

Debt Reduction Gods Way

Session #1 – God’s Wisdom on Debt & Saving

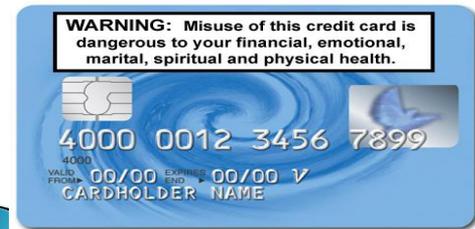
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Part I – God’s Wisdom on Debt:

God warns of the dangers of debt and God admonishes us to save for future needs.



▶ Seven Key points:

▶ 1. What do these verses say about borrowing?

Psalm 37:21 states, *"The wicked borrow and do not repay, but the righteous give generously."*

Romans 13:8 says *"let no debt remain outstanding"...*

2. What is God’s warning in Proverbs 22:7 which states: *"The rich rule over the poor, and the borrower is servant to the lender."*



Provide examples of becoming a servant to the lender.

3. What are the key biblical principles provided in the Scriptures below with respect to money management and borrowing?

Now listen, you who say, "Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money." Why, you do not even know what will happen tomorrow. Instead, you ought to say, "If it is the Lord's will, we will live and do this or that." (James 4:13-15)

Consider obtaining Tom’s paper titled “Discerning God’s Will”.

4. What does God promise in Matthew 6:31-33?

Jesus said: *"So do not worry, saying, 'What shall we eat?' or 'What shall we drink?' or 'What shall we wear?' For the pagans run after all these things, and your heavenly Father knows that you need them. But seek first His kingdom and His righteousness, and all these things will be given to you as well."*

Discuss examples of needs versus wants and desires.

5. What did God promise the People of Israel That **If** They Fully Obeyed Him?

"If you fully obey the LORD your God and carefully follow all His commands I give you today... The LORD will open the heavens, the storehouse of His bounty, to send rain on your land in season and to bless all the work of your hands. You will lend to many nations but will borrow from none."
(Deuteronomy 28:1, 12)

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And if God's people do not fully obey the Lord—what are the consequences?

"However, if you do not obey the LORD your God and do not carefully follow all his commands and decrees I am giving you today, all these curses will come upon you and overtake you... The alien who lives among you will rise above you higher and higher, but you will sink lower and lower. He will lend to you, but you will not lend to him."

(Deut 28: 15, 43,44).



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6. Can you identify anywhere in Scripture where God directed someone to borrow money in order for God to meet a need?

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In **Philippians 4:19**, Paul said: "and my God will meet all your needs according to his glorious riches in Christ Jesus".

And remember that in Matthew 6:31–33, Jesus promised to meet our needs if we put him first.

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7. The pattern throughout Scripture is for God to meet needs with no debt. Here's an example.

"When he had finished speaking, he said to Simon, "Put out into deep water, and let down the nets for a catch." Simon answered, "Master, we've worked hard all night and haven't caught anything.

But because you say so, I will let down the nets."

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"When they had done so, they caught such a large number of fish that their nets began to break...and filled both boats so full that they began to sink. When Simon Peter saw this, he fell at Jesus' knees and said, "Go away from me, Lord; I am a sinful man!" For he and all his companions were astonished at the catch of fish they had taken" (Luke 5:4–9)

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Question: In order for Simon Peter to be blessed by the Lord, what aspects of his life had to be in order? Provide a reference to scripture.

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Question: In order for Simon Peter to be blessed by the Lord, what aspects of his life had to be in order?

- ▶ Peter had a personal relationship with the Lord Jesus Christ in order to discern God's will. ([John 10:27](#)).
- ▶ Peter obeyed God's instructions ([Acts 5:29](#)).
- ▶ Peter trusted God's wisdom rather than his own understanding ([Proverbs 3:5,6](#)).
- ▶ Peter took specific action as God instructed him ([James 1:22 & 2:17](#)).
- ▶ We must do the same if we want to receive God's wisdom, direction and related blessings.

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Can you think of other examples in the Bible where God met needs without the assistance of a lender?

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Can you think of other examples in the Bible where God met needs without the assistance of a lender.

God provided food [manna] and water to the Israelites during the 40 years in the desert ([Exodus 16:35](#))

Working through Elisha, God miraculously provided oil to the widow to enable her to pay off all her debts [[2 Kings 4:1-7](#)].

God used ravens to feed Elijah ([1 Kings 17:4-6](#))

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7. In Scripture, God met needs:

Working through Elijah, God provided flour and oil to the widow and her son during the famine. ([1 Kings 17:13-16](#)).

Jesus fed the 5,000 with 5 loaves of bread and 2 fish ([Mark 6:39-34](#)), and there were even 12 baskets of food left over!

King David said: *"I was young and now I am old, yet I have never seen the righteous forsaken or their children begging bread."* ([Ps 37:25](#)).

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Summary

Biblical Perspective

- ▶ Minimum debt or no debt

Worldly Perspective

- ▶ Use debt freely which results in the accumulation of a lot of debt.

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Questions to ask yourself before borrowing [page 46 of my book].

