

ALIGN...

[Your finances with the Heart of God]



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

Fun

God intended that much of our
money to be used for fun!!

Theme Verse

Rom. 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.

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

**Fun spending could be broken
down into needs and wants**

Needs: food, clothing and shelter

1 Tim. 6:8

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

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

1 Tim. 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.

'Providing' includes not putting your family at unnecessary risk

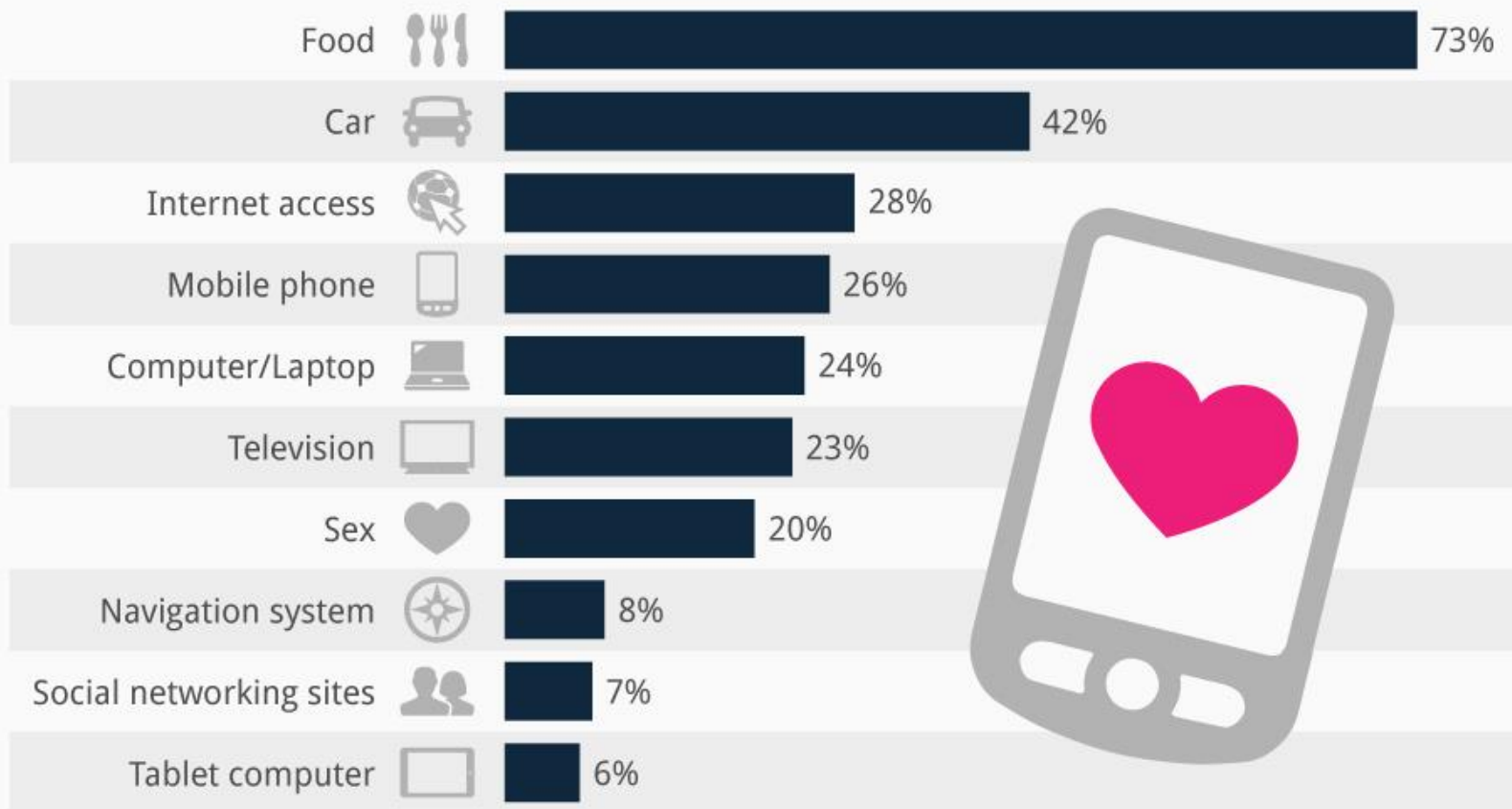
Eccl. 5:13-14

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.

Needs are constantly changing in
our culture.

Mobile Phones Are More Important Than Sex

% of U.S. adults who could not live without ...



Wants: Anything in excess of our needs

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

Phil. 4:19

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

Our wants will change as we align our hearts with God's views.

Psa. 37:4

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

Debt and borrowing - God's view

Debt: Is considered slavery

Prov. 22:7

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

Debt: Is considered a curse

Deut. 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...

Debt: Is considered a curse

Deut. 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.

Debt: Is considered a curse

Deut. 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.

Debt: Is considered a curse

Deut. 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.

Debt: Presumes upon tomorrow

Jas. 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?

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.”

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.

Debt:

May deny future opportunities

Debt:

Is a symptom of overspending and undersaving!!

