FUNDAMENTALS OF THE FAITHFUL STEWARD

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Thus says the Lord, “Let not a wise man boast of his wisdom, and let not the mighty man boast of his might, let not a rich man boast of his riches; but let him who boasts boast of this, that he understands and knows Me, that I am the Lord who exercises lovingkindness, justice and righteousness on earth; for I delight in these things,” declares the Lord. — Jeremiah 9:23-24

“He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much. Therefore if you have not been faithful in the use of unrighteous wealth, who will entrust the true riches to you? And if you have not been faithful in the use of that which is another’s, who will give you that which is your own? No servant can serve two masters; for either he will hate the one and love the other, or else he will be devoted to one and despise the other. You cannot serve God and wealth.” — Luke 16:10-13

Introductory Identification of the Heart

Which of the following views of money most aligns with your heart and mind at the *beginning* of this study?[1]

A. Pharisaical View of Money

“Why do people listen to this guy [i.e. Jesus]? He just panders to the masses with this financial jibber-jabber. Sell your possessions and give to the poor? Yeah, right. Who would take care of you then? It is more blessed to give than to receive? Convenient thing to teach people when you’re a poor, traveling preacher. I can’t believe this guy. I’ve worked hard to earn my keep, and have been saving for ten years to buy a property I can retire on. I give my tithe, but come on! If I listened to this guy I’d never be able to make it.”

B. Christianized Cultural View of Money

“I’m proud of what I’ve accomplished in life. I’ve worked hard and deserve a few nice things. I see what other people have—houses, cars, and comfortable lifestyles—and these inspire my desires. I’m driven to save and invest by my concerns about the future. And even though I know there are people with needs, I’ve got to look after myself and my family before I can help anyone else.”

C. Biblically Transformed View of Money

“I’m grateful for all that I have. It is all truly a gift I never deserved! Though I have some goals and dreams, I’m totally content, even in time of suffering, because my identity is secure in Jesus. In every situation, I lean on God and trust him for provision, although my own planning and hard work plays a role. My heart and my life are full of generosity, animated by love for those in need, even when it costs me dearly.”

Which view would you most like to have your heart and mind aligned with at the *end* of this study?

[1] John Cortines & Gregory Baumer. *True Riches: What Jesus Really Said About Money and Your Heart* (Nashville, TN: Nelson Books, 2019), 6-8.

"Money is a good servant, but a dangerous master."[2]

I. Biblical Worldview of the Faithful Steward

A. Biblical Stewardship Overview

1. Stewardship Defined

a) "By definition, a steward is 'a person who manages another's property or financial affairs; one who administers anything as the agent of another or others, a manager.' So, for us to be 'stewards of God,' we must acknowledge that all we are and all we have possession of belongs to Him. We are charged with managing His property according to His wishes."[3]

b) In the Bible, a steward is a person that is given authority to oversee the affairs of another person. Often the steward was a slave that was elevated to the status of manager over the household. In the New Testament, "steward" is a translation of the Greek word "oikonomos", a compound word which comes from the word for "house" ("oikos") and the word for "law" ("nomos").[4]

Dayton writes, "In Scripture the position of a steward is one of great responsibility. He or she is the supreme authority under the master and has full responsibility for all the master's possessions and household affairs."[5]

c) The steward must be *trustworthy* in order to earn the position and be found *faithful* in order to maintain the position and potentially be given even greater responsibility over time.

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[2] Francis Bacon, *De Dignitate et Augmentis Scientiarum* (1623), Book Six. Translated from Latin the title in English would be "Of the Dignity and Advancement in Science." This work is a revision and translation of *The Proficience and Advancement of Learning, Divine and Human* (1605). Another translation of the original Latin,*"Divitiæ bona ancilla, pessima domina"*, reads, *"Money is a good handmaiden, but a bad mistress."*

[3] E.G. "Jay" Link, *Who's in Charge: Beginning Your Life Stewardship Journey* (Stewardship Ministries, 2013), 10.

[4] "οἰκονόμος means in the Rabb. the "steward" (בֶּן בַּיִת), a kind of chief slave who superintended the household and even the whole property of his master" in *Theological Dictionary of the New Testament*, 5:149.

[5] Howard L. Dayton, Jr. *Your Money Counts: The Biblical Guide to Earning, Spending, Saving, Investing, Giving, and Getting Out of Debt* (Gainesville, GA: Crown Financial Ministries, 1996), 27.

(1) 1 Cor 4:2, *"In this case, moreover, it is required of stewards that one be found trustworthy."*

(2) Matt 25:21, *"His master said to him, 'Well done, good and faithful slave. You were faithful with a few things, I will put you in charge of many things; enter into the joy of your master.'"*

d) The terms "steward" and "stewardship" are often misunderstood and misused by churches in their teachings:

(1) Contrary to the definition and use outlined above, stewardship is *not* synonymous with "fundraising" or "capital campaigns" that so often characterize the efforts of churches to raise funds in order to build new buildings or to pay off debt.

(2) Stewardship is also *not* synonymous with "tithes" or "offering," which will be examined later in the section on giving.

(3) Each of these concepts has to do with what a person *gives*, while stewardship deals with what a person *keeps*. Link elaborates,

> "In other words, it is about how you manage everything that you have been entrusted to oversee. What most people miss is that *stewardship is more about how you manage what is left after you give than it is about what you give*."[6]

2. Stewardship Illustrated

a) The life of Joseph, a faithful man, in the OT. (Gen 37-50)

b) The parable of the talents in the NT. (Matt 25:14-30)

3. Stewardship Success vs. Failure

a) Success through faithfulness

(1) A steward must be faithful in *all* areas of their lives, in both the material realm as well as the spiritual realm. The idea of *faithfulness* cannot be overstressed when it comes to a proper understanding of stewardship.

(2) Some stewards are given greater responsibilities than others, yet faithfulness is not determined by *how much you have* but rather by *how you have handled what you have been given*.

(3) Being faithful in smaller areas will lead to faithfulness in greater areas.

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[6] Link, *Who's in Charge*, 10. *Italics added.*

(4) Being faithful will cause you to grow in godliness and spiritual maturity. A steward's faithfulness will result in contentment and peace and greater reward from the Master, which typically consists of being given greater responsibility, both in this present life as well as in the future millennial kingdom.

(5) The faithful steward also experiences greater joy as his commitment to and love for his Master increases.

b) Failure through unfaithfulness

(1) The steward that thinks he or she can be faithful only in certain areas but not in others does not have a proper attitude toward his or her Master's possessions since He owns them *all*.

(2) The unfaithful steward will eventually have responsibilities delegated to him or her *taken away* and he or she may even be *punished* for his or her failure as a steward.

(3) The unfaithful steward's character will suffer and he or she may develop deep attitudes of *bitterness* and *discontent*. He or she may even come to *hate* his or her Master.

4. Stewardship's Goal

a) *Contentment comes from living a life of* ***faithfulness***. Pause. Read that again.

Recognizing God as the Owner of all things and serving faithfully as His steward brings great joy and contentment to the life of the believer. Worry is replaced with a strong sense of security and peace, knowing God has given you no more and no less than what you are able to handle.

b) Dayton writes, "As we apply the principles of God's economy, we will begin to get out of debt, spend more wisely, start saving for our future goals, and give even more to the work of Christ."[7]

5. Stewardship'sTest

a) Are you ambitious? Is your ambition godly or selfish? Godly ambition pursues faithfulness towards the Master while worldly ambition pursues personal gain for one's own self interests.

b) Do you have the attitude of a steward? Are you pursuing faithfulness?

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[7] Dayton,*Your Money Counts*, 30.

B. Biblical Emphasis on Money and Possessions

1. Biblical content.

   The Bible contains over 31,000 verses of which 2,350 verses (approx. 8%) contain references to *money and possessions*. In contrast, the Bible contains approximately 500 verses on *prayer* and less than 500 verses on *faith*.[8]

2. The Bible is absolutely authoritative in the area of finances.

   It is no less authoritative in this area than any other area, including the doctrines of God, man, sin, salvation, the church, and matters concerning the future.

   a) The late Larry Burkett, who was a popular Christian author and speaker in the realm of biblical financial principles, writes, "Let me make it very clear: We have been taught false principles by the world in which we live. The plumb line for truth is God's Word, not a college textbook or standard practice."[9]

   b) The Bible serves as the fundamental source of knowledge and wisdom when it comes to money matters and *must be properly understood* and *applied* in order for the believer to experience God's blessings in his or her finances.

      This is especially true when it comes to married couples' finances since *marital difficulties are primarily caused by the mishandling of money*.[10] Most married couples have never been taught these biblical principles of financial stewardship or even the basics of handling personal finances.

3. The teaching tools of the Messiah.

   a) In a large portion of the parables found in the Gospels, Jesus used money/wages and possessions/wealth to identify and illustrate spiritual truths.

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[8] Dayton, *Your Money Counts*, 8.

[9] Larry Burkett, *The Complete Financial Guide for Young Couples* (Wheaton: Victor Books, 1993), 17.

[10] "Unfortunately, mismanagement of money accounts for the majority of divorces in America today." Burkett, *The Complete Financial Guide for Young Couples,* 11. John MacArthur, on page 7 in the Foreword this book, writes, "Statistics show that money trouble is the number one cause of stress and failure in marriages. Christians are not exempt, and one reason appears to be that many Christian couples are oblivious to what the Bible teaches about managing family finances."

Burkett writes, “Jesus dedicated about two-thirds of all parables in the New Testament to teaching the principles of how to handle money properly.”[11]

b) Examples found in the parables of Jesus:

(1) Treasure hidden in a field - Matt 13:44

(2) Pearl of great value - Matt 13:45-46

(3) Unmerciful slave - Matt 18:23-35

(4) Laborers in the vineyard - Matt 20:1-16

(5) The loving father and the two sons - Matt 21:28-32; Luke 15:11-32

(6) Faithful vs. the wicked slave - Matt 24:45-51

(7) Talents - Matt 25:14-30;

(8) Man on a long journey - Mark 13:34-37

(9) Moneylender and two debtors - Luke 7:41-47

(10) Good Samaritan - Luke 10:30-37

(11) Rich fool - Luke 12:16-21

(12) Builder of a tower - Luke 14:28-30, 33

(13) King contemplating battle - Luke 14:31-33

(14) Lost silver coin - Luke 15:8-10

(15) Unjust, yet shrewd, manager - Luke 16:1-8

(16) Rich man and Lazarus - Luke 16:19-31

(17) Ten minas and ten slaves - Luke 19:12-27

c) It is notable that Jesus spoke more about money and possessions than the topics of heaven and hell *combined*. He often used the temporal material aspects of creation to illustrate eternal spiritual truths.

4. These teachings are critical to the believer’s sanctification.

a) <u>Foundational understanding</u>: How a believer handles earthly finances is the clearest earthly indicator of his or her level of spiritual maturity and reveals what he or she loves the most. “The way we handle money is nothing more than the outward expression of what’s going on inside.”[12]

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[11] Burkett, *The Complete Financial Guide for Young Couples,* 13.

[12] Burkett, *The Complete Financial Guide for Young Couples,* 20.

Wealth is much *more than* money. Wealth includes everything that has been entrusted to us by God, including our relationships (e.g. husbands and wives, parents and children, church family, etc.) and especially pertains to our eternal salvation, which is priceless beyond measure.

(1) Luke 16:10-13, *"He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much. <u>Therefore if you have not been faithful in the use of unrighteous wealth, who will entrust the true riches to you</u>? <u>And if you have not been faithful in the use of that which is another's, who will give you that which is your own</u>? No servant can serve two masters; for either he will hate the one and love the other, or else he will be devoted to one and despise the other. You cannot serve God and wealth."*

(2) Matt 6:20-21, *"But store up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in or steal; <u>for where your treasure is, there your heart will be also</u>."*

b) The deception of compartmentalizing finances.

Any person who attempts to compartmentalize his or her finances apart from his or her spiritual life or discounts the importance that God places on finances, is deceiving himself or herself.

Finances are a means by which God tests the believer's love and devotion because money and possessions are often *in competition* with the Lord for the believer's affections. Wealth, or the pursuit of it, can be a deceptive idol that has often captivated and enslaved the hearts of men throughout the ages.

Matt 6:24, *"No one can serve two masters; for either he will hate the one and love the other, or he will be devoted to one and despise the other. <u>You cannot serve God and wealth</u>."*

c) Money captivates our attention.

In one way or another, *the majority* of our waking moments are focused on earning, paying, borrowing, lending, worrying, handling, and talking about money and possessions.[13] Wealth can even be the focus of our dreams.

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[13] "How important is money? About 80 percent of our waking day is consumed in thinking about money: making it, saving it, spending it, or giving it away. If this area isn't managed properly, everything else is out of balance." Burkett, *The Complete Financial Guide for Young Couples,* 13.

(1) Much of our time is spent in the sinful activity of coveting and seeking to gain the things that we desire but do not yet possess, e.g. newer car, larger house, increased salary, etc. This lack of contentment can lead to the pursuit of those things due to our desire to *"keep up with the Joneses."* Financial distress and marital trouble are certainly not far behind!

(2) Burkett comments to those who are married, "If you don't settle early in your marriage that money is *never* going to make you happy, you'll spend your entire life doing urgent things, rather than important things, and find at age 70 that you spent your whole life chasing after the Joneses only to discover that, when you finally caught up with them, they had refinanced."[14]

d) Money is not the measure of worth.

Yet, in spite of the world's contrary philosophy that bombards us on a constant basis by falsely equating wealth with value, *you are not your money*. In other words, money is *not* the measure of a person's worth or value.

(1) You exist as a person apart from your wealth, or lack thereof. Your value is not determined by your income or your net worth.

Luke 12:15, *"Then He said to them, "Beware, and be on your guard against every form of greed; <u>for not even when one has an abundance does his life consist of his possessions</u>."*

(2) Even though it is the common practice of man, God does not define you by your money or possessions. You are an image-bearer designed with the ability to have fellowship with the everlasting God!

Prov 22:2, *"The <u>rich and the poor have a common bond</u>, <u>The Lord is the maker of them all</u>."*

(3) Therefore, the challenge is to develop a proper perspective of money and how God uses it as a *powerful sanctifying tool* to transform us more and more into the image of His Son (Rom 8:28-30). Money is to be used, not served!

"Despising money is like toppling a king off his throne."[15]

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[14] Burkett, *The Complete Financial Guide for Young Couples,* 18.

[15] Nicolas Chamfort, *Reflections*, D. Parmée, trans. (London: 2003) #113. Translation of "Mépriser l'argent, c'est détrôner un Roi." (French)

1 Tim 6:6-10, *"But <u>godliness</u> actually is a <u>means of great gain</u> when accompanied by <u>contentment</u>. For we have brought nothing into the world, so we cannot take anything out of it either. If we have food and covering, with these we shall be content. But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction. For the love of money is a root of all sorts of evil, and some by longing for it have wandered away from the faith and pierced themselves with many griefs."*

e) Remember, *money is a fleeting object and the pursuit of fools!*

(1) Prov 23:4-5, *"Do not weary yourself to gain wealth, cease from your consideration of it. <u>When you set your eyes on it, it is gone</u>. <u>F</u>or wealth certainly makes itself wings like an eagle that flies toward the heavens."*

(2) Contemplate the meaning of the following quote: "Money, which is of very uncertain value, and sometimes has no value at all and even less."[16] In other words, it is wise *not* to value money because things exist that are of eternally greater worth, such as wisdom, relationships, and eternal life. In addition, money can be a burden rather than a blessing.

(3) Chesterton adds his own comments on the foolishness of pursuing money when he writes, "Among the rich you will never find a really generous man even by accident. They may give their money away, but they will never give themselves away; they are egotistic, secretive, dry as old bones. *To be clever enough to get all that money, one must be dull enough to want it.*"[17]

5. Faithfulness in financial stewardship is a prerequisite for spiritual maturity and ministry stewardship.

a) Halverson, "Jesus Christ said more about money than any other single thing because money is of first importance when it comes to a person's real nature. Money is an exact index to our true character. Throughout Scripture we find an intimate correlation between the development of a person's character and how he or she handles money."[18]

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[16] Thomas Carlyle, *Frederick the Great*, Book IV, Chapter III. Reported in *Hoyt's New Cyclopedia Of Practical Quotations* (1922), pp. 521-24.