1. Do you have a plan to ensure that you can afford the loan payments? [Luke 14:28-30].
2. Do you understand your responsibility to repay the entire loan [Psalms 37:21] and make the payments on time as a good Christian testimony [Matthew 5:16]
3. Have you prayed & waited upon the Lord to provide the cash? [Isaiah 64:4].
4. Have you given God a chance to provide it at a lower cost or perhaps another alternative? [Philippians 4:19].

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Questions to ask yourself before borrowing [page 46 of my book].

5. Have you considered that maybe God does not want you to have it. Jesus said: "If anyone would come after me, he must deny himself and take up his cross [Matthew 16:24].
6. Is the item that you plan to purchase really a necessity? God has promised to meet our needs but not necessarily our wants and desires [Matthew 6:31-33].
7. Have you and your spouse sincerely prayed for God's direction [Psalms 25:12] and do both of you [Genesis 2:24] have God's peace that he wants you to borrow the money and purchase the related item [John 14:26-27].

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Part II –The Importance of Saving

1. What is the key biblical principle provided in Proverbs 21:20?

"The wise man saves for the future but the foolish man spends whatever he gets."
(Proverbs 21:20 TLB)



What are the risks if you habitually spend all of your income?

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The Importance of Saving

2. What did Christ admonish us to do in the parable of the tower?
How does this apply to saving for future needs?

"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him, saying, 'This fellow began to build and was not able to finish.'"
(Luke 14:28-30)



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3. God's Perspective – Save for Future Needs As Opposed to the World's Perspective – Buy Now and Pay Later.

Since God is in control: *"The LORD has established His throne in heaven, and His sovereignty rules over all."* (Ps 103:19 NASB).

And since God [not the bank or credit card company], has promised to meet our needs as we put Him first.

In Philippians 4:19, Paul said: "and my God will meet all your needs according to his glorious riches in Christ Jesus".

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Is it not reasonable then, for Christians to trust God to meet their needs rather than relying on credit cards, personal lines of credit, and other loans?

Of course it is!

"Trust in the LORD with all your heart, And lean not on your own understanding; In all your ways acknowledge Him, And He shall direct your paths." (Proverbs 3:5-6 NKJV)

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Summary

Biblical Perspective

- ▶ Save regularly for future needs and be content with God's provision and timing.

Worldly Perspective

- ▶ "Buy now and pay later" or "use other people's money".

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Common Real-life Examples-

A Biblical Approach by "Mr. Wise" versus
A Worldly Approach by "Mr. Unwise"

▶ "Mr. Wise"

1. Is in the habit of saving for future needs.
2. Generally buys only what he needs.
3. Saved for education costs and completes college or university with little or no debt.
4. Drives a used car with no debt.
5. Saves a significant down payment for a home and pays down mortgage ASAP.
6. Buys furniture [sometimes used] for cash.
7. Lives within a budget.
8. Uses a credit card carefully, pays it off each month and incurs no interest charges.

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Common Real-life Examples-

A Biblical Approach by "Mr. Wise" versus
A Worldly Approach by "Mr. Unwise"

▶ "Mr. Unwise"

1. Generally never saves, just borrows and buys.
2. Makes financial decisions based upon personal desires or "gut feel", not needs.
3. Completes post secondary with a lot of debt.
4. Finances the purchase of a new car every 3 to 4 years.
5. Buys home with very little down payment.
6. Furnishes home with debt.
7. Has no budget.
8. Generally runs a balance on his credit cards.

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Recommended Memory Verses for this session:

- ▶ *"The rich rule over the poor, and the borrower is servant to the lender."*
(Proverbs 22:7)
- ▶ *"The wise man saves for the future but the foolish man spends whatever he gets."*
(Proverbs 21:20 TLB)

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Case Study

Mike and Sharon are Christians. They both earn typical middle-class incomes. Over several years, they accumulated significant debt on their credit cards. With interest rates of 18% to 28%, they felt that they could solve their problem by restructuring their debt. Hence they obtained a personal line of credit from their bank at a much lower interest rate and used the funds to pay off the credit cards.

For a while, they believed that they had solved their financial problems. However, over the next few years, the balance on their personal line of credit gradually increased to its limit.

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So again they met with their banker. Fortunately, their home had gone up in value and thus the banker provided a second mortgage on their home, to pay down their personal line of credit.

Over the next several years, the balances owing on their credit cards and personal line of credit again gradually increased. Since the fair market value of their home remained the same or decreased, the bank would not lend them any more money.

As a result, they were forced to withdraw money from their retirement fund which resulted in two new problems: first, a tax liability because of the retirement fund withdrawals and second, a significant concern that they would not have sufficient funds for retirement.

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Questions:

1. Did the restructuring of Mike and Sharon's debt (vis-à-vis the personal line of credit and second mortgage), solve their financial problems? Please explain your answer.

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1. Did the restructuring of Mike and Sharon's debt (vis-à-vis the personal line of credit and second mortgage), solve their financial problems? Please explain your answer.

The debt restructuring did not solve their personal financial problems because the overspending continued after the debt restructuring, and they ended up with even more debt at a later date.

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Questions:

2. What was the real underlying problem(s)? Hint —what biblical principles did they violate? Please provide a reference to Scripture.

