



FINANCIAL PEACE

A biblical step-by-step approach to success with money & personal finances.

Lesson #2



If you have questions:

- Please do not interrupt class time.
- Write them down on paper and give them to me.
- Ask me personally after the AM service.
- Send them to me via e-mail: omaramike@juno.com
- For Sept & Oct – my wife and I will be here at 5 PM every Sunday night (1 hour before PM service) to offer a “clinic” to answer questions, offer free help and financial counselling.



QUICK REVIEW

- Your financial life is important to God and is a reflection of your spiritual life.
- You can get a quick read on how you're doing with the NET WORTH calculation.
- Most Americans have a spending and/or debt problem. If you do – you must STOP!
- Why? Because God says to work hard, earn money, spend less than you make, stay out of debt...and some other very important things we'll talk about in coming weeks.
- How do you do that in practice?
 - Step #1 - Save \$1,000 to start an emergency fund.
 - Step #1b – Create a detailed budget and begin to use it.

RECOMMENDED BUDGET

ITEM	RECOMMENDATION
Giving (Tithes, Offerings, Alms, Other)	10-15%
Saving / Investing	10-15%
Housing	20-25%
Utilities (water, electric, gas, sewer)	5-10%
Food (groceries)	5-15%
Transportation (savings for next vehicle)	10-15%
Clothing (just what you need)	2-7%
Medical / Health	5-10%
Insurance (Home, Auto, Life, etc)	10-20%
Personal (I call this Miscellaneous)	5-10%
Recreation (plan to enjoy some)	5-10%
Debts (but only until they are paid off)	5-10%



SOME RULES OF THUMB FOR BUDGETING

- Your rent or mortgage payment should not exceed 25% of your monthly take home pay. (You'll struggle if it's higher...that is called being "house poor")
- The total VALUE of everything you own with an engine and wheels should not exceed 50% of your annual income. (Too much \$\$\$ tied up in things that depreciate rapidly.) The average new car loses 9% of its value when it leaves the dealer's lot; 51% after 4 years.



SOME RULES OF THUMB FOR BUDGETING

- Try to keep your Food budget at 10 -15% of your income. Not easy, but very do-able.
 - My wife fed a family of 4 on \$100/week for years.
- An envelope system can be very helpful at keeping you on budget (on your plan). It helps instill discipline.
 - Put \$\$ in envelope & spend for that purpose only.
 - When it's gone, you're done. No more spending.
 - No stealing from other envelopes.

SOME RULES OF THUMB FOR BUDGETING

- Make sure you budget for everything. That includes tithes & offerings, insurances, taxes, auto maintenance & repairs, auto replacement, tolls, doctor visits, prescriptions, Christmas gifts, other giving, etc, etc, etc. Make sure you plan where every dollar will go. (Luke 14:28)
- Be honest with yourself (and spouse) about what things are wants and what things are needs.
- Budget a little for you to enjoy each month.

STEP 2: PAY OFF DEBT

- Once you have \$1,000 for emergencies, and your budget is in place, you can see how much money is left (after paying essentials and minimum debt payments) to start working on getting rid of debt.
- If there is nothing left, you are living **beyond** your means, and you need to change something. Sell something, move to cheaper housing, get different or additional job(s) to boost your income.



STEP 2: PAY OFF DEBT

- List your individual debts (except mortgage)
 - Write them down on paper - smallest to largest
- Make minimum payments on all of them, except the smallest one. Use any extra money you can squeeze out of your budget to pay down the smallest debt. When it is paid off, apply all extra money to the pay down the next one.
- Sometimes called “Debt Snowball”



STEP 2: PAY OFF DEBT

- This can take some time (typically 14-24 months), and you need discipline here. Be diligent and intentional about getting out of debt.



- ▶ “You can wander into debt, but you cannot wander out. You have to be intentional and attack debt.”

– Dave Ramsey

- If you do this, and don't add additional debt, the day will come when you are free of debt.

