
Overcoming Debt & Managing Money Wisely

Principles and Strategies

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Debt & Money Management



- There are many “quick” answers
- There are no “easy” answers

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- What are prevailing concepts in our society today?

WIIFM?

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■ What are advertising lines we might hear?



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- What are key terms and slogans we hear?
 - Easy payments
 - Buy now. Pay Later.
 - No money down
 - Make no payments until.....
 - “You’ve been selected!” (pre-qualified)
 - Consolidate and “pay off” your high interest accounts
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- What methods are used to get us to “buy” in?
 - Creating a desire
 - Creating a “perceived” need
 - Impulse buying – “If it feels good, do it!”
 - Instant self-gratification
 - WIIFM?
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- How are things different with Christians?
 - Prosperity –
 -
 -
 -
 -
 -
 -

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- Do we have a “get rich quick” mentality?
 - “He that hasteth to be rich hath an evil eye, and considereth not that poverty shall come upon him.” – Proverbs 28:22 (KJV)

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- What is our financial perspective?¹
 - Blessed (or plagued) with endless variety of choices/goods
 - “Shopping for things to need.” (Advertising pressure)
 - “Keeping up with the Joneses”

- Is there balance?²
 - Thrifty but not miserly
 - Free to spend but not waste

¹“Alternatives to Affluenza”, by Christie and Paul Borthwick, *Discipleship Journal*, July-August, 2006.

²“Converting Your Cash”, by Cole Huffman, *Discipleship Journal*, July-August, 2006.

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- What would you do if you received an additional \$25,000 today?
- Your Day at the “Improv”!

Wow! I can't believe it! I just received \$25,000! I

am going to _____.

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- Roughly 8 credit cards per household
- Average credit card balance = \$8,940*
- Minimum monthly payments = 2%**
- Almost 30 years to pay off with over \$13,000 in interest (at 15%)

<http://cgi.money.cnn.com/tools/debtplanner/debtplanner.jsp>

*CNN/Money – March 14,2003

** 2% was minimum monthly payment required at the time the article was written (based upon outstanding balance). It has now gone up to approximately 4%.

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Is that a Good Deal, or What?

\$22,000 vs. \$9,000?

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- Student loan debt: \$18,500+ per yr x ___ yrs
 - Investment?
 - Debt?
 - Home mortgage
 - Investment?
 - Debt?
-

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Warning Signs



- One credit card is used to pay another
- One bill is delayed so an overdue bill can be paid.
- Getting a new loan or extension to pay your debt.
- Paying only the minimum amount due on charge accounts
- Using your checking account “overdraft” to pay regular bills.

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Warning Signs



- Using credit card cash advances to pay living expenses.
- Using credit to buy things you used to be able to buy with cash.
- Using savings to pay bills.
- Depending on overtime to make ends meet each month.

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- Credit Card Containment
 - No new credit lines
 - Re-negotiate for lower rate
 - Consolidate to lower rate card
 - Save something now (even \$5)
 - DOLP™ – David Bach in *Automatic Millionaire*
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- Strategies for getting out of debt:
 - Written goal
 - Pay tithes
 - No more debt!
 - No denial! Face the facts.
 - Reduce expenses.
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- Strategies for getting out of debt:
 - ❑ Unexpected monies toward debt reduction
 - ❑ Consolidation “may” be an option
 - ❑ Obtain lower interest rate credit cards/car loan
 - ❑ Augment income
 - ❑ Trade services/barter
-

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“Diminish your wants, or augment your means.”

-- Benjamin Franklin

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How do you get something you want?



- Ecclesiastes 10:10
- 2 Timothy 2:15

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Hint that you need a BUDGET:

“Yearning exceeds the earning.”

-- Caleb McAfee

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The Big Chill – An Experiment

- On Thursday night:
 - Calculate what you can afford to spend from Friday night until Monday morning
 - Withdraw that amount of money
 - Put all your “plastic” in a metal bowl
 - Fill the bowl with water and FREEZE it
 - Keep it frozen all weekend
- Enjoy the weekend

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The Big Chill – An Experiment

- Did you thaw out the cards before Monday?
- Did you get more money?
- Did you use your credit cards?
- Did you borrow from a friend?

If you answered YES, you spent more than you thought you could afford and you exceeded your budget for the weekend!

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What is a BUDGET?

- Method to control spending in a planned manner
 - “Money stretcher”
 - Provides guidance and boundaries
 - Empowers you to be in control of money (Too much month?)
 - A “Mapquest®” for your finances
 - Prioritization and forecasting tool
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Budgeting concepts:

- Goals should be
 - In writing – concise
 - Detailed steps of “action”
 - Timeframe – when do you want it accomplished?
 - Price tag – how much will it cost you AND,?
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“Most families will earn in excess of \$1million in a lifetime.

Most families will spend in excess of \$1million in a lifetime.”

-- Caleb McAfee

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- ❑ No “get rich quick” option.
- ❑ Consider the “Latte Factor”

A Latte a Day Keeps Retirement Away*		
A Latte a Day	=	\$3.50
A Latte a Day for a Month	=	\$105.00
A Latte a Day for a Year	=	\$1,260.00
A Latte a Day for a Decade	=	\$12,600.00

*David Bach, *The Automatic Millionaire*

What is \$3/day worth?