33

2. What was the real underlying problem(s)? Hint —what biblical principles did they violate?

The real underlying problems for Mike and Sharon are that they have violated many biblical financial principles [perhaps unknowingly]. In a sense, their problem is spiritual in nature. Some of the biblical principles they have violated are as follows:

1. **They lacked contentment, demonstrated by the fact that over many years they were spending more than they were earning. (1 Timothy 6:6-8)**
2. **They did not develop and implement a budget. (Luke 14:28-30)**

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3. **They took on too much debt (Proverbs 22:7).**
4. **There was an unwillingness to sacrifice as needed (Luke 9:23).**
5. **They did not know where they were at financially (Proverbs 27:23).**
6. **They did not plan their finances properly especially with respect to assuming debt (Prov 21:5).**
7. **They did not foresee future financial problems, even after they restructured their debt a second time. Proverbs 22:3 says:**

A prudent man sees danger and takes refuge, but the simple keep going and suffer for it"

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Questions:

3. Initially, was it wrong for them to get a personal line of credit? Did the personal line of credit provide any benefit?

36

3. Initially, was it wrong for them to get a personal line of credit? Did the personal line of credit provide any benefit?

Initially, it was not wrong for them to get the personal line of credit as the personal line of credit did lower their interest costs and reduced their monthly payments. However, the line of credit did not solve their underlying financial problems—i.e. they were habitually spending more than they were earning as a result of the violation of several biblical principles.

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Questions:

4. What course of action do you believe Mike and Sharon should take to get their finances in order? Please provide a reference to Scripture for each point if you can.

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4. What course of action do you believe Mike and Sharon should take to get their finances in order? Provide a reference to Scripture

1. **Most importantly, Mike and Sharon need to learn (Deuteronomy 5:1) and implement (James 1:22) God's financial principles.**
2. **Develop and implement a budget to ensure that they are spending less than their income and use the surplus to pay down debt (Luke 14:28-30).**
3. **Change the way they think about money and material things (Romans 12: 2) by meditating on appropriate scriptures related to their problem areas (Joshua 1:8).**

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4. **Learn to be content with their level of income (Philippians 4:11-13).**

5. **Save some money for unexpected expenditures (Proverbs 21:20).**

6. **Seek godly financial advice—first from God himself (1 Kings 22:5), secondly from God's word (Psalm 119:24), and thirdly from a godly financial adviser (1 Corinthians 2:14, 15).**

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7. **Because credit cards create a temptation for Mike and Sharon to spend more than they are earning, they should perform "plastic surgery" on their credit cards by cutting them up (1 Corinthians 10:13).**



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Questions:

5. What do you think would be the consequences, if any of the following occurred?
- A. One spouse out of work for some time?
 - B. Interest rates on their debt increased?
 - C. Fair market value of their home decreased significantly in value.

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5. What do you think would be the consequences, if any of the following occurred?
- A. One spouse out of work for some time?
 - B. Interest rates on their debt increased?
 - C. Fair market value of their home decreased significantly in value.

Mike and Sharon have been spending more than they have been earning for years and if any one of the above events occurred, it would be disastrous!

Any one of the above events could stress their marriage relationship, result in sleepless nights, and possibly some health problems. They could lose their home and/or their automobiles, all of which would be upsetting to their entire family.

If their home decreased in value, then the bank would not likely renew their mortgage when it came due.

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Case Study

Bill and Gail Smith were horrified when they read through the legal document that explained that the bank had just taken a major portion of their retirement fund. Without understanding the implications, Bill and Gail had cosigned a loan for their son and daughter-in-law a few years earlier. After the son and his wife had missed several payments, the bank lost patience, legally demanded the loan, and unilaterally used the cosigners' money to pay it off.

As well as losing a lot of money, Mom and Dad lost the good relationship they had had with their son and daughter-in-law, who felt guilty because of what happened. Invitations for dinner were turned down, and both parties found it awkward at best when they got together. Cosigning had put a significant strain on the relationship.

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Questions

1. Did Bill and Gail violate any biblical principle in cosigning? Please explain and provide a reference to scripture.

45

1. Did Bill and Gail violate any biblical principle in cosigning? Please explain and provide a reference to scripture.

Yes: God's Word clearly warns of the dangers of cosigning –

Proverbs 11:15 says: *"it's a dangerous thing to guarantee payment for someone else's debts. Don't do it!" [CEV].*

And Proverbs 22:25, 26 says: *"Don't guarantee to pay someone else's debt. If you don't have the money, you might lose your bed." [CEV].*

Note—this is a principle, not a law, it is not a sin to cosign, but God warns of the dangers of cosigning.

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2. If someone requests that you cosign a loan, how would you now handle it?

47

2. If someone requests that you cosign a loan, how would you now handle it?

Generally, adopt a policy of never cosigning any loans because God warns of the dangers of cosigning and God discourages cosigning.

However, when it is a genuine need, and if led by the Lord, it's best to give or lend your money and expect nothing in return (Luke 6:32-38).

Then the relationship should remain intact.

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3. According to **Proverbs 6:1-5**, what should you do if you have already cosigned for a loan?

"My child, suppose you agree to pay the debt of someone, who cannot repay a loan. Then you are trapped by your own words, and you are now in the power of someone else. Here is what you should do: Go and beg for permission to call off the agreement. Save yourself, just as a deer or a bird tries to escape from a hunter." (CEV)

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3. According to Proverbs 6:1-5, what should you do if you have already cosigned for a loan?

