

Week 6

XXI. Review

A. Homework

B. Budget Principles

1. Budget...A Tool...Just the spending plan for your household
2. Knowing where you are starting from and where you are going allows us plan and establish goals toward being financially successful.
3. Adjust your spending
4. Plan for the (Un)Expected
 - a. There is wisdom in planning and saving (Proverbs 6:6-8)
 - b. We should certainly plan for those things that we can Expect
 - i. Plan to live on 70-80% of your net spendable income
 - ii. Build expected longer term expenses into your budget
 - c. It is also wise to be prepared for the Unexpected
 - i. Start by setting aside \$2000 as an emergency fund
 - ii. Build up 3 to 6 months of living expenses as a buffer to cover the unexpected
 - d. Practically it is a great way to remove some anxiety from your life by having a reserve for yourself
 - e. It can also be a great testimony in the you have some resources to help those around you when they have need

C. Biblical Principles

1. We are Stewards because God owns it all...we own nothing – Psalm 24:1
2. Money in and of itself is morally neutral...it is what we do with it that makes it good or bad – Hebrews 13:5
3. Money is an excellent indicator of our heart...both good and bad – Mt 6:21
4. The believer is to be self-controlled – Titus 2:12
5. It is Wise to plan and save – Proverbs 21:20
 - a. Saving is a MODERATE priority with God because it is not directly commanded

- b. God does speak about this area however as an area of wisdom or foolishness (Proverbs 21:20)
- c. We should plan and save in times of plenty to be able to care for ourselves in the lean times (Proverbs 10:5)
- d. If we are faithful to do what God commends as wisdom then we should be able to more easily rest in his sovereignty (Proverbs 16:3, 9)

XXII. Biblical Principle – God’s Priority For Our Resources Part 2 – Debt and Taxes

- A. We are to use what we have been provided...
 - 1. God has given us commands and guidance regarding how we are to use what He has provided
 - 2. In simple terms...We can Spend It, Save It or Give It Away
 - 3. This week we are going to look at two areas where God has given direct command about what we are to do with the money He has provided
 - 4. Because He has given direct commands we can say that these two areas are HIGH priorities with God
 - 5. Today we are going to look at DEBT and TAXES
- B. Repaying our Debts is a HIGH priority with God
 - 1. Is taking on debt a sin?
 - a. Taking a debt is not expressly prohibited in scripture
 - b. God gave guidelines, through the Bible, to the Jews for how they are to manage debt
 - i. Interest – Deuteronomy 23:19-20
 - ii. Debt forgiveness every Year of Jubilee – Deuteronomy 15:1-11
 - c. Therefore the decision to take on a debt is an area of wisdom
 - 2. There are two types of debt that one can take on
 - a. The first type we will cover is called Secured debt
 - i. This is a debt where the loan IS secured by an asset
 - ii. These loans are based upon the presumption that there is a reasonable expectation the asset will increase or hold its value over time

- iii. These types of loans can be such things as a Mortgage, Real Estate Loan, Business Loan, Auto Loan (?), Home Equity
 - iv. If you can't make the payments then the asset can be taken back or sold to cover the outstanding amount of the loan
 - v. Since it is assumed the item holds its value or appreciates, in theory you are not exposed to default and not required to presume upon the future
 - vi. There is a wide range of views as to how secured a loan should be in the Christian financial circles to be considered wise
- b. The second type is called Unsecured debt or Consumer debt
- i. This type of debt is NOT secured by an asset
 - ii. It can be a Credit Card balance, Student Loan, Store Loan, or an Auto Loan or Mortgage where the loan amount is greater than the value of the asset
 - iii. Most often the asset purchased is consumed or has less value the instant it leaves the store
 - iv. This type of loan is often used to live beyond our means
 - v. This type of debt is counseled against in Proverbs
- Proverbs 22:26-27 *“Do not be among those who give pledges, among those who become guarantors for debts. If you have nothing with which to pay, why should he take your bed from under you?”*
- Proverbs 11:15 *“He who is guarantor for a stranger will surely suffer for it, But he who hates being a guarantor is secure.”*
3. Repaying the portion of a loan that is Due and Payable is a HIGH priority with God
- Psalm 37:21 *“The wicked borrows and does not pay back, But the righteous is gracious and gives.”*
- a. God expects us to use the money and possessions He has given us to pay back what we have borrowed
4. Repaying our loan more quickly than required, I believe, is a MODERATE priority with God
- a. This is an area of wisdom because although the Bible does not address it specifically it does give several downsides to being in debt...

