

**The Challenge To Be Free of**

# **Unwise Debt**

**Emphasizing Biblical Principles  
Giving Practical Illustrations  
Useable Forms to Assist**

**Prepared by:  
Paul E. Cantrell**

**2000**



*The Challenge:  
To Free of  
**Unwise Debt***

**4 Lessons  
and Forms for use**

**Prepared by:  
Paul E. Cantrell  
84 Northview Drive  
Mechanicsburg, PA 17050**

[pecantrell@juno.com](mailto:pecantrell@juno.com)

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# Preface

“High-Debt-Living” has become a way of life in America! Many feel that this is very unwise—and the put out the many consequences of such in our society. For example, a young couple may be in debt as much as \$100,000 to \$150,000 within the first few years of their marriage. This debt may involve such things as: (1) A house mortgage, (2) College loans for one or both, (3) Car loans for one or both, (4) New furniture for the new house, etc. One of the undesirable consequences of such large debts is seen in the large number of divorces that state that finances was a primary cause of the divorce.

Why has debt become such a problem, even among Christians? Several factors could be suggested: (1) A lack of training in the home, (2) A lack of financial concern, (3) Emergency situations, (4) Selfishness, greed, or covetousness, (5) Poor stewardship, and (6) Very poor planning for the future.

The purpose of this small booklet is to issue a challenge to become free of unwise debt so that a person can make better use of his financial resources. It is intended to also offer encouragement by providing several forms that can be used to help accomplish this goal. And finally, to point out the joy of being free of debt and in good control of the resources God has entrusted to each of us.

Paul E. Cantrell  
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## Lesson One

# “The Challenge of Dealing With Debt”

*“The rich rules over the poor, and the borrower is servant (slave) to the lender.” (Prov. 22:7)*

We are reminded by the inspired James (2:6) that the rich oppress people and drag them into court to force them to pay their due debts. The admonition in Romans 13:8 to **“owe no man anything,”** is one of those special worded passages, an unusual phrase, that de-emphasizes the first in order to emphasize the second thought. It simply means to pay your debts when they come due....let no debts remain outstanding. But the wise man in Proverbs is telling us that going into debt has its “minuses.” It is obvious that debt affects the debtor, he has to pay interest on the money he borrows. But there is more, he loses a part of his freedom. The song, *“I owe my soul to the company store,”* says it loud and clear!

Debt plagues many families. It has been estimated that as high as 80 percent of families in this country are in debt in excess of what they can really afford! This has to put a terrible strain on the marital relationship. Easy credit (Credit Cards) has probably contributed far more than its share to family debts. But debt itself is not wrong. It is the purpose of debt that needs to be looked at closely. Debt may be a symptom of deeper problems: selfishness, greed, self-indulgence, impatience, and poor self-image, lack of self-worth, lack of self-discipline, etc. Debt, simply defined, is “Borrowing to buy now with intent to pay later.” It is a promise to make payments until the debt is paid off. This is the reason for the admonition in Romans 13:8....pay your debts when they come due!

### A CLOSER LOOK AT DEBT

If debt was only borrowing some money and paying it back each week or month until the borrowed amount is repaid, it wouldn't be so bad. But as we all know, it is more than that....it is a form of bondage until the debt is paid off (Proverbs 22:7). We have to pay interest, some times high interest, on the money borrowed. Thus, debt not only reduces one's total spendable income, but also robs him of the benefits of his laboring. Interest is generally lost money. It is lost money that could have been saved for the future.

There are different kinds of debts: Credit card debts, Consumer debts, Mortgage debt, Investment debts, and Business debt. In case of an emergency debt may be a necessity for us. Business loans can keep a business going until it can get on its feet in order to provide a living for the owner. Buying a house through a monthly mortgage may be wiser than renting. There may be times when a person can borrow money at low interest and invest it in something that will pay higher dividends than the interest he is being charged. There are legitimate reasons for debt when used wisely. We need to evaluate before making debts by asking such questions as:

(1) Does it make good economic sense? (2) Are we (married couple) in agreement about taking on debt? (3) Can we have spiritual peace of mind over this debt? (4) Am I meeting my financial

goals with this debt? (5) Why am I going into debt? We also must remember, as a Christian, we are honor bound to pay our debts. Not to pay is dishonesty and a form of greed.

### UNWISE DEBT

It has been said that debt is *“People buying things they don’t need, with money they don’t have, to impress neighbors who don’t care.”* There can be many reasons why people make unwise debts. The following are a few to illustrate:

- (1) They have a bad outlook about debt. *“Buy now, pay later.....if I can.” “If I can repay, fine, but if not, let them try to get their money!”*
- (2) Over-spending their income because of poor money management, or not feeling a responsibility to handle money wisely.
- (3) Lack of discipline. They see, want, buy.....got to have it now! So they run up their debts far beyond safe limits.
- (4) Their life-style is too high for their pocketbook! This usually is encouraged by the concept of *“keeping up with the Joneses.”* And, of course, *“Every time I catch up with the Joneses, they refinance!”*
- (5) Selfishness and greed are at the root of many unwise debts.
- (6) To go on someone’s note and get caught having to pay it off. The wise man warns of this danger and states that it should not be done (Proverbs 11:15; 6:1-5; 22:26-27).

### THE DANGERS OF UNWISE DEBT

#### **In the home:**

- (1) It is a leading cause of family arguments, physical and mental abuse & problems.
- (2) It is a major cause in divorce, suicides, heart attacks, mental breakdowns, and crimes.
- (3) There have been cruel fights in homes over financial foolishness.
- (4) It can cause a neglect in the support and caring for our families (1 Timothy 5:8).

#### **To one’s budget:**

- (1) Credit cards can become our masters rather than our servants.
- (2) Lead to owing more each month than we can pay.
- (3) One’s budget is then undermined....made useless!

**To one's Income:**

- (1) It creates an attitude that my goal is to “get by,” not to be debt free (Proverbs 24:3-4).
- (2) It brings financial bondage—it mortgages our future, we can lose our desire to work, it can destroy our self-worth.
- (3) Our income cannot do what it was designed to do.