- 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 & the Will of God*)

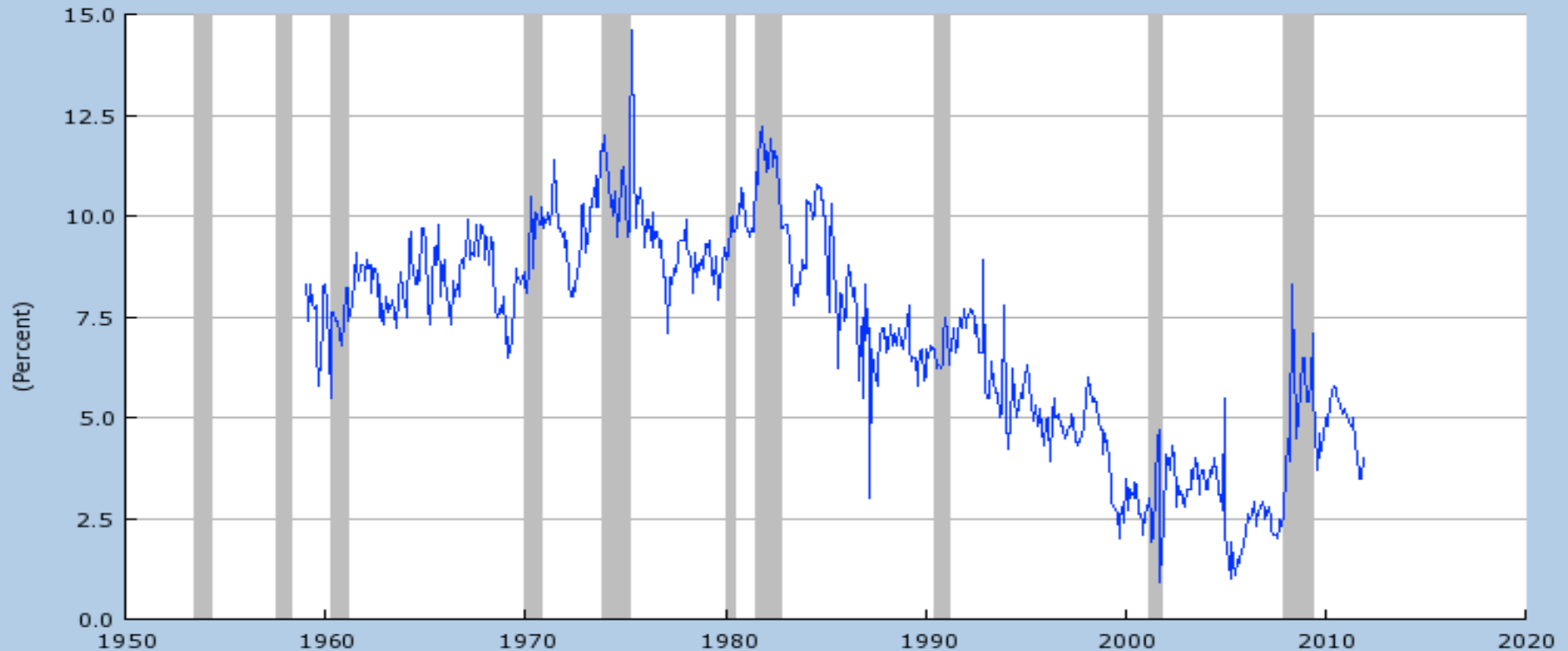
Debt:

Is a symptom of overspending and undersaving!!

- On average most families in the U.S. spend 103% 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

Personal Savings Rate: 1950 – 2012

Personal Saving Rate (PSAVERT)
Source: U.S. Department of Commerce: Bureau of Economic Analysis



Shaded areas indicate US recessions.
2012 research.stlouisfed.org

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

DEBT!!!

Debt:

**Is not a tool for the consumer - but
for the banks to become wealthy!!**

Debt:

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

Bill Hybels

Simplify, p. 66

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

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 starting life as a financial failure!

Credit Cards/Consumer Loans

- Marketing even to children
- Growth by MasterCard – 798% since 2006

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.

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

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!!

Car payment trap

Most people have car payments for life,

c. \$495/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

- 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 yr. old, low mileage, dependable car that will meet your family needs.

Borrowing for a Mortgage

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

Borrowing for a Mortgage

- Freedom Fifteen Years Early for about \$250 a month!!
 - Imagine you buy a \$130,000 home for which you take out a \$110,000 loan for 7% interest. The final cost after all is said and done and paid would be \$283,520 after 30 years or \$197,840 after 15 years. The difference in monthly payment? Just \$256!! Go with 15 years.

– Dave Ramsey, *Dum Math & Stupid Tax*

Mortgages

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

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

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

Resolving Your Debt, cont'd

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

Resolving Your Debt, cont'd

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

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.**

Debt Consolidation

Not recommended

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

Bankruptcy

Not recommended

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

Bankruptcy

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

Bankruptcy

What does God say?

Psalm 37:21

The wicked borrow and do not repay, but the righteous give generously.

Bankruptcy

Exceptions

- 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

Co-Signing

Prov. 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.

Co-Signing

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

Co-Signing

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!!