[17] G. K. Chesterton, *"The Paradise of Thieves"* in *The Wisdom of Father Brown*, 1914. *Italics added.*

[18] Richard Halverson, *Perspective* (Los Angeles: Cowman Publications, 1957), 59.

Luke 16:10-11, *"He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much. Therefore if you have not been faithful in the use of unrighteous wealth, <u>who will entrust the true riches to you</u>? And if you have not been faithful in the use of that which is another's, <u>who will give you that which is your own</u>?"* (cf. 19:17; Matt 24:45-47)

b) MacArthur writes, "It is significant that one of the basis requirements for a man to be in a position of spiritual leadership is that *"He must be one who manages his own household well"* (1 Timothy 3:4). Our Lord even taught that the quality of our stewardship in this life will determine our reward in the next (Matthew 25:14-30). *The simple fact is that we cannot be truly effective for God if we fail to manage our finances well.*"[19]

1 Cor 4:1-2, *"Let a man regard us in this manner, as servants of Christ and stewards of the mysteries of God. In this case, moreover, <u>it is required of stewards that one be found trustworthy</u>."* (cf. example of Epaphras in Col 1:7; example of Tychicus in Col 4:7)

6. <u>Bottom line</u>: If you are not faithful *with money*, it is highly likely you will not be faithful *with ministry*. How you handle *physical* assets is an external indicator how you will handle *spiritual* assets.

If your finances are not in order and you don't think that this issue matters to the Lord, you are in serious error and your thinking is not properly aligned with His Word. As the previous Scriptures clearly reveal, it matters greatly to the Lord since He has provided us with a wealth of knowledge and wisdom on this topic in His Word!

7. <u>What is necessary</u>? What is required of you is the necessity to have your wrong patterns of worldly thinking torn down and rebuilt with right patterns of thinking aligned with Scripture.

True spiritual transformation only comes about as the Spirit of God, through constant and consistent exposure to the written Word of God, causes you to have a change in your mindset so that your thinking patterns are altered to reflect the reality of how God wants you to *think* and, therefore, *act* as a Christian steward.

Romans 12:1-2, *"Therefore I urge you, brethren, by the mercies of God, to present your bodies a living and holy sacrifice, acceptable to God, which is your spiritual service of worship. And do not be conformed to this world, but <u>be transformed by the renewing of your mind</u>, <u>so that you may prove what the will of God is</u>, that which is good and acceptable and perfect."*

[19] John MacArthur in the Foreword to Larry Burkett's *The Complete Financial Guide for Young Couples*, 8. *Italics added.*

8. Stewardship test: Look at your latest bank, savings, investment, and credit card statements. What do they reveal about you? Do you understand the emphasis that God places on how you handle His money and how your handling of His finances is a *direct indicator* of your spiritual maturity?

C. Biblical Dual Ownership Defined and Explained

1. *God* owns everything and dispenses it as *He* pleases.

   In Ps 50:12b, God says,*"…For the world is Mine, and all it contains."* (cf. 1 Cor 10:26)

   Ps 24:1, *"The earth is the LORD's, and all it contains, the world, and those who dwell in it."*

2. *God* has given dominion and delegated stewardship to *man*.

   God has given the earth to mankind in order for man *to exercise dominion and practice stewardship* over His creation since man is the only being described in the Bible as being "created in God's image" and, therefore, capable of exercising dominion as an image bearer.

   Gen 1:26-30, *"Then God said, 'Let Us make man in Our image, according to Our likeness; and let them rule over the fish of the sea and over the birds of the sky and over the cattle and over all the earth, and over every creeping thing that creeps on the earth.' God created man in His own image, in the image of God He created him; male and female He created them. God blessed them; and God said to them, 'Be fruitful and multiply, and fill the earth, and subdue it; and rule over the fish of the sea and over the birds of the sky and over every living thing that moves on the earth.' Then God said, 'Behold, I have given you every plant yielding seed that is on the surface of all the earth, and every tree which has fruit yielding seed; it shall be food for you; and to every beast of the earth and to every bird of the sky and to every thing that moves on the earth which has life, I have given every green plant for food'; and it was so."*

3. *Image bearers* possess, i.e. "own", only what the Creator gives to them.

   a) Deut 8:16-20,*"In the wilderness He fed you manna which your fathers did not know, that He might humble you and that He might test you, to do good for you in the end. Otherwise, you may say in your heart, 'My power and the strength of my hand made me this wealth.' But you shall remember the Lord your God, for it is He who is giving you power to make wealth, that He may confirm His covenant which He swore to your fathers, as it is this day. It shall come about if you ever forget the Lord your God and go after other gods and serve them and worship them, I testify against you today that you will surely perish. Like the nations that the Lord* *makes to perish before you, so you shall perish; because you would not listen to the voice of the Lord your God."*

(1) God alone gives the ability to make wealth (i.e. to earn an income) and to acquire possessions (due to the *imago dei*). This is as true for us today as it was for Israel 3,500 years ago. Nothing has changed.

(2) God's economy is designed for people to work (i.e. to earn an income) and to provide for their families through labor. This was even true for Adam and Eve in the Garden of Eden prior to the Fall in Genesis 3. The Fall caused work to become more difficult but work has always been considered to be a duty of man because through labor he reflects the active nature of God, who is always at work.

b) Illustrated by David in 1 Chron 29:14-16: *"But who am I and who are my people that we should be able to offer as generously as this? <u>For all things come from You</u>, and <u>from Your hand we have given You</u>. For we are sojourners before You, and tenants, as all our fathers were; our days on the earth are like a shadow, and there is no hope. O Lord our God, <u>all this abundance</u> that we have provided to build You a house for Your holy name, <u>it is from Your hand</u>, and <u>all is Yours</u>."*

4. *Personal ownership of property* was protected under the Mosaic Covenant.

a) Although God is the Ultimate Owner of all things, He has ordered the economy of His creation so that it functions in a particular way. First, He has given responsibility over the created order on earth to mankind (Gen 1:27-30) and, second, He has provided for personal ownership of property.

b) Exodus 22 clearly outlines the rights of personal property owners under the Law of Moses. This is demonstrated by the fact that in Exod 20 there was a moral commandment against both coveting and stealing, as well as severe consequences for taking another man's possessions under this Law.

(1) Exod 20:15, 17, *"You shall not <u>steal</u>."* and *"You shall not <u>covet</u>…"* (two of the Ten Commandments; cf. Lev 19:11; Deut 5:19) assume the divinely approved nature of private ownership of property. In other words, one man is not to take another man's possessions or desire to have them, because they have been given to him by God and he is required to be a good steward of what God has given. There is no such thing as *communal property* in God's economy.

(2) Exod 22:1, *"If a man steals an ox or a sheep and slaughters it or sells it, <u>he shall pay five oxen for the ox and four sheep for the sheep</u>."* This verse outlines the principle of restitution for taking another man's

possessions. Notice that this penalty is *punitive*, i.e. intended as punishment, since the repayment is a multiple of the animal stolen.

(3) Zech 5:3a, *"Then he said to me, "This is the curse that is going forth over the face of the whole land; surely everyone who steals will be purged away…"* Stealing another man's possessions results in a divine curse upon thieves.

c) Stealing is also condemned in the New Testament with the command to work and share with others in need instead of taking from others.

Eph 4:28, *"He who steals must steal no longer; but rather he must labor, performing with his own hands what is good, so that he will have something to share with one who has need."*

5. Recognize that God owns all that you own.

A biblical understanding recognizes that *God is the Ultimate Owner of all things* and He placed man *into the role of stewardship* over His creation. Therefore, the right attitude for the Christian is to transfer all ownership of everything he or she "owns" to God and recognize himself or herself as a steward of His possessions. *This is the first step toward true biblical contentment.*

a) Hold loosely to the things of this world. The second of A. W. Tozer's five vows for spiritual power was, "Never own anything." He further explained:

"I do not mean by this that you cannot have things. I mean that you ought to get delivered from the sense of possessing them. This sense of possessing is what hinders us. All babies are born with their fists clenched, and it seems to me it means, "This is mine!" One of the first things they say when they begin to speak, is "mine" in an angry voice. That sense of "This is mine" is a very injurious thing to the spirit. If you can get rid of it so that you have no feeling of possessing anything, there will come a great sense of freedom and liberty into your life."[20]

b) In Luke 14:33, the Lord clearly stated that this a necessary attitude in regards to salvation when He said, *"So then, none of you can be My disciple who does not give up all his own possessions."*

c) We must recognize our dependence on God for *all things*. God gives what He wills and takes what He wills. Recall the attitude of Job when he said, *"The Lord gave and the Lord has taken away. Blessed be the name of the Lord."* (Job 1:21b)

[20] A.W. Tozer, *5 Vows for Spiritual Power* (Dallas: Gideon House Books, 2016), 3.

(1) But never forget God's character as a loving Father who will only do those things that result in our good and His glory.

(2) Don't be afraid of what He will do to you or take from you because He is *always* working for your good, no matter what the circumstances.

d) Howard Dayton writes, "When we acknowledge God's ownership, every spending decision becomes a spiritual decision. No longer do we ask, 'Lord, what do You want me to do with my money?' The question is restated, 'Lord, what do you want me to do with Your money?'"[21]

e) The greatest enemy of stewardship is *the sinful, selfish heart of man*. To become a faithful steward, one must deal fiercely with the sin of selfishness and die to self on a daily basis. Jay Link writes,

> "In ignoring the reality that we are nothing more than mere low-level managers who are expected to meticulously carry out the wishes of the all-loving and all-powerful Owner, our personal will, wishes, choices, and decisions prove to be categorically irrelevant to the discussion.
>
> "The reason stewardship is so challenging to practice is that we must get self out of the way. As long as we are fallen creatures with a fallen nature, we will have to wrestle daily with the lingering ghosts of our own selfishness until we someday finally shed this 'dirt body' and move on to better things. In the mean time, we must resist with every ounce of our being the temptation to inappropriately assume the throne and play little gods over stuff that does not even belong to us."[22]

6. <u>Bottom line</u>: *You are not your own.*

God owns you and God owns everything you have now or will ever possess in the future, including your talents and abilities.

God provides you with the ability to work. Pursue it with excellence. Recognize that because of the Lord's grace, you have been given the ability to work, so work with diligence. You cannot control your boss, your co-workers, or your salary. But you can control your effort, therefore do everything for God's glory and you will glorify God by serving as a faithful steward.

a) 1 Cor 4:1-2, *"Let a man regard us in this manner, as servants of Christ and stewards of the mysteries of God. In this case, moreover, <u>it is required of stewards that one be found trustworthy</u>."* (cf. Col 1:7; 4:7; Luke 12:42-48)

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[21] Dayton, *Your Money Counts*, 17.

[22] Link, *Who's in Charge*, 14, 15.

b) 1 Cor 10:31, *"Whether, then, you eat or drink or whatever you do, <u>do all to the glory of God</u>."*

D. Biblical Redemption Defined and Explained

1. The purchase of redemption.

An equally important foundational truth is that believers have been *redeemed* (i.e. purchased for a price) *out of the marketplace of sin and death*. God not only owns everything that we possess as His stewards, *He also fully owns us, body and soul!*

a) Redemption defined: The term simply means "to purchase out of the marketplace" but, depending on the context, is used in different senses in Scripture in reference to one particular aspect within the doctrine of salvation.

(1) In one sense, the purchase is made of a slave resulting in *the transfer of ownership* from one master to another, i.e. from bondage to sin and death to bondage to Christ who paid the purchase price with his own death (1 Cor 6:19-20; 7:23; Acts 20:28; Heb 9:11-14).

(2) In another sense, the purchase is made *to set one free*, i.e. Christians have been set free from the curse of the Law (i.e. death) with the result of adoption as sons, not slaves (Gal 3:13; 4:4-7).

Christians have also been set free in the sense that their sins have been forgiven (Eph 1:7), i.e. they have been set free from the wrath of God since He poured it out fully upon His Son who served as a sinless substitute for them, enduring the Father's punishment for their sin and the propitiation of His wrath.

b) Example of Israel's redemption

(1) Deut 4:20, *"But the Lord has taken you and brought you out of the iron furnace, from Egypt, <u>to be a people for His own possession</u>, as today."*

(2) Deut 7:6, *"For you are a holy people to the Lord your God; <u>the Lord your God has chosen you to be a people for His own possession</u> out of all the peoples who are on the face of the earth."* (cf. Deut 14:2)

(3) Num 15:41, *"I am the Lord your God who brought you out from the land of Egypt <u>to be your God</u>; I am the Lord your God."*

c) Redemption of the Church of God

(1) Acts 20:28, *"Be on guard for yourselves and for all the flock, among which the Holy Spirit has made you overseers, to shepherd the church of God which He purchased with His own blood."*

(2) Titus 2:13-14, *"looking for the blessed hope and the appearing of the glory of our great God and Savior, Christ Jesus, who gave Himself for us to redeem us from every lawless deed, and to purify for Himself a people for His own possession, zealous for good deeds."*

(3) 1 Pet 1:17-19, *"If you address as Father the One who impartially judges according to each one's work, conduct yourselves in fear during the time of your stay on earth; knowing that you were not redeemed with perishable things like silver or gold from your futile way of life inherited from your forefathers, but with precious blood, as of a lamb unblemished and spotless, the blood of Christ."*

2. Bottom line: If you are truly a believer, you have a new Master, the Lord Jesus Christ.

   He bought you out of physical and spiritual death with His own substitutionary death and has given you eternal life by His own resurrection from the dead. He purchased you out of slavery to sin so that you would become a slave to righteousness.

   Your stewardship obligation, both spiritual and financial, is real and, therefore, it matters how you conduct yourself as a slave of the Master while here on this earth.

3. Test: How do you view your blood-bought freedom?

   Freedom is not freedom for its own sake. Your Redeemer commands and deserves your obedience. Are you being an obedient and submissive slave and steward to your Master?

E. Biblical Stewardship Resources

1. Books on Stewardship *(as with any resource, use with discernment)*

   a) Link, E.G. "Jay". *Who's in Charge Here? Beginning Your life Stewardship Journey*. Chicago, IL: Moody Publishers, 2002. Free PDF available for download here: http://thestewardsjourney.com/wp-content/uploads/2014/12/Who-is-in-Charge-Here-and-Better-Giving-Series.pdf

   b) Dayton, Howard. *Your Money Counts: The Biblical Guide to Earning, Spending, Saving, Investing, Giving, and Getting Out of Debt*. Carol Stream, IL: Tyndale House Publishers, 2011.

c) Cortines, John & Baumer, Gregory. *True Riches: What Jesus Really Said About Money and Your Heart.* Nashville, TN: Nelson Books, 2019.

d) Alcorn, Randy. *Money, Possessions, & Eternity.* Carol Stream, IL: Tyndale House Publishers, 2003.

2. Online Stewardship Resources *(as with any resource, use with discernment)*

a) Faith & Finance (https://www.faithfi.org) formerly known as MoneyWise - best overall stewardship resource online for articles, daily podcast, budgeting app, as well as community discussion groups to help develop debt reduction and spending plans.

b) Crown Financial Ministries (https://www.crown.org/) - Crown's mission is "To Spread the principles and practices of God's economy throughout the world." Offers paid online courses related to various aspects of biblical stewardship. Free stewardship resources also available. Larry Burkett served as first CEO. Howard Dayton served as Larry's successor in the CEO role. Formed in 2000 as a merger of Larry's Christian Financial Concepts (founded 1976) and Howard's Crown Ministries (founded 1985). Chuck Bentley currently serves as CEO.

c) Compass - finances God's way (https://compass1.org/) - Compass labels itself as "A Financial Discipleship Ministry". Founded in 2009 by Howard Dayton, former CEO of Crown Financial Ministries, in order to promote small group financial discipleship Bible studies.

d) Ron Blue Institute (https://ronblueinstitute.com/) - RBI helps to transform students at all levels into financial stewards. Offers curriculum, tools, and resources for individual, churches, schools (i.e. high school students, and college & university students), and professions.