**Debt can become an obsession:**

- (1) The tendency is to compensate for feeling so powerless by going out and buying something else.
- (2) We keep buying things we don't really need or have to have.
- (3) We begin to hide things we buy from our spouse.
- (4) As debt increases, a person tends to withdraw more and more into himself.
- (5) We can become easily irritated with our family.
- (6) We become angry with our “successful” friends.
- (7) Our self-esteem can be destroyed.
- (8) It all begins with a deception.... *“Charging is fun and easy.”*

**SEEING THE EXPENSIVENESS OF DEBT**

One thing that helps a person to see the foolishness of unwise debt, and in some cases, even debt itself, is to see how expensive debt can be. The following two can well illustrate this.

**Illustration #1: A contrast involving a mortgage of \$100,000.00:**

<u>TYPICAL CASE</u>	<u>ALTERNATIVE CASE</u>
* 30-years	* Bi-weekly
* Fixed	* Half-payment
* 11% interest	* 11% interest
* \$952 a month	* \$478 BI-weekly
* <b>\$242,838 interest</b>	* <b>\$147,129 interest</b>

Just making BI-weekly payments over a monthly payment saves a tremendous amount of interest paid to the lender. Some banks may let you pay twice a month also.

**Illustration #2: Purchasing a new car every four years:**

- a) Buy a new car and finance \$10,000.00 at 12.5% interest.
- b) Payment of \$265.80 for 4 years.
- c) Total paid....\$12,758.40
- d) Do this over a lifetime of work (40 years)
- e) Would purchase 10 cars (10 x 12,758.40 equals \$127,585.00)
- f) The bank will re-invest your monthly payments for 40 years and they will come up with \$3,641,550.00 at the end of 40 years.

This expensiveness can be seen not only in the interest paid on debt, but the loss to one's spendable income, plus the loss of one's possible savings & interest paid to you.

### CONCLUSION

Successful money management absolutely depends upon dealing with debt! And unless we deal with debts properly, we may hear the Lord say in the Day of Judgment, "***Depart from me ye wicked and slothful servant.***" (Matthew 25:26). But once we have proven to the Lord we can manage money in a proper way, He often entrusts to us more to use (Matthew 25:23).

### QUESTIONS FOR DISCUSSION

#### **TRUE OR FALSE:**

1. Economy and thriftiness should be scorned.
2. Wastefulness is a sin.
3. Debts made for luxuries are a loss.
  
4. How is the wise and foolish distinguished? (Proverbs 21:20)
  
5. What does the Bible say about the slothful man? (Proverbs 18:9; 21:17; Luke 15:11-32)
  
6. What is the difference between being a tight-wad and being frugal? (John 6:12)
  
7. What are some ways to be thrifty and save? (Proverbs 6:6-8)
  
8. What are some ways to be frugal?
  
9. What are some losses that one incurs when he goes into debt?
  
10. What are some dangers of unwise debts?

## Lesson Two

# “Analyzing Your Financial Position”

*“For which of you, intending to build a tower, does not sit down first and count the cost, whether he has enough to finish it....”* (Luke 14:28)

The Lord showed the wisdom of two people in Luke 14:26-33. One was a builder who sat down to see if he had enough money to completely finish building his house, before beginning to build. The other was a king who sat down to see if he had a big enough army to defeat his enemy. The lesson seems to be obvious....sit down and count the cost before you launch out!

We believe also that there is wisdom in sitting down and seeing where you are financially before making any future plans and decisions about money. It is rare for a couple to sit down and evaluate and analyze their net worth, much less what their weekly or monthly cash flow margin might be. If and when it is done, it might be quite a surprise, depending on how well they have managed their income and spending. We believe the following things strongly indicate the need for this analysis: (1) To control spending; (2) To lower debt; (3) To establish financial goals; and (4) To successfully manage your money.

Successful money management is a planned process, step by step. An analysis gives an overview as to where you are financially at the present. It also indicates what your potential can be for the future. It is a process of listing all assets and liabilities, incomes, and expenses to see where you stand financially.

### EXPLANATION OF NET WORTH ANALYSIS SHEET

The listing of one's assets and their true evaluation may not be easy, but an effort needs to be made to arrive at a figure that can be useful in planning for the future. Terms like liquid or non-liquid are used to identify whether they can be turned into cash quickly or if it would be hard to turn them into cash at the present market value. Some assets have the potential to generate income or to increase in value, while some do not or may even lose in value. The IDEAL is to have as many productive assets as possible that keep growing in value over the years. The listing of liabilities will require that all loans or installment payments be listed showing the approximate amount owed on each. **Please note:** monthly bills are **not** to be listed here. Thus, by subtracting liabilities from assets, you have your net worth. When all has been completed, it may be amazing just how much you have in assets!

## EXPLANATION OF CASH FLOW ANALYSIS SHEETS

This analysis should be broken down by the year into at least three necessary categories: (1) All Incomes; (2) Special Expenses; and (3) Living Expenses. The following suggestions will help you in your efforts to fill these in correctly.

**INCOME:** This needs to be gross income, not net or take home pay. Be sure to include all of your incomes as well. However, do not include what the company you work for pays in health insurance or their part of the Social Security taxes. But, you should include what is taken out of your income to pay health insurance, Social Security taxes, Income taxes and any other benefit they take from your income. You should also include what the company puts into a pension for you and what you have withheld from your pay check that goes into a pension or retirement benefits.

**SPECIAL EXPENSES:** This is made a special category because of the uniqueness of these expenses. The Bible speaks very plainly in regards to all three of these areas. (1) **Giving.** All giving in cash should be listed. The Bible gives us priorities and we strongly believe that giving is a definite priority of the Christian. (Matthew 6:33; 1 Corinthians 16:1-2; Proverbs 3:9). (2) **Taxes.** Romans 13:7 makes it very clear that the Christian has an obligation to pay his dues to the Government. You should include what is withheld from the pay, as well as additional amounts that would come due. You should also include your half of the Social Security taxes. Do not include other taxes you pay out of your pocket in this section. They will be listed under “Living Expenses.” (3) **Debt.** Such passages as Psalms 37:21 and Romans 13:8 indicate that we are to pay our debts. You should list here such debts like car loans, credit card loans, etc., that you pay on Monthly. However, do not include your mortgage loan here. That should be listed under “Living Expenses” also.

