

Breaking Out Of The Debt Trap – Part 2

ICEBREAKER: Using the sample chart as a reference, figure out your approximate net worth. If you are a couple, work on it with your spouse.

Bob's Assets		Bob's Debts	
Checking Account	\$ 3,000	Mortgage	\$99,000
Savings Account	\$ 7,000	Credit Cards	\$ 2,500
Home Value	\$109,000	School Loans	\$ 8,000
Mutual Funds	\$ 8,000	Second Mortgage	\$ 6,000
Pension Fund	\$ 30,000		
Coin Collection	\$ 500		
Furniture/Electronics	\$ 5,000		
Total Assets	\$162,500	Total Debts	\$115,500
Bob's Net Worth			
Total Assets	\$162,500		
Total Debts	\$115,500		
Net Worth	\$ 47,000		

The cover of a Newsweek magazine last August showed a couple buried under credit cards with a headline “Americans are Drowning in Debt: Are You Maxed Out?” The article says, “Americans have been borrowing in record amounts ... Home equity debt has soared past 330 billion dollars ... Bankruptcies are up 20% ... And most people are spending more than they make ... Well, duh!

Here are some other interesting facts on the typical North American consumer from the Newsweek article:

- 25 years ago the average family saved 15% of their earnings. Today the average family saves nothing of their wages.
- Nine years ago, most consumers purchased a new car with 25% down. Today new cars are purchased with just 7% down.
- \$1 of every \$7 earned is spent on paying debt.
- \$1 of every \$5 earned is spent on luxury items.
- \$1 of every \$4 earned is spent on everyday living expenses.
- 50 cents of every \$1 earned is spent on stuff we just want to have.

We borrow routinely regardless of our family income. But this isn't a game and the one with the most toys doesn't win anything. Your life and your home will be calmer when you take control over your spending.

George Gallup reports that 64% of all couples argue over money. It is now the number one cause of divorce. Till debt do us part. 54% of divorces are caused by money problems. 74% of people are dissatisfied with how they manage their money.

It may seem mundane and routine to be talking about money management in a Bible study class. But it has eternal implications. There's a far more important reason in dealing with this subject than just relieving the stress in your life. Did you know that the Bible says God measures your spiritual maturity by how you handle money? Did you know that the Bible says that God measures and evaluates how much He can trust you with spiritual blessings according to how you handle your finances? Did you know that the rewards and responsibilities you're given in heaven are in direct relationship to how wise a manager you are of your finances and possessions while you're here on earth?

Luke 16:11 (NIV) So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?

The Bible gives us incredible advice on this topic. The wealthiest man who ever lived actually wrote a book of the Bible. His name was King Solomon and his wealth would put Bill Gates to shame. But Solomon was also the wisest man who ever lived. Fortunately he put his principles for money management down in the book of Proverbs.

If you've been in church for many years, you've probably heard a pastor teach on God's financial plan, so these principles will be a review. But we don't make any apology for coming back to this subject. When will we stop teaching about God's financial plan? When you start doing it! If you've ever taken notes, this would probably be a good week to do so.

Who makes the rules when it comes to finances in your life? Does God make them or do you let culture make them? Do you build your finances on what the world says or what the Word of God says? Who you let make the rules will determine where you go in life. Today, we want to discuss God's five principles of financial freedom.

1. Keep good records.

This is the principle of ACCOUNTING. You need to know where your money comes from and where it goes.

Proverbs 27:23-24 (LB) Riches can disappear fast ... so watch your business interests closely. Know the state of your flocks and your herds.

When Solomon wrote this thousands of years ago most people's assets were tied up in livestock. He said know the condition of your flocks.

Today he'd say know the condition of your stocks. He'd say know your assets and accounts. Good records are the starting point!

You've heard the saying, MONEY TALKS, but it doesn't talk at all – it just slips away quietly and it doesn't tell you where it's going! Have you ever said, "I just don't know where it all goes!?" Then you're already in trouble, because you're violating one of God's principles. Keep good records! If you don't know where your money goes you're already headed for debt.

Proverbs 23:23 (LB) Get the facts at any price, and hold on tightly to all the good sense you can get.