- ▶ You should "free yourself" from the cosigned obligation as soon as possible.

50

4. What are some practical ways you can "free yourself" from the financial obligations of a cosigned loan?

51

4. What are some practical ways you can "free yourself" from the financial obligations of a cosigned loan?

1. Pray and ask God for his wisdom (**James 1:5**). Some situations may require a "miracle" from God in order to free you from the obligation.
2. Find another bank that would lend money to the borrower with no cosigner. Use these funds to pay off the loan that you cosigned.
3. Encourage and assist the borrower in managing finances according to biblical principles, thus reducing the risk of default.

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4. If adult children get into financial difficulty, should parents bail them out? Why or why not?

53

4. If adult children get into financial difficulty, should parents bail them out? Why or why not?

- ▶ If the adult children have mismanaged money, the parents should **not bail them out** as this enables the adult children to continue with their poor financial management [**Proverbs 22:6**].
- ▶ Many times what a person needs is to learn and implement God's financial principles, **not** to have someone else pay off the debts.
- ▶ And it is during trials that Christians will often grow the most spiritually [**John 15**].

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Debt Reduction Gods Way

Session 2: Steps to Get Out Of Debt

MORE INTERACTIVE

Presentation by: Thomas R. Copland, CA

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Objective of this session:

- ▶ To obtain a practical understanding of how to reduce your debt, with the long-term objective of becoming totally debt-free.



2

Key Biblical Principle:

- ▶ Since God warns of the dangers of debt and clearly discourages debt, it is God's best for all Christians to have a plan to become debt-free.



3

Steps to Get Out Of Debt

1. Pray and ask God for His wisdom and His specific direction as to what you should do to become debt free.

- ▶ God instructs us, *"If any of you lacks wisdom, he should ask God, who gives generously to all without finding fault, and it will be given to him. But when he asks, he must believe and not doubt..." (James 1:5, 6)*

4

2. Regularly study and meditate on God's Word.

"Your statutes are my delight; they are my counselors"
(Psalm 119:24)

"Your word is a lamp to my feet and a light for my path." (Psalm 119:105)



5

2. Regularly study and meditate on God's Word.

When an individual or couple has encountered financial difficulties, generally it was because they violated one or more of God's financial principles, perhaps unknowingly.

Can you think of any?

Provide a reference to scripture if you can.

6

Some examples of Christians violating God's principles would include the following:

1. Having no savings for unexpected expenditures ([Proverbs 21:20](#))
2. Taking on too much debt ([Proverbs 22:7](#))
3. Buying things they really do not need because of covetousness ([Exodus 20:17](#)) or a lack of contentment ([Hebrews 13:5](#))
4. Giving God the "leftovers" instead of the "first fruits" ([Proverbs 3:9&10](#))

7

Some examples of Christians violating God's principles would include the following:

5. Co-signing a loan ([Proverbs 11:15 & 22:26, 27](#)).
6. Getting involved in an investment that they did not understand ([Proverbs 19:2](#)) and that was not biblically diversified ([Ecclesiastes 11:1, 2](#))
7. Not having a budget ([Luke 14:28-30](#)), and as a result making financial decisions based upon "gut feel" and not the facts of their finances ([Proverbs 27:23](#))

8

3. Evaluate your present financial position—assets, liabilities, revenues, and expenses.

"Be sure you know the condition of your flocks. Give careful attention to your herds." ([Proverbs 27:23](#))



You need to know your financial facts. Decisions based upon "gut feel" or "personal desires" are very dangerous.

9

4. Develop and implement a cash flow plan/budget.

A properly implemented budget will enable you to spend less than your income each month to generate a surplus to pay down debt and save for future needs.

There are approximately 40 references in the Bible to planning, and generally they admonish us to plan ahead. ([Luke 14:28-30](#), [Proverbs 21:5](#))

"Commit to the Lord whatever you do and your plans will succeed." ([Proverbs 16:3](#))

Make prayer the foundation of your financial planning meetings. As you pray, ask God to reveal to your heart and mind His plan as to how you can reduce your debt and manage God's money God's way.

10

5. Ask God to enable you to be content with His provision.

So often people get into financial difficulty by taking on too much debt because of a lack of contentment, selfishness, covetousness or greed.

Contentment is the antidote to these worldly attitudes.

The apostle Paul said, *"For I have learned to be content whatever the circumstances.I have learned the secret of being content in any and every situation, I can do everything through Him who gives me strength."* ([Philippians 4:11-13](#))

11

6. With your surplus of cash, pay off the most expensive debt and the non-deductible debt first.



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7. In dependence upon God, follow up and persevere until you are debt free.

Even if finance is not your area of expertise, Jesus said, *"My grace is sufficient for you, for My strength is made perfect in weakness."* (2 Corinthians 12:9, NKJV).



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Summary of Practical Steps to Get Out of Debt

1. Pray and ask God for His wisdom and His specific direction.
2. Regularly study and meditate on God's Word.
3. Evaluate your present financial position—assets, liabilities, revenues and expenses.
4. Develop and implement a budget.

14

Summary of Practical Steps to Get Out of Debt

5. Ask God to enable you to be content with His provision.
6. With your surplus of cash, pay off the most expensive debt and the non-deductible debt first.
7. In dependence upon God, follow up and persevere until you are debt free.