F. Biblical Steward's Five Uses of Money

The remainder of this course is arranged around the five uses of money:

1. Earn - the acquisition of money through work.

2. Live - the use of money to meet daily expenses.

3. Give - the use of money to give to the church, various ministries, and to meet the needs of others.

4. Owe - the use of money to back back debt owed to a lender.

5. Grow - the use of money to save and invest in order to meet short and long term goals.

"But we urge you, brethren, to excel still more, and to make it your ambition to lead a quiet life and attend to your own business and work with your hands, just as we commanded you," 1 Thessalonians 4:10b–11

II. Earning as a Faithful Steward

Matthew 6:24–34 *24 "No one can serve two masters; for either he will hate the one and love the other, or he will be devoted to one and despise the other. You cannot serve God and wealth. 25 "For this reason I say to you, do not be worried about your life, as to what you will eat or what you will drink; nor for your body, as to what you will put on. Is not life more than food, and the body more than clothing? 26 "Look at the birds of the air, that they do not sow, nor reap nor gather into barns, and yet your heavenly Father feeds them. Are you not worth much more than they? 27 "And who of you by being worried can add a single hour to his life? 28 "And why are you worried about clothing? Observe how the lilies of the field grow; they do not toil nor do they spin, 29 yet I say to you that not even Solomon in all his glory clothed himself like one of these. 30 "But if God so clothes the grass of the field, which is alive today and tomorrow is thrown into the furnace, will He not much more clothe you? You of little faith! 31 "Do not worry then, saying, 'What will we eat?' or 'What will we drink?' or 'What will we wear for clothing?' 32 "For the Gentiles eagerly seek all these things; for your heavenly Father knows that you need all these things. 33 "But seek first His kingdom and His righteousness, and all these things will be added to you. 34 "So do not worry about tomorrow; for tomorrow will care for itself. Each day has enough trouble of its own."*

A. Spiritual Transformation from a Heart of Pride into a Heart of Gratitude

1. The Heart of Pride

a) Pride leads us to think that we earn money and build wealth through our own ability and effort *independent* of our heavenly Provider.

b) Dependence upon self leads to worry and fear because one looks to the uncertainty of the future and realizes that self alone must provide for one's self and/or one's family. This burden of worry and fear robs one of joy and peace and causes one to prioritize the pursuit of finances over faith and family.

c) This pride and sense of self-sufficiency will eventually lead to envy and greed as one continually compares self to others and seeks to gain more and more without thought of the end result: isolation, bitterness, and loneliness.

Rev 3:14-19 *14 "To the angel of the church in Laodicea write: The Amen, the faithful and true Witness, the Beginning of the creation of God, says this: 15 'I know your deeds, that you are neither cold nor hot; I wish that* *you were cold or hot. [16] 'So because you are lukewarm, and neither hot nor cold, I will spit you out of My mouth. [17] 'Because you say, "I am rich, and have become wealthy, and have need of nothing," and you do not know that you are wretched and miserable and poor and blind and naked, [18] I advise you to buy from Me gold refined by fire so that you may become rich, and white garments so that you may clothe yourself, and that the shame of your nakedness will not be revealed; and eye salve to anoint your eyes so that you may see. [19] 'Those whom I love, I reprove and discipline; therefore be zealous and repent.'"*

2. The Heart of Gratitude

   a) Replacing pride with gratitude transforms the human heart into humbly accepting that the Lord is our Provider and, therefore, we are dependent upon Him to meet all of our needs. Cortines and Baumer write,

   "Gratitude undergirds and supports contentment, trust, and love in the same way a foundation holds up a house. It may be invisible most of the time, but without it the house won't stay standing for long."[23]

   b) Gratitude understands that the Lord grants skills, abilities, opportunities, experience, and even the air that we breath that leads to inevitable praise and thanksgiving to the Divine Giver of all things. Again, Cortines and Baumer write,

   "We no longer depend on our own ability to earn money for sustenance and life. We work just as hard as we ever did, but now we recognize God as the provider, humbly thanking him for bringing resources to us. *Everything is a gift!* This mind-set fosters an amazing sense of peace. There no need to obsess over counting our money or imagining what we'll earn next year when we instead recognize that God is the source of all good things and he loves us perfectly where we are today."[24]

   c) King David reminds us of this fundamental truth in 1 Chron 29:11-15:

   [11] "Yours, O Lord, is the greatness and the power and the glory and the victory and the majesty, indeed everything that is in the heavens and the earth; Yours is the dominion, O Lord, and You exalt Yourself as head over all. [12] "Both riches and honor come from You, and You rule over all, and in Your hand is power and might; and it lies in Your hand to make great and to strengthen everyone. [13] "Now therefore, our God, we thank You, and praise Your glorious name. [14] "But who am I and who are my people that we should be able to offer as generously as this? For all things come from

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[23] Cortines & Baumer, *True Riches*, 13.

[24] Cortines & Baumer, *True Riches*, 18.

You, and from Your hand we have given You. 15 "For we are sojourners before You, and tenants, as all our fathers were; our days on the earth are like a shadow, and there is no hope."

B. Biblical Principles for a Healthy Economy

1. Fair Wages for Honest Work

Employers are to pay their employees a fair wage based upon the work performed and the diligence with which it is performed. Wages should not be withheld.

a) Lev 19:13, *"You shall not oppress your neighbor, nor rob him. The wages of a hired man are not to remain with you all night until morning."*

b) Deut 24:14-15, *"You shall not oppress a hired servant who is poor and needy, whether he is one of your countrymen or one of your aliens who is in your land in your towns. "You shall give him his wages on his day before the sun sets, for he is poor and sets his heart on it; so that he will not cry against you to the Lord and it become sin in you."*

c) Jer 22:13, *"Woe to him who builds his house without righteousness and his upper rooms without justice, who uses his neighbor's services without pay and does not give him his wages,"*

d) 1 Tim 5:18, *"For the Scripture says, "You shall not muzzle the ox while he is threshing," and "The laborer is worthy of his wages."* (cf. Matt 10:10; Luke 10:7)

e) Rom 4:4, *"Now to the one who works, his wage is not credited as a favor, but as what is due."*

2. A Fair Marketplace

Men are called upon by God to deal honestly when conducting business.

a) Prov 11:1, *"A false balance is an abomination to the Lord, But a just weight is His delight."*

b) Prov 16:11, *"A just balance and scales belong to the Lord; All the weights of the bag are His concern."*

c) Prov 20:10, 23, *"Differing weights and differing measures, both of them are abominable to the Lord….Differing weights are an abomination to the Lord, and a false scale is not good."*

Cf. Lev 19:35, 36; Deut 25:13-16; Ezek 45:10; Amos 8:5; Mic 6:10.

C. Primary Means of Acquiring Money: Earning it through Work[25]

Prov 13:11, *"Wealth obtained by fraud dwindles, but the one who gathers by labor increases it."*

Eccl 2:24-26, *"There is nothing better for a man than to eat and drink and tell himself that his labor is good. This also I have seen that it is from the hand of God. For who can eat and who can have enjoyment without Him? For to a person who is good in His sight He has given wisdom and knowledge and joy, while to the sinner He has given the task of gathering and collecting so that he may give to one who is good in God's sight. This too is vanity and striving after wind."*

1. God is the ultimate Worker and set the example by working six days during the first week of creation and resting on the seventh.

   Gen 1:31-2:3, *"God saw all that He had made, and behold, it was very good. And there was evening and there was morning, the sixth day. Thus the heavens and the earth were completed, and all their hosts. By the seventh day God completed His work which He had done, and He rested on the seventh day from all His work which He had done. Then God blessed the seventh day and sanctified it, because in it He rested from all His work which God had created and made."*

   Exod 20:11, *"For in six days the Lord made the heavens and the earth, the sea and all that is in them, and rested on the seventh day; therefore the Lord blessed the sabbath day and made it holy."*

   a) Creativity - God's act of bring the universe into existence over a period of six-days was a *creative* act. The creation puts His mind on display. His creation is not only complex, it is beautiful and is meant to be enjoyed.

   b) Diligence - God created *everything* in six days. His plans were formulated and carried out exactly as He had predetermined.

   c) Excellence - Everything that God made was *"very good."* He committed no errors and every aspect of His creation was completed with excellence.

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[25] It should go without saying that the faithful steward never gains wealth through the pursuit of gambling or lotteries. Gambling is trusting in chance and often leads to bondage and financial ruin. Lotteries are a self-imposed tax on the poor and destroy the lives of those who win them more often than not. They are both "get rich quick" schemes and are, therefore, forbidden by Scripture. Prov 28:20, 22, *"A faithful man will abound with blessings, but he who makes haste to be rich will not go unpunished. …A man with an evil eye hastens after wealth and does not know that want will come upon him."*

d) Satisfaction - God was satisfied with everything He had made. The universe lacked nothing and He rested as a result of His labors.

e) Provision - Through His creation God provides for man's needs and enjoyment. A man can take great pleasure from what God has created and all of His physical needs are met through creation.

2. Man fulfills God's purposes for himself through work since he has been created in the image of God and is directed to follow God's example.

   a) Creativity - Since man is created in the image of God, he possesses the creative abilities that no other creature possesses. Man is able to use his creative abilities to glorify God. Fallen man often uses his creative abilities to distort God's creation and reject God as Creator. But man's design is to glorify God through his creative abilities and enjoy what he is able to create as the image-bearer of God.

   b) Diligence - Since God was diligent in His creation, man is to pattern his work ethic after God's work ethic. He is not to be lazy or wasteful since God is not lazy or wasteful.

      Eccl 9:10, *"Whatever your hand finds to do, do it with all your might; for there is no activity or planning or knowledge or wisdom in Sheol where you are going."*

   c) Excellence - Man should pursue excellence in all that he does because this reflects God's performance of excellence through His creative act.

      Prov 22:29, *"Do you see a man skilled in his work? He will stand before kings; He will not stand before obscure men."*

   d) Satisfaction - Man should take satisfaction from his work just as God took satisfaction from His work.

   e) Provision - God has provided a rich environment in which man can work to provide for himself and for his family.

3. Work was instituted by God *prior to the fall of man.*

   a) Gen 2:15, *"Then the Lord God took the man and put him into the garden of Eden to cultivate it and keep it."*

   b) Work is not a curse. Although work became more difficult after the fall of man, it is still a blessing.

      Gen 3:17-19, *"Then to Adam He said, 'Because you have listened to the voice of your wife, and have eaten from the tree about which I commanded you, saying, 'You shall not eat from it'; Cursed is the ground*

<u>because of you; In toil you will eat of it All the days of your life</u>. Both thorns and thistles it shall grow for you; And you will eat the plants of the field; <u>By the sweat of your face You will eat bread, Till you return to the ground</u>, Because from it you were taken; For you are dust, And to dust you shall return.'"

4. Work builds godly character while laziness leads to evil.

   Prov 13:4, *"The soul of the sluggard craves and gets nothing, but the soul of the diligent is made fat."*

   Prov 15:19, *"The way of the lazy is as a hedge of thorns, but the path of the upright is a highway."*

   a) The life of the sluggard

      (1) Loss of creativity - man fails to reflect the image of God when he loses he creative ability due to slothfulness.

      Prov 24:30-34, *"I passed by the field of the sluggard And by the vineyard of the man lacking sense, And behold, it was completely overgrown with thistles; Its surface was covered with nettles, And its stone wall was broken down. When I saw, I reflected upon it; I looked, and received instruction. 'A little sleep, a little slumber, A little folding of the hands to rest,' Then your poverty will come as a robber And your want like an armed man."*

      Eccl 10:18, *"Through indolence the rafters sag, and through slackness the house leaks."*

      (2) Pursuit of laziness

      Prov 15:19, *"Laziness casts into a deep sleep, And an idle man will suffer hunger."*

      Prov 15:24, *"The sluggard buries his hand in the dish, But will not even bring it back to his mouth."*

      (3) Results in physical and mental degeneration, i.e. foolishness

      Prov 21:25, *"The desire of the sluggard puts him to death, for his hands refuse to work."*

      Prov 22:13*, "The sluggard says, 'There is a lion outside; I will be killed in the streets!'"*

      Prov 26:13-16, *"The sluggard says, 'There is a lion in the road! A lion is in the open square!' As the door turns on its hinges, so does the* *sluggard on his bed. The sluggard buries his hand in the dish; he is weary of bringing it to his mouth again. The sluggard is wiser in his own eyes than seven men who can give a discreet answer."*

(4) Becomes a burden to his employer and to society as a whole

Prov 10:26, *"Like vinegar to the teeth and smoke to the eyes, so is the lazy one to those who send him."*

(5) Results in boredom, which leads to sin

Prov 18:9, *"He also who is slack in his work is brother to him who destroys."*

(6) Loss of Christian fellowship - the one who refuses to work is to be put out of the church

2 Thess 3:10-13, *"For even when we were with you, we used to give you this order: <u>if anyone is not willing to work</u>[26]<u>, then he is not to eat, either</u>. For we hear that some among you are leading <u>an undisciplined life</u>, <u>doing no work at all</u>, but acting like busybodies. <u>Now such persons we command and exhort in the Lord Jesus Christ to work in quiet fashion and eat their own bread</u>. But as for you, brethren, do not grow weary of doing good."*

b) The life of the diligent

(1) Prov 12:27, *"A lazy man does not roast his prey, but the precious possession of a man is diligence."*

(2) Dayton writes, "A primary purpose of work is to produce character. While the carpenter is building a house, the house is also building the carpenter. Skill, diligence, manual dexterity, and judgment are refined. A job is not merely a task designed to earn money; it is also intended to produce godly character in the life of the worker."[27]

(3) Man's duty is to be faithful and content

(a) Col 3:23-24, *"Whatever you do, do your work heartily, as for the Lord rather than for men, knowing that from the Lord you will receive the reward of the inheritance. It is the Lord Christ whom you serve."*

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[26] Note that this does not refer to someone who *cannot* work, but rather to someone who *refuses* to work even though he or she is able to work.

[27] Dayton, *Your Money Counts*, 86.

(b) Dayton writes, "Consider your attitude toward work. If you could see the person of Jesus Christ as your boss, would you try to be more faithful in your job? The most important question you need to answer every day as you begin your work is: For whom do I work? You work for Christ."[28]

(4) God will promote a faithful worker if and when He chooses (remember the life of Joseph)

(a) Ps 57:6-7, *"For not from the east, nor from the west, nor from the desert comes exaltation; but God is the Judge; He puts down one and exalts another."*

(b) 1 Sam 2:7, *"The Lord makes poor and rich; He brings low, He also exalts."*

(c) Luke 12:42-44, *"And the Lord said, 'Who then is the faithful and sensible steward, whom his master will put in charge of his servants, to give them their rations at the proper time? Blessed is that slave whom his master finds so doing when he comes. Truly I say to you that he will put him in charge of all his possessions.'"*

(5) A man should work hard but not be a workaholic (i.e. turn work into an idol)

(a) Commitment to the Lord should always come before work

Matt 6:33-34, *"But seek first His kingdom and His righteousness, and all these things will be added to you. So do not worry about tomorrow; for tomorrow will care for itself. Each day has enough trouble of its own."*

(b) The family must hold a high place in a man's priorities

i) 1 Tim 3:4-5, *"He must be one who manages his own household well, keeping his children under control with all dignity (but if a man does not know how to manage his own household, how will he take care of the church of God?)"*[29]

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[28] Dayton, *Your Money Counts*, 89.