How are you really doing financially? The Bible teaches that there are four things you need to keep good records on:

- What I own
- What I owe
- What I earn
- What I spend

Here's a financial equation you need to know:
IGNORANCE + EASY CREDIT = FINANCIAL DISASTER

If you have credit cards and lines of credit and you're not keeping good records you're most likely already in debt. One of the major problems in marriage is when one spouse keeps the other in the dark about finances. That's because the first step of financial freedom is to WRITE IT DOWN.

"But I don't have time to do this." Nobody has time to do this! There is nothing less interesting than keeping financial records. Ask yourself this: Do you have time to worry about your finances? Well, if you took that time to keep better records you'd have a lot less to worry about.

2. Plan your spending.

This is the principle of BUDGETING. A budget by definition is simply planned spending. A budget is telling your money where you want it to go rather than wondering where it went.

Proverbs 21:5 (TEV) Plan carefully and you will have plenty; if you act too quickly, you will never have enough.

No one ever becomes financially free without planned spending. That's because financial freedom is not determined by how much you make. That's one of the biggest myths in our society. If you can't live on what you're making right now you won't do better with a higher salary. Why? **Because your yearnings will always exceed your earnings.** You're always going to want more than you make.

Financial freedom is not based on how much you make, it's based on how much you spend. Financial freedom doesn't come from making more, it comes from spending less. That means that no matter how much (or how little) you make you can be financially free. All you have to do is bring your spending in line with your income. If you spend less you don't have to make more. Bottom line: you can be financially free if you will plan your spending.

One of the areas we don't do too much planning is in our shopping. The average North American spends six hours a week in shopping related activities (for some of you that's way too low). But the more time you spend shopping, the more you tend to buy on impulse. 100% of advertising is built on impulse buying – no ad ever says, "Go home and think about it!" It says, "You can't live without it – you need it now!" I didn't know it existed five minutes ago; now I can't live without it. Since impulse buying is based on emotion, it is by its very nature unplanned. It's dangerous to your budget! Impulse buying leads to debt!

Advertisers make it their business to study YOU, and they know the word most likely to trigger your emotions is "SALE!" It's on sale so I have to buy it right now! Look how much I'm saving. No, look how much I'm paying. "But if I don't buy it now it will cost more later" – right! Every advertisement is geared against you saying, "Don't plan your spending!"

Proverbs 21:20b (TEV) Stupid people spend their money as fast as they get it.

Out of control spending is a mark of immaturity (think of your kids with their allowance). But what do you do as soon as you get your paycheck? We blow it all, then complain that we don't have enough money! This verse is really God's IQ test. How smart are you? Does your money burn a hole in your pocket? Then you're not following God's financial plan. Spending is just like any other addiction!

How do you spell relief for impulse buying and overspending? BUDGET! If you don't do this then you won't have God's blessing on your life because He wants you to learn to manage money (there are 2350 verses in the Bible about money!). It's one of the tests of life, the acid test of your character and priorities. How do you handle the resources God gives you? If you want to control debt you've got to nip it in the budget.

Go home this week and figure out what God wants you to know about your money: what I own, what I owe, what I earn, what I spend. Figure out your fixed and flexible expenses and see if you're spending more than you're making. Then adjust your lifestyle! No one teaches us this in school, but we can ask God for His help and get some wise counsel.



FAMILY BUDGET GUIDELINES

Sometimes it's hard to separate wants from needs, to practice the self-control necessary to plan for life's extras. The result is dream-shattering debt, and the sad part is that it doesn't have to be that way. It takes time and consistent effort to learn how to manage money, but it is possible! The best way to get on track is to create a family budget and stick to it.

10%	Tithing — Give the first 10% of your income to the Lord throughout your working life.
10%	Savings — Save at least 10% of your income throughout your working life.
The 10 - 10 - 80 Principle	
35%	Housing — Spend no more than 35% of your net income on housing. That includes: mortgage or rent, utilities, insurance, property taxes, maintenance.
15%	Transportation — Spend no more than 15% of your net income on transportation. That includes: car payments, insurance, license, maintenance, gasoline, parking.
10%	Debt — Spend no more than 10% of your net income on all types of consumer debt: credit cards, personal loans, income tax debts.
20%	Other — Spend no more than 20% of your net income on all other expenses: food, clothing, entertainment, child care, medical expenses, vacations, recreation.

