



FOR THE LOVE OF MONEY

Biblical Lessons on Personal Finance

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SESSION 4

THEREWITH TO BE CONTENT

On Debts and Budgets

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Saving the Crumbs

SAVINGTHECRUMBS.COM

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GYC 2015

“BEYOND THE TITHE”

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The borrower is **servant** to the lender.

–Proverbs 22:7

Be determined never to incur another debt. Deny yourself a thousand things rather than run in debt. This has been the curse of your life, getting into debt. **Avoid it as you would the smallpox.**

–Adventist Home, 393.4

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A NATION OF SLAVES WITH SMALLPOX

- Average household debt (2016): **\$137,063**
- Average car loans: **\$29,539**
- Average student loans: **\$50,626**
- Average credit card balances: **\$16,883**
- Credit card interest per year: **\$1,300**

<https://www.nerdwallet.com/blog/average-credit-card-debt-household/>

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A NATION OF SLAVES WITH SMALLPOX

- **63%** of Americans don't have cash to cover a **\$500** emergency.
- **56.3%** have less than **\$1,000** in their checking and savings accounts combined.
- The majority of Americans are **one** paycheck away from catastrophe.

<https://www.forbes.com/sites/maggiemcgrath/2016/01/06/63-of-americans-dont-have-enough-savings-to-cover-a-500-emergency/#470ed3384e0d>

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IS IT EVER OKAY TO HAVE DEBT?

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I now write to ask you if you will **let me have the use of two thousand dollars** to help me in bringing out books that the people need....If I should fall in the conflict before the Lord's appearing, my sons would carry forward the work of circulating my books according to my plans. When the expense of issuing my books is lessened, **the sales will soon pay up all my debts....**

—Publishing Ministry, 209.4-5

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RULES FOR DEBT

1. Never borrow money for something that only goes down in value.
2. Borrowing is acceptable only if what you're buying can pay off the debt.

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DO THEY PASS THE “DEBT RULES”?

- Student Loans **YES...**
- Home Mortgage **YES...**
- iPhone X **NO!**
- Car Loan **NO!**

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DO THEY PASS THE “DEBT RULES”?

Just because it's permissible doesn't
mean you must!

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STUDENT LOAN FINE-PRINT



- Federal student loans can't be discharged in bankruptcy.
- The government can even garnish your tax returns.
- Just because you qualify, don't take the max amount.
- It ain't free money!

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In acquiring an education, many students would gain a **most valuable training if they would become self-sustaining.** **Instead of incurring debts,** or depending on the self-denial of their parents, let young men and young women depend on themselves.

-Education 221.2

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They will thus learn **the value of money, the value of time, strength, and opportunities, and will be under far less temptation to indulge idle and spendthrift habits.** The lessons of economy, industry, self-denial, practical business management, and steadfastness of purpose, thus mastered, would prove a **most important part of their equipment for the battle of life.**

-Education 221.2

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THE STORY OF OUR HOUSE

Paid off in 2 Years

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THE NUMBERS

- \$185,000 Purchase Price
- \$85,000 Mortgage
- 15-year fixed rate at 3.49% interest
- \$607.24 Minimum payments
- \$3,700 Average actual payments
- \$100,000 Downpayment

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THE SECRET

- \$185,000 Purchase Price
- \$85,000 Mortgage
- 15-year fixed rate at 3.49% interest
- \$607.24 Minimum payments
- **\$3,700 Average actual payments**
- **\$100,000 Downpayment**

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THE SECRET

- **A Big Downpayment:** My wife had a dream to buy her first house in cash and had been saving up ever since she graduated.
- **Big Monthly Payments:** Nearly all our extra savings went toward the mortgage. We averaged 6x the minimum.

IT'S ALL ABOUT THE SAVINGS RATE!