b. Indebtedness presumes on the future

Proverbs 27:1 *“Do not boast about tomorrow, for you do not know what a day may bring.”*

James 4:13-15 *“Come now, you who say, “ Today or tomorrow we will go to such and such a city, and spend a year there and engage in business and make a profit.” Yet you do not know what your life will be like tomorrow. You are just a vapor that appears for a little while and then vanishes away. Instead, you ought to say, “If the Lord wills, we will live and also do this or that.” But as it is, you boast in your arrogance; all such boasting is evil.”*

- i. We assume that things will only be better in the future and that the asset will always increase in value
- ii. We assume that our earning situation will always be the same or better than it is today...we presume upon the future

c. Indebtedness exposes us to default

Ecclesiastes 5:5 *“It is better that you should not vow than that you should vow and not pay”*

Psalms 37:21 *“The wicked borrows and does not pay back, But the righteous is gracious and gives.”*

- i. We don't want to be people who are viewed as wicked
- ii. We want to be viewed as people of our word and generous
- iii. We don't want to be people who take high risks with the potential of defiling God's name/reputation

d. Indebtedness makes us beholden to another

Proverbs 22:7 *“The rich rules over the poor, And the borrower becomes the lender's slave.”*

- i. We place ourselves in a situation where we may not be free from external influences or control
- ii. When we have a debt we are required to respond to another's wishes and desires

- iii. It wasn't too long ago that the borrower was faced with prison time if he couldn't repay the debt...there is actually a resurgence of this concept being promoted/carried out if you can't cover court fees or fines
- 5. Repaying our debt is a HIGH priority with God and repaying it sooner than required is a MODERATE priority with God
- C. Paying Our Taxes is a HIGH priority with God
 - 1. We are to use the resources that God has given us to pay our taxes
 - 2. There are direct commands and Jesus own example that address this area
 - 3. First and foremost we are to pay our taxes because God has instituted the government

Romans 13:1, 6-7 *“Every person is to be in subjection to the governing authorities. For there is no authority except from God, and those which exist are established by God...For because of this you also pay taxes, for rulers are servants of God, devoting themselves to this very thing. Render to all what is due them: tax to whom tax is due; custom to whom custom; fear to whom fear; honor to whom honor.”*

 - a. Whether we like it or not God has instituted governments...all governments...they are his servants to accomplish his purposes
 - b. We are to support God in His work through the government by using the resources He has provided to pay taxes
 - 4. Jesus own teaching and example demonstrate this
 - a. He addressed this both in regard to secular government as well as the religious government of the day
 - b. Secular government
(Luke 20:20-26)
 - i. Jesus made the point that taxes were to be paid
 - ii. Even to repressive hated governments
 - c. Religious government
(Matthew 17:24-27)
 - 5. From a strictly human perspective, you would think that Jesus of all people would have been against paying taxes, especially to these two groups:
 - a. First off He owned it all anyway so He was just moving His stuff around

- b. In regard to the Temple tax He even stated that He and Peter were exempt
 - c. The Romans were oppressing His chosen people
 - d. God used both the Romans and the Jews to crucify Him
 - e. It is even possible that the coin Peter provided was one of the 30 pieces of silver given to Judas
 - f. Why would he want to support that?
 - g. Because God used governments both secular and religious to accomplish His purposes at the cross
6. Do you want to be financially successful as we have defined?
- a. Plan and save...these are commended as wise
 - b. Repay your debts and pay your taxes...these are directly commanded by God
 - c. These are some of the ways we are to use the money He has provided us to accomplish His purposes

XXIII. Budgeting Principle

- A. Pay yourself not someone else...
- B. Taxes
 - 1. You are to pay your taxes, but you don't have to overpay
 - 2. Federal and State Income Tax
 - a. If your goal is to pay less income tax then make less...
 - b. Consider utilizing a tax preparation service if you have the extra resources
 - c. If you usually get a large return consider reducing the withholding for federal and state income taxes
 - d. Anticipating a \$3000.00 return (average 2015 federal return ~\$3,120)^[9]
 - i. That is \$250/month extra that you pay to the government
 - ii. If saved \$250/mo @ 5% - at the end of the first year you have \$3069
 - iii. Say you did that for 35 years (from 30 – 65 years of age)
 - iv. At the end you would have invested \$105K

