

Mark Donovan

SESSION 1: Practical Application

I. QUALIFICATIONS

- A. Principles are more important than practices. Principles like stewardship, faithfulness, planning, saving, avoiding debt, etc. are universally applicable to all believers, but the practical application of them can and will be different.
- B. There is economic diversity in the kingdom of God. This is an opportunity to practice contentment.

II. WHERE DO WE START?

- A. We need to take an honest assessment of our current financial situation.
Pr 27:23 – “Know well the condition of your flocks, and give attention to your herds.”
 - B. The personal balance sheet or net worth worksheet is the starting point.
 - C. The personal balance sheet is simply a snapshot of what you OWN versus what you OWE at a certain point in time.
 - D. Sample balance sheet - Jon and Jenny Jones.
 - E. Strengths in the example
 - A home has been purchased. The mortgage balance is less than the value of the home, so there is \$15,000 of equity.
 - Retirement savings has been started through an employer
 - \$3,000 in an investment account
 - One of the cars is paid for.
 - F. Weaknesses in the example
 - Negative net worth, bankrupt technically
 - \$59,500 in consumer debt. The obvious goal is to pay off this consumer debt, meaning the student loan, car loan, and credit card amounts.
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- Inadequate savings for an emergency fund, which should be at least \$1,000 to begin with.

Note: The balance sheet does not tell the entire picture. It doesn't show income or expenses. There is no indication if things are getting better or worse.

III. CAN SOME DEBT BE GOOD?

Is there such a thing as good debt? Some kinds are better than others, and there is a spectrum.

- A. **Horrible** – payday loans – predatory lending
- B. **Bad** – credit card debt
- C. **Not good** – car
- D. **Understandable** – student loans
- E. **Okay for a while** – home mortgages
- F. **Best** – no debt!

In light of the warnings about debt in Scripture, a recommended life goal is to work towards getting out of debt entirely, and then never borrow again. Paying off a mortgage before retirement is part of wise retirement planning.

IV. CONSUMER DEBT IS EXPENSIVE!

Credit card interest examples:

- A. Visa - If you make the minimum monthly payment (\$55 per month to start) on a \$2,500 credit card balance at 15% interest, it will take 197 months (over 16 years) to pay off and you will pay \$2,600 in interest over that time.
 - B. Discover - If you make the minimum monthly payment (\$145 per month to start) on a \$5,000 credit card balance at 23% interest, it will take 283 months (over 23 years) to pay off and you will pay \$8,900 in interest over that time.
 - C. Two important conditions under which credit card use may be acceptable:
 - That you pay the balance off every month without incurring any interest
 - That you don't spend anymore than you would otherwise if you had to pay cash
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