[29] Although this falls under the qualifications for elders, it certainly is applicable to any believing husband and father in the church.

ii) 1 Tim 5:8, *"But if anyone does not provide for his own, and especially for those of his household, he has denied the faith and is worse than an unbeliever."*[30]

(c) A man should work hard, but should be able to find rest over the pursuit of riches

i) Eccl 5:12, *"The sleep of the working man is pleasant, whether he eats little or much; but the full stomach of the rich man does not allow him to sleep."*

ii) Dayton writes, "If your job demands so much of your time and energy that you neglect your relationship with Christ or your family, then you are working too hard; perhaps the job is too demanding or your work habits need changing. If you tend to be a "workaholic," take extra precautions to guard against forsaking your other priorities."[31]

5. Man is to meant to enjoy the fruit of his labor

   Eccl 9:7-10, *"<u>Go then, eat your bread in happiness and drink your wine with a cheerful heart; for God has already approved your works</u>. Let your clothes be white all the time, and let not oil be lacking on your head. <u>Enjoy life with the woman whom you love all the days of your fleeting life which He has given to you under the sun; for this is your reward in life and in your toil in which you have labored under the sun</u>. Whatever your hand finds to do, do it with all your might; for there is no activity or planning or knowledge or wisdom in Sheol where you are going."*

6. Yet a man must not work as if God does not exist. He must realize that God provides as he is diligent but not imbalanced in his attitude towards work and family.

   Psalm 127:1-2, *"<u>Unless the Lord builds the house, They labor in vain who build it</u>; Unless the Lord guards the city, The watchman keeps awake in vain. <u>It is vain for you to rise up early, To retire late, To eat the bread of painful labors; For He gives to His beloved even in his sleep</u>."*

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[30] Although used primarily in reference to physical needs, certainly this provision includes more than just monetary benefits for the family.

[31] Dayton, *Your Money Counts*, 90.

D. Other Means of Acquiring Financial Resources

1. Saving & Investing — see section VI. Growing as a Faithful Investor

2. Inheritance — see Appendix 8: Gifts, Inheritance, & Estate Planning

3. Giving — see also section IV. Giving as a Faithful Investor

a) Although typically not considered a means of acquiring money, giving is one of God's primary means of acquiring money for the believer. This is due to the sowing and reaping principle often found in Scripture.

(1) In Luke 6:37, Jesus said, *"Give, and it will be given to you. They will pour into your lap a good measure—pressed down, shaken together, and running over. For by your standard of measure it will be measured to you in return."*

(2) Prov 11:24, *"There is one who scatters, and yet increases all the more, and there is one who withholds what is justly due, and yet it results only in want."*

(3) 2 Cor 9:6-9, *"Now this I say, he who sows sparingly will also reap sparingly, and he who sows bountifully will also reap bountifully. Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver. And God is able to make all grace abound to you, so that always having all sufficiency in everything, you may have an abundance for every good deed; as it is written, 'He scattered abroad, he gave to the poor, His righteousness endures forever.'"*

b) A final reminder from Dayton. He writes,

"If we concentrate solely on saving and investing, our focus and affection will gravitate there. We will be drawn inexorably to those possessions. But if we balance our saving and investing by giving generously to the Lord, we can still love Christ first with all our heart."[32]

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[32] Dayton, *Your Money Counts*, 106.

"He who loves money will not be satisfied with money, nor he who loves abundance with its income. This too is vanity." Ecclesiastes 5:10

III. Living as a Faithful Steward

A. Spiritual Transformation from a Heart of Coveting into a Heart of Contentment

1. The Heart of Coveting

a) Coveting can simply be described as the human heart desiring to have something that has been given to another by God that you yourself do not possess. But beyond the act of desiring itself lies the search for satisfaction in something other than God Himself:

"Coveting, at its core, is simply the belief that if I had more, I'd be happy. Think of it as striving, yearning, restlessly seeking more. If is a form of idolatry that leads us away from God. …Whether we're chasing millions of dollars or just another day's wages, each of our human hearts is prone to covet what others have, to continually be looking for more than we're given."[33]

b) Coveting goes beyond desiring an object or person to seeking satisfaction or taking sinful pleasure in that object or person and, therefore, may be linked to sexual immorality. Note this link in the tenth commandment:

Exodus 20:17 *"You shall not covet your neighbor's house; <u>you shall not covet your neighbor's wife</u> or his male servant or his female servant or his ox or his donkey or anything that belongs to your neighbor."*

c) The author of Hebrews also draws a close association between coveting and sexual immorality:

Hebrews 13:4-5a *[4] Marriage is to be held in honor among all, and the marriage bed is to be undefiled; for <u>fornicators and adulterers</u> God will judge. [5a1] Make sure that your character is free from <u>the love of money</u>,*

d) Cortines & Baumer write insightfully, "Our culture teaches us to be generous with sex and to closely guard our money. But God teaches us to be generous with money and to closely guard our sexual purity. It's a total reversal—one that leads us, in both cases, toward a divine contentment that wisely stewards what God has given us!"[34]

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[33] Cortines & Baumer, *True Riches*, 34.

[34] Cortines & Baumer, *True Riches*, 36.

2. The Heart of Contentment

a) Replacing coveting with contentment transforms the restless human heart into a haven of peace as it finds rest in God Himself and His providence within one's own circumstances designed and controlled completely by Him. This comes only through meditating on contentment within Scripture (e.g. Ps 23, *"The LORD is my shepherd, I shall not want…"*).

b) Hebrews 13:4-5a provides the cure for both sexual immorality and the love of money, i.e. contentment, based upon the following divine promise and confident assertion of dependence in Hebrews 13:5b-6:

> 5a2 *"… being content with what you have;* 5b *for He Himself has said, "I will never desert you, nor will I ever forsake you,"* 6 *so that we confidently say, "The Lord is my helper, I will not be afraid. What will man do to me?"*

c) The unbridled appetite for sexual sin and love of money and possessions will never be satisfied apart from total and complete dependence upon the Lord, i.e. contentment. Both pursuits must be put aside and replaced with a greater love for Him and love for neighbor, as stated clearly by Jesus:

> Matthew 22:36–40 36 *"Teacher, which is the great commandment in the Law?"* 37 *And He said to him, " 'You shall love the Lord your God with all your heart, and with all your soul, and with all your mind.'* 38 *"This is the great and foremost commandment.* 39 *"The second is like it, 'You shall love your neighbor as yourself.'* 40 *"On these two commandments depend the whole Law and the Prophets."*

d) Biblical contentment chooses to work diligently and live in relative simplicity with a heart of gratitude that, by God's grace, finds greater capacity to give and share with others, even in the midst of suffering.[35]

> 1 Tim 6:6-10, *"<u>But godliness actually is a means of great gain when accompanied by contentment</u>. For we have brought nothing into the world, so we cannot take anything out of it either. <u>If we have food and covering, with these we shall be content</u>. But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction. <u>For the love of money is a root of all sorts of evil, and some by longing for it have wandered away from the faith and pierced themselves with many griefs</u>."*

> Phil 4:10-13, *"But I rejoiced in the Lord greatly, that now at last you have revived your concern for me; indeed, you were concerned before, but you lacked opportunity. Not that I speak from want, <u>for I have learned to be content in whatever circumstances I am</u>. <u>I know how to get along with</u>*

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[35] Cortines & Baumer, *True Riches*, 39.

humble means, and I also know how to live in prosperity; in any and every circumstance I have learned the secret of being filled and going hungry, both of having abundance and suffering need. I can do all things through Him who strengthens me."

B. The Necessity of Asking and Answering the Right Question

1. Asking one of two vital questions.

Depending on the financial circumstances (i.e. in want or in abundance) in which the Lord's divine providence has placed you, one of vital two questions must be asked in order to help practically with the human heart's transformation from coveting to contentment:

a) How do I create margin?

(1) Individuals or households with a limited income must find a way to live within the means God has provided by spending less than is earned. This creates margin, i.e. having money left over at the end of the month instead of too much month left over at the end of the money.

(2) Cortines and Baumer explain, "We consider margin to be the number-one principle for successful money management, because without it you cannot consistently give or save. …Margin is God's gift to people with limited incomes: a way to plan for the future and to plan for generosity even when we're not wealthy. …Sometime the only way to generate margin is to embrace major lifestyle changes. But margin is the only path to financial health and to Christian faithfulness. Better, yet, it's the financial path to peace and joy."[36]

b) How much is enough?

(1) Individual or households with higher incomes must find a way to set limits on spending and saving in order to achieve biblical contentment that leads to an increase in generosity instead of lifestyle.

Cortines and Baumer write, "When we discover the value of God and his kingdom, our desires move from ramping up our lifestyle toward ramping up our contribution to God's work."[37]

(2) Enjoying the blessings of God (obtaining a better job with higher income, improved housing, more reliable car, etc.) is good, but without limits those pursuits can lead us away from God rather than closer to

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[36] Cortines & Baumer, *True Riches*, 51, 52, 53.

[37] Cortines & Baumer, *True Riches*, 54.

Him. Poverty is not the goal, but rather a life of simplicity (i.e. avoiding unnecessary distractions) that results in more fruitful ministry and greater contentment in the Lord alone.

2. Responding by limiting spending.

   The answer to each of the above questions can be addressed by wisely limiting spending at either end of the spectrum as we allow the Lord to lead, guide, and direct our steps in humble dependence on Him.

   Prov 16:9, *"The mind of man plans his way, but the Lord directs his steps."*

C. Biblical Principle of Planning

1. The wisdom of planning ahead vs. being panic-stricken.

   a) The Lord has created man in His own image (Gen 1:27) and one of the results of this is that man has the ability to reason. With this ability to reason comes the responsibility to think ahead and plan for the future, especially in the area of finances (Luke 14:28).

   b) Without planning, every financial problem quickly turns into a crisis and decisions are made haphazardly or foolishly, often resulting in the burden of unnecessary debt and the pain of conflict that could have been avoided within a marriage or among family members. Loss, in many ways, is sure to follow.

      Prov 14:15-18, *"The <u>naive believes everything</u>, but <u>the sensible man considers his steps</u>. <u>A wise man is cautious and turns away from evil</u>, but a <u>fool is arrogant and careless</u>. A quick-tempered man acts foolishly, And a man of evil devices is hated. <u>The naive inherit foolishness</u>, but <u>the sensible are crowned with knowledge</u>."*

   c) Although Jesus stated the following in relation to counting the cost of following him, that truth is based on the underlying principle that wise planning is practical and necessary.

      In Luke 14:28-30, Jesus said, *"For which one of you, when he wants to build a tower, <u>does not first sit down and calculate the cost to see if he has enough to complete it</u>? Otherwise, when he has laid a foundation and is not able to finish, all who observe it begin to ridicule him, saying, 'This man began to build and was not able to finish.'"*

2. Planning—in proper perspective—reflects the mind of God, demonstrates wisdom, and leads to success.

   a) Planning must *always* be performed prayerfully, seeking the Lord's will. In doing so, you will find your plans molded and shaped to reflect God's plans for you and accept them with greater submission due to your increased trust in Him.

Ps 37:1-5, *"Do not fret because of evildoers, Be not envious toward wrongdoers. For they will wither quickly like the grass And fade like the green herb. <u>Trust in the Lord and do good</u>; Dwell in the land and cultivate faithfulness. <u>Delight yourself in the Lord; And He will give you the desires of your heart</u>. <u>Commit your way to the Lord, trust also in Him, and He will do it</u>."*

b) Submit your plans to the Lord and remain flexible to His providential leading.

Prov 16:1-4, 9, *"<u>The plans of the heart belong to man, but the answer of the tongue is from the Lord</u>. All the ways of a man are clean in his own sight, but the Lord weighs the motives. <u>Commit your works to the Lord and your plans will be established</u>. The Lord has made everything for its own purpose, even the wicked for the day of evil.…The mind of <u>man</u> plans his way, but the <u>Lord</u> directs his steps."*

c) Rest in the knowledge that He is guiding you in all circumstances and events towards the ultimate goal of His divine, sovereign purpose of glorifying Himself, the plans of which also include *your good*.

Prov 3:5-6, *"Trust in the Lord with all your heart and do not lean on your own understanding. In all your ways acknowledge Him, and He will make your paths straight."*

3. Planning requires clear and open communication in marriage.

a) Husbands and wives must communicate about money.

(1) That communication does *not* need to cause stress.

(2) That communication *can* bind spouses more tightly together.

b) Unfortunately, most conversations about money between spouses are strained and bring discord instead of harmony.

(1) Most money issues can be traced back to a lack of understanding regarding issues of biblical stewardship, and, even more fundamentally, *to a wrong understanding of God*. Most couples have never been exposed to these principles and, therefore, act out of ignorance *since they also do not know God as they should*. There is

the need for the mind to be informed and transformed. There is a need *to truly know God* first and foremost![38]

Jer 9:23-24, *"Thus says the Lord, "Let not a wise man boast of his wisdom, and let not the mighty man boast of his might, let not a rich man boast of his riches; <u>but let him who boasts boast of this, that he understands and knows Me, that I am the Lord who exercises lovingkindness, justice and righteousness on earth; for I delight in these things," declares the Lord</u>."*

(2) Without the continual transforming power of the written Word of God by the Spirit of God on the mind of man, sinful patterns of thinking that reflect the mind of the fallen culture in which we live will dominate.

(a) Rom 12:1-2, *"Therefore I urge you, brethren, by the mercies of God, to present your bodies a living and holy sacrifice, acceptable to God, which is your spiritual service of worship. <u>And do not be conformed to this world, but be transformed by the renewing of your mind, so that you may prove what the will of God is, that which is good and acceptable and perfect</u>."*

(b) Col 3:16, *"<u>Let the word of Christ richly dwell within you</u>, with all wisdom teaching and admonishing one another with psalms and hymns and spiritual songs, singing with thankfulness in your hearts to God."*

(c) Phil 4:8, *"Finally, brethren, <u>whatever is true, whatever is honorable, whatever is right, whatever is pure, whatever is lovely, whatever is of good repute, if there is any excellence and if anything worthy of praise, dwell on these things</u>."*

c) Regular communication assures that both spouses are of the same mind and moving towards the same goals.

D. Budgeting Basics

1. Burkett emphasizes the fundamental importance of living on a budget when he writes,

"Without fear of contradiction, I can say that everyone who does not live on a budget is not handling their finances efficiently, especially those people who think they don't need one. It's better to live on a budget and know where your money is going every month than to live without one and not know. A good

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[38] If you have not yet read it, I highly recommend you read, *Knowing God*, by J.I. Packer. A proper understanding of God and His attributes is essential to living the life of a faithful steward.

budget does not restrict your freedom. It merely tells you when you have spent what you have agreed you can spend."[39]

2. A *budget*[40] is simply a written plan for directing where your income will go and then tracking it as it is spent. It can be simple or it can be complex (not recommended) but it always needs to be accurate and account for every dollar coming in and going out.

3. A budget includes both short-term and long-term goals.

    a) It will help a person or couple to provide for the future as well as avoid the bondage and burden that can come from excessive and unwise use of debt. Yet even this requires that you know how much you are spending in the first place.

    b) Burkett writes, "Discipline yourself with regard to money, and you'll find that it does not restrict your freedom. It allow you to expand to the full measure of what God wants you to have."[41]

    Prov 27:23, *"Know well the condition of your flocks, And pay attention to your herds."*

4. Importance of implementing your budget

    a) In order to implement a budget, one must keep good records and keep all your figures balanced and on track, including the timely payment of your bills.

    b) Burkett states, "It is impossible to have your finances under control without understanding the basis of good bookkeeping."[42] Fortunately, computers and smartphones and their syncing capabilities have made this process relatively easy to accomplish and keep up-to-date.

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[39] Burkett, *The Complete Financial Guide for Young Couples*, 51. He also writes, "The purpose of a budget is for a husband and wife to communicate how they're going to spend their money, and then to have a guide to measure whether or not they're spending their money the way they have agreed they would. …Developing a budget means more than just writing figures down on a piece of paper. It means sitting down and talking about your current situation, where you need to go, and constructively evaluating how you are going to get there. If you have children old enough to understand, they should be included in your budget discussion."

[40] "A budget answers the questions, 'Where is my money coming from this month, and where is my money going this month?' That's all a budget can do." Burkett, *The Complete Financial Guide for Young Couples,* 50.

[41] Burkett, *The Complete Financial Guide for Young Couples,* 50.

[42] Burkett, *The Complete Financial Guide for Young Couples,* 25.

