Pursuing Financial Freedom – Fun, Debt, Debt Resolution | Don Reed

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Fun

God intended that <u>much</u> of our money to be used for fun!!

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2

Theme Verse

Romans 12:2

Do not conform to the pattern of this world, but be transformed by the renewing of your mind. Then you will be able to test and approve what God's will is—his good, pleasing and perfect will.

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3

Fun

To bring restoration to our body and soul
To create memories for us and our family
To enjoy the beautiful world God has given us
To experience new and different things
To nourish our personalities/preferences/likes

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Fun spending could be broken down into needs and wants

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Needs: food, clothing and shelter

I Timothy 6:8

But if we have food and clothing, with these we will be content.

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The "breadwinner" has a biblical responsibility to provide for the family's needs

I Timothy 5:8

Anyone who does not provide for their relatives, and especially for their own household, has denied the faith and is worse than an unbeliever.

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'Providing' includes not putting your family at unnecessary risk

Ecclesiastes 5:13-14

There is another serious problem I have seen under the sun... Money is put into risky investments that turn sour, and everything is lost. In the end, there is nothing left to pass on to one’s children.

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Needs are constantly changing in our culture.

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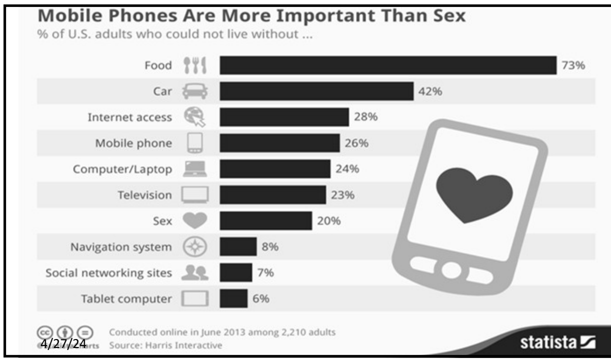

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Wants: Anything in <u>excess</u> of our needs

God may allow us to have many of our wants, but has not promised to <u>provide</u> all of them.

Philippians 4:19

And my God will meet all your <u>needs</u> according to the riches of his glory in Christ Jesus.

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Our <u>wants</u> will change as we align our <u>hearts</u> with God's views.

Psalm 37:4

Take delight in the LORD, and he will give you the desires of your heart.

2 Corinthians 4:18

Do not fix your eyes on what is seen, but what is unseen. For what is seen is temporary; what is unseen is eternal

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The bestselling author James Clear noted,

"The will to win is wasted if it is directed toward trivial affairs."

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Debt and borrowing - God's view

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Debt: Is considered slavery

Proverbs 22:7

The rich rule over the poor, and the borrower is slave to the lender.

Romans 12:2 - Theme verse – *not conform to the world….be transformed…*

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Debt: Is considered a curse

Deuteronomy 28:1

- If you fully obey the LORD your God and carefully follow all his commands I give you today, the LORD your God will set you high above all the nations on earth. All these blessings will come on you and accompany you if you obey the LORD your God...

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Debt: Is considered a curse

Deuteronomy 28:12

- The LORD will open the heavens, the storehouse of his bounty, to send rain on your land in season and to bless all the work of your hands. You will lend to many nations but will borrow from none.

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Debt: Is considered a curse

Deuteronomy 28:15

- However, if you do not obey the LORD your God and do not carefully follow all his commands and decrees I am giving you today, all these curses will come on you and overtake you.

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Debt: Is considered a curse

Deuteronomy 28:43-44

- The foreigners who reside among you will rise above you higher and higher, but you will sink lower and lower. They will lend to you, but you will not lend to them. They will be the head, but you will be the tail.

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Debt: Presumes upon tomorrow

James 4:13-17

Now listen, you who say, “Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money.” Why, you do not even know what will happen tomorrow. What is your life?

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Debt: Presumes upon tomorrow

You are a mist that appears for a little while and then vanishes. Instead, you ought to say, “If it is the Lord’s will, we will live and do this or that.”

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Debt: **Presumes upon tomorrow**

As it is, you boast in your arrogant schemes. All such boasting is evil. If anyone, then, knows the good they ought to do and doesn't do it, it is sin for them.

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Debt:

May deny future opportunities

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Debt:

Is a symptom of <u>overspending</u> and <u>undersaving</u>!!

- **Only 49% of Americans could cover one month expenses if they lost their income**
- **Bible does not directly give instructions on what debt is permissible and what is not. Therefore, 'sanctified wisdom' is needed. (Friessen, *Decision Making and the Will of God*)**

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Debt:

Is a symptom of <u>overspending</u> and <u>undersaving</u>!!

- **On average most families in the U.S. spend 103-110% of their income**
- **Average person - 3 weeks from bankruptcy - little or no money saved, significant debt, totally dependent on next week's paycheck to keep afloat**

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PERSONAL SAVINGS RATE

1959-2021

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When a person is overspending and undersaving, the result is:

DEBT!!!

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Debt:

Is not a tool for the <u>consumer</u> - but for the <u>lenders</u> to become wealthy!!

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<u>Debt</u> comes from wanting more than God's current provision for your life and arranging other ways to get it.

Bill Hybels

Simplify, p. 66

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In Debt Crisis??