**LIVING EXPENSES:** This is a term to identify those expenses that we have continually. The three expense areas above should be paid first, and the “living expenses” come last since this is an area that we can do some adjusting on.

## EXPLANATION OF THE CASH FLOW MARGIN SHEET

After you have successfully completed the other two areas of information, you are now ready to see not only what kind of a position you are in financially, but to see if you are overspending your income. This is often referred to as the Cash Flow Margin. The following process will help you find the answer to your Cash Flow Margin:

- (1) Take the total gross income from the Cash Flow Analysis Sheet and put it in the proper blank.
- (2) Take the total “Special Expenses” and place in their proper blanks.

- (3) Subtract the total of these “Special Expenses” from your gross income. This will give you your “Net Spendable Income.”
- (4) Take the total “Living Expenses” and place in the proper blanks.
- (5) Subtract your total from your “Net Spendable Income.” This will determine if you have any money left over or how much Cash Flow margin you have.

The above processes can let you see quickly if you have a **negative** Cash Flow. If you do, it would seem you might have the following choices:

- (1) Find a way to increase your income(s).
- (2) Find a way to reduce your “Living Expenses.”
- (3) Dip into your savings (if you have access to it).
- (4) Borrow in order not to have a negative Cash Flow.
- (5) Or, **find a way to reduce your Debts.**

It is important, in order to be good stewards of God, that our “Net Spendable Income” stays above our “Special Expenses” and our “Living Expenses.” Otherwise, we are not showing proper management of what God has entrusted to us.

If we were to list an order of priority of how we spend our income, we believe it should be as follows:

- (1) Giving
- (2) Taxes
- (3) Debts
- (4) Living Expenses

It is important for each one to understand that the view we hold about stewardship is revealed by: (1) One’s goals; (2) Priorities; (3) Convictions; (4) Relationships; (5) Use of Time; and (6) Secretiveness or openness about finances.

## CONCLUSION

We would like to encourage you to fill out this information and keep it on file for future use, bringing it up to date occasionally. Good stewards are FAITHFUL stewards of what God has entrusted to their care! Good stewards also deal with their debts correctly!

## Questions for Discussion

1. What needs to be done before one decides to spend money? (Luke 14:28)
2. How wise is the person who has no idea of what he is steward over?
3. What misconception do some have about how they secure their money? (Deut. 8:17)
4. Do you believe that Giving, Taxes, and Debts should be first on one's Budget list? (Why?)
5. Why is an "Analysis" of one's financial situation important?

### **TRUE OR FALSE:**

- \_\_\_ 6. Every spending decision is a spiritual decision.
- \_\_\_ 7. Every thing we have belongs to God.
- \_\_\_ 8. God does not expect one to watch every dollar he spends.
- \_\_\_ 9. Going into debt is not a sin.
- \_\_\_ 10. God will hold us accountable on how we spend money intrusted to us.

# Net Worth Analysis Sheet

## I - Assets

(1) Cash in checking account	\$
(2) Money Market funds	\$
(3) CD's	\$
(4) Marketable Securities	\$
(5) Life Insurance cash value	\$
(6) Home (Market value)	\$
(7) Land (Market value)	\$
(8) Business valuation	\$
(9) Real Estate Investments	\$
(10) Limited Partnerships	\$
(11) Boat, Camper, Tractor, etc.	\$
(12) Car(s) (Market value)	\$
(13) Furniture & Personal Property	\$
(14) Coin & Stamp collections, Antiques	\$
(15) IRA's, Keogh	\$
(16) Pension & Profit sharing	\$
(17) Receivables from others	\$
(18) _____	\$
(19) _____	\$
<b>TOTAL ASSETS</b> -----	<b>\$</b> _____

## II - Liabilities

(1) Charge cards	\$
(2) Auto loan(s)	\$
(3) Parent's loan	\$
(4) Bank loan(s)	\$
(5) Life Insurance loan	\$
(6) Home Mortgage loan	\$
(7) Home Equity loan	\$
(8) _____	\$
(9) _____	\$

## III - Net Worth

1) Total Assets	\$
2) Total Liabilities	\$
<b>NET WORTH</b> -----	<b>\$</b> _____

# Cash Flow Analysis Sheets

**All Sources of Income:**

(1)	Wages (Husband)	\$	
(2)	Wages (Wife)	\$	
(3)	Interest Received	\$	
(4)	Dividend Received	\$	
(5)	Rent Received	\$	
(6)	Business Income	\$	
(7)	_____	\$	
(8)	_____	\$	
(9)	_____	\$	
(10)	_____	\$	
<b>TOTAL INCOME FOR THE YEAR</b>		-----	<b>\$</b> _____

**Special Expenses:**

<b>Giving:</b>	(1)	Church	\$	
	(2)	Widows & Orphans	\$	
	(3)	Mission Work	\$	
	(4)	_____	\$	
	(5)	_____	\$	
	(6)	_____	\$	
<b>TOTAL GIVING</b>		-----	<b>\$</b> _____	

<b>Taxes:</b>	(1)	Federal Income Taxes	\$	
	(2)	State & City Income Taxes	\$	
	(3)	Social Security Taxes	\$	
	(4)	_____	\$	
	(5)	_____	\$	
	(6)	_____	\$	
<b>TOTAL TAXES</b>		-----	<b>\$</b> _____	

<b>Debts:</b>	(1)	Charge cards	\$	
	(2)	Car(s) loans	\$	
	(3)	Parent's loan	\$	
	(4)	Bank loan(s)	\$	
	(5)	Life Insurance loan	\$	
	(6)	Home Equity loan	\$	
	(7)	_____	\$	
<b>TOTAL DEBTS</b>		-----	<b>\$</b> _____	

**Living Expenses:**

<b>Housing:</b>	(1) Mortgage/Rent	\$
	(2) Insurance	\$
	(3) Property Tax	\$
	(4) Electricity	\$
	(5) Heating	\$
	(6) Water	\$
	(7) Sanitation	\$
	(8) Telephone	\$
	(9) Cleaning	\$
	(10) Upkeep	\$
	(11) Improvements	\$
	(12) Furnishings	\$
	(13) Supplies	\$
	(14) _____	\$ _____
	(15) _____	\$ _____
	<b>TOTAL HOUSING EXPENSES</b>	<b>-----\$ _____</b>