3. Save for the future.

This is the principle of SAVING. The Bible says it's a mark of wisdom.

Proverbs 21:20a (LB) The wise man saves for the future.

So how wise are we? The average family in Japan saves about twenty percent of their income. The average family in Europe saves about eighteen percent of their income. In North America, we spend one percent more than we earn. We're not doing so well! We have a "live for today" mentality, and we're all into keeping up with the Joneses – never mind that the Joneses just went bankrupt!

Have any of you had ants visit your home in the last year? Do you know why God sent them? The Bible tells us that they are designed to teach us a lesson. It's something that even an ant-sized brain can figure out.

Proverbs 6:6-8 (NLT) Take a lesson from the ants, you lazybones. Learn from their ways and be wise! Even though they have no prince, governor, or ruler to make them work, they labor hard all summer, gathering food for the winter.

What's the winter? It's the hard times that may come in the future! We all know saving is important, but few of us do it. American Demographics magazine shows that most baby boomers will be broke in retirement. So why don't we save more?

Probably the most important reason is a heart reason, not a paycheck reason – it's ENVY or COMPARISON. We see what other people have and think, "I want that!" The envy monster stalks us everywhere, never satisfied, always craving what other people have. In malls, schools, neighborhoods, offices and churches people compare themselves with others. And our status in life never seems to be enough!

The truth is that all those people that you're envying are probably more in debt that you are ... and probably struggling just as much with envy! In order to get out of debt we have to stop comparing, stop competing, and decide, "I don't care what other people have; I'm going to do what I know is right and save for the future." The more you have, the more it costs anyway ... in insurance, in maintenance, in your own time.

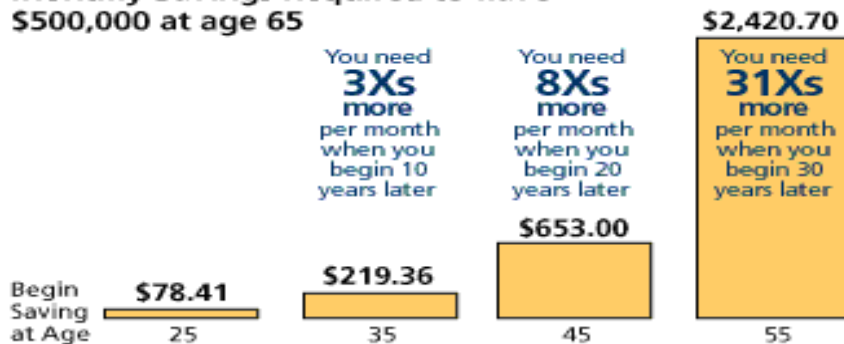
"But I can't afford to put very much away in savings!" Then start with something small! Both the Bible and banking teach us that it works!

Proverbs 13:11 (NCV) Money that comes easily disappears quickly, but money that is gathered little by little will grow.

TIME IS MONEY!

If you begin saving for your retirement early in your life, you'll have to put aside much less money each month. If you wait until you're nearing retirement, the amount you'll need to save each month could be near impossible. The illustration below shows you how time really is money.

Monthly Savings Required to have \$500,000 at age 65



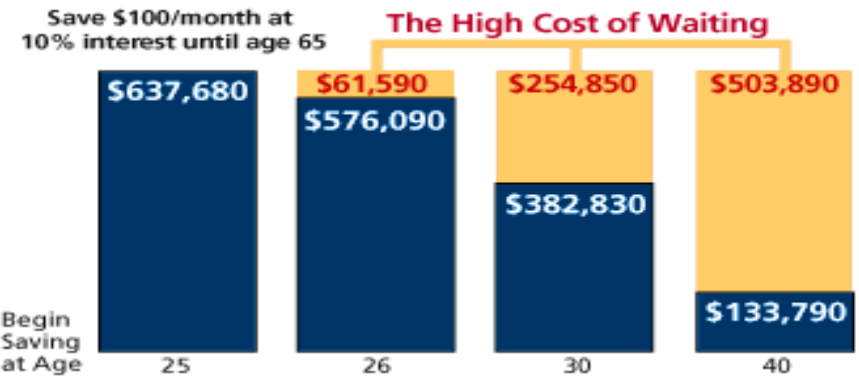
START EARLY!