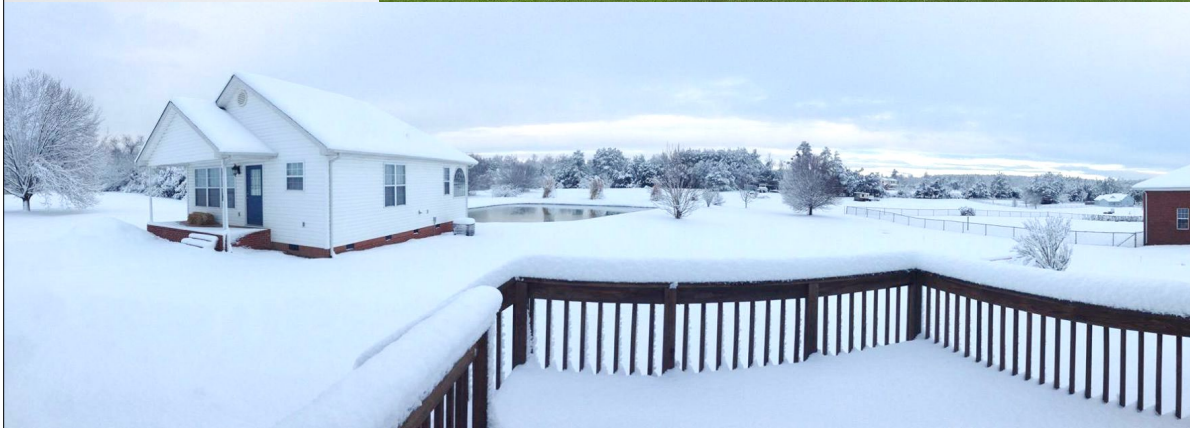
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THE BENEFITS

- We get to live rent AND mortgage free, eliminating the single largest expense in our budget.
- We own our home now, instead of the bank, so no risk of foreclosure!
- More free cash for other savings. (Solar panels!)
- We paid off the mortgage the same month our baby was born.
- One less thing to stress about!

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THE BENEFITS



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THE BENEFITS

Oh yeah, and we saved a LOT of interest!

	15-Year Payoff	2-Year Payoff
Mortgage	\$85,000	\$85,000
Monthly Payment	\$607.24	\$3,700.00
Total Interest	\$24,301.91	\$3,344.85
Interest Saved		\$20,957.06

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BUYING A CAR

Without a Loan

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BUYING A CAR



Average Car Payment = \$500 for 68 months

If you can afford the car payment after you make the purchase, you can afford it before you buy the car.

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BUYING A CAR

1. Drive a cheap temporary car
2. Pay yourself the car payment (i.e. save up!)
3. Use amount saved plus equity of temporary car to upgrade in cash.
4. Repeat as needed.

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BUYING A CAR

1. Buy \$2,000 temporary car.
2. Save \$500/mo for 12 months = \$6,000
3. Sell temporary car, and upgrade to \$7-8,000 car.
4. Save \$500/mo for 12 months = \$6,000
5. Sell car, and upgrade to \$12-14,000 car.

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BUYING A CAR

1. Buy \$2,000 temporary car.
2. Save \$500/mo for 68 months = \$34,000
3. Sell temporary car, and upgrade to entire FLEET of vehicles.

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BUYING A CAR



A car is a depreciating asset. Purchase as you would a tool will never increase in value.

Never borrow to buy a car!

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THOUGHTS ON CREDIT CARDS

- Credit cards are not dangerous.
- Credit card use **without self-control** is dangerous.
- You can live without credit cards.
- Credit cards do have benefits.

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PROPER CREDIT CARD USAGE



- Don't use them to buy stuff you don't need. (Have a spending plan!)
- Never carry a balance. Pay them off every month.
- If you violate either of these two rules, cut them up.
- Consolidate use to concentrate rewards.

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PAYING OFF DEBT

- Own the debt. Don't make excuses. Don't play the victim.
- There is no alternative to making big payments. Sometimes you can negotiate with creditors, but that won't eliminate the debt.
- Make debt payoff the #1 priority in your short-term savings plan. Then squeeze every dime out of your monthly spending plan.
- Don't worry about other investments until your debt is paid off.
- Use the Debt Snowball Method.

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DEBT SNOWBALL

- List debts from smallest to largest.
- Pay minimums on all debt except the smallest.
- Focus intense efforts to pay off the smallest, then roll all extra payments to the next one on the list.



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DEBT SNOWBALL

Credit Card 1	\$1,000
Credit Card 2	\$2,500
Car Loan	\$10,000
Student Loan	\$25,000

\$38,500 Total

- If \$1,000/month toward debt.
- Both credit cards paid in 4 months.
- Payoff in 39 months or 3.25 years.

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BALANCE VS. INTEREST RATE

- Paying off in order of highest to lowest interest rate will result in the greatest amount of money saved.
- But the psychological motivation of seeing small wins helps maintain momentum.

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Paying off debt is the best investment. If you regret being debt-free, it's easy to undo it.