Christian Credit Counselors (.org)
Resolve debt 80% faster…
Credit Counselors of Arkansas (CCOA)**
Christian Counselors
Freedom 5:One – Chris Haas – Personal Coaching

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When to borrow (wisely)

- **When you can purchase an asset that is likely to appreciate**
- **When the value of the item exceeds the amount of the loan**
- **When the payments don't stress the family budget**

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Credit Cards/Consumer Loans

Rampant solicitation –

- **College level - 88% of college graduates have credit card debt upon graduation**
  - **19% of people who file for bankruptcy are college students! One in five students start life as a financial failure!**

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Credit Cards/Consumer Loans

- **Marketing even to children**

Credit card debt at the end of 2020 was $748 billion.

By March 2023 it was $986 billion!

(American Rescue Plan $1.9 trillion – high savings)
Currently – lowest savings rate since 1959!

Imprimis 3.2023

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Rationalizations for Credit Cards

- 'But I pay it off every month'!
- It is a better way to keep records.
- It is a more secure way to purchase, especially online.

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Rationalizations for Credit Cards

- "I want my children to learn to handle money, so I got them a credit card."
- I want a credit card for the cash back or the rewards

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Rationalizations for Credit Cards

Bottom line:

If a credit card allows you to purchase that which you cannot afford with cash, you need to stop using credit cards!!

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Car payment trap

Most people have car payments for life,

c. $677/month for 64 months

Put in savings, 5% for 40 yrs – over $1 million

Escape plan

- **Keep your present car three years beyond the end of car loan payments**

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- **During that time, continue to make the same payment into a car savings account.**
- **Purchase all future cars (previously owned) with cash from that point forward**
- **You will be able to buy a 2-3 year-old, low-mileage, dependable car that will meet your family needs.**

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Borrowing for a Mortgage

Only 15-year loan - and then make extra principal payments

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Borrowing for a Mortgage

– 15 vs 30-year mortgage comparison
- Suppose you want to buy a $300,000 house and have a 20% down payment ($60,000). That means you need a mortgage for $240,000.
- Here's what your expenses would look like on a $240,000 home loan—whether you choose a 15 or 30-year mortgage:

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Borrowing for a Mortgage

Mortgage Term	15-year	30-year
Interest Rate	3.5%	4%
Monthly Payment	$1,716	$1,146
Total Interest	$69,000	$172,000
Total Mortgage	$309,000	$412,000

As you can see, the 30-year mortgage would have you paying over $100,000 (that's 33%) more than you'd pay with a 15-year loan. –Ramsey Solutions

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Mortgages

- Only <u>15-year loan</u> - and then make <u>extra</u> principal payments
- Under good outside <u>counsel</u> on the property you are buying
- Will not consume more than <u>25%</u> of your household income
- Has early <u>pay-off</u> privileges

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Resolving Your Debt

Accelerated Repayment Plan

- **List all your debts, including personal loans**
- **Establish a $1,000 emergency cash fund - HOW?? Sell/extra job/cut back spending**
- **Commit to paying off smallest debt in record time/make minimum payments on other debts**

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Resolving Your Debt, cont'd

- **Convert to cash-only purchases from this time on - no exceptions - handle crises with emergency fund/replenish when used**
- **Produce extra income - sell things/extra job/overtime**

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7 of the best apps to make money

1. Ibotta
2. Rakuten
3. Swagbucks
4. Fiverr
5. Upwork
6. OfferUp
7. Poshmark

Nerd Wallet 6.23

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Resolving Your Debt, cont'd

- **Remove all debt except your house <u>mortgage</u> in 24-30 months**
- **Commit to paying off mortgage as early as possible (use money from credit card payments to put on mortgage)**

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Resolving Your Debt, cont'd

- **Be <u>debt free</u>!! The easiest path to financial freedom!!**
- **Your paycheck is your most valuable financial asset - don't lose it to the creditors!!**

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Resolving Your Debt, cont'd

- Once you are in control (telling your money where to go rather than wondering where it went), saving and investment are not that complicated--just difficult.

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Debt Consolidation

Not recommended

78% of people who consolidate debt fail to resolve the debt - only deals with symptom

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Bankruptcy

Not recommended

- Each type of bankruptcy is asking someone else to pay for your spending excesses
- Each type asks someone to forgive part or all of your debt

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Bankruptcy

- **Be careful about receiving counsel, especially from non-Christians. They will often (prematurely) recommend bankruptcy!**

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Bankruptcy

What does God say?

Psalm 37:21
The wicked borrow and do not repay, but the righteous give generously.

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Bankruptcy

Exception

- **When spouse is left with unpayable debt that will cripple family financially**
- **Still be open to how God will provide to honor His name. Make every effort to repay the debt.**

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Co-Signing

Proverbs 22:26-27 - Do not be a man who strikes hands in pledge or puts up security for debts; if you lack the means to pay, your very bed will be snatched from under you.

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Co-Signing

Proverbs 17:18 - One who has no sense shakes hands in pledge and puts up security for a neighbor.

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Co-Signing: Not recommended

50% of all bank loans with co-signing end up being paid by the co-signer!!

75% of all loan company loans end up being paid by the co-signer!!

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