- v. But would have \$284023 in the bank...you earned \$179023
 - e. Caution...Make sure there is enough to cover the tax obligation otherwise there are penalties
 - f. You can make this change by increasing the number of dependents
 - g. Use the IRS withholding calculator ^[10] to help sort out how many deductions should be used
 - h. This cuts down on the amount coming back to you at the end of the year but allows you to have access to the money or to save the money over the year
 - i. Remember that you can earn money on that amount...the government doesn't pay you to hold your money
3. Review your property taxes
- a. If property values fall and your home is worth less on the market than your current tax basis, you may file with the county for a reassessment of your property taxes based on current comparables
 - b. Check out the county assessors website for info. The Los Angeles county form can be found online ^[11]
 - c. The mortgage impound account
 - i. Typically required if less than 20% down on the purchase amount.
 - ii. Sets aside the moneys to pay home owners insurance and property taxes
 - iii. Pay the 20% down and forego the impound account
 - iv. It takes discipline to set money aside for insurance and property taxes
 - v. But you get to collect the interest on the money that sits in the bank for a year.
4. Sales Taxes
- a. Spend less
 - b. Purchases from out of state online retailers are now subject to CA sales tax
5. Other "Taxes"
- a. License Fees – Buy less or used
 - b. "Luxury" Tax – Buy less or not at all
- C. Debt
- 1. The wisest thing to do is to plan and save

2. The cost of unsecured debt - The \$1000 overspending example
 - a. Say you overspend \$1000 in a year... a little less than \$84/per month
 - b. Assume you do that for 10 years so you are now \$10,000 in debt
 - c. Assume the interest on your loan is 10% APR
 - d. Therefore at the end of 10 years you have paid \$5500 in interest to service your debt and are still \$10,000 in debt

Year	Loan Amount (End of Year)	Interest Paid	Cummulative Paid
1	\$1,000	\$100	\$100
2	\$2,000	\$200	\$300
3	\$3,000	\$300	\$600
4	\$4,000	\$400	\$1,000
5	\$5,000	\$500	\$1,500
6	\$6,000	\$600	\$2,100
7	\$7,000	\$700	\$2,800
8	\$8,000	\$800	\$3,600
9	\$9,000	\$900	\$4,500
10	\$10,000	\$1,000	\$5,500

Cost of Debt – Assuming Debt

- e. You decide to pay off the loan in 10 yrs
- f. First you must reduce your spending by \$2,000/yr for 10 years
- g. You must continue to pay interest which works out to \$5,500 for 10 yrs
- h. So you have expended \$21,000 over 20 years to fund \$10,000 of debt

Year	Loan Amount (End of Year)	Interest Paid	Cummulative Paid
11	\$9,000	\$1,000	\$7,500
12	\$8,000	\$900	\$9,400
13	\$7,000	\$800	\$11,200
14	\$6,000	\$700	\$12,900
15	\$5,000	\$600	\$14,500
16	\$4,000	\$500	\$16,000
17	\$3,000	\$400	\$17,400
18	\$2,000	\$300	\$18,700
19	\$1,000	\$200	\$19,900
20		\$100	\$21,000

Cost of Debt – Paying It Off

- i. If you had invested what you spent over the 20 years at 10% you would not only have the \$21,000 you would have earned another \$29,000

- j. So in one sense it cost you \$40,000 to over spend \$1,000 for 10 years
- 3. Stay away from consumer debt
 - a. Just about all financial counselors counsel against taking on this type of debt because of the costliness to borrow this way
 - b. Unsecured debt Biblically is considered foolishness
 - c. This type of debt presumes upon the future, exposes you to default and bondage in a big way
- 4. The Cost of Secured Debt – The Mortgage
 - a. Even Secured debt isn't free
 - b. Take the shortest length mortgage you can afford

Loan Duration	Interest Rate	Monthly P&I	Interest Paid	Total Paid
30	4.125%	\$1,141.35	\$175,386.04	\$410,886.04
20	3.875%	\$1,411.62	\$103,288.78	\$338,788.78
10	3.125%	\$2,287.62	\$39,014.30	\$274,514.30