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HAVE A FINANCIAL PLAN

A Budget

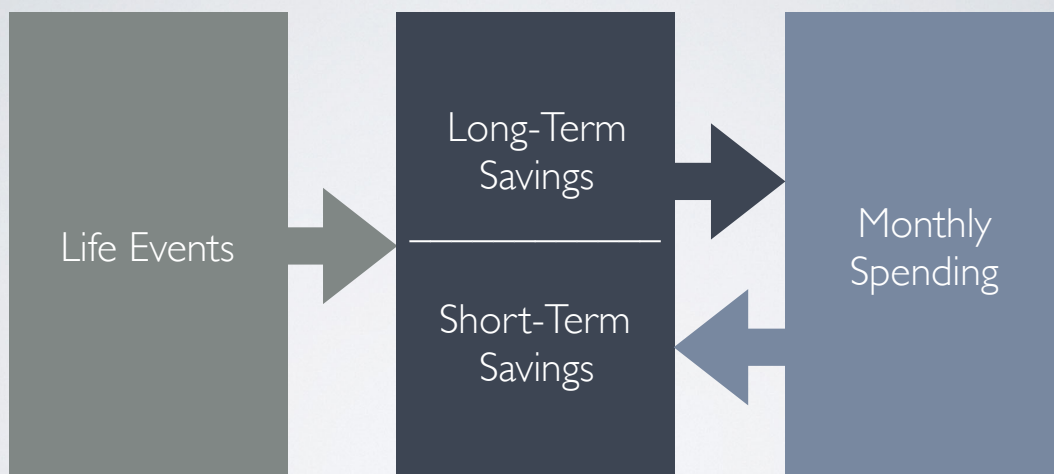
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For which of you, desiring to build a tower, does not **first sit down and count the cost, whether he has enough to complete it?** Otherwise, when he has laid a foundation and is not able to finish, all who see it begin to mock him, saying, **‘This man began to build and was not able to finish.’**

–Luke 14:28-30 ESV

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A FINANCIAL PLAN



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LIFE EVENT PLANS

- College/Career
- Wedding
- Home Purchase
- Car Purchase
- Vacations
- Having a Baby
- Debt Payoff
- Mission Work
- Retirement
- Big Expenses/
Purchases

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QUESTIONS TO ANSWER

- How much money will it cost?
(What can I afford?)
- When do I need this money?
- How much do I need to start
saving now?

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BILL & PENNY SAVER

Take-home Pay: \$66,000/year

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LONG & SHORT-TERM SAVINGS PLAN

Long-term Goals	Amount	Needed in	Monthly Savings
1. House Downpayment	\$40,000	10 Years	\$340
2. Student Loans	\$60,000	12 Years	\$560
3. Retirement	\$1,000,000	35 years	\$500
Total	\$1,100,000		\$1,400/month
Short-term Goals	Amount	Needed in	Monthly Savings
1. Credit Card Debt	\$1,000	1 Month	\$1,000
2. Emergency Fund	\$3,000	4 Months	\$750
3. Mission Trip	\$2,000	10 Months	\$200
4. New Car	\$7,000	24 Months	\$300
Total:	\$13,000		>\$1000/month

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BOTTOM LINE

- **Short-term:** Get to **\$13,000** ASAP
- **Long-term:** Save **\$1,400** each month

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BILL & PENNY'S SAVINGS PLAN

- Reveals clear priorities in their lives.
- All “extra” money has a place to go, instead of being spent.
- It gives a target number to save for in monthly spending plan.
- It gives “final” target number for total savings. Any surplus can be given away.

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BILL & PENNY'S MONTHLY SPENDING

Categories	Amounts	% of Income	Totals
Income		100%	\$5,500
Expenses		76%	\$4,200
Tithe/Offerings	\$1100	20%	
Rent	\$1100	20%	
Utilities & Cellphone	\$500	9%	
Food	\$400	7%	
Transportation	\$350	6%	
Insurance	\$300	5%	
Personal Effects	\$250	5%	
Recreation	\$200	4%	
Net Income/Savings		24%	\$1,300

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REVIEW THE SAVINGS GOALS

24% Savings Rate	
Net Savings	\$1300
Long-Term Savings \$1400/month	\$1300
Short-Term Savings \$13,000	\$0
Years to \$13,000	Never

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BILL & PENNY'S OPTIONS:

1. Adjust their savings goals / deadlines.
2. Increase their income.
3. Cut spending.
4. Do a combination of these.
5. NO DEBT!