Cost of a Daily Latté

	2-Yrs	3-Yrs	4-Yrs
Daily cost	\$3	\$3	\$3
Days per week	5	5	5
Total weekly cost	\$15	\$15	\$15
Number of weeks per year	52	52	52
Total yearly cost	\$780	\$780	\$780
Number of years in school	2	3	4
Total cost while in school	\$1,560	\$2,340	\$3,120
Annual interest rate	6.8%	6.8%	6.8%
Repayment period (# of months)	120	120	120
Est. monthly loan payment	\$20	\$31	\$42
TOTAL PAID	\$2,393	\$3,698	\$5,078
TOTAL INTEREST PAID	\$833	\$1,358	\$1,958

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Living *Below* Your Means



- Live with roommate(s)
- Take your own lunch; bring your own coffee
- Eat at cheap places when dining out
- Have only one phone—don't have both cell & home phones
- Avoid “Call Waiting” & other special phone services
- Have “free fun”: rent/share videos, go to matinees
- Dress for less — shop at discount stores
- Clip & use coupons
- Don't buy a new car; use public transit or carpool
- Shop with a list — buy only what's on your list
- Beware of “impulse” shopping and buying for “convenience”

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- **Instant Money!**



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- Savings -- sacrifice daily; learn “delayed gratification”
 - Cash from your garage sale or yard sale
 - Your retirement account from current/previous employment
 - Family/relatives
 - Current employer (commitment to stay/return)
 - Church supporting your vision/goals
 - Mentor/sponsor (professional/spiritual)
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“The 10 Commandments of Financial Happiness”

1. Thou shalt get “pretty” well organized.
2. Thou shalt pay bills as they come in rather than all at once.
3. Thou shalt keep tabs on your cash.
4. Thou shalt save at least 5 percent of your household income.
5. Thou shalt protect your family (and yourself).
6. Thou shalt minimize credit card debt.
7. Thou shalt do unto others.
8. Thou shalt spend sensibly.
9. Thou shalt start working toward your goals.
10. Thou shalt communicate.

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Financial Freedom



- ❑ To have financial freedom, must experience change in:
 - Our attitude
 - Our thinking
 - Our lifestyle

Joshua 1:8

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Financial Freedom



- Understand:

- Ownership

Psalm 24:1; Haggai 2:8; Psalm 50:7-12

- Stewardship

1 Corinthians 4:7, 4:2; Luke 16:10,12

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Financial Freedom



□ Do we live in:

■ Complacency?

Psalm 24:1; Haggai 2:8; Psalm 50:7-12

OR

■ Contentment?

1 Timothy 6:6-8 – “Godliness with contentment...”

Philippians 4:12 – “Content in any and every situation”

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Financial Freedom



- The widow's offering – Mark 12:41-44
- The rich young ruler – Matthew 19:21-24
 - WIIFM?
 - WIIFG?

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Final Word



- God desires us to have prosperity, success, and financial freedom!
 - “Misfortune pursues the sinner, but **prosperity** is the reward of the righteous.” – Proverbs 13:21 (NIV)

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Final Word



- God desires us to have prosperity, success, and financial freedom!
 - “So if the Son sets you free, you will be **free** indeed.
– John 8:36 (NIV)
 - “The blessing of the Lord brings wealth, and he adds no trouble to it. – Proverbs 10:22 (NIV)

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Final Word



- God desires us to have prosperity, success, and financial freedom!
 - “This book of the law shall not depart out of thy mouth; but thou shalt meditate therein day and night, that thou mayest observe to do according to all that is written therein: for then thou shalt make thy way prosperous, and then thou shalt have good **success**.
– Joshua 1:8 (KJV)

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References and Sources



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- ❑ *The Automatic Millionaire*; David Bach, 2004.
- ❑ *The Ten Commandments of Financial Happiness*; Jean Chatzky, 2003.
- ❑ *Discipleship Journal*, “The Good News About Money”, issue # 154; July-August, 2006.
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 - ❑ Money.cnn.com; personal finance information under the personal finance “tab” on the home page.
 - ❑ AccessGroup.org; “WiseBorrowerSM Curriculum”. Personal finance and debt management tutorials, calculators, ledgers, etc.
 - ❑ MoneyInstructor.com at www.moneyinstructor.com/lesson/formbalance.asp; Checkbook reconciliation forms, etc.
 - ❑ Foxway.com at www.foxway.com/budgetforms.html; Budget worksheets.
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Money, Planning, Saving and Borrowing:

The Final Word

God's Word on finances

- ❑ Matthew 6:31
- ❑ Malachi 3:10
- ❑ Philippians 4:19
- ❑ Proverbs 21:20 (TLB)
- ❑ I Timothy 6:6-8
- ❑ Hebrews 13:5
- ❑ Philippians 4:11-13
- ❑ Proverbs 22:3-4
- ❑ Proverbs 6:6-8
- ❑ II Corinthians 8:14-15

Considerations in borrowing



- ❑ Romans 13:8
- ❑ Proverbs 22:7
- ❑ Deuteronomy 28:43-45 (TLB)
- ❑ Proverbs 14:8
- ❑ Luke 14:28-30
- ❑ I Timothy 5:8
- ❑ I Timothy 6:9
- ❑ Philippians 4:19
- ❑ James 4:2-3, 13-17
- ❑ Hebrews 11:6
- ❑ Proverbs 6: 1-3 (TLB)

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