A LESSON ON CREDIT CARDS

- When you use a credit card, you are taking a loan from a bank.
 - CC's (loans) should not be used for impulse buys or emergencies. EVER!!!
 - You must stop adding debt!! The biblical model for handling money is to Earn it and Save some, having a plan where to spend it & give it...then follow your plan.
 - Control your impulses and have an emergency fund. Impulses are your emotions (spirit) and/or your flesh (lusts) controlling you.
 - God says to control your own spirit and crucify your flesh.(Prov 25:28, Jam 1:14, Gal 5:24, 5:16)





A LESSON ON CREDIT CARDS

- Many financial teachers will tell you to cut them up!
 - You are better off paying cash for everything.
 - Studies show that when using credit cards the average person will spend 12 - 18% more than if they paid cash.
- So, I agree - cut up your credit cards, IF...
 - You have credit card debt you can't pay off now... Because your past behavior shows that you're unwise with credit cards. You are not currently disciplined enough to use them wisely! (I will define that!)
 - Try it - cut up your cards.
 - Don't like being debt free?

A LESSON ON CREDIT CARDS

- No one **needs** a credit card. (Debit cards can be used for anything credit cards can...except getting into debt.)
- I do believe credit cards can be used by some people, but **only** if you can follow these 5 rules of credit card use:

“Credit cards are the cigarettes of the financial industry.”

- Dave Ramsey



A LESSON ON CREDIT CARDS

1. Purchase w/ a credit card ONLY if you already have cash.
 2. Pay every monthly bill in full.
 - ▶ (No exceptions...NEVER carry a balance, even for 1 month)
 3. Always pay the monthly bill on time. (NEVER pay late)
 4. Do not take cash advances on a credit card.
 5. Do not transfer balances from one card to another.
 - (one exception - if in Step #2 and serious)
- IF you can't do those 5 things...CUT 'EM UP!**

STEP 3: FINISH EMERGENCY FUND

- AFTER all your debt (except mortgage) is paid off...
- Finish saving in your emergency fund account.
 - You will need to save 3 to 6 months of living expenses
 - This is how you self-insure against loss of your job, and also how you handle emergencies w/o creating debt
 - My family lives off of \$36K per year (I know this from my detailed budget), so my emergency fund is \$18K



STEP 3: FINISH EMERGENCY FUND

- Like Step 2, this may take you some time. However, without any debt payments (except mortgage) you'll be surprised how fast you can accomplish this step.
- Putting money is much more fun than paying bills & paying off debt. It's here you'll realize life is MUCH better without debt and with a healthy emergency fund.
- If you have to use it for an emergency, don't forget to go back on fill it back up.



STEP 3: FINISH EMERGENCY FUND

- Think of the peace you will have with your finances when you have no debt (except maybe a mortgage) and 3 – 6 months of cash saved for emergencies.
- Never trust in money. Trust in the Lord and His ways!
 - That is how the Lord tells us to live. (Proverbs 3:6)
 - Debt free (not in bondage), planning for (and not stress about or ignore) the future, trusting in Him for our provision and guidance for any excess He gives us.
 - THAT is good stewardship!!!

WHAT'S NEXT?

- It is when you complete Step 3 that you are ready to:
 - Save on auto insurance premiums by increasing deductible
 - Save money for a down-payment on a house.
 - More on buying a house in another lesson.
 - Consider replacing your car with a better one (pay cash)
 - Save some cash and take a vacation – you worked hard!
 - Adjust your budget so you have more “breathing room”



WHAT'S NEXT?

- Keep in mind, though, that you still have to:
 1. Invest for retirement
 2. Save for kid's college
 3. Pay off mortgage early
 4. Build wealth (so you can give generously)



QUICK REVIEW

- Your financial life is important to God. He has a lot to say about it in the bible.
- Most Americans have a spending and/or debt problem. If you do – please STOP! This robs you of peace.
- Why? Because God says to work hard, earn money, spend less than you make, and stay out of debt.
- Credit Cards only help you add debt. Unless you can follow the 5 rules presented, you should cut up your cards. A Debit Card has all the conveniences and none of the risk.
- You need to have an emergency fund (in cash) of 3 - 6 months of expenses.



QUICK REVIEW

- How do you do that in practice?
 - Step #1 - Save \$1,000 to start an emergency fund, and create a detailed budget
 - Step #2 – Pay off your debt (except your mortgage) as quickly as possible using the Debt Snowball method.
 - Step #3 – Finish saving 3 – 6 months of expenses in your Emergency Fund.

NEXT WEEK

- I will talk about Steps 4, 5, 6 & 7. They come only when Step 3 is done.
 - Investing for Retirement
 - Saving for college.
 - Paying off the mortgage early.
 - Build wealth & give generously!





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