Prov 24:3-4, *"By wisdom a house is* _built_*, And by understanding it is* _established_*; And by knowledge the rooms are* _filled_ *with all precious and pleasant riches."*

5. Importance of monitoring your budget

Once you are on track, your budget must be monitored on a regular basis to keep your spending in check. You must also learn how to be flexible and adjust your budget as necessary depending on the circumstances of God's providential leading. This allows you to be ready to give!

Prov 14:15, *"The naive believes everything, but* _the sensible man considers his steps_*."*

Prov 22:3, *"The* _prudent sees the evil and hides himself_*, but the naive go on, and are punished for it."*

E. Guidelines for Budgeting

1. Burkett states, "A budget is actually a yearly plan divided by 12. It must account for *all* spending, including the non-monthly items such as clothing, insurance, and maintenance, so that when those items come due, the money is already put aside to pay for them."[43]

2. Standard guidelines (i.e. ground rules) need to be followed in setting up a budget. Every budget will have a certain number of budget categories and all income must be funneled in and through those categories. All spending must be recorded accurately and consistently and the amount spent taken out of those categories. If there is no money in a particular category remaining, no additional spending can take place in that category until it is replenished.

3. A budget should be *customized* to meet your needs.

After becoming comfortable with the basics of budgeting, your budget can and should be customized to meet your needs. This can be accomplished by making necessary adjustments to the budget after discussions have taken place and both spouses have come to an agreement on those changes.

4. A budget must be *simple* or you will lose motivation to maintain it.

   a) Burkett writes, "I believe a budget should be so simple that, if it takes more than an hour each month to maintain it, it's too complicated."[44]

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[43] Burkett, *The Complete Financial Guide for Young Couples*, 54.

[44] Burkett, *The Complete Financial Guide for Young Couples*, 63.

b) Just as the runner wants to remain unencumbered and run “fleet of foot,” keep your budget simple enough so that it does not become a burden to maintain. In fact, a budget can be maintained on-the-go with a smartphone or tablet. The data can be synced in real time and any necessary adjustments to the budget can be made in a matter of minutes on a computer.

5. A budget must remain *flexible*.

   a) <u>Infancy stage of budgeting</u>: in a sense, your budget must serve as your master during the early stages in order to bring your spending under control.

   b) <u>Maturity stage of budgeting</u>: you will serve as master over your budget as you transition to living within your means by establishing a pattern of responsible spending that also includes saving (i.e. creating margin).

6. Guidelines for *spending* as you establish a budget.

   a) The top three rules for your spending:

      (1) Live within you means.

      (2) Live within your means.

      (3) Live within your means.

   b) Don’t spend what you don’t have.

      (1) If you don’t have the money *in cash* or *in your checking account* that is set aside in your budget *specifically* for the purchase you are contemplating, don’t buy it! Better put, don’t *borrow* to buy it.

      (2) Spending must be based on income earned and received, not *anticipated* income. It if it not “in your pocket,” it’s not an asset and, therefore, cannot be spent.

   c) Learn to distinguish between *needs* and *wants*.

      Those with a stewardship mindset quickly learn that what they have always perceived as *needs* were really just *wants* in disguise. Unnecessary spending must be brought under control.

   d) Don’t attempt to build a *perceived wealth* through your spending that is far above and beyond your actual wealth. Behind the facade, your financial walls will crack and eventually crumble and fall.

(1) Don't be fooled. The Jones's don't actually *own* those new cars that they are driving. Most likely they are either leasing them or making large monthly payments that they cannot afford. And that lavish vacation they just enjoyed may have added $10,000 or more to their credit card balances.

(2) Stop trying to impress people you don't even like by spending money you don't even have. True wealth comes from acquiring wisdom, not gold or, in this case, *fools gold*.

7. Tips to reduce impulse buying[45]

a) Stay offline (especially eBay and amazon.com), if necessary. Stop watching television shows, the purpose of which is to get you to watch the *commercials* so that you will buy stuff that you don't need.

b) Go to the grocery store or department store with a list. Don't buy anything that isn't on the list. And *never* go to the grocery store when you are hungry.

c) Use a delayed purchase plan (i.e. don't buy anything outside of your budget unless you wait 30 days). Check and record at least three other prices within those 30 days. If at the end of 30 days you still have a strong desire, good reasons, and the necessary money within your budget to pay for it, make the purchase. Often the desire will wane or you will find a better use for the money that you had intended to spend on that item.

d) Avoid impulse purchases and certainly never use credit cards for them. Spending a little cash on an impulse item *once in a while* won't break the bank, but beware of "the latte effect."

(1) The fallacy: Buying a $6 latte at Starbucks every day on my way to work has very little effect on my finances, right?

(2) The facts:

(a) $6 x 5 days a week x 50 weeks = $1,500 spent on lattes a year.

(b) If that $1,500 was divided by 12 and invested monthly earning an annual rate of return of 6% (which is a conservative long-term assumption) for 40 years (e.g. from age 25 to age 65) in a tax-deferred account, the total would equal nearly $250,000.

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[45] Burkett, *The Complete Financial Guide for Young Couples*, 70. By following these guidelines, your *"I must absolutely must have it"* item quickly becomes an *"I can do without it"* item. Through this practice you will also learn greater contentment and reduce worry due to lower expenditures.

(c) What?!? Yes, $250k is the potential opportunity cost of buying just one $6 latte on each working day for the next 40 years.[46]

(d) So, answer this question: Would you prefer to have spent a total of $60,000 on one latte each workday for 40 years or potentially having nearly $250,000 in an investment portfolio in 40 years?

Obviously, the purpose for investing and the intended goal should also be taken into account, but that is not the point here.

(3) The point: Small amounts spent haphazardly that may have a minimal impact on your wallet today quickly add up over time and may result in a significant adverse effect on your financial future. Just by cutting out that one latte a day (or other small expenditures on a regular basis) and investing the amount not spent on a regular basis could provide you with a significant asset that has the potential *also* to provide income for your future needs.[47]

F. Sample Budget

1. Budget data:

a) Gross Income = $78,000/year salary (i.e. $6,500/month)

b) *minus* Income taxes (15%) = $11,700/year (i.e. $975/month)

c) *equals* Net income = $66,300/year ($5,525/month)

d) *minus* Giving (12% of gross income) = $9,360/year (i.e. $780/month)

e) *equals* Net Spendable Income = $56,940 (i.e. $4,745/month) - This is the amount that monthly spending, savings, and investing will be based upon.

2. Guideline monthly budget categories, percentages, and amounts:

a) Giving (12% of Gross[48]) = $780 (not included in NSI)

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[46] At an 8% annual rate of return, the total would be $436,000. At 10%, $790,000.

[47] At the end of 40 years, that $250k could be invested conservatively yielding 4% in order to provide you with over $830 in monthly income before taxes *for 20 years*, leaving the $250k intact as an inheritance if you were to die at age 85. If you depleted the entire amount over 20 years, it could provide you with over $1,500 a month in income before taxes.

[48] Due to the principle of prioritizing giving first, the “Giving” category is the one category in the list that the percentage is based on Gross Income (i.e. *not* on Net Spendable Income). The remaining categories’ percentages and amounts will be based on Net Spendable Income.

The following categories added together = Net Spendable Income

b) Housing (25-38% of NSI) = $1,803 [38%]

c) Food (10-15% of NSI) = $570 [12%]

d) Transportation (10-15% of NSI) = $475 [10%]

e) Insurance (3-7% of NSI, covering life and disability; 10% or more if also paying for health care) = $237 [5%]

f) Debts (0-10% of NSI) = $237 [5%]

g) Entertainment & Recreation (4-7% of NSI) = $190 [4%]

h) Clothing (4-6% of NSI) = $190 [4%]

i) Savings (5-10% of NSI) = $237 [5%]

j) Medical & Dental (4-8% of NSI) = $190 [4%]

k) Miscellaneous (4-8% of NSI) = $141 [3%]

l) Investments (0-15% of NSI) = $475 [10%]

m) Total (100% of NSI) = $4,745

3. This is a simple budget to illustrate the principle of categorizing expenses, determining guideline percentages, and assigning every dollar of NSI to each one of the categories.

4. Obviously each person's or couple's budget will be unique and adjustments will need to be made. Categories can be added or subtracted as necessary, along with subcategories under each major category.

5. But the main point is to get started by tracking your expenditures, assigning each dollar of your income to the appropriate categories, and then spending from those categories.

6. Although they may be high at first, you need to work towards lowering your expenses so that they do not exceed your income. This may take some time, but as you follow this practice, you will begin to see where you are overspending and, therefore, where you need to cut back on expenses.

G. Budgeting Resources

1. Books and Studies on Budgeting *(as with any resource, use with discernment)*

   a) Dayton, Howard. *Your Money Counts: The Biblical Guide to Earning, Spending, Saving, Investing, Giving, and Getting Out of Debt*. Carol Stream, IL: Tyndale House Publishers, 2011.

   b) Crown Financial Ministries. *Budgeting Essentials Kit.* Includes: *Creating a Spending Plan, Eliminating Debt,* and *Crown Money Map.* Order online at https://www.crown.org/.

2. Online Tools for Budgeting

   a) You Need A Budget (YNAB) (https://www.youneedabudget.com/) - best overall online budgeting tool for individuals/couples. 34-day free trial period, then $14.99 monthly subscription or $99 annually.

   b) Faith & Finance (https://www.faithfi.org) - as a non-profit organization, trained coaches are available without cost to help individuals/couples develop debt reduction and spending plans. Also offers a budgeting app similar to YNAB. Basic version is free while Pro version offers a 14-day trial period, then $8.99 monthly subscription or $75 annually.

"Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver." 2 Corinthians 9:7

IV. Giving as a Faithful Steward

A. Spiritual Transformation from a Heart of Indifference into a Heart of Love

1. The Heart of Indifference

a) The heart of indifference *may* or *may not* give to others. The following characteristics may indicate a heart of indifference, if any giving does take place:

(1) The giver was taught that all Christians must give 10% of their income to the church, i.e. a tithe.

(2) The giver gives only money, never giving themselves to others.

(3) The giver gives no thought of how or why money given will be used.

(4) The giver gives in order to obtain a deduction for tax purposes.

(5) The giver experiences no joy in giving.

(6) The giver gives stingily, not generously or sacrificially.

(7) The giver gives not from a heart of worship, but rather out of duty or to appear generous.

(8) The giver's heart is not aligned with God's heart of compassion.

(9) The giver wants to leave a legacy of admiration for self after death.

(10)The giver has never been taught the principles of generous giving.

b) The heart of indifference has no real love or compassion for those in need. The heart of indifference is cold toward fellow man.

c) The heart of indifference cares not for the eternal souls of the lost.

2. The Heart of Love

a) The heart of indifference is misaligned, having no compassion or love for the things that God loves. The heart of God is loving and compassionate towards the following:

(1) The downtrodden, i.e. the needy, afflicted, and helpless, i.e. those who are powerless and without a voice, including the widow, the orphan, and the alien.

Deut 10:18-19 [18] *"He executes justice for the orphan and the widow, and shows His love for the alien by giving him food and clothing.* [19] *"So show your love for the alien, for you were aliens in the land of Egypt."*

Ps 9:18, *"For the needy will not always be forgotten, Nor the hope of the afflicted perish forever."*

Ps 72:12–14 [12] *"For he will deliver the needy when he cries for help, The afflicted also, and him who has no helper.* [13] *He will have compassion on the poor and needy, And the lives of the needy he will save.* [14] *He will rescue their life from oppression and violence, And their blood will be precious in his sight;"*

(2) The lost, i.e. those in need of eternal salvation.

Matt 18:11-14 [11] *"For the Son of Man has come to save that which was lost.* [12] *"What do you think? If any man has a hundred sheep, and one of them has gone astray, does he not leave the ninety-nine on the mountains and go and search for the one that is straying?* [13] *"If it turns out that he finds it, truly I say to you, he rejoices over it more than over the ninety-nine which have not gone astray.* [14] *"So it is not the will of your Father who is in heaven that one of these little ones perish."*

1 Tim 2:3-6 [3] *"This is good and acceptable in the sight of God our Savior,* [4] *who desires all men to be saved and to come to the knowledge of the truth.* [5] *For there is one God, and one mediator also between God and men, the man Christ Jesus,* [6] *who gave Himself as a ransom for all, the testimony given at the proper time."*

(3) The found, i.e. those in need of spiritual oversight, teaching, and growth in their walk with the Lord. Members of the body of Christ, i.e. His church, as well as those who lead it, His under-shepherds.

Matt 28:18–20 [18] *"And Jesus came up and spoke to them, saying, "All authority has been given to Me in heaven and on earth.* [19] *"Go therefore and make disciples of all the nations, baptizing them in the name of the Father and the Son and the Holy Spirit,* [20] *teaching them to observe all that I commanded you; and lo, I am with you always, even to the end of the age."*

1 Tim 5:17-18 [17] *"The elders who rule well are to be considered worthy of double honor, especially those who work hard at preaching and*

teaching. [18] For the Scripture says, "You shall not muzzle the ox while he is threshing," and "The laborer is worthy of his wages."

b) The heart of love is shaped by caring for and being generous towards the things that God cares about with an eternal perspective in mind.

(1) Cortines and Baumer write, "We shouldn't give to things because we care about them deeply. Rather, we should give to things because *God* cares about them deeply. Giving often starts as an obedient step of faith before it blossoms into joyful love over time."[49]

(2) Therefore, believers must develop a heart for those in need by placing their treasure into objects of God's compassion and care, i.e. an investment into eternity. Jesus stated clearly in Matt 6:21, *"for where your treasure is, there your heart will be also."*

Ps 41:1, *"How blessed is he who considers the helpless; The Lord will deliver him in a day of trouble."*

James 1:27, *"Pure and undefiled religion in the sight of our God and Father is this: to visit orphans and widows in their distress, and to keep oneself unstained by the world."*

1 Tim 6:17-19 [17] *"Instruct those who are rich in this present world not to be conceited or to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy. [18] Instruct them to do good, to be rich in good works, to be generous and ready to share, [19] storing up for themselves the treasure of a good foundation for the future, so that they may take hold of that which is life indeed."*

B. Giving's Relationship to Stewardship

1. As defined in this material, stewardship has to do more with how you handle what you *keep*, i.e. what God has given you to manage on His behalf.

a) As a result of this understanding, stewardship isn't primarily about *giving*. Stewardship is primarily about *managing what you keep*.

b) As a manager, you are to *give away* what belongs to the Lord already through *sacrificial giving* and allow Him to bless that giving. What remains is the amount *you* manage, i.e. as His steward.

2. Giving, therefore, is a *precursor* to the practice of stewardship. Yet, one must first possess a stewardship mentality because it serves as the foundation for giving. In other words, everything that the Lord gives belongs to Him. When I

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[49] Cortines & Baumer, *True Riches*, 96.

give, I am giving a portion of what He has given to me. When I *keep*, I am now managing the portion that *remains* of what He has already given.

C. Biblical Principles of Giving

1. The Principle of Reaping and Sowing

   What a man sows in this life, he will also reap. A generous man will be blessed while a greedy man will be cursed:

   a) 2 Cor 9:6, *"Now this I say, he who sows sparingly will also reap sparingly, and he who sows bountifully will also reap bountifully."*

   b) Prov 11:24-25, *"There is one who scatters, and yet increases all the more, And there is one who withholds what is justly due, and yet it results only in want. The generous man will be prosperous, And he who waters will himself be watered."*

   c) Prov 19:17, *"One who is gracious to a poor man lends to the Lord, And He will repay him for his good deed."*

   d) Luke 6:38, *"Give, and it will be given to you. They will pour into your lap a good measure—pressed down, shaken together, and running over. For by your standard of measure it will be measured to you in return."*

   e) Gal 6:6-10, *"The one who is taught the word is to share all good things with the one who teaches him. Do not be deceived, God is not mocked; for whatever a man sows, this he will also reap. For the one who sows to his own flesh will from the flesh reap corruption, but the one who sows to the Spirit will from the Spirit reap eternal life. Let us not lose heart in doing good, for in due time we will reap if we do not grow weary. So then, while we have opportunity, let us do good to all people, and especially to those who are of the household of the faith."*

2. The Principle of Greediness vs. Generosity

   The greedy man loves money and uses people, but the generous steward loves people and uses money.

   a) Foolishness of the Rich Man (Luke 12:16-21)

      (1) This man was a shrewd business man. Building bigger barns wasn't wrong. Enjoying the fruit of his labor wasn't wrong.

