you motivated to buy what you buy?
2. Discuss any changes in thought that might have occurred regarding buying new or pre-owned?
3. Have you considered your “annual cost threshold” as discussed in this lesson?
4. Share the statement or concept you considered most meaningful and why?

Week 5

Lesson 17:

1. Discuss the various ways your credit score can impact you.
2. Discuss your views of using a credit card. Have you previously considered how a credit card can work for you?
3. How can the promises in 1 Corinthians 10:13 as discussed on the Video be used in your life?
4. Share the statement or concept you considered most meaningful and why?

Lesson 18:

1. Share a discovery you made completing the action step.
2. Have you ever considered the cost of a purchase compared to the amount of time you must work to pay for it? How might that consideration impact your shopping habits?
3. Share the statement or concept you considered most meaningful and why?

Lesson 19:

1. Share any personal “financial myths” you have experienced.
2. Discuss your views of using a debit card versus a credit card.
3. Did the myth of maintaining a mortgage for a tax break affect your thinking on the subject? How?
4. Share the statement or concept you considered most meaningful and why?

Lesson 20:

1. Discuss any similarities you see in your own situation to the generalizations about the differences between men and women in regards to money.
2. Discuss any experiences with a “his” and “her” miscellaneous account. What potential benefits might result from such a technique?
3. Discuss your views of using the techniques presented in this lesson with your children.
4. Share the statement or concept you considered most meaningful and why?

Week 6

Lesson 21:

1. Discuss your motivation to reach Milestone 8. Did this lesson change your motivation?
2. Was the compounding interest discussion encouraging or discouraging? Why?
3. How many of the investment preparation questions can you answer? Which are the most difficult?
4. Share the statement or concept you considered most meaningful and why?

Lesson 22:

1. Discuss your overall interest (or lack of) in long term investing.
2. Discuss your understanding of the fact that your asset allocation has more impact on your investment success than the performance of individual investments. (2nd fundamental rule in lesson.)
3. Discuss the benefits, as you understand them, of mutual funds versus individual stocks/bonds.
4. Share the statement or concept you considered most meaningful and why?

Lesson 23:

1. Discuss the perceived benefits of Dollar Cost Averaging.
2. Did the IRA comparison in the appendix help determine which might be best for you? Explain.
3. Discuss how the investment illustration in Figure 2 could keep your asset allocation properly balanced from year to year.
4. Share the statement or concept you considered most meaningful and why?

Lesson 24:

1. Discuss how you balance living life day to day and maintaining an eternal focus?
2. Did the Randy Alcorn analogy impact your thinking about your financial life? Explain.
3. Share your biggest takeaway from the overall study.
4. Discuss your group commitment to the final action step.



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