**Food: Total Food Expenses**-----\$ \_\_\_\_\_

<b>Clothing:</b>	(1) Husband	\$
	(2) Wife	\$
	(3) Children	\$ _____
	<b>TOTAL CLOTHING EXPENSES</b>	<b>-----\$ _____</b>

<b>Transport:</b>	(1) Car Insurance	\$
	(2) Gas & Oil	\$
	(3) Upkeep on Vehicle(s)	\$
	(4) Parking	\$
	(5) Mass Transit	\$
	(6) _____	\$ _____
	<b>TOTAL TRANSPORTATION EXP.</b>	<b>-----\$ _____</b>

<b>Medical:</b>	(1) Insurance	\$
	(2) Doctors	\$
	(3) Dentists	\$
	(4) Medicines	\$
	(5) _____	\$ _____
	<b>TOTAL MEDICAL EXPENSES</b>	<b>-----\$ _____</b>

**Insurance:** (1) Life \$  
 (2) Disability \$  
 (3) Mortgage Insurance \$  
 (4) \_\_\_\_\_ \$  
**TOTAL INSURANCE EXPENSES**-----\$\_\_\_\_\_

**Children:** (1) School Lunches \$  
 (2) Allowances \$  
 (3) Tuition \$  
 (4) Lessons \$  
 (5) \_\_\_\_\_ \$  
 (6) \_\_\_\_\_ \$  
**TOTAL CHILDREN'S EXPENSES**-----\$\_\_\_\_\_

**Recreation:** (1) Eating out \$  
 (2) Babysitters \$  
 (3) Magazines/Newspapers/Cable \$  
 (4) Vacation \$  
 (5) Special Activities \$  
 (6) \_\_\_\_\_ \$  
 (7) \_\_\_\_\_ \$  
 (8) \_\_\_\_\_ \$  
**TOTAL ENTERTAINMENT EXP.**-----\$\_\_\_\_\_

**Special:** (1) Christmas \$  
 (2) Birthdays \$  
 (3) Anniversaries \$  
 (4) \_\_\_\_\_ \$  
 (5) \_\_\_\_\_ \$  
 (6) \_\_\_\_\_ \$  
**TOTAL SPECIAL EXPENSES**-----\$\_\_\_\_\_

**Miscellaneous:** (1) Toiletries \$  
 (2) Husband: Lunches \$  
 (3) Wife: Miscellaneous \$  
 (4) Dry Cleaning \$  
 (5) Animal Care \$  
 (6) Beauty/Barber \$  
 (7) \_\_\_\_\_ \$  
 (8) \_\_\_\_\_ \$  
 (9) \_\_\_\_\_ \$  
**TOTAL MISC. EXPENSES**-----\$\_\_\_\_\_

# Cash Flow Margin Sheet

**GROSS INCOME.....\$\_\_\_\_\_**

**LESS SPECIAL EXPENSES:**

(1) Giving	\$	
(2) Taxes	\$	
(3) Debts	\$	
<b>Total Special Expenses-----</b>	<b>\$</b>	

**NET SPENDABLE INCOME--=-----\$\_\_\_\_\_**

**LESS LIVING EXPENSES:**

(1) Housing	\$	
(2) Food	\$	
(3) Clothing	\$	
(4) Transportation	\$	
(5) Entertainment	\$	
(6) Medical	\$	
(7) Insurance	\$	
(8) Children	\$	
(9) Special	\$	
(10) Miscellaneous	\$	
<b>Total Living Expenses-----</b>	<b>\$</b>	

**CASH FLOW MARGIN.....\$\_\_\_\_\_**

## *Lesson Three*

# “THE WISDOM OF BUDGETING”

*“...You wicked and lazy servant, ..... And cast the unprofitable servant into the outer darkness. There will be weeping and gnashing of teeth.” (Matthew 25:26, 30)*

The Lord condemned the “one talent man” for not using what he had. But the same condemnation would seem to apply also in the **misuse** of what one has been given. When we do not use wisely what we have been given, are we not just as unfaithful and unprofitable as the one talent man who didn’t use what he had. Again, the emphasis needs to be placed on what our attitude should be! We are not owners, but managers of God’s money!(Psalms 24:1; 50:10-11). We need to be good managers. We just have title to it for the brief time we are here on earth. Then, in the day of judgment we will give an accounting for how we have managed God’s resources! But...isn’t it amazing that God trusts us with His goods and puts us on our honor to use it wisely!

The writer of Proverbs portrays Wisdom as one crying in the streets for people to listen to what she has to say (Proverbs 1:20-21), and reminds her listeners that only fools hate knowledge (Proverbs 1:22). Thus, with a proper outlook towards possessions:

- (1) It will help us not to be a waster.(Proverbs 18:9)
- (2) It will help us to be free of greed and stinginess. Giving will be looked upon as a privilege, not a duty. (Colossians 3:5)
- (3) It will rid us of a dependence on money for happiness. Nothing is sure in this life! If we lose all, life will not fall apart. (Job 1:21)
- (4) It will change our value system--we will trust in God, not in possessions. (Matthew 6:19-20).
- (5) It will rid our life of worry over money—having it or the lack of it! (Matthew 6:33).
- (6) It will give us a sense of accomplishment for good. And will be put in charge of more when we use what we have been given, wisely! (Matthew 25:23, 29).
- (7) We will truly learn the law of sowing and reaping....that we usually reap more than we sow. (Galatians 6:7-8; Malachi 3:10; 2 Corinthians 9:6-10).
- (8) We will truly learn the law of sharing....that a gift to others is a gift to God. (2 Corinthians 8:14-15; Proverbs 19:7; Matthew 25:35-40).

It would seem that all of the above are made invalid if we do not learn to control spending and keep our debt down.