If you think putting off saving for your retirement for a few years won't make much of a difference, take another look. By starting early and giving your money the opportunity to grow over time in a tax-deferred account, you'll put yourself at a huge advantage in the future.

	Individual A		Individual B	
	Start Contributing Age 22	Annual Payment \$3,000/yr for 7 years	Start Contributing Age 29	Annual Payment \$3,000/yr for 34 years
	Stop Contributing Age 28		Stop Contributing Age 62	
Total Contributions	\$21,000		\$102,000	
Total Accumulation at Age 62	\$942,490		\$903,440	

THE HIGH COST OF WAITING

The biggest mistake is assuming you don't have any money to save. If you earn an income, it's simply a matter of how you're spending it. You must make saving for your future a priority! The longer you wait, the more money you will need to save each month to make up for lost time.



THE RULE OF 72

The length of time it will take your money to double is easy to calculate using the rule of 72. Simply divide the number 72 by the percentage of interest you're earning on your savings. If you're not pleased with the answer, start investigating other options that pay a higher rate of return.

72 ÷ 2% interest =	36 years	With a 2% rate of return, your money will double in approximately 36 years.
72 ÷ 4% interest =	18 years	
72 ÷ 6% interest =	12 years	
72 ÷ 8% interest =	9 years	
72 ÷ 12% interest =	6 years	With a 12% rate of return, your money will double in approximately 6 years.

4. Return ten percent back to God.

This is the principle of TITHING, and it is the top financial priority for every Christian if they want God's blessing on their finances.

Malachi 3:10 (NCV) Bring to the storehouse a full tenth of what you earn ... Test me in this, says the Lord All-Powerful. I will open the windows of heaven for you and pour out all the blessings you need.

Proverbs 3:9a (LB) Honor the Lord by giving him the first part of all your income ...

God's Word teaches us to give the FIRST TEN PERCENT of our income back to Him; that is called our "TITHE."

Why did God say ten percent? We don't know, but He could have said twenty, fifty or ninety! He could have even said "give it all" because it's all His anyway. We need to remind ourselves that we wouldn't have anything if it were not for God. So really, everything we have belongs to God and He just loans it to us during our lives. If He says that He wants the first ten percent back, that's His prerogative as God! Now God obviously doesn't need our money, so why does He ask us for it?

- (a) It's a statement of GRATITUDE for the past.
- (b) It's a statement of PRIORITY for the present.

If you want to know what is a priority in your life, just look at your checkbook and your calendar, the way you spend your money and the way you spend your time.

- (c) It's a statement of FAITH for the future.

God says in Malachi 3:10, "Let's have a little giving contest. You give to Me and I'll give to you, and let's see who will win. Test me in this!" This is the only place in the Bible where we are invited to prove God.

When am I supposed to give back to God? He says I am to give the first part of my income to Him on the first day of the week (Sunday) as an act of worship. Even though churches are registered charities in Canada, giving to a charity is not tithing – tithing is an act of worship!

1 Corinthians 16:2 (LB) On every Lord's Day each of you should put aside something from what you have earned during the week, and use it for this offering. The amount depends on how much the Lord has helped you earn.

If anyone is going to get paid in your household, it should be God! You may be in debt to other people, but make a decision not to be in debt to God. Check this out with a mature Christian, and you'll find that God has been faithful to them over many years as they've put Him first.

God has not promised to take care of all of your GREEDS, but He has promised to take care of all of your NEEDS.

"But I just can't afford to tithe!" No, you can't afford NOT to tithe. Here's the principle, and it works not only with money but with every area of life. Whatever area you want God to bless in your life, put Him first in that area – in your relationships, in your marriage, in your career, in your time, in your finances. God blesses whatever He is put first in. He is not content with the leftovers; He wants first place!