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SAVINGS-DRIVEN SPENDING

	24% Savings Rate	35% Savings Rate
Net Savings	\$1300	\$1925
Long-Term Savings \$1400/month	\$1300	\$1400
Short-Term Savings \$13,000	\$0	\$525
Years to \$13,000	Never	2

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WHAT THIS MEANS

An Extra **\$625 per month**

That's just **\$21 per day**

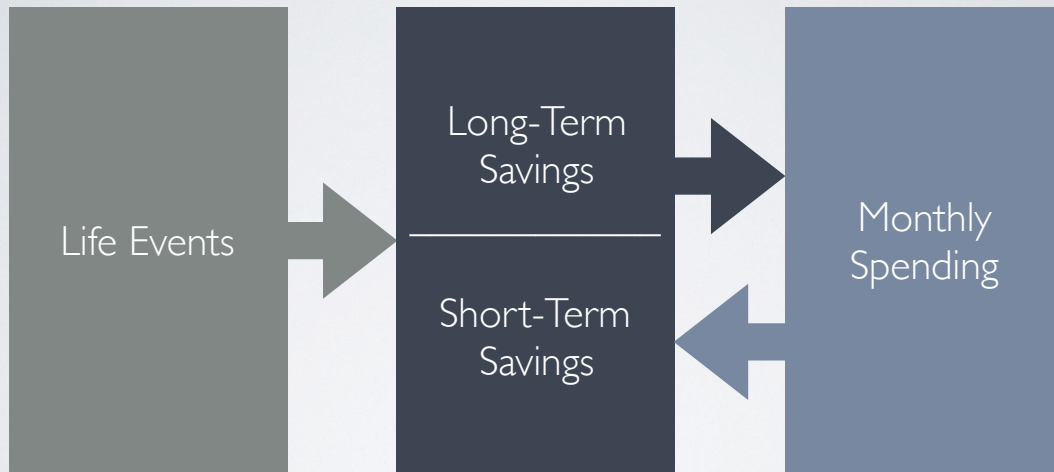
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BILL & PENNY'S NEW SPENDING

Categories	Old	New	% of Income	Totals
Income			100%	\$5,500
Expenses			65%	\$3,575
Tithe/Offerings	\$1100 -\$0	\$1100	20%	
Rent	\$1100 -\$200	\$900	16%	
Utilities & Cellphone	\$500 -\$175	\$325	6%	
Food	\$400 -\$100	\$300	5%	
Transportation	\$350 -\$50	\$300	5%	
Insurance	\$300 -\$50	\$250	5%	
Personal Effects	\$250 -\$30	\$220	4%	
Recreation	\$200 -\$20	\$180	3%	
Net Income/Savings			35%	\$1,925

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SAVING GOALS DRIVE THE PLAN



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WE VIEW BUDGETS DIFFERENTLY

- Spending Control vs. Savings Maximization
- It answers “WHY?”
- The Means vs. The End
- Keeps focus on the Savings Rate
- Achieving goals makes budgeting more motivating



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“A budget is telling your money where to go
instead of wondering where it went.”

–John Maxwell

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BUT IT'S SO HARD!

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I have seen poor families struggling with debt, and yet the children were not trained to deny themselves in order to aid their parents. In one family where I visited, the daughters expressed a desire for an expensive piano. Gladly would the parents have gratified this wish, but they were embarrassed with debt.

—Counsels on Stewardship, 251.2

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The daughters knew this, and had they been taught to practice self-denial, they would not have given their parents the pain of denying their wishes; but although they were told that it would be impossible to gratify their desires, the matter did not end there. The wish was expressed again and again, thus continually adding to the heavy burden of the parents.

—Counsels on Stewardship, 251.2

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On another visit I saw the coveted musical instrument in the house, and knew that some hundreds of dollars had been added to the burden of debt. I hardly know whom to blame most, the indulgent parents or the selfish children. **Both are guilty before God.**

—Counsels on Stewardship, 251.3

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This one case will illustrate many. These young persons, although they profess to be Christians, have never taken the cross of Christ; for **the very first lesson to be learned of Christ is the lesson of self-denial.** Said our Saviour, "If any man will come after Me, let him deny himself, and take up his cross, and follow Me." **In no way can we become disciples of Christ, except by complying with this condition.**

—Counsels on Stewardship, 251.3

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A SPIRITUAL PROBLEM

The inability to stay out of debt and to live on a budget is a symptom of a spiritual problem.

Discontentment

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But godliness with contentment is great gain. For we brought nothing into this world, and it is certain we can carry nothing out. And having food and raiment **let us be therewith content.**

—1 Timothy 6:6-8

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A PROMISE

Not that I am speaking of being in need, for I have learned in whatever situation **I am to be content.** I know how to be brought low, and I know how to abound. In any and every circumstance, I have learned the secret of facing plenty and hunger, abundance and need. **I can do all things through him who strengthens me.**

—Philippians 4:11-13 ESV

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