      (2) What was his fatal flaw? He failed to consider God in all of his business dealings. He lived like an atheist and was greedy. He had placed his heart in his treasure of wealth and paid the ultimate price for doing so.

Luke 12:20-21 , *"But God said to him, 'You fool! This very night your soul is required of you; and now who will own what you have prepared?' So is the man who stores up treasure for himself, and is not rich toward God."*

b) Wisdom of the Generous Man

(1) Luke 12:33-34, *"<u>Sell your possessions and give to charity</u>; make yourselves money belts which do not wear out, an unfailing treasure in heaven, where no thief comes near nor moth destroys. <u>For where your treasure is, there your heart will be also</u>."*

(2) Prov 11:24-26, *"<u>There is one who scatters, and yet increases all the more</u>, and there is one who withholds what is justly due, and yet it results only in want. <u>The generous man will be prosperous, and he who waters will himself be watered</u>. He who withholds grain, the people will curse him, <u>but blessing will be on the head of him who sells it</u>."*

(3) Ps 112:1-10, *"Praise the Lord! <u>How blessed is the man who fears the Lord</u>, who greatly delights in His commandments. His descendants will be mighty on earth; The generation of the upright will be blessed. <u>Wealth and riches are in his house, and his righteousness endures forever</u>. Light arises in the darkness for the upright; He is gracious and compassionate and righteous. <u>It is well with the man who is gracious and lends</u>; He will maintain his cause in judgment. For he will never be shaken; The righteous will be remembered forever. He will not fear evil tidings; His heart is steadfast, trusting in the Lord. His heart is upheld, he will not fear, Until he looks with satisfaction on his adversaries. <u>He has given freely to the poor, His righteousness endures forever</u>; <u>His horn will be exalted in honor</u>. The wicked will see it and be vexed, He will gnash his teeth and melt away; The desire of the wicked will perish."*

3. The Principle of the Temporal vs. the Eternal

a) Foolishness of the Rich Young Ruler (Luke 18:18-27; cf. Matt 19:16-29; Mark 10:17-30)

(1) This young man—who probably served as a ruler in the synagogue—was rich and had an interest in spiritual matters, but simply wanted Jesus to confirm that he already possessed eternal life or provide him with some work that would guarantee him eternal life (v. 18).

(2) Jesus revealed to the man his own self-righteousness through an appeal to the Law, but the man was unable to see clearly his own spiritual condition and how short he had fallen from keeping the Law. He was self-deceived (vv. 19-21).

(3) As a result of failing to see the depth of his own sinfulness, Jesus exposed the condition of the man's heart by revealing what he loved the most: his own wealth (vv. 22-25).

"When Jesus heard this, He said to him, 'One thing you still lack; sell all that you possess and distribute it to the poor, and you shall have treasure in heaven; and come, follow Me.' But when he had heard these things, he became very sad, for he was extremely rich. And Jesus looked at him and said, 'How hard it is for those who are wealthy to enter the kingdom of God! <u>For it is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God</u>.'"

(4) The true spiritual condition of this man was directly tied to his love for what he possessed in this world. *He had a temporal view and lost the opportunity to gain true spiritual riches of an eternal nature*. He was not prepared to become a fully committed disciple of Jesus. His love for his wealth stood between him and eternal life. Tragic!

(5) Wealth is an easy replacement for God for those who have a temporal view of life and a love for that wealth will keep a man from entering the kingdom because wealth is his god, an idol of the heart.

b) Transformation of Zaccheus (Luke 19:1-10)

(1) Zaccheus was also a rich man, but did not express a self-righteous attitude like the rich young ruler in the previous chapter (vv. 1-2).

(2) Zaccheus also had a keen interest in seeing Jesus but the Lord was also seeking him out (vv. 3-5).

(3) Zaccheus, clearly understanding that he was despised by his own people as he had committed grievous sins against them through extortion and tax collection for the Romans, gladly received Jesus (vv. 6-7).

(4) As a result, Zaccheus was *immediately* transformed (v. 8).

(5) But how was his transformation evidenced? By a true expression to part with the wealth that he had accumulated through unethical means. *His newfound love for Jesus was greater than his previous love for money or his love for sin*. He desired to give away half of his wealth and to make immediate restitution for the sins he had committed against his own people. His salvation is confirmed by Jesus as the impossible had now been made possible by the love of Christ demonstrated towards a rich man (vv. 9-10). Only God can save the wealthy!

"And Jesus said to him, 'Today salvation has come to this house, because he, too, is a son of Abraham. For the Son of Man has come to seek and to save that which was lost.'"

(6) Love for Jesus had replaced love for wealth in the life of Zaccheus. He no longer served his former master that had kept him in bondage but now served his new Master that had freed him from the sin of greed and love of wealth. And because of this, he now possessed the eternal life that the rich young ruler had failed to obtain.

D. Giving Practices in the New Testament[50]

1. In the Gospels

a) During Christ's life and ministry:

(1) The Law of Moses was still in effect, therefore tithing was still in effect.

(2) Yet, the timeless principle of giving freely and generously to others in the Old Testament was reiterated by Christ:

Luke 6:38, *"<u>Give, and it will be given to you</u>. They will pour into your lap a good measure—pressed down, shaken together, and running over. For by your standard of measure it will be measured to you in return."*

Cf. Deut 15:7-11, *""If there is a poor man with you, one of your brothers, in any of your towns in your land which the Lord your God is giving you, <u>you shall not harden your heart, nor close your hand from your poor brother; but you shall freely open your hand to him, and shall generously lend him sufficient for his need in whatever he lacks</u>. Beware that there is no base thought in your heart, saying, 'The seventh year, the year of remission, is near,' and your eye is hostile toward your poor brother, and you give him nothing; then he may cry to the Lord against you, and it will be a sin in you. '<u>You shall generously give to him, and your heart shall not be grieved when you give to him, because for this thing the Lord your God will bless you in all your work and in all your undertakings. For the poor will never cease to be in the land</u>; therefore I command you, saying, '<u>You shall freely open your hand to your brother, to your needy and poor in your land</u>.'"*

(3) Although Christ's teaching still falls within the time period of the Mosaic Covenant, He also began to introduce the principles of the kingdom to Israel (which is still future, even in our day).

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[50] See *Appendix 2: Giving & Tithing in the Old Testament* for an overview and explanation of the principles and practices of giving prior to the New Testament.

(4) Christ's rejection results in the kingdom being providentially postponed as He then introduces the concept of the Church (Matt 16:18; 18:17), an entirely new entity.

b) After Christ's death, resurrection, and ascension:

(1) The Law of Moses is *no longer* in effect (Gal 2:16). Israel as a nation is set aside due to their rejection of the Messiah and the Church comes into existence in Acts 2 on the Day of Pentecost.

(2) As a result, *The Law of Christ* (John 13:34-35; 1 Cor 9:21; Gal 6:2; cf. James 1:25) goes into effect during the transition period away from *The Law of Moses*, which was meant for Israel (i.e. Jews) alone, towards the establishment of the Church, which is "the body of Christ," *including both Jew and Gentile* (1 Cor 12:12-13; Rom 1:16-17; 2:29; cf. Eph 4:4-6).

2. Acts through Revelation

a) In Paul's farewell address to the Ephesian elders at Miletus, he quoted some words of Christ about giving that are not found in the Gospels. It is a reminder that voluntary giving to those in need always demonstrates the character of God.

Acts 20:35, *"In everything I showed you that by working hard in this manner you must help the weak and <u>remember the words of the Lord Jesus, that He Himself said, 'It is more blessed to give than to receive</u>.'"*

b) Since the Israelite economy no longer existed under the Mosaic Law, all required giving under that Law ceased. Tithing is no longer necessary since the Levitical priesthood and their service in the temple has been abolished and, therefore, there is no longer the need to support that ministry.

c) Sacrificial and voluntary giving becomes the standard for the churches.

(1) Example of giving by the Macedonian churches:

2 Cor 8:1-5, *"Now brethren, we wish to make known to you the grace of God which has been given in the churches of Macedonia, <u>that in a great ordeal of affliction their abundance and joy of their deep poverty overflowed in the wealth of their liberality</u>. For I testify that <u>according to their ability</u>, and <u>beyond their ability</u>, they <u>gave of their own accord</u>, <u>begging us</u> with much urging for the favor of participation in the support of the saints, and this, not as we had expected, <u>but they first gave themselves to the Lord and to us by the will of God</u>…"*

(a) Their generosity overflowed from a heart of *thanksgiving* and *love for* and *devotion to* the Lord.

(b) They gave *sacrificially* and *willingly*.

i) *"according to their ability and beyond their ability"*

ii) *"of their own accord"*

(c) They *begged* for the opportunity to give.

(d) They viewed giving as a *privilege*.

(e) They were *deliberate* and *proactive*.

(2) Plans for giving by the Corinthian church:

2 Cor 9:6-11, *"Now this I say, he who sows sparingly will also reap sparingly, and he who <u>sows bountifully</u> will also <u>reap bountifully</u>. <u>Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver</u>. And God is able to make all grace abound to you, so that always having all sufficiency in everything, you may have an abundance for every good deed; as it is written, 'He scattered abroad, he gave to the poor, His righteousness endures forever.' Now He who supplies seed to the sower and bread for food will supply and multiply your seed for sowing and increase the harvest of your righteousness; you will be <u>enriched in everything for all liberality</u>, which through us is <u>producing thanksgiving to God</u>."*

(a) Paul reminded the Corinthians of their *commitment* to collect an offering for the church in Jerusalem.

(b) Paul reminded them of the principle of *sowing bountifully* in order to *reap bountifully*.

(c) Verse 7 serves as a primary text on N.T. Church-age giving:

"Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver."

i) *Purposefully*, not impulsively.

ii) *Freely*, not grudgingly or under compulsion.

iii) *Cheerfully*, not greedily or from stinginess.

(d) Paul also reminded them that God is the supplier of grace in money matters and will make certain that they have everything they need from Him and find *contentment* because of their trust in Him.

(e) The result will be increasing *thanksgiving* to God.

(f) They will learn that *they cannot out-give God*. He had already given the greatest gift of all: His Son.

"Thanks be to God for His indescribable gift!" (v. 15)

E. Summary Characteristics of the New Testament Giver

1. Worshipful
2. Cheerful
3. Voluntary
4. Generous
5. Sacrificial
6. Deliberate
7. Purposeful
8. Consistent
9. Future-oriented

F. Practical Advice on Giving

1. The steward asks, "How much should I *keep*?" not, "How much should I *give*?" Why? Because it *all* belongs to the Lord.

2. Giving must take the highest priority in your budget. No predetermined percentage is required since all giving is now voluntary. You may choose to give a certain percentage of your income, but it is not required.

3. Giving may be directed to any number of recipients (and should *not* be made just to those from whom you will receive the benefit of a tax deduction).

   a) Giving should be made to the *church* but giving can also be to *gospel-centered charities* (e.g. relief organizations, mercy ministries, distributors of Christian living resources, etc.).

   b) Giving can be made to *colleges, universities, or seminaries* that are focused on educating believers and spreading the gospel around the world in the marketplace.

c) Giving can be made *to or for the benefit of individuals or families* (e.g. missionaries, seminary families, poor families, single-parent families, etc.).

d) Giving can be made *to family members*, e.g. *children* and *grandchildren*.

4. As long as you are following these principles and seeking the Lord while also providing for your family, give what you determine to give.

5. Finally, don't just *give* generously, *live* generously!

G. Giving Resources

1. Books on Giving *(as with any resource, use with discernment)*

a) Alcorn, Randy. *The Treasure Principle.* Colorado Springs, CO: Multnomah Publishers, 2001.

b) Dayton, Howard. *Your Money Counts: The Biblical Guide to Earning, Spending, Saving, Investing, Giving, and Getting Out of Debt*. Carol Stream, IL: Tyndale House Publishers, 2011.

2. Sermons on Giving

Grace to You. John MacArthur's sermon series from 2 Corinthians 8-9, "The Biblical View of Money" (parts 1-4); "A Biblical Model for Giving" (parts 1-4); "The Poverty that made Us Rich"; "Stewardship with Integrity" (parts 1-4); "The Path to Prosperity" (parts 1-2) - can be streamed or downloaded from https://www.gty.org/. These sermons were compiled into a book, *Whose Money is it Anyway?*, which is not currently offered by GTY.

3. Online Resources for Giving Education & Strategies

a) Faith & Finance (https://www.faithfi.com/section/giving) - numerous articles and podcasts related to giving.

b) Generous Giving (https://generousgiving.org/) - GG hosts online and in-person events to explore the topic of giving at no cost to the participants. One of those events is a Journey in Generosity, which is a gathering of like-minded people for the purpose of maximizing impact and growing closer to God.

c) Christian Foundation of America (https://cfa.charity/) - CFA is a charitable community foundation serving donors with charitable giving funds, legacy and estate charitable planning services, and funds management.

d) National Christian Foundation (https://www.ncfgiving.com/) - NCF is also a charitable community foundation that provides charitable giving strategies and solutions for the glory of God.

"Owe nothing to anyone except to love one another; for he who loves his neighbor has fulfilled the law." Romans 13:8

V. Owing as a Faithful Steward

A. Spiritual Transformation from a Heart of Impatience into a Heart of Patience

1. The Heart of Impatience

Psalm 37:7–11 "[7] *Rest in the Lord and wait patiently for Him; Do not fret because of him who prospers in his way, Because of the man who carries out wicked schemes.* [8] *Cease from anger and forsake wrath; Do not fret; it leads only to evildoing.* [9] *For evildoers will be cut off, But those who wait for the Lord, they will inherit the land.* [10] *Yet a little while and the wicked man will be no more; And you will look carefully for his place and he will not be there.* [11] *But the humble will inherit the land And will delight themselves in abundant prosperity."*

Prov 21:17 *"He who loves pleasure will become a poor man; He who loves wine and oil will not become rich."*

Prov 25:28 *"Like a city that is broken into and without walls is a man who has no control over his spirit."*

a) The heart of impatience is restless because it is filled with covetousness. Cortines and Baumer write,

"Perhaps the prevalence of consumer debt in our culture is merely the symptom of a deeper, hidden problem. Could there be a sin pattern that is so pervasive, so normalized, that we're blind to it, even as it consumers our lives and hinders our ability to connect with and serve God?…the sin of coveting."[51]

b) The heart of impatience is unwilling to wait to obtain what it wants now. Impatience is closely related to discontentment and covetousness.

c) The heart of impatience is lazy and unwilling to plan for the future.

d) The heart of impatience prefers the appearance of wealth above the reality of wealth.

e) The heart of impatience can lead to an overwhelming load of debt, creating a self-imposed bondage and a sense of hopelessness from ever being able to climb out from under the burden of that debt.

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[51] Cortines & Baumer, *True Riches*, 33, 34.

f) The heart of impatience makes foolish and unnecessary purchases. It robs one of the ability to change one's mind about the object of purchase, either to purchase something else instead or not purchase at all.

g) The heart of impatience tends to purchase more than can be paid back.

h) The heart of impatience tends to purchase objects that *depreciate* in value rather than *appreciate* in value.