The Bill Gates of the previous generation was John D. Rockefeller. Someone asked him, "How did you become wealthy?" He answered, "It was the 10-10-80 principle. All my life the first ten percent I tithed to God, the second ten percent I'd pay myself, and I lived on the last 80%." We talked about that principle last week. Try it – it works!

If you can't afford to give the first ten percent to God and the second ten percent to yourself it means one thing – you're spending too much! You're overextended. Pay God first, pay yourself second, and then start paying off all your bills little by little.

There are more promises in the Bible about money management, giving and tithing than any other subject. Why? Because God wants us to be like Him – He is generous, not stingy. He doesn't need your money. God so loved the world that He GAVE ...

There are eternal consequences for each of us based on how we handled our money and our material possessions. Why? Because our priorities in these areas are the best indicator of our heart condition!

Luke 16:11 (NIV) So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?

5. Enjoy what you have.

This is the Principle of CONTENTMENT. That's how you can enjoy what you have no matter how much or how little you have. Isn't it just like human beings that sometimes what we DON'T have keeps us from enjoying what we DO have?! We constantly violate this principle ...

Ecclesiastes 6:9b (TEV) It is better to be satisfied with what you have than to be always wanting something else.

We are so busy getting more that we don't have time to enjoy what we already have. It's the SUCCESS SYNDROME, in four phases ...

- (a) Your yearnings start to exceed your earnings. You want things you can't afford.
- (b) You get overextended in your finances. You now have more than you can pay for.
- (c) You get overextended in your time. You now have to do extra work just to make ends meet.
- (d) Your life begins to deteriorate. Everyone in your home is exhausted and irritable. But your family doesn't need more things, they need YOU!

We are so busy making a LIVING that we don't have time to make a LIFE. We know what is right to do, but we feel trapped by the success syndrome. But the truth is that you made the decisions that got you into this mess and only you can make the decisions that will get you out of it. It may be painful, but it's absolutely necessary.

We rationalize to ourselves, "Yes, I know what I should do, but this phase is only temporary." But you're only fooling yourself – that temporary situation has already become a habitual lifestyle. If you do finally catch up financially, you're just going to go out and buy more stuff and be right back in the same boat. It's going to take some radical decisions to really begin to enjoy what you have now. Nobody is holding a gun to your head – you can make some different decisions, however difficult it might be, and achieve a different result.

Hebrews 13:5a (NIV) Keep your lives free from the love of money and be content with what you have.

The brutal question to ask is, "DO I REALLY NEED THIS?"

Isaiah 55:2a (NIV) Why spend money on what is not bread, and your labor on what does not satisfy?

God wants to work in your life, but there are two conditions.

- First, you have to follow all five parts of His financial plan. You can't pick and choose. It's like the Olympic Pentathlon. You have to compete in all five events in order to win the prize.
- Second, you have to do all five parts of this financial plan in God's order, not just haphazardly.

Here's the way most people handle their money:

- Earn it
- Enjoy it (present)
- Repay it (past)
- Save it (future)
- Give it (eternity)

But here's the only order God blesses:

- Earn it
- Give it (eternity)
- Save it (future)
- Repay it (past)
- Enjoy it (present)

God wants to help you get out of debt, but you've got to do it His way.

How are you measuring up to God's financial plan? If you're feeling pressured about your finances, if you find yourself arguing about bills all the time, if you find yourself spending it all and not saving anything, those are symptoms of a much deeper spiritual issue.

Out-of-control finances are the symptoms of an out-of-control life. You don't just need a financial planner, you need a life manager. Jesus Christ needs to be the CEO (chief executive officer) and the CFO (chief financial officer) of your life.

Really, the root of all our financial problems is one thing – UNBELIEF. Do I really trust God's promises? Do I really think that God knows more about how to handle money than I do? Am I going to handle my finances the way He says to? Or am I going to use my money the way I think best? Do I really believe that God will take care of me if I do it His way?

Whatever I trust for my security is my god!

Job 31:24-28 (LB) If I have put my trust in money, if my happiness depends on wealth ... it would mean that I denied the God of heaven.

Luke 16:11 (NIV) So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?