### THE VALUE AND PROPER USE OF A BUDGET

A BUDGET helps to control our spending and enables us to have a positive cash flow at the end of the month! A budget is a means to an end! It is not an end in itself. It will help us to

accomplish our financial goals if we will let it. It can help assure wise use of the money entrusted to us. A budget is a means of helping to make money my servant to accomplish what I believe God expects of me. It must not be looked upon as a “monster” to be detested, but as an “effective tool” to help me be a wise and faithful steward (1 Corinthians 4:2). It should be looked upon as a road map that helps me to get where I need to go. It can help supply the discipline over my spending to keep it within the correct bounds. A properly prepared budget will serve as a motivation to control my spending, and thereby make money my servant! One of the big mistakes of our time is a “consumptive lifestyle.” It is spending more than I can afford, or spending more than I should. Debt and loose spending feed on each other to add greater burdens in our lives. A budget is designed to curb and control such. And every dollar saved, can be used to accomplish the financial goals that I have made. Without a budget to control our spending, we cannot accumulate money. Without this accumulation, we cannot reach our short-term nor long-term goals.

### **WORKING UP A BUDGET**

From lesson two, you have already been encouraged to do an Analysis of your financial position in order to get started on getting your finances in a controlled situation. From that information, you should be able to easily work up a budget that will serve your financial purposes well. Additional budget forms have been provided with this lesson to help you, but they may or may not have some things that you would desire on them. We have also provided an illustration along with the forms to help you see how to use them effectively. It is wise also to evaluate your budget every six months to see how well things are going. If there are changes in your financial situation, your budget will need revising.

Also provided in this lesson is what is called a “Budget Guideline Percentages” form that can give you an average estimate of what each area of your budget should be. This will at least give you an idea of where you are in comparing with others. We are not advocating the above....only letting you have something to compare with.

The budget forms that are provided are ones that have been a special help to myself and others. Three forms are required in order to be the most effective. The first form is the “Cash Flow Analysis Sheet” that is to let you know if you are staying within your income. The second form is for grouping your spending in categories of (1) Weekly spending; (2) Monthly spending; (3) Quarterly spending; (4) Semi-Annual spending; (5) Annual spending; (6) Miscellaneous spending. The third form is a worksheet to cover the whole year at a glance and to determine how much money you will need at the beginning of the year in order to stay in the black each month. This has been extremely valuable to me, and I hope it will be to you! As mentioned before, we have given you an example to refer to.... to help you understand how these forms are used.

## BUDGET GUIDELINE PERCENTAGES

**ACTUAL GROSS INCOME FOR YEAR.....\$**

Giving.....(10% of Gross).....\$

Taxes.....(15% of Gross).....\$

**NET SPENDABLE INCOME FOR YEAR.....\$**

Debt Reduction.....(15% of Net).....\$

Housing.....(30% of Net).....\$

Food.....(15% of Net).....\$

Clothing.....( 5% of Net).....\$

Transportation.....(10% of Net).....\$

Medical.....( 5% of Net).....\$

Insurance.....( 5% of Net).....\$

Children.....( 2% of Net).....\$

Entertainment/Recreation.....( 5% of Net).....\$

Gifts/Special Occasions.....( 3% of Net).....\$

Miscellaneous.....( 5% of Net).....\$

**TOTAL (Cannot exceed Net Spendable Income).....\$**

## BUDGET GUIDELINE PERCENTAGES

**ACTUAL GROSS INCOME FOR YEAR.....\$ 36,400**

Giving.....(10% of Gross).....\$ 3640

Taxes.....(15% of Gross).....\$ 5460

**NET SPENDABLE INCOME FOR YEAR.....\$ 27,300**

Debt Reduction.....(15% of Net).....\$ 4095

Housing.....(30% of Net).....\$ 8190

Food.....(15% of Net).....\$ 4095

Clothing.....( 5% of Net).....\$ 1365

Transportation.....(10% of Net).....\$ 2730

Medical.....( 5% of Net).....\$ 1365

Insurance.....( 5% of Net).....\$ 1365

Children.....( 2% of Net).....\$ 546

Entertainment/Recreation.....( 5% of Net).....\$ 1365

Gifts/Special Occasions.....( 3% of Net).....\$ 819

Miscellaneous.....( 5% of Net).....\$ 1365

**TOTAL (Cannot exceed Net Spendable Income).....\$ 27,300**

## BUDGET BREAKDOWN

Year \_\_\_\_\_

<b>I. WEEKLY</b>		<b>\$</b>
1.	Contribution .....	\$
2.	Food & Household items .....	\$
3.	Gasoline .....	\$
4.	Children's School Lunches .....	\$
5.	Children's Allowances .....	\$
6.	Husband's lunches .....	\$
7.	Wife's lunches .....	\$
8.	Miscellaneous .....	\$
<b>II. MONTHLY</b>		<b>\$</b>
1.	House Mortgage or Rent .....	\$
2.	Utilities: Electricity .....	\$
	Heating .....	\$
	Telephone .....	\$
	Water .....	\$
3.	Cable .....	\$
4.	Hospital Insurance .....	\$
5.	Car Loan .....	\$
6.	Charge Cards .....	\$
7.	Parent's Loan .....	\$
8.	Bank Loan .....	\$
9.	Life Insurance Loan .....	\$
10.	Home Equity Loan .....	\$
11.	Mortgage Insurance .....	\$
12.	Disability Insurance .....	\$
13.	Life Insurance .....	\$
14.	.....	\$
15.	.....	\$
16.	.....	\$
<b>III. QUARTERLY</b>		<b>\$</b>
1.	Sewer .....	\$
2.	Garbage .....	\$
3.	Soc. Security & Federal Income Taxes .....	\$
4.	State, City, Other Taxes .....	\$
5.	.....	\$
6.	.....	\$
7.	.....	\$
<b>IV. SEMI-ANNUAL</b>		<b>\$</b>
1.	Car Insurance .....	\$
2.	House Taxes .....	\$
3.	.....	\$
4.	.....	\$
5.	.....	\$