2. The Heart of Patience

Psalm 37:7 *"Rest in the Lord and wait patiently for Him; Do not fret because of him who prospers in his way, Because of the man who carries out wicked schemes."*

1 Tim 6:6–8 [6] *"But godliness actually is a means of great gain when accompanied by contentment.* [7] *For we have brought nothing into the world, so we cannot take anything out of it either.* [8] *If we have food and covering, with these we shall be content."*

Hebrews 13:5 *"Make sure that your character is free from the love of money, being content with what you have; for He Himself has said, "I will never desert you, nor will I ever forsake you,"*

a) The heart of patience is at rest because it is filled with contentment. Cortines and Baumer write,

> "Contentment, in contrast to the endless striving above [i.e. the desire for more and more], is a posture of the heart that rests peacefully in our present circumstances, no matter what they look like. It's a healing balm that helps us feel satisfied, rather than restless. But it can be hard to grasp, especially when we live in a culture driven so much by a consumer mentality."[52]

b) The heart of patience is content, having been diligent to plan and save for the future. The deferred enjoyment is greater and lasts longer than the quick fix of temporal happiness of an impulsive purchase that is followed soon thereafter by the sorrowful burden created by the debt.

c) The heart of patience waits in dependence upon the Lord and exercises the discipline necessary to save to make a purchase later with cash rather than now with debt, or maybe not even at all.

[52] Cortines & Baumer, *True Riches*, 33.

d) The heart of patience builds character and enjoys the purchased object more due to the hard labor required to save the funds necessary for the purchase.

e) The heart of patience is also a heart at peace due to the freedom experienced because choices have been made that have led to one or more of the following:

(1) Debt is being used judiciously and appropriately to make a useful purchase that appreciates in value over time (e.g. residence).

(2) Debt is being used sparingly in order to leverage an investment that appreciates over time (e.g. rental property).

(3) Overall debt is minimal or there is no debt at all.

B. Credit and Debt Statistics

1. There is no doubt that we live in a debt-driven society.

a) Howard Dayton observes:

"We have so much personal debt in our nation that the average person has been described as someone driving on a bond-financed highway, in a bank-financed car, fueled by charge-card-financed gasoline, going to purchase furniture on the installment plan to put in his mortgage company–financed home!"[53]

b) Larry Burkett adds:

"One of the first things I realized as I began to read God's Word was the contrast between what the Bible taught about money and what I had been taught in business school. The primary principle taught throughout most business schools is called OPM. It means Other People's Money. In our economy today it might also be described as the credit mentality—the ability to borrow that allows people to buy things they cannot afford to own."[54]

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[53] Dayton, *Your Money Counts*, 41.

[54] Burkett, *The Complete Financial Guide for Young Couples*, 16.

2. The debt load in the U.S. is staggering, as demonstrated by the following statistics.[55]

   a) Average debt per U.S. household in the following categories:

      (1) Mortgage debt per U.S. household: $219,206

      (2) Student loan debt per U.S. household: $59,133

      (3) Auto loan debt per U.S. household: $29,040

      (4) Credit card debt per U.S. household: $5,944

   b) Total debt owed by Americans in the following categories:

      (1) $11.39 trillion in mortgages

      (2) $1.59 trillion in student loans

      (3) $1.50 trillion in auto loans

      (4) $925 billion in credit card debt

   c) Credit card debt is the fourth largest source of household indebtedness.

3. Credit card debt had reached record levels in January 2009, six months into the financial crisis (i.e. the Great Recession[56]), coinciding with low interest rates and easy access to mortgage credit. Tighter access to credit since the crisis began has been a contributing factor in *lower* credit card debt since 2009. In addition, there were greater defaults on credit card payments, which resulted in increased write-offs off by credit card companies due to higher unemployment and lower wages.

4. Creditors became more lenient after the crisis, resulting in account balances on credit cards *rising* tremendously since consumers failed to learn from

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[55] As of June 2022 per https://www.nerdwallet.com/blog/average-credit-card-debt-household/. The estimated number of U.S. households in 2022 was 131.2 million.

[56] A "recession" is typically defined as two consecutive quarters of decline in the Gross Domestic Product (GDP), which is the total value of goods produced and services provided in a country during a one calendar year. The National Bureau of Economic Research (NBER) states, "Most of the recessions identified by our procedures do consist of two or more quarters of declining real GDP, but not all of them. In 2001, for example, the recession did not include two consecutive quarters of decline in real GDP. In the recession beginning in December 2007 and ending in June 2009, real GDP declined in the first, third, and fourth quarters of 2008 and in the first quarter of 2009. The committee places real Gross Domestic Income on an equal footing with real GDP; real GDI declined for six consecutive quarters in the recent recession." (http://www.nber.org/cycles/recessions_faq.html)

history and achieved a false sense of security as consumer confidence rose and the economy improved after the Great Recession.

5. Due to the COVID-19 pandemic, average credit card balances have once again *fallen* in recent years, but this is due to credit card debt being repaid with stimulus money. After record stimulus dollars have been pumped into the economy, the burden on the consumer has returned in another form: *inflation*.

C. Biblical Principles Related to Borrowing and Lending (i.e. Debt)

1. Defining debt

   a) When applied to finances, *debt* is something that is owed, i.e. an obligation that must be repaid, or a state of owing something to someone else, e.g. being "deeply in debt." This typically refers to money that is borrowed and must be repaid.

   b) "The dictionary defines debt as 'money or property which one person is obligated to pay to another.' Debt includes money owed to credit card companies, bank loans, money borrowed from relatives, the home mortgage, and past due medical bills."[57]

2. Morality and debt

   a) Money is neither moral nor immoral, rather, it is morally neutral. In the same way, debt, in and of itself, is morally neutral. It is an instrument that can be used for good or for evil.

   b) Even though debt is amoral, note the following caution:

   "There is nothing unbiblical about borrowing money. Scripture does not prohibit borrowing. But there is not one *positive* reference to borrowing money in all of the Bible. All references to borrowing money are negative. Most of them are warnings."[58]

   c) The moral issue enters the picture when it comes to the *usage* of money and debt. In other words, it is the *usage* of money and debt that is of concern because that usage defines the morality, i.e. whether the usage of debt is wise or foolish. For example:

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[57] Dayton, *Your Money Counts*, 35.

[58] Burkett, *The Complete Financial Guide for Young Couples*, 37.

(1) Gold, or any other precious metal, is, in and of itself, a morally neutral object. It is neither good nor bad, morally speaking.[59]

(2) A person's *desire* for gold and *usage* of gold is the moral issue.

(3) A person can have lots of gold and not love it. *Another person can have no gold and still love it.* The reverse is also certainly true: a person can also have lots of gold and love it while another person can have no gold and not love it.[60]

(4) Someone with an improper view and abuse of debt falls into the category of the person that loves gold but doesn't have enough of it to feed his or her lusts. Be aware, because that ungodly attitude can quickly—and often does—lead to financial bondage due to the improper usage of debt and the false and deadly perception that credit cards are some form of "gold." *They are not!*

3. Warnings on the use (and abuse) of debt in the Bible

a) Deut 15:6, *"For the Lord your God will bless you as He has promised you, and you will lend to many nations, but <u>you will not borrow</u>; and you will rule over many nations, but <u>they will not rule over you</u>."* (cf. Deut 28:12, 44)

Borrowing would serve as a sign of weakness and lack of God's favor towards Israel if and when the nation disobeyed the Law of Moses.

b) Prov 22:7, *"The rich rules over the poor, and the borrower becomes the lender's slave."*

(1) With its use, debt creates a financial *obligation* on the part of the borrower, hence the use of the word "slave" for the debtor since he or

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[59] Certainly everything that God created is good (Gen 1:31) in that it all reflects the creative mind and purpose of God. Man is meant to enjoy God's creation, but the Fall perverted man's mind and now in his sinful state he uses God's resources for sinful purposes. Yet, this does not change the amoral (i.e. neutral) status of the objects that He has created. The fall of man certainly affected God's creation in a negative way, but that creation—with the exclusion of man—is not morally evil in and of itself.

[60] These principles would be true of any form of wealth or any object of financial worth, including cash. Any of these objects can be used wisely for good and honorable purposes while they can also be used foolishly for evil and dishonorable purposes. If used for the latter, the end result is *idolatry*. Loving *anything* more than God is idolatry.

she is using someone else's money, i.e. property, and must pay it back to the lender.[61]

(2) Be careful not to import the modern practice of slavery into the Old and New Testament contexts.

(a) Slavery, of course, can be and often was brutal as slave owners often did abuse their slaves, as was the case in Egypt's treatment of Israel prior to the Exodus.

(b) But slavery could also serve as a form of "employment" that resulted in a man's family being provided for and protected by a gracious master, especially for those who were too poor to provide adequately for their families on their own. Freedom may or may not have been preferable, and it was not always possible to gain it.

(c) Note also the ordinances outlined in the Law of Moses concerning the treatment of a Hebrew slave owned by a fellow Hebrew in Exod 21:2-12. This slavery was temporary and resulted in freedom in the seventh year of service. If the slave chose to remain due to love for his master (v. 5), his service would become permanent and symbolized by the act using an awl to pierce the ear of the slave at the door of the home (v. 6).

(d) The Apostle Paul neither condemned nor condoned the practice of slavery, but rather noted the obligation of a Christian slave to serve his master faithfully as a good testimony (Eph 6:5-8; Col 3:23; 1 Tim 6:1-2). Freedom from slavery was not mandatory but could be sought for whom it was possible (1 Cor 7:21-24). But Paul stressed the need to understand that God's providential plan allows for the condition of slavery and, therefore, the duty of the slave is to remain faithful. In other words, it is possible to live a God-honoring, obedient life as a slave because God continues to exercise His sovereign control even under the most difficult of circumstances.

c) Ps 37:21, *"The wicked borrows and does not pay back, But the righteous is gracious and gives."*

<u>Debt creates not only a *financial* obligation, it also creates a *moral* obligation</u>! One of the characteristics of a wicked man is that he borrows and does *not* pay back what he owes. In effect, he is stealing because he

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[61] Note that this concept of obligation reinforces the morality regarding the protection and/or restitution of personal property. One cannot take or borrow another person's property without giving it back or repaying what is owed. *To fail to do so is morally evil in God's sight.* See the following point in regards to Ps 37:21.

has taken something from someone with no intention of returning the borrowed property to the owner.

d) Ps 112:1-6, *"Praise the Lord! How blessed is the man who fears the Lord, Who greatly delights in His commandments. His descendants will be mighty on earth; The generation of the upright will be blessed. Wealth and riches are in his house, and his righteousness endures forever. Light arises in the darkness for the upright; He is gracious and compassionate and righteous. <u>It is well with the man who is gracious and lends</u>; He will maintain his cause in judgment. For he will never be shaken; The righteous will be remembered forever."*

On the other hand, lending (as well as giving) to those in need is considered to be a moral virtue that characterizes the righteous man.

e) Matt 5:42, *"<u>Give</u> to him who asks of you, and do not turn away from him who wants to <u>borrow</u> from you."*

(1) The righteous and gracious man either gives or lends to those in need. The conclusion is that lending can be a virtuous activity and can indicate the character of strength and kindness for those who are rich, yet righteous.

(2) There are times when it is appropriate to *lend* and other times when it is appropriate to *give*, expecting nothing in return. The righteous and generous man is able to discern when he should give instead of lend to others. A practical principle would be to *give—not lend—*to those who do not have the ability to pay back but are in genuine need.[62]

4. The prudent use of debt

a) "Debt" has been defined as owing something to someone else. An example would be borrowing money from someone with the intention of returning the same either with or without interest, depending on the arrangement, within a particular timeframe. Debt creates an obligation on the part of the borrower to the lender.

(1) <u>Lender</u> - agrees to give use of his or his personal property to someone else for a specified period of time. The expectation is that his or her property will be returned in the same condition as it was when given.

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[62] In addition, there are also times when it is appropriate to withhold giving or lending. For example, giving to a beggar that is unwilling to work reinforces his sinful habits. Of course, it is not always easy to determine whether or not a person has a genuine need, especially if that person is a stranger, so to err on the side of grace is the more commendable practice.

In the case of money, the expectation is that the money borrowed will be returned, along with a predetermined amount of interest, according to the terms of the agreement.

(2) Borrower - obligates himself or herself to return the property to the owner after a specified period of time. He or she must not use the property foolishly, i.e. in a way that could cause damage to the property and the resulting need for restitution to the owner.

In the case of money, the expectation is that the money will not be used in such a way that it will be lost and unable to be recovered by the borrower. He must possess the ability to repay. Prior to borrowing, if he foresees that he may not be able to repay in the future, it is better not to borrow.

b) Since debt creates an obligation with its usage, the wise person will use it *sparingly*, knowing that he not only has a *financial* obligation but also a *moral* obligation to repay what he owes.

(1) Even though the lender may be a faceless credit card company vs. an individual person, *the obligation to repay the debt remains the same*. The borrower remains under moral obligation to repay what he has borrowed from *whomever* he has borrowed it. A lender without a face is still a lender.

(2) Burkett provides this fitting warning when he writes, “Remember, you can use credit cards less foolishly, but you rarely use a credit card wisely.”[63] So carefully consider how you handle your credit cards, if you choose to possess and use them.

5. The admonition to escape and avoid debt

a) Debt facts and considerations.

(1) Dayton states,

“In recent years more than one million individuals filed bankruptcy—more bankruptcies than during the Great Depression. Consumers now spend approximately one out of every five dollars in take-home pay on

[63] Burkett, *The Complete Financial Guide for Young Couples*, 39.

personal debts, not including the home mortgage. Financial tension is consistently cited as one of the reasons marriages end in divorce."[64]

(2) These statistics should serve as instant red flags to Christians whose testimony and ability to give are severely hampered by the burden of debt.

(3) Christian marriages are also placed into jeopardy when the burden of debt results in strife and a breakdown in communication between husband and wife. *Those who are married should never allow money issues to develop a wedge between oneself and one's spouse!*

b) Debt fallacies and corrections.

(1) You must transform your thinking from a short-term "payment" mentality, with which we are constantly bombarded in our materialistic "gotta have it now" culture, into a long-term "total cost" mentality. *You cannot afford to live the lifestyle you are living with a "payment" mentality.* Payments will quickly add up and easily overtake you.

(2) The misuse of debt is often based on the false premise that God will provide *no matter what happens*, yet that presumption is sin, especially when we use debt to finance, i.e. indulge, our *wants* and *desires*.

For the believer, it is improbable that a person would ever need to utilize debt in order to provide for his or her *genuine needs* and it is even more improbable that the Lord would ever use debt to provide for these needs when He is the owner of every resource that He has created. *He does not need to borrow to supply your needs!*

(3) The misuse of debt is also based on the misperception that the way in which a person uses debt is not a *moral issue* and repayment of debt is not a *moral obligation* on the part of the borrower. *Nothing could be further from the truth.*

(a) Indifference characterizes those who care not whether they pay their bills on time. They often view bankruptcy as an acceptable

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[64] Dayton, *Your Money Counts*, 34. According to statistics from the U.S. Courts, more than 1 million bankruptcies were filed in 2013 *alone* (http://www.uscourts.gov/uscourts/Statistics/BankruptcyStatistics/BankruptcyFilings/2013/1213_f2.pdf). By the end of 2021, that number had fallen to just over 400,000 (https://www.uscourts.gov/statistics/table/f-2/bankruptcy-filings/2021/12/31) as a result of a booming economy, but that number is expected to skyrocket in 2023 after the challenges faced in 2022: inflation, stagnant wages, supply chain issues, rising interest rates, etc.

"parachute" to get out of debt when the overspending plane goes down.

(b) Yet God *expects* and *commands* that debts be repaid and, therefore, debt and its repayment should be taken seriously by Christians. God's Word demands it and an untarnished testimony depends on it. It is most certainly a moral issue.

(4) Unnecessary and burdensome debt is the result of falsely placing *self* at the center of one's affections instead of *God*. An unhealthy debt load may also indicate a lack of trust in God as Provider as well as an imbalanced focus on material things, i.e. *covetousness*. The bottom line is that this is *idolatry*, i.e. the worship of a false god and an expression of love for the world.