15

Recommended Memory Verses:

*"If you fully obey the LORD your God and carefully follow all his commands I give you today,... The LORD will open the heavens, the storehouse of his bounty, to send rain on your land in season and to bless all the work of your hands. **You will lend to many nations but will borrow from none.**" (Deuteronomy 28:1, 12)*

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Case Study #1:

Jim and Jennifer are married and they both earn average incomes. Within one year of marriage, they noticed that their credit card balances had increased. They thought that this was no problem due to some one-time expenses that they incurred as newlyweds. However, over the next two years, the balances on their credit cards and personal line of credit increased substantially. They did not understand why this was occurring.

- ▶ As a result, they decided to attend a Biblical financial study. They were amazed how much God's Word had to say on finances. Jim and Jennifer realized that they had inadvertently been violating a number of biblical principles.

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Over the next several months, they studied God's Word on finances and meditated on several scriptures to help change the way they think about money and material things.

Then they recorded all their expenses for 3 months, which revealed that they were spending more than they were earning. This explained why their debts had been increasing.

Jim and Jennifer developed and implemented a budget to ensure that they were spending less than they were earning. They purposely used the surplus to pay down debt.

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Jim and Jennifer first focused on paying off their credit cards, as the interest rates were very high. They destroyed all of their credit cards and kept just one each. They agreed not to use the credit card unless it was absolutely necessary. Next, they paid down their personal line of credit. In the process, it was necessary to reduce their expenditures.

Although this was difficult, they prayed and trusted God to enable them to persevere with their reduced lifestyle and the reduction of their debts.

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Within three years, Jim and Jennifer had paid off all their credit cards and their personal line of credit. They both felt like "100 pounds was lifted off their back". They didn't realize the burden of their debt load.

Today, they have developed a new budget where the surplus is being applied against their mortgage. They learned that by paying just \$400 per month extra against their mortgage, they will save about \$50,000 in interest and be totally debt-free within nine years. Jim and Jennifer regularly thank the Lord for the financial wisdom in His Word and how God has enabled them to be content with a reduced lifestyle.

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Questions:

1. List below the actions that Jim and Jennifer originally took that were not consistent with God's principles. Please provide a reference to Scripture for each point.

21

1. List below the actions that Jim and Jennifer originally took that were not consistent with God's principles. Please provide a reference to Scripture for each point.

1. They did not know where their money was being spent [Prov 27:23].

2. Jim and Jennifer were not aware that their spending was greater than their income and that they were accumulating debt. [Proverbs 22:7].

3. They had not developed and implemented a budget [Luke 14:28-30].

4. They had not been content to live within God's provision [1 Timothy 6:6-8].

5. Jim and Jennifer had no savings for unexpected expenses [Prov 21:20].

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6. They were not aware of what God's Word says on finances [Psalms 119: 105].

7. They did not seek God's counsel in respect of finances [1 Kings 22:5].

8. They made financial decisions based upon their own personal judgment and personal desires rather than their "financial facts" .

- ▶ Proverbs 24:3, 4 says:

"By wisdom a house is built, and through understanding it is established; through knowledge its rooms are filled with rare and beautiful treasures."

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- ▶ **8. They made financial decisions based upon their own personal judgment and personal desires rather than their "financial facts" .**

- ▶ Proverbs 24:3, 4 says:

▶ *"By wisdom a house is built, and through understanding it is established; through knowledge its rooms are filled with rare and beautiful treasures."*

24

Questions:

- List below, the actions that Jim and Jennifer are now taking which are consistent with biblical principles. Please provide a reference to Scripture for each point.

25

- List below, the actions that Jim and Jennifer are now taking which are consistent with biblical principles. Please provide a reference to Scripture for each point.
 - They have studied and implemented God's Word on finances (Joshua 1:8, Psalms 119:9-11).**
 - Jim and Jennifer, now understand their financial position –i.e. their debt load, and where their money is being spent etc. (Proverbs 27:23).**
 - They are diligently planning their finances by using a budget (Proverbs 21:5).**

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- List below, the actions that Jim and Jennifer are now taking which are consistent with biblical principles. Please provide a reference to Scripture for each point.
 - Jim and Jennifer are making debt reduction a priority (Deuteronomy 28:1,12).**
 - They reduced the temptation of easy credit by destroying 2 credit cards and using the remaining card only when absolutely necessary (1 Corinthians 10:13).**
 - They have sacrificed by reducing their lifestyle (Luke 9:23).**

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- They learned to be content in dependence upon God (Philippians 4:11-13).
- They persevered with debt reduction and a moderated lifestyle (James 1:4).
- Jim and Jennifer trusted God to enable them to implement His financial principles (John 15:5).
- They regularly thank God for His financial wisdom and for enabling them to be content with a reduced lifestyle (Psalms 118:1, Psalms 107:8, 9).

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Questions:

- Please review the "before" and "after" schedule of expenses for Jim and Jennifer in the slides that follow. Please note some of the areas where they reduced their expenses.