***(Budget Breakdown.....Continued)***

<b>V. ANNUAL.....</b>		<b>\$</b>
1. Lectures.....	\$	
2. Subdivision Fee.....	\$	
3. House Insurance.....	\$	
4. Vacation.....	\$	
5. Vitamins, etc.....	\$	
6. Christmas Gifts.....	\$	
7.....	\$	
8.....	\$	
9.....	\$	
<b>VI. MISCELLANEOUS.....</b>		<b>\$</b>
1. Once a year gift.....	\$	
2. Property Taxes.....	\$	
3. Upkeep on House.....	\$	
4. Improvements on House.....	\$	
5. Furnishings in House.....	\$	
6. Clothing.....	\$	
7. Upkeep on Car.....	\$	
8. Other transportation.....	\$	
9. Doctors.....	\$	
10. Medicines.....	\$	
11. General School items.....	\$	
12. Eating out.....	\$	
13. Baby sitting.....	\$	
14. Magazines/Newspapers.....	\$	
15. Special Activities.....	\$	
16. Birthday Gifts.....	\$	
17. Anniversary Gifts.....	\$	
18. Other Gifts.....	\$	
19. Toiletries.....	\$	
20. Dry Cleaning.....	\$	
21. Animal Care.....	\$	
22. Beauty/Barber.....	\$	
23.....	\$	
24.....	\$	
25.....	\$	
26.....	\$	

**PLEASE NOTE:** Any item that is paid in one or more payments and you know the month(s), be sure to place by that item those month(s). This will be needful for the next Form.

# **BUDGET BREAKDOWN**

Year \_\_\_\_\_

<b>I. WEEKLY</b>		<b>\$ 200.00</b>
1.	Contribution .....	\$ 115.00
2.	Food & Household items .....	\$ 60.00
3.	Gasoline .....	\$ 15.00
4.	Children's School Lunches .....	\$
5.	Children's Allowances .....	\$
6.	Husband's lunches .....	\$
7.	Wife's lunches .....	\$
8.	Miscellaneous .....	\$ 10.00
<b>II. MONTHLY</b>		<b>\$ 1470.00</b>
1.	House Mortgage or Rent .....	\$ 740.00
2.	Utilities: Electricity .....	\$ 100.00
	Heating .....	\$
	Telephone .....	\$ 50.00
	Water .....	\$ 15.00
3.	Cable .....	\$ 22.00
4.	Hospital Insurance .....	\$ 292.00
5.	Car Loan .....	\$ 100.00
6.	Charge Cards .....	\$
7.	Parent's Loan .....	\$
8.	Bank Loan .....	\$
9.	Life Insurance Loan .....	\$
10.	Home Equity Loan .....	\$
11.	Mortgage Insurance .....	\$
12.	Disability Insurance .....	\$ 23.00
13.	Life Insurance .....	\$ 128.00
14.	.....	\$
15.	.....	\$
16.	.....	\$
<b>III. QUARTERLY</b>		<b>\$ 1235.00</b>
1.	Sewer .....	\$
2.	Garbage (Feb, May, Aug., Nov.) .....	\$ 35.00
3.	Soc. Security & Federal Income Taxes .....	\$ 1200.00
4.	State, City, Other Taxes .....	\$
5.	.....	\$
6.	.....	\$
7.	.....	\$
<b>IV. SEMI-ANNUAL</b>		<b>\$ 795.00</b>
1.	Car Insurance (June, Dec.) .....	\$ 420.00
2.	House Taxes (Mar., Sept.) .....	\$ 375.00
3.	.....	\$
4.	.....	\$
5.	.....	\$

# (Budget Breakdown.....Continued)

<b>V. ANNUAL.....</b>		<b>\$ 1525.00</b>
1. Lectures (Feb).....	\$ 200.00	
2. Subdivision Fee (June) .....	\$ 75.00	
3. House Insurance (July).....	\$ 400.00	
4. Vacation (Oct).....	\$ 250.00	
5. Vitamins, etc (Dec).....	\$ 350.00	
6. Christmas Gifts (Dec).....	\$ 250.00	
7. ....	\$	
8. ....	\$	
9. ....	\$	
<b>VI. MISCELLANEOUS.....</b>		<b>\$ 4270.00</b>
1. Once a year gift.....	\$	
2. Property Taxes.....	\$	
3. Upkeep on House.....	\$ 400.00	
4. Improvements on House.....	\$	
5. Furnishings in House.....	\$ 200.00	
6. Clothing.....	\$ 200.00	
7. Upkeep on Car.....	\$ 250.00	
8. Other transportation.....	\$ 180.00	
9. Doctors.....	\$ 700.00	
10. Medicines.....	\$ 1300.00	
11. General School items.....	\$	
12. Eating out.....	\$	
13. Baby sitting.....	\$	
14. Magazines/Newspapers.....	\$	
15. Special Activities.....	\$	
16. Birthday Gifts.....	\$ 140.00	
17. Anniversary Gifts.....	\$	
18. Other Gifts.....	\$ 100.00	
19. Toiletries.....	\$	
20. Dry Cleaning.....	\$	
21. Animal Care.....	\$	
22. Beauty/Barber.....	\$	
23. Catch-All items.....	\$ 500.00	
24. Credit Cards.....	\$ 300.00	
25. ....	\$	
26. ....	\$	

**PLEASE NOTE:** Any item that is paid in one or more payments and you know the month(s), be sure to place by that item those month(s). This will be needful for the next Form.

## YEARLY FINANCIAL OVERVIEW

Year \_\_\_\_\_

TIMES	ITEMS	JAN.	FEB.	MAR.	APR.	MAY	JUNE
<b>WEEKLY</b>	<b>Food, Gas, etc.</b>						
<b>MONTHLY</b>	<b>Set Expenses</b>						
<b>*QUARTERLY</b>							
<b>*SEMI-ANNUAL</b>							
<b>*ANNUAL</b>							
<b>MISCELLAN.</b>							
<b>TOTAL</b>	<b>Expenses</b>						
<b>MONTHLY</b>	<b>Income</b>						
<b>MONTHLY</b>	<b>Plus or Minus</b>						
<b>RUNNING BALANCE</b>	<b>Needed to start the year _____</b>						