1 John 2:15-17, *"Do not love the world nor the things in the world. If anyone loves the world, the love of the Father is not in him. <u>For all that is in the world, the lust of the flesh and the lust of the eyes and the boastful pride of life, is not from the Father, but is from the world</u>. The world is passing away, and also its lusts; but the one who does the will of God lives forever."*

6. Warning to escape and avoid co-signing a loan

a) If you make the choice to co-sign a loan for another person, you also make the choice to become legally and morally responsible to pay back that loan if the borrower fails to pay. Rather, if someone is in genuine need and you have the means, give to that person rather than co-signing or lending to them. Wiser still, it may be better for that person not to make the purchase at all.

b) Note the following fact: "A study by the Federal Trade Commission found that 75 percent of those who co-signed for loans ended up making payments."[65]

c) Scripture gives clear warnings against the practice of co-signing:

(1) Prov 11:15, *"He who is guarantor for a stranger <u>will surely suffer for it</u>, But he who hates being a guarantor is secure."*

(2) Prov 17:18, *"<u>A man lacking in sense</u> pledges and becomes guarantor in the presence of his neighbor."* (cf. Prov 20:16)

[65] Dayton, *Your Money Counts*, 52.

(3) Prov 22:26-27, *"Do not be among those who give pledges, among those who become guarantors for debts. If you have nothing with which to pay, why should he take your bed from under you?"*

(4) Prov 6:1-5 *"My son, if you have become surety for your neighbor, have given a pledge for a stranger, if you have been snared with the words of your mouth, have been caught with the words of your mouth, Do this then, my son, and deliver yourself; Since you have come into the hand of your neighbor, go, humble yourself, and importune your neighbor. Give no sleep to your eyes, nor slumber to your eyelids; Deliver yourself like a gazelle from the hunter's hand and like a bird from the hand of the fowler."*

D. Biblical Principles Related to Paying Taxes

1. Jesus endorsed paying taxes

Luke 20:21-25, *"They questioned Him, saying, 'Teacher, we know that You speak and teach correctly, and You are not partial to any, but teach the way of God in truth. Is it lawful for us to pay taxes to Caesar, or not?' But He detected their trickery and said to them, 'Show Me a denarius. Whose likeness and inscription does it have?' They said, 'Caesar's.' And He said to them, 'Then render to Caesar the things that are Caesar's, and to God the things that are God's.'"* (cf. Matt 22:16-22)

2. Paul endorsed paying taxes

Rom 13:1-7, *"Every person is to be in subjection to the governing authorities. For there is no authority except from God, and those which exist are established by God. Therefore whoever resists authority has opposed the ordinance of God; and they who have opposed will receive condemnation upon themselves. For rulers are not a cause of fear for good behavior, but for evil. Do you want to have no fear of authority? Do what is good and you will have praise from the same; for it is a minister of God to you for good. But if you do what is evil, be afraid; for it does not bear the sword for nothing; for it is a minister of God, an avenger who brings wrath on the one who practices evil. Therefore it is necessary to be in subjection, not only because of wrath, but also for conscience' sake. For because of this you also pay taxes, for rulers are servants of God, devoting themselves to this very thing. Render to all what is due them: tax to whom tax is due; custom to whom custom; fear to whom fear; honor to whom honor."*

3. Peter endorsed submission to the governing authorities

1 Pet 2:13-17, *"Submit yourselves for the Lord's sake to every human institution, whether to a king as the one in authority, or to governors as sent by him for the punishment of evildoers and the praise of those who do right.*

For such is the will of God that by doing right you may silence the ignorance of foolish men. Act as free men, and do not use your freedom as a covering for evil, but use it as bondslaves of God. Honor all people, love the brotherhood, fear God, honor the king."

E. Practical Advice on Borrowing and Debt

1. Use debt *only* for financing *appreciating* assets with a solid historical track record of appreciation or for assets that will *produce an income.* The value of this item should be greater than or equal to the total cost of the loan. Even then, consider paying off all debts as quickly as possible. Also, be aware of the interest rate you are being charged on your debt and avoid exorbitant rates at all costs.

2. Examples in which debt may be used, but the wisdom of each circumstance should be evaluated on an individual basis.

    a) Using debt to purchase a home (i.e. a mortgage)[66]

    Prov 24:3, *"By wisdom a house is built, and by understanding it is established."*

    (1) Facts and warnings

    (a) Housing (principal and interest payments, property taxes, homeowners insurance, maintenance, etc) is typically the largest category of expenses in the family budget, with the mortgage at the top of the list.

    (b) The "American Dream" of home ownership is *not* a necessity and is *not* guaranteed in the Bible. The desire to own a home is not sinful and home ownership can certainly be a blessing, but that desire can also easily turn into an idol of the heart, resulting in a sinful attitude of lust and/or covetousness.

    (c) Therefore, as Prov 24:3 states above, the decision to use debt in order to obtain housing requires *wisdom* and *understanding* in order to avoid making a foolish decision that places the debtors in a position of living *beyond* their means instead of *within* their means.

    (2) Practical wisdom

    (a) Don't be unwise in your use of mortgage debt. Don't allow yourself to purchase a home that is more than you can afford. Like a deep hole, debt is easy to fall into, but may be nearly impossible to get

[66] See Appendix 3: Comparison of 15-Year vs. 30-Year Mortgage

out of without a significant amount of help. Rather, *learn to live within your means*.

(b) Give careful consideration to the *total amount* that you will pay out of pocket for your home when it is finally paid off (i.e. *total cost*), not just the affordability of your monthly payment. Looking at this bottom line may cause you to pause and reconsider your level of home purchase, especially when you take into consideration the amount of interest you will pay to finance your home on top of the principal paid.

(c) Cut off your ARMs (Adjustable Rate Mortgages) and then get "fixed".

i) Burkett advises, "Under no circumstances should you accept a variable-rate mortgage that has no maximum interest rate quoted or one that contains a 'balloon' payment. A balloon note is one where the last payment is significantly larger than the average monthly payment."[67]

ii) It is generally advisable to avoid ARMs altogether and to utilize a *fixed-rate mortgage* to finance your home purchase, especially in a low interest-rate environment.

Many people have acted presumptuously in financing their mortgage with an adjustable rate mortgage, assuming that their income would increase enough in the future to cover the payments if the interest rate increased, only to find that the future held a job loss or salary reduction for them due to a financial crisis.

iii) On a related note, prudence would dictate that you should never finance your home with an *interest-only* loan. Why?

(1) Paying interest-only *builds no equity*. The result is a very expensive and cumbersome way of "paying rent" due to the loan process and fees involved in financing a mortgage.

(2) If the value of your property goes down, you will be deeply under water due to a non-decreasing loan balance that you used to purchase a home *that you could never afford in the first place*. If you are forced to sell under these conditions, you will owe more than the value of the home.

[67] Burkett, *The Complete Financial Guide for Young Couples*, 75.

(3) If you cannot afford the payment of a fixed-rate loan for the home you desire to purchase, *you simply cannot afford that home*. You will need to purchase a less expensive home with a fixed-rate mortgage that you *can* afford.

(d) Although it may sound radical, for a married couple committed to implementing biblical principles, the amount spent on housing expenses on a monthly basis (and all other monthly expenses, for that matter) should be based on *one income*, i.e. the husband's.

i) Why? Primarily due to the pattern outlined in Scripture for husbands to be the provider for their families, as well as the admonitions of the Apostle Paul toward wives in Titus 2, not to mention the practical side of the long-term commitment involved in making mortgage payments.

ii) On a practical level, events will inevitably take place that will interrupt the wife's income (e.g. pregnancy, desire for the wife to stay at home, too much stress on the marriage, etc.). Burkett writes, "To figure a young wife's money into your budget virtually guarantees an eventual disaster."[68] Pay close attention to that statement, for it was made out of years and years of experience in counseling untold numbers of couples!

iii) If the wife is working,[69] use her income to save for future, one-time purchases (e.g. down payment on a home, car purchase, emergency fund, vacation, etc.). *Don't rely on a wife's income for your family's ongoing monthly expenditures for living.*

iv) If you cannot afford to buy a home living on the husband's income alone, *then don't buy a home*. Rent and be content.

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[68] Burkett, *The Complete Financial Guide for Young Couples*, 72.

[69] Under what conditions should a wife work outside the home? If she does not yet have children or her children are no longer in the home, this may be reasonable as long as her allegiance is not divided between her husband and her employer. In other words, it is possible for a woman to be a good and faithful worker while still remaining devoted to her husband and home. Yet, Scripture explicitly states that a *wife* is to be submissive only to one man—her *husband*, not to other men (or women). The industrious nature of the Proverbs 31 woman is commendable, but note that all of her work was centered around providing for her family, i.e. her allegiance was not divided between an outside job and her obligation to her home. In other words, she worked *out of* the home, not *outside* the home.

Many women have neglected their homes in pursuit of a career that removes them from the God-ordained protection and authority of their husbands. Plus, as we all know, the diligent wife and devoted mother works harder than anyone else in the home because of what is required of her to faithfully serve her husband and children. Wives/mothers, find contentment in God's ordained role for you.

v) Heed the words of the Apostle Paul in Titus 2:3-5,

"Older women likewise are to be reverent in their behavior, not malicious gossips nor enslaved to much wine, teaching what is good, <u>so that they may encourage the young women</u> to love their husbands, to love their children, to be sensible, pure, <u>workers at home</u>, kind, <u>being subject to their own husbands</u>, so that the word of God will not be dishonored."

vi) Consider also Eph 5:22-24,

"<u>Wives, be subject to your own husbands, as to the Lord</u>. For the husband is the head of the wife, as Christ also is the head of the church, He Himself being the Savior of the body. But as the church is subject to Christ, so also the wives ought to be to their husbands in everything." (cf. Col 3:18)

(e) Although the timeframe in the following statement may be extended beyond 12 years, especially for those living in Southern California, nonetheless, Larry Burkett's words of wisdom and warning should be heeded. He writes,

"Most couples would be advised to buy a small home the first time, put their time and effort into it, and use that as seed money for their next one. By exercising self-discipline and good planning, most couples can own a home debt-free in about 12 years. Instead, the norm today is to buy too large a home initially, trade three to four times when the debts get overwhelming, and still owe for a home after 30 years of marriage."[70]

Unfortunately, the problems that come with purchasing too large a home are as true today as when these words were written decades ago.

(f) Handle debt like a live hand grenade. *Get rid of it as soon as possible!* View is as a potentially destructive weapon that would, therefore, be unwise to hold on to for a long period of time.

As long as the pin is in, you are relatively safe, but if the pin is removed (e.g. job loss, disability, salary cut), no small amount of financial devastation is sure to follow for those who are overburdened and eventually experience the explosive nature debt.

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[70] Burkett, *The Complete Financial Guide for Young Couples*, 73.

(g) Don't borrow money for a down payment. Save for it! And if it is just too challenging and beyond your reach to save for a large enough down payment, be content and continue to rent.

If a family member gives you the money for a down payment, that is acceptable, but don't borrow the money for it. Don't depend on family members to supplement your income or to feed your out-of-reach housing desires, especially those who are young couples. *Learn to live on one-income from the start!*

b) Using debt to start a business

(1) Starting a business, whether large or small, requires "capital" (i.e. money that will be used to finance the business). That money can come from private investors (on a smaller scale) or venture capitalists (on a larger scale) who desire equity (i.e. ownership) in your business along with a return on their investment, or it can come from debt (i.e. loans) from which a bank will require the principle of the amount loaned to be repaid with interest. The less upstart cost, the better.

(2) There should be some degree of certainty that this business will become profitable at some point in the foreseeable future. Too many small business owners have put everything into their businesses only to discover that the business requires constant infusions of cash to keep it afloat.

(3) This is a very subjective area, and since the focus of this study is on *personal* finances, the subject of *business* finances is outside its scope. Be sure to seek wise counsel when making any kind of decision to start a business or to purchase an existing business.

c) Using debt to finance education

(1) It is often stated by financial advisors that your greatest asset is your *ability to earn an income*. In our present economy it has been traditionally accepted that higher education results in increased salary, but the cost to get to that point is rising higher and higher as annual inflation on college tuition is typically in the 6% range.

(2) According to the following facts, a "student loan bubble" is building that has the likelihood of popping and contributing the the next financial crisis, possibly in the near future. As stated prior,

(a) Student debt load has been steadily increasing:

"Between 2004 and 2012, the total student debt in the United States nearly tripled from $364 billion in 2004 to $966 billion in

2012. …Expressed in annual terms, this means student debt increased by an average of 14% per year."[71]

(b) As stated previously, in 2021 in the U.S.:

i) There was $1.59 trillion in total outstanding student loan debt.

ii) The average student loan debt per U.S. household was $59,133, nearly double what it was just a decade prior at around $33,000.

(c) Student loans are now the largest amount of consumer debt, ranking second only to mortgage loans. Student loans exceed both credit card debt and auto loans.[72]

(d) The delinquency rate on student loans is also increasing:

"As of the 4th quarter of 2012, about 17%, or 6.7 million borrowers, were 90 days or more delinquent on their student loan payments. …The measured delinquency rate on student debt is currently the highest of any consumer debt product, although for most of the last decade credit card delinquency was even higher."[73]

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[71] Federal Reserve Bank of New York, Staff Report No. 668, published in April 2014, pp. 3-4 (http://www.newyorkfed.org/research/staff_reports/sr668.pdf)

[72] "Among the various types of household debt, student debt is unique. While balances on all other forms of household debt—including mortgages, credit cards, auto loans, and home equity lines of credit—declined during and after the Great Recession, student debt has steadily risen. …In 2010, student debt surpassed credit cards to become the second largest form of household debt after mortgages whereas prior to 2008, the student debt was the smallest of household debts.

"What accounts for the rapid increase of the aggregate student debt in this period? Our research shows that increases in number of borrowers and the average debt per person equally contributed to the growth of total student debt. Between 2004 and 2012, the number of borrowers increased by 70% from 23 million borrowers to 39 million. In the same period, average debt per borrower also increased by 70%, from about $15,000 to $25,000." Federal Reserve Bank of New York, Staff Report No. 668, published in April 2014, pp. 4-5 (http://www.newyorkfed.org/research/staff_reports/sr668.pdf)

[73] "Nonetheless, the measured delinquency rate is somewhat misleading, and the effective delinquency rate as we define below, on student debt is even higher. As noted above, in 2012 the measured delinquency rate among the 39 million borrowers was 17%. But many of the remaining 83% in fact were not paying down their loan balances. While 39% did reduce their balance from the previous quarter by at least one dollar, 14% of borrowers had the same balance as the previous quarter. A full 30% of borrowers actually saw an increase in their balance. In other words, 44% of borrowers were neither delinquent nor paying down their loans." Federal Reserve Bank of New York, Staff Report No. 668, published in April 2014, p. 9, 10 (http://www.newyorkfed.org/research/staff_reports/sr668.pdf)

(e) Those who are delinquent on student loan debt are more likely to be delinquent on other debt, thus negatively affecting their access to credit in the present and in the future.

"Not surprisingly, delinquent student loan borrowers are more likely to also be delinquent on other debts. Delinquent student loan borrowers are delinquent on 17% of their auto loan balances, on 35% of their credit card balances, and on 28% of their mortgage balances, and these rates are much higher compared to those with no delinquent student debt."[74]

(3) Consider other options

(a) Pearson Accelerated Pathways (formerly CollegePlus) offers a unique, affordable college prep program and a Bachelor's Degree Program (https://www.pearsonaccelerated.com/).

(b) Consider an in-state community college or junior college, at least for the first two years in order to earn general education credits, due to lower tuition costs.

(c) Pay as you go, i.e. work and save to pay for tuition resulting in no need to apply for, obtain, and pay back loans.

(d) Obtaining a 4-year bachelors degree and master's degree seems to be the norm for those pursing higher-paying careers. But give careful consideration to other options prior to embarking on this long, expensive journey. See also https://www.mikeroweworks.org/

3. Give careful consideration prior to using credit to finance *depreciating* assets.

a) Auto loans may be a necessity for some households, but rarely do they make financial sense.[75] A car is a depreciating asset. Consider other options (as discussed in this material).

b) Avoid no-money down, 0% loans. Rather, save for it. Furniture, appliances, and computers are depreciating assets. Buy them outright with cash that you have saved to make that specific purchase.

Note: If you have already chosen to finance a purchase with a 0% rate, it is true that inflation will decrease the value of the