

Financial Management God's Way

Session 5: Steps to Get Out Of Debt MORE INTERACTIVE

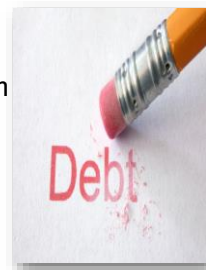
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Objective of this session:

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



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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.



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Practical 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."* (James 1:5)

"The LORD will guide you always; He will satisfy your needs in a sun-scorched land and will strengthen your frame." (Isaiah 58:1)

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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)



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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.

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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)

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

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

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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.

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

A properly implemented budget will enable you to spend less than your income each month in order to generate a surplus to pay down debt.

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.

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

So often people get into financial trouble by taking on too much debt because of a lack of contentment. This can come in the form of 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, whether well fed or hungry, whether living in plenty or in want. I can do everything through Him who gives me strength."* (Philippians 4:11-13)



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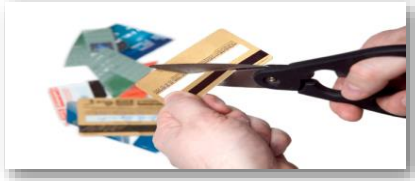
5. Ask God to enable you to be content with his provision.

"But godliness with contentment is great gain. For we brought nothing into the world, and we can take nothing out of it. But if we have food and clothing, we will be content with that." (1 Timothy 6:6-8)

Remember—God has promised to meet our needs, not necessarily our wants and desires [Matthew 6:31-33].

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



Which is the higher priority?
Pay down debt or save for future needs?

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

God has promised us, *"Even to your old age and gray hairs I am He, ..who will sustain you. I have made you and I will carry you;"* (Isaiah 46:4)



Even if finance is not your area of expertise, God promised that He will provide what we need. 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 as to what you should do to become debt free.
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.

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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.

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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. By the end of their first 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.

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As a result, they decided to attend a small-group biblical financial study at their church. 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.

Over the next several months, they made it a priority to learn what God has to say on finances in His Word. Next, they recorded all their expenses for two 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 2 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.

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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.
1. **They did not know where their money was being spent [Proverbs 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 14:20-30].**
4. **They had not been content to live within God's provision [1 Timothy 6:6-8].**

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

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- ▶ 8. They made financial decisions based upon "gut feel" 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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Questions:

2. 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.

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Questions:

2. 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.
1. They have studied and implemented God's Word on finances (**Joshua 1:8, Psalms 119:9-11**).
2. Jim and Jennifer, now understand their financial position –i.e. their debt load, and where their money is being spent etc. (**Proverbs 27:23**).
3. They are diligently planning their finances by using a budget (**Proverbs 21:5**).

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Questions:

2. 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.
4. Jim and Jennifer are making debt reduction a priority (**Deuteronomy 28:1,12**).
5. They reduced the temptation of easy credit by destroying 2 credit cards and using the remaining card only when absolutely necessary (**1 Cor 10:13**).
6. They have sacrificed by reducing their lifestyle (**Luke 9:23**).

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Questions:

2. 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.
7. **They learned to be content in dependence upon God (Philippians 4:11-13).**
8. **They persevered with debt reduction and a moderated lifestyle (James 1:2-4).**
9. **Jim and Jennifer trusted God to enable them to implement His financial principles (John 15:5).**
10. **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:

4. Please review the "before" and "after" schedule of expenses for Jim and Jennifer in the slides that follow.

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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

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

10	INSURANCE- life & disability	<u>100</u>	100
11	MISCELLANEOUS		
	Education	<u>0</u>	0
	Gifts	<u>125</u>	\$125
	Other*	<u>250</u>	\$250
	Total Miscellaneous	<u>375</u>	\$375
	TOTAL EXPENSES:	<u>5,700</u>	\$5,700
	TOTAL REVENUES (FORM 2):	<u>5,000</u>	\$5,000
	MONTHLY SURPLUS (DEFICIT):	<u>(700)</u>	(\$700)

Question–In order to eliminate their deficit and obtain a monthly surplus, what do you think they should do?

- In order to eliminate their monthly deficit and obtain a surplus, here are some Jim and Jennifer’s decisions.
1. Jim did more of the house maintenance and the auto repairs himself.
 2. They decided not to travel anywhere for a vacation for three years but only did inexpensive day trips from their home during vacation.
 3. Jim and Jennifer cancelled their memberships at the gym and worked out at home.
 4. Jennifer reduced her clothing expense and Jim stopped buying new tools.

5. They sold one of their two automobiles and shared the remaining one.
6. They substantially reduced their entertainment and recreation expense.
7. They purchased their groceries from a discount store.
8. 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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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

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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

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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

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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

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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, increased their giving by \$250 per month to bring it up to 10%.

Developing and maintaining a monthly surplus is essential in order to pay down debt and save for future needs.

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