## YEARLY FINANCIAL OVERVIEW

Year \_\_\_\_\_

TIMES	ITEMS	JULY	AUG.	SEP.	OCT.	NOV.	DEC.
<b>WEEKLY</b>	<b>Food, Gas, etc.</b>						
<b>MONTHLY</b>	<b>Set Expenses</b>						
<b>*QUARTERLY</b>							
<b>*SEMI-ANNUAL</b>							
<b>*ANNUAL</b>							
<b>MISCELLAN.</b>							
<b>TOTAL</b>	<b>Expenses</b>						
<b>MONTHLY</b>	<b>Income</b>						
<b>MONTHLY</b>	<b>Plus or Minus</b>						
<b>RUNNING BALANCE</b>	<b>Needed to start the year</b>						

## **YEARLY FINANCIAL OVERVIEW**

### **Year 1998**

TIMES	ITEMS	JAN.	FEB.	MAR.	APR.	MAY	JUNE
<b>WEEKLY</b>	<b>Food, Gas, etc.</b>	<b>800</b>	<b>800</b>	<b>1000</b>	<b>800</b>	<b>1000</b>	<b>800</b>
<b>MONTHLY</b>	<b>Set Expenses</b> <b>1470</b>	<b>1470</b>	<b>1470</b>	<b>1470</b>	<b>1470</b>	<b>1470</b>	
<b>*QUARTERLY</b>	<b>Taxes</b>	<b>1200</b>			<b>1200</b>		<b>1200</b>
	<b>Garbage</b>		<b>35</b>			<b>35</b>	
<b>*SEMI-ANNUAL</b>	<b>Car Insurance</b>						<b>420</b>
	<b>House Taxes</b>		<b>375</b>				
<b>*ANNUAL</b>	<b>Subdivision Fee</b>						<b>75</b>
	<b>House Insurance</b>						
	<b>Lectureship</b>		<b>200</b>				
	<b>Vitamins, etc.</b>						
	<b>Vacation</b>						
	<b>Christmas</b>						
	<b>House Insurance</b>						
<b>MISCELLAN.</b>		<b>355</b>	<b>355</b>	<b>355</b>	<b>355</b>	<b>355</b>	<b>355</b>
<b>TOTAL</b>	<b>Expenses</b>	<b>3825</b>	<b>2860</b>	<b>3200</b>	<b>3825</b>	<b>2860</b>	<b>4320</b>
<b>MONTHLY</b>	<b>Income</b>	<b>2716</b>	<b>3016</b>	<b>3395</b>	<b>2716</b>	<b>3395</b>	<b>2716</b>
<b>MONTHLY</b>	<b>Plus or Minus</b>	<b>- 109</b>	<b>+ 156</b>	<b>+ 195</b>	<b>-1109</b>	<b>- 535</b>	<b>-1614</b>
<b>RUNNING BALANCE</b>	<b>Needed to start the year—(\$4200)</b>	<b>4091</b>	<b>4247</b>	<b>4442</b>	<b>3333</b>	<b>3868</b>	<b>2254</b>

\* Above the months indicate a 5<sup>th</sup> Sunday month.

## **YEARLY FINANCIAL OVERVIEW**

### **Year 1998**

TIMES	ITEMS	JULY	AUG.	SEP.	OCT.	NOV.	DEC.
WEEKLY	Food, Gas, etc.	800	1000	800	800	1000	800
MONTHLY	Set Expenses <span style="float: right;">1470</span>	1470	1470	1470	1470	1470	
*QUARTERLY	Taxes			1200			
	Garbage		35			35	
*SEMI-ANNUAL	Car Insurance						420
	House Taxes		375				
*ANNUAL	Subdivision Fee						
	House Insurance	400					
	Lectureship						
	Vitamins, etc.						350
	Vacation				250		
	Christmas						250
MISCELLAN.		355	355	355	355	355	355
TOTAL	Expenses	3025	2860	4200	2875	2860	3645
MONTHLY	Income	2716	3395	2716	2716	3395	2716
MONTHLY	Plus or Minus	- 309	+ 535	- 1484	- 159	- 535	- 939
RUNNING BALANCE	Needed to start the year <u>\$4200</u>	1945	2480	996	837	1372	433

\* At the top above the months indicate a 5<sup>th</sup> Sunday month.

## Lesson Four

# “THE JOY OF BEING DEBT FREE”

*“Let your conduct be without covetousness; be content with such things as you have. For He Himself has said, ‘I will never leave you nor forsake you.’” (Hebrews 13:5)*

Being content with such things as we have does not mean we should be lazy, indolent, without ambition or hard work! But a sense of contentment and assurance that God can give to us will make us far better money managers than we would have been otherwise. Discontent, greed, selfishness, covetousness all lead to our downfall financially, and most of all, spiritually. And....the way to financial security and peace of mind lies in making a commitment to avoid debt....and even greater, to be free of debt! However, in making such a commitment, it is necessary to be content in having less of this world’s goods than those about me. Most people around us are more concerned about acquiring material possessions, creature comforts, and status symbols than they are about being right with God. Christians are expected to exercise control over our lifestyles and our spending. Self-control is a fruit of the Spirit of God that all Christians are to possess (Galatians 5:23). Our primary concern should be that of sowing to the Spirit rather than to the flesh (Galatians 6:7-8).

### GETTING OUT OF DEBT

One of the great joys of life is the feeling of having myself under control, a sense of self-discipline, and financially to be debt free. Getting out of debt for some will be fairly simple and quick, but for others, it can be a real trial and testing of one’s determination. But the feeling of joy at the end will be well worth the price that has to be paid to be debt free. The following are common-sense suggestions that will definitely help anyone to rid their lives once and for all of those unwanted, unwise debts that destroy our peace of mind and financial security.

- 1. Seek for the strength and motivation that comes from God’s Word.** Discipline and self-control are Christian virtues that all of us need. God’s Spirit can bring it into our lives if we will sit at His feet and learn His Words of Wisdom. (Philippians 4:13). I must face my problem head on.....”I am responsible.” I must want to get control of my finances.
- 2. A detailed Budget is an absolute must!** I must plan to get control of my finances with an accurate budget. A budget shows me my full income and expenses and also provides a basis for planning how to better manage them. It will help give me the guidelines to trim back my spending. It will help me to know where I am in my financial journey.
- 3. I must make a commitment to get out of debt.** Getting out of debt will take work on the part of possibly the whole family. In fact, it may be necessary to involve the whole family in the process in order to reach the desired goal.

4. **Stop using Credit cards!** Some even suggests cutting them up so they cannot be used. It may not be possible at first to do either, but this obviously should be a first priority in planning to become debt free. Stop making additional debts. Learn to say “NO” to new purchases that are definitely not needed. Also, operate on a “Cash Basis” from now on!
5. **Sell, sell, sell!** Have garage sales, yard sales, etc., of those items that are not used or needed. Use the money to pay off debts sooner.
6. **If heavily in debt, take drastic measures!** If you can't get out of debt for a long time under your present spending patterns, then, drastic action is called for! Cut your spending to the “bone.” Lower your standard of living to emergency levels. The greater the sacrifice now, the sooner you can be debt free. Evaluate to see if you need your present car and can get by for a time with a cheaper car. Move closer to work. Cut down on the amount of food you eat, especially the frills. Take vacations closer to home with less expense. Evaluate all those areas where money is being spent and find a way to cut a little everywhere possible. These drastic means are harsh possibly, but when you see your debt melting away quickly, it will be well worth the price. For example: \$2.74 per day on non-productive purchases results in \$1000 a year loss in long term saving. \$1000 a year at 12.5% in 40 years can be a big savings. So, you can see that even small amounts saved can pay off. Dollars spent today takes savings away for the future!
7. **Learn to take care of what you do have!** Clean it, oil it, repair it, sew it, fix it up so it will last longer. Learn to be content with what you do have so you can get out or stay out of debt.
8. **Change your habits!** Eliminate all bad habits: cigarettes, alcohol, junk foods, things that are bad for one's health. Keep healthy---and save money! Change your way of buying things that will help to save money. Avoid fashion fads. Cut out pre-packaged or pre-cooked foods. Etc.
9. **Consolidate your debts.** Any time you can cut the interest rates on your debts, it would pay to re-finance or consolidate your bills. However, you must not make new debts. Begin paying off smaller debts first and/or those with higher interest. Set a time to have all debts paid off. As debts are eliminated, apply money to pay off other debts.
10. **Celebrate when you arrive at that great event!** Have a “Debt Free Party!” And enjoy the peace of mind, freedom from worry, ability to save money, ability to give more, and the successful distinction between “wants” and “needs.”
11. **And stay out of debt!** Save, Invest, Give, Enjoy. People with savings are usually not in financial trouble! Focus on the positive....with God's help, all is possible!

# DEBT REDUCTION

## A. HOW CAN I REDUCE LIVING EXPENSES:

- 1) Housing \$
  - 2) Food \$
  - 3) Clothing \$
  - 4) Transportation \$
  - 5) Medical \$
  - 6) Insurance \$
  - 7) Children \$
  - 8) Entertainment \$
  - 9) Gifts \$
  - 10) Miscellaneous \$
- Total.....\$

## B. HOW CAN I REDUCE MINOR DEBTS QUICKLY?

- 1) \_\_\_\_\_ \$
  - 2) \_\_\_\_\_ \$
  - 3) \_\_\_\_\_ \$
- Total.....\$

## C. HOW CAN I REDUCE MY TAXES?

- 1) \_\_\_\_\_ \$
  - 2) \_\_\_\_\_ \$
  - 3) \_\_\_\_\_ \$
- Total.....\$

## D. HOW CAN I RESTRUCTURE MY INVESTMENTS?

- 1) \_\_\_\_\_ \$
  - 2) \_\_\_\_\_ \$
  - 3) \_\_\_\_\_ \$
- Total.....\$

## E. HOW CAN I INCREASE MY INCOME?

- 1) \_\_\_\_\_ \$
  - 2) \_\_\_\_\_ \$
  - 3) \_\_\_\_\_ \$
  - 4) \_\_\_\_\_ \$
- Total.....\$

**GRAND TOTAL OF CASH FLOW PROJECTED FROM SAVINGS.....\$**  
**INCREASE IN MY GIVING FROM SAVINGS ABOVE.....\$**  
**TOTAL MARGIN INCREASE FOR DEBTS OR INVESTMENTS.....\$**

## ***QUESTIONS FOR DISCUSSION***

### **TRUE OR FALSE**

1. “A penny saved is a penny earned.”
2. To be free of debt is impossible for MOST people.
3. It is possible for a person to get out of reasonable debt within a year’s time.
  
4. What are some reasons you have observed as to why people get into unwise debt?
  
  
  
  
  
  
  
  
  
  
5. What would you say are the underlying reasons for unwise debt?
  
  
  
  
  
  
  
  
  
  
6. Why is a budget so necessary to dealing with and getting out of debt?
  
  
  
  
  
  
  
  
  
  
7. Do you have a budget, and do you strive hard to stay with it?
  
  
  
  
  
  
  
  
  
  
8. Why are economists so concerned about Americans being so much in debt and having so little savings?
  
  
  
  
  
  
  
  
  
  
9. What do you think of the philosophy.....”Spend money, that is what keeps the wheel turning.”
  
  
  
  
  
  
  
  
  
  
10. How would you distinguish between a wise debt and an unwise one?
  
  
  
  
  
  
  
  
  
  
11. What debts would you consider unnecessary to pay off early?

# SUGGESTED BOOKS FOR READING

1. **“Tax-Saving Tips”** by Sylvia Porter.
2. **“Year-Round Tax Strategies”** by Julian block
3. **“The Common-Sense Mortgage”** By Peter Miller
4. **“Preparing For Retirement”** By Larry Burkett
5. **“Debt-Free Living”** By Larry Burkett
6. **“Master Your Money”** By Ron Blue
7. **“Master Your Money Workbook”** By Ron Blue
8. **“How to Make Money in Stocks”** By William J. O’Neil
9. **“How to Avoid Financial Tangles”** By Kenneth C. Masteller
10. **“My God and My Money”** By V. P. Black
11. **“Living Sacrifices”** By Mac Layton
12. **“As Stewards of God”** By Bill E. Smith
13. **“Stewardship” (Gospel Advocate, April, 1994, Vol. CXXXVI, No. 4) Articles.**
14. **“Give and You Shall Get”** By Jack Exum
15. **“Money—Friend or Foe of the Christian”** By Ted H. Waller
16. **“Retirement Planning Guide”** By Ernst & Young

Notes

Notes