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Jim and Jennifer's Financial Situation "before" implementing God's Financial Principles

1	DONATIONS	_____ 250
2	HOUSING	
	Mortgage/rent	_____ 1000
	Property Taxes	_____ 250
	Electricity	_____ 250
	Gas	_____ 200
	Water	_____ 50
	Telephone	_____ 100
	Maintenance	_____ 150
	Insurance	_____ 50
	Total Housing	_____ \$2,050

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3	FOOD	_____	700
4	AUTOMOBILE		
	Replacement	_____	0
	Gas & Oil	_____	400
	Insurance	_____	250
	Maintenance	_____	150
	TOTAL AUTO EXPENSES:	_____	\$800
5	DEBTS		
	Credit cards	_____	400 min payment
	Loans-plc	_____	100 min payment
	Other	_____	
	TOTAL DEBT SERVICE:	_____	\$500

6	ENTERTAINMENT & RECREATION		
	Eating out	_____	\$250
	Vacation	_____	150
	Sports/Gym	_____	100
	TOTAL ENT/REC:	_____	\$500
7	CLOTHING	_____	350
8	INVESTMENTS (e.g. RRSP, RESP etc.)	_____	\$0
9	Health care	_____	\$75

10	INSURANCE- life & disability	_____	100
11	MISCELLANEOUS		
	Education	_____	
	Gifts	_____	\$125
	Other*	_____	\$250
	Total Miscellaneous	_____	\$375
	TOTAL EXPENSES:	_____	\$5,700
	TOTAL REVENUES (FORM 2):	_____	\$5,000
	MONTHLY SURPLUS (DEFICIT):	_____	(\$700)

* Miscellaneous - Other includes expenses that do not fit elsewhere, such as transit, allowances, toiletries, cosmetics, etc.

Jim and Jennifer's Financial Situation "after" implementing God's Financial Principles

1	DONATIONS	_____	500
2	HOUSING		
	Mortgage/rent	_____	1000
	Property Taxes	_____	250
	Electricity	_____	250
	Gas	_____	200
	Water	_____	50
	Telephone	_____	100
	Maintenance	_____	50
	Insurance	_____	50
	Total Housing	_____	\$1,950

3	FOOD	_____	500
4	AUTOMOBILE		
	Replacement	_____	0
	Gas & Oil	_____	250
	Insurance	_____	125
	Maintenance	_____	75
	TOTAL AUTO EXPENSES:	_____	\$450
5	DEBTS		
	Credit cards	_____	400 min payment
	Loans-plc	_____	100 min payment
	Other	_____	
	TOTAL DEBT SERVICE:	_____	\$500

6	ENTERTAINMENT & RECREATION		
	Eating out	_____	\$50
	Vacation	_____	50
	Sports/Gym	_____	0
	TOTAL ENT/REC:	_____	\$100
7	CLOTHING	_____	100
8	INVESTMENTS (e.g., RRSP, RESP etc.)	_____	\$0
9	Health care	_____	\$75

10	INSURANCE--life & disability	_____	100
11	MISCELLANEOUS		
	Education	_____	
	Gifts	_____	\$75
	Other*	_____	\$150
	Total Miscellaneous	_____	\$225
	TOTAL EXPENSES:	_____	\$4,500
	TOTAL REVENUES (FORM 2):	_____	\$5,000
	MONTHLY SURPLUS (DEFICIT):	_____	\$500

* Miscellaneous - Other includes expenses that do not fit elsewhere, such as transit, allowances, toiletries, cosmetics, etc.

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4. Please review the "before" and "after" schedule of expenses for Jim and Jennifer above. Please note some of the areas where they reduced their expenses.

Some of the decisions that Jim and Jennifer had to make included the following:

- They sold one of their two automobiles and shared the remaining one.
- Jim did more of the house maintenance and the auto repairs himself.
- do inexpensive day trips from their home for vacations.
- Jennifer reduced her clothing expense and Jim stopped buying new tools.

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4. **Some of the decisions that Jim and Jennifer had to make included the following.**

- They substantially reduced their entertainment and recreation expense.
- They purchased their groceries from a discount store.
- Jim and Jennifer cancelled their memberships at the gym and worked out at home.
- They both became much more careful as to what they purchased in general. They always asked themselves, was the item truly a need or just a desire?

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Questions:

4. Please review the "before" and "after" schedule of expenses for Jim and Jennifer above. Please note some of the areas where they reduced their expenses.

As can be seen above, Jim and Jennifer originally had a deficit of \$700 per month and after they implemented God's financial principles, they had a surplus of \$500 per month. They reduced their expenditures by \$1,450 per month and increase their giving by \$250 per month to bring it up to 10%.

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Debt Reduction Gods Way

Session #3–Budgeting

Leader's Copy

More Interactive Version

Presented by: Thomas R. Copland, CPA, CA

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God admonishes us to plan ahead

- ▶ *"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him, saying, 'This fellow began to build and was not able to finish.'* (Luke 14:28–30)
- ▶ *"The plans of the diligent lead to profit as surely as haste leads to poverty." [Proverbs 21:5].*

The most practical way to plan your finances is to develop and implement a budget/cash flow plan.

- ▶ The purpose of budgeting is to ensure that you spend less than you earn on a regular [e.g. monthly basis] so that you have a surplus to pay down debt and save for future needs.

God's wisdom—know your "financial facts".

"By wisdom a house is built and through understanding it is established; through knowledge its rooms are filled with rare and beautiful treasures." [Proverbs 24:3,4]

God instructed his people: *"Be sure you know the condition of your flocks, give careful attention to your herds."* (Proverbs 27:23)

- ▶ A proper budgeting system will provide the "financial facts" needed in order to make wise decisions. Guesswork and "gut feel" decisions are very dangerous
- ▶ The Copland budgeting system provides a practical way to keep track of your expenses and to plan your finances.
- ▶ And it's free. Download the Excel data file from www.Biblefinance.org.

Copland Budgeting System

Overview of Forms

- Form #1: Assets and Liabilities
- Form #2: Revenues for a Typical Month
- Form #3: Non-monthly Expense Planning
- Form #4: Saving Account Allocations
- Form #5: Estimated Monthly Budget
- Form #6: Actual Expenses and Revenues
- Form #7: Budget Analysis

A typical example

- ▶ The figures provided below are for a hypothetical couple [let's call them Bill and Sue] with two children and a house.
- ▶ Your expenses may be different, and that's fine, but the principles are the same and the purpose of this example is to demonstrate how to develop a workable budget.
- ▶ Initially, Bill and Sue recorded their income and expenses for the past year on form #6 and they determined the following.

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Form #2- Revenues for a typical month

Salary/ wages net of withholdings	
Husband	\$4,000
Wife	\$1,000
Total revenue for typical month	\$5,000

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Form #3- Average Non-Monthly Expenses

Form #3 provides a method of saving for some of those non-monthly expenses as outlined below.

	<u>Annual Total</u>	<u>Monthly</u>
House maintenance	\$1800	\$150
Property Taxes	\$3600	\$300
Auto Repairs	\$2400	\$200
Auto insurance	\$2100	\$175
Vacation	\$2100	\$175
Healthcare	\$1500	\$125
Gifts-Christmas etc.	\$900	\$75
Total \$ needed for non-monthly expenses		\$1,200

You need to save for "non-monthly expenses" otherwise you will incur debt when they arise [Proverbs 21:20].

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Form #5-Average Monthly Costs

1	DONATIONS	_____	\$200
2	HOUSING		
	Mortgage	_____	1200
	Property Taxes	_____	300
	Electricity	_____	250
	Gas	_____	200
	Water	_____	75
	Phone, cell, internet, cable	_____	250
	Maintenance	_____	150
	Total Housing	_____	\$2,425

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3	FOOD	_____	700
4	AUTOMOBILE		
	Replacement	_____	0
	Gas & Oil	_____	400
	Insurance	_____	175
	Repairs & maint.	_____	200
	TOTAL AUTO EXPENSES:	_____	\$775
5	DEBTS		
	Credit cards (bal-\$15,000)	_____	300 min payment
	Personal line of credit	_____	100 min payment
	TOTAL DEBT SERVICE:	_____	\$400

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6	ENTERTAINMENT & RECREATION		
	Eating out	_____	\$250
	Vacation	_____	175
	Sports/Gym etc	_____	50
	TOTAL ENT/REC:	_____	\$475
7	CLOTHING	_____	250
8	Investments / Saving for retirement & children's education	_____	\$0
9	HEALTH CARE	_____	\$125

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10	INSURANCE—life & disability	_____	100
11	MISCELLANEOUS		
	Gifts	_____	\$75
	Misc other*	_____	\$300
	Total Miscellaneous	_____	\$375
	TOTAL EXPENSES:	_____	\$5,825
	TOTAL REVENUES (FORM 2):	_____	\$5,000
	MONTHLY SURPLUS (DEFICIT):	_____	(\$825)

Where you spent money reveals your true priorities [Matthew 6:24].

- ▶ By tracking their expenses [Proverbs 27:23] Bill and Sue determined that they were spending more than they were earning hence the reason why their debts were increasing.
- ▶ Debt restructuring—i.e. obtaining a personal line of credit to pay off the credit cards does not solve the problem.
Proverbs 14:15 says:
▶ *“A simple man believes anything, but a prudent man gives thought to his steps.”*
- ▶ *Jehoshaphat ..said to the king of Israel, “First seek the counsel of the LORD.” [1 Kings 22:5]*

- ▶ Bill and Sue spent quality time with the Lord in prayer, meditated on God’s word on finances [Joshua 1:8], learned to be content with less [1 Timothy 6:6–8], and they developed a balanced budget by:
- ▶ Downsized from two cars to one.
- ▶ Bill did more of the house and car repairs.
- ▶ Trusted God & increased their giving to 10%.
- ▶ Earned additional income, where practical.
- ▶ Reduced several expenses—utilities, cable, cell phones, food, clothing, entertainment.
- ▶ And generally became more careful where they spent money.

Form #2– Revised Balanced Budget Revenues for a typical month

Salary/ wages net of withholdings	
Husband	\$4,000
Wife	\$1,000
Additional income	<u>\$300</u>
Total revenue for typical month	<u>\$5,300</u>

Earning more income is good, if it is practical, but be careful of Jesus’ warning in Luke 16:10:
“whoever can be trusted with very little can also be trusted with much”.

Form #3– Revised Non-Monthly Expense Planning

	Annual Total	Monthly
<i>House maintenance</i>	<i>\$600</i>	<i>\$50</i>
Property Taxes	\$3600	\$300
<i>Auto Repairs</i>	<i>\$1500</i>	<i>\$125</i>
<i>Auto insurance</i>	<i>\$1050</i>	<i>\$88</i>
<i>Vacation</i>	<i>\$600</i>	<i>\$50</i>
Healthcare	\$1500	\$125
Gifts—Christmas etc.	\$900	\$75
Total \$ needed for non-monthly expenses		\$813

Note there’s nothing above for automobile replacement, retirement or children’s education.

Revised Form #5—estimated monthly budget

1	DONATIONS	_____	\$530
2	HOUSING		
	Mortgage	_____	\$1200
	Property Taxes	_____	300
	<i>Electricity</i>	_____	<i>200</i>
	<i>Gas</i>	_____	<i>150</i>
	Water	_____	75
	<i>Phone, cell, internet, cable</i>	_____	<i>150</i>
	<i>Maintenance</i>	_____	<i>50</i>
	Total Housing	_____	<u>\$2,125</u>

3	FOOD		<u>500</u>
4	AUTOMOBILE		
	Replacement	<u>0</u>	
	Gas & Oil	<u>250</u>	
	Insurance	<u>88</u>	
	Repairs & maint.	<u>125</u>	
	TOTAL AUTO EXPENSES:		<u>\$463</u>
5	DEBTS		
	Credit cards (bal-\$15,000)	<u>300</u>	min payment
	Personal line of credit	<u>100</u>	min payment
	TOTAL DEBT SERVICE:		<u>\$400</u>

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6	ENTERTAINMENT & RECREATION		
	Eating out	<u>\$100</u>	
	Vacation	<u>50</u>	
	Sports/Gym etc	<u>0</u>	
	TOTAL ENT/REC:		<u>\$150</u>
7	CLOTHING		<u>150</u>
8	Investments / Saving for retirement & children's education		<u>\$0</u>
9	HEALTH CARE		<u>\$125</u>

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10	INSURANCE—life & disability		<u>100</u>
11	MISCELLANEOUS		
	Gifts	<u>\$75</u>	
	Misc other*	<u>\$150</u>	
	Total Miscellaneous		<u>\$225</u>
	TOTAL EXPENSES:		<u>\$4,768</u>
	TOTAL REVENUES (FORM 2):		<u>\$5,300</u>
	MONTHLY SURPLUS (DEFICIT):		<u>532</u>

Developing a monthly surplus is critical.

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- ▶ After making the above changes, Bill and Sue used their monthly surplus to pay down debt.
- ▶ After three years, they paid off all their credit cards, personal line credit and their car loan.
- ▶ They can now save for their next car, children's education and retirement etc.
- ▶ Bill and Sue are now giving 10% of their income to God's work and enjoying the blessings of giving [Acts 20:35].

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There are about 40 references in the Bible to planning, and generally they admonish us to plan ahead.

Make prayer & the study of God's word, the foundation of your financial planning/budgeting meetings.

God has promised to provide us with His Wisdom and His Direction [James 1:5, Psalms 32 :8].

Often God will speak to us through his Word [Psalms 119:105] or his spirit via providing His Peace or lack of peace [John 14:27].

- ▶ "Commit to the Lord whatever you do and your plans will succeed." (Proverbs 16:3).
- ▶ Jesus said : "not my will, but yours be done." (Luke 22:42).

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Recommended Memory Verses for this session:

- ▶ *Be sure you know the condition of your flocks, give careful attention to your herds."* (Proverbs 27:23)
- ▶ *The plans of the diligent lead to profit as surely as haste leads to poverty.* [Proverbs 21:5].

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Follow-Up [James 1:22]

Develop and Implement your own budget. If you are married, include your spouse.

A free copy of the Copland Budgeting System can be downloaded from www.Biblefinance.org.

Be sure to review the 30 minute video presentation on the website on how to use the budgeting system.

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Additional help-Resource Table.

1. Free copy of the CD "Tom's Top Financial Moments".
2. Purchase one of :
 - a) CDs/DVDs series "Debt Reduction Gods Way"
 - b) Book -"Financial Management Gods Way" -hard copy or interactive video on our website.
3. Financial coaching (homework) or sign up for my regular financial moments. Complete the tear off form on the last page or send an e-mail to Thomas@copland-ca.com.

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4. Listen/watch financial moments on WDCX, Life 100.3 Radio and CTS TV & Vision TV . Tom to take a brief survey of listners.
5. If the Lord leads -**we need volunteers** for financial coaching, technology assistance- production of an APP, video editing, and increasing our ministry through our website and social media.
6. Consider giving to/sponsoring the financial moments on Radio/TV.
7. For numerous resources check out our website www.biblefinance.

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▶ Upcoming workshops:

- ▶ "God's Wisdom in Managing Money"- Saturday 9:15 AM to 1 PM, October 19, 2013 sponsored by Greenhills Christian Fellowship, taking place at the Salvation Army Church -305 Morrish Rd, Scarborough. I will also be the guest speaker at their main worship service on Sunday -October 13 and 27 from 2 PM to 3:30 PM .
- ▶ For details & registration www.Biblefinance.org.
- ▶ Questions after the workshop-Tom, Tony and others.

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