

Financial Verses
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Prov 22:7
I Tim 6:10
Jer 9:23-24
Matt 6:25 I
Cor 13:3
Prov 3:9-10
Prov 21:20

II Thess 3:10
Prov 20:13
Prov 25:16
Gen 41:33-34
Prov 11:24-25
II Cor 9:6-7
II Cor 9:8

I Tim 5:8
I Cor 4:2
Ps 24:1
Ps 95:4
Ps 50:10
Duet 14:23
Prov 30:24-25

Our restraint

(What we shouldn't do)

Reference Thought

Prov. 22:7 Borrower is slave

Our responsibility

(What we should do)

Reference Thought

Prov 21:20 Stores of choice foods

Our attitude

(How we view our possessions)

Reference Thought

Our comfort

(What we realize from God)

Reference Thought

A Couple of Average Joes

Over the last ten prosperous years Will and Paul chose to use their financial situations differently.

Housing:

Will chose to wait to buy a house for three years so he could save to put money down. He saved \$20,000 to put 20% down on a \$100,000 home. By having such a large down-payment, he was able to avoid PMI and use that money to get a 20 year loan instead. Since his monthly rate would have been lower, he also chose to pay \$100/month extra.

Paul chose to buy immediately with no money down. He even rolled the closing costs into his loan. His loan was for \$105,000 on his \$100,000 home. He had to take out a 30 year loan.

Cars:

Paul wanted his new car. After all, everyone else at his work had one. Two years ago, he bought a vehicle on a 72 month "sweet deal".

Will has been buying 4 to 10 year old cars for the past ten years. He recently bought a five year old vehicle and paid cash for it.

Credit Cards:

Paul has seven credit cards. You know...eating out daily for lunch, a new 50" LCD TV, the entertainment center to go with it. The list goes on. He has been having trouble keeping up so he has basically maxed them out and is now paying the minimums. Over the past 8 years he hasn't missed any of the payments and sees it as using someone else's money.

Will chose to pay only for things he could afford. He bought mostly necessities, but a few nice things as well.

Giving:

Will and Paul give to their church and even support a little girl overseas through Compassion.

Boat:

Did someone mention a boat? Paul wanted one, so now he has one. His job was going well and he felt that it was something extra he could take on. It's only payments.

Will goes to the lake and fishes, swims, or rents a boat.

Extra money:

Paul used his extra money to buy his boat, purchase things for his house, and took a much deserved vacation —to Hawaii.

Will used his extra money to build up a 6 months emergency fund of \$15,000. Will has gone on vacations that he could drive to and stayed in some decent hotels along the way. Both guys have done some investing with their companies' 401k.

Surprise:

Paul's wife is going to have baby Pauline. His insurance pays most of it, but Paul will still owe about \$5,000. Paul remembered that he could borrow against his 401k. He chose to borrow the money – after all he only has to pay himself back.

Will's wife is going to have a wee little Willy. He will owe about \$5,000. He will use some money that he had put back for a baby and use about \$3,000 out of his emergency fund to pay for the rest.

Uh-oh

As you might have noticed, the economy hasn't been doing well. There have been many people losing their jobs. Instead of staying with their businesses, they choose to take a more secure job, but it only pays 75% of what their previous job did. It is one state away and will require them to sell their house.

What happens now? Where does this leave each person? What obstacles must be overcome?

Discuss with your group how each of their choices during the good economic times is going to affect them in this economic downturn.

Notes/Observations:

Results of Average Joes

Housing summary:

	Paul	Will	Notes:
Monthly payment	\$746	\$673 (includes + \$100)	
Years remaining	20 years	8 years	
Outstanding balance	\$88,450	\$51,850	
House value (-15%)	\$85,000	\$85,000	
Equity for next house	- \$3,450	\$28,150	

Car summary:

(Chevy Malibu)	Paul	Will	Notes:
Original Value	\$22,000	\$7,500	
Monthly payment	\$375	\$0	
Remaining Balance	\$16,768	\$0	
Current Value	\$9,000	\$5,000	
Need to sell the car?	-\$7,768	+\$5,000	

Other Debt:

Credit Card: Paying the minimum payments (\$200) on a \$10,000 balance (without adding any more debt) could take 50 years to pay off! (at 18%) The average family carries \$8000 in credit card debt on a monthly basis. (median \$2,000).

A \$60 meal placed on a credit card could take **10 years** to pay off when making minimum payments.
How good was that steak?!?

Student Loans: 67% graduate with student loans. The average balance is \$16,000-\$22,000. Many will be 40 to 50 years old before it is paid off.

Boat: I have no idea...but if you want to sell it so you don't have payments, then you have to find a buyer!!

401k: If you borrow against your 401k, then you must repay it within 60 days with interest in order to leave your workplace or pay a 10% penalty and owe taxes on the loan.

Emergency Funds:

They aren't cool or hip – UNTIL YOU NEED THEM! Most people suggest 3-6 months of your living expenses saved for the stormy times.

Life Insurance:

If you are married/have kids, get term insurance that is 8 –10 times your annual income. If you were wanting, to get a "whole" or "universal" policy, don't. Just invest the difference between the term premium and whole-life premium.

That's great, but my name's Paul!! My ship is sinking. Now what?

Plug the hole...

Budget: Designating where your money is going to go - instead of wondering where it went.

Tools: Budget forms, software, online programs, green ledger, envelopes.

The tool is up to you, but it must work for you.

Date I will decide what categories to use _____

Month I will track spending _____

Date I will sit down (with my spouse) to plan the next month's spending _____

Possible budget categories: Things I pay in cash Potential budget busters

Giving		Phone		Clothing		Car Loan	
Retirement		Cell		Entertainment		School Loan	
Mortgages		Cable		Child Care		Credit Cards	
Electricity		Internet		Medical		Health Ins	
Gas		Grocery		Medications		Life Ins	
Water		Eat-Out		Gifts		Disability Ins	
Trash		Gasoline		Miscellaneous		Car Ins	

Total Income: _____

Total Budget: _____

Start bailing...

Paying off debt:

1. List non-house debt from smallest to largest.
2. Make minimum payments on all.
3. Make extra payments on the smallest balance.
4. When the smallest is fully paid, roll that payment amount toward the next smallest.
5. Continue toward becoming debt free

	Debt	Beginning Balance	Monthly Payment	Ending Balance	Number of Months
Stage I	Penney's	\$3,000	\$100+400(extra)	\$0	6
	Car	\$10,300	\$200	\$9,100	6
	Visa	\$14,700	\$300	\$12,900	6
Stage II	Car	\$9,100	\$200+(100+400)	\$0	13
	Visa	\$12,900	\$300	\$9,000	13
Stage III	Visa	\$9,000	\$300+(200+100+400)	ZERO!!!!	9

Total Months 28