Mortgage Illustration - \$235,500 Loan
(Median Priced Home Lancaster, CA 2016)

- c. Plan and save – Make a large down payment

Loan Duration	Interest Rate	Monthly P&I	Interest Paid	Total Paid
30	4.125%	\$913.08	\$140,308.83	\$328,708.83
20	3.875%	\$1,129.30	\$82,631.02	\$271,031.02
10	3.125%	\$1,830.10	\$31,211.44	\$219,611.44

Mortgage Illustration - \$188,400 Loan
(20% Down on Median Priced Home Lancaster, CA 2016)

- d. Pay extra annually or monthly

Loan Duration	Interest Rate	Monthly P&I	Interest Paid	Total Paid
30	4.125%	\$1,141.35	\$175,386.04	\$410,886.04
26	1 Add'l Payment Annually		\$148,645.77	\$384,145.77
25.7	\$100 Extra each month		\$146,479.68	\$381,979.68

Mortgage Illustration - \$235,500 Loan
(Additional Payments Median Priced Home Lancaster, CA 2016)

- e. The goal is to limit our exposure to default and presumption on the future

f. So work this type of loan off as soon as you can

D. Dumping the Debt

1. If you find that you have unsecured debt there are three ways to buy down debt:
2. Sell assets to pay off your debts
3. Pay off Smallest to Largest
 - a. You may hear this called the Debt Snowball
 - b. Put your debts in order smallest to largest
 - c. Pay all but the smallest at the minimum payment
 - d. Apply additional money to the smallest loan above the minimum payment until it is paid off
 - e. Then apply all of the money you were paying on the smallest loan to the next loan on the list repeat until all are paid off
4. Pay off Highest Interest to Lowest Interest
 - a. Same as above except you order the loans from highest to lowest interest rate
 - b. Pay them off just as above.
5. Debt costs money
6. It is wise to minimize debt
7. It is foolish to take on debt that is not secured
8. A great goal for your financial future would be to live debt free

XXIV. Homework

A. Memory Verses

1. Psalms 37:21 *“The wicked borrows and does not pay back, But the righteous is gracious and gives.”*
2. Proverbs 21:20 *“There is precious treasure and oil in the dwelling of the wise, But a foolish man swallows it up.”*
3. Titus 2:12 *“...instructing us to deny ungodliness and worldly desires and to live sensibly, righteously and godly in the present age,”*
4. Matthew 6:21 *“for where your treasure is, there your heart will be also.”*
5. Hebrews 13:5 *“Make sure that your character is free from the love of money, being content with what you have; for He Himself has said, ‘I WILL NEVER DESERT YOU, NOR WILL I EVER FORSAKE YOU,’”*

6. ^{Psalm 24:1} “*The earth is the LORD’S, and all it contains, The world, and those who dwell in it.*”
- B. Build a debt pay down plan and factor it into your budget
- C. Continue to Write everything down but use a tracking sheet for each of the individual major categories that you have on your anticipated spending sheet
- D. Fill in the Balance Form for monthly anticipated spending

References

1. Unless otherwise indicated all scripture quotations are from the New American Standard Bible (NASB), 1995
2. **Ron Blue**, *Master Your Money: A Step Buy Step Plan for Financial Freedom* (Nashville, TN: Thomas Nelson, 1991)
3. **Larry Burkett**, *Your Finances in Changing Times* (Chicago, IL: Moody, 1993)
4. **Ibid**, *Using Your Money Wisely: Biblical Principles Under Scrutiny* (Chicago, IL: Moody, 1990)
5. **John Temple**, *Family Money Matters: How to run your family finances to God’s Glory* (Leominster, UK: Day One, 2010)
6. **Chuck Bentley**, *The S.A.L.T. Plan: How to prepare for an economic crisis of biblical proportions* (Crown Financial Ministries, 2012)
7. **Dave Ramsey**, *The Total Money Makeover: A proven plan for financial fitness* (Nashville, TN; Nelson, 2003)
8. **Eric Tyson**, *Personal Finance for Dummies, 2nd Edition* (Foster City, CA; IDG, 1996)
9. <https://www.irs.gov/uac/newsroom/tax-refunds-reach-almost-125-billion-mark-irs-gov-available-for-tax-help>
10. <https://apps.irs.gov/app/withholdingcalculator/>
11. <http://assessor.lacounty.gov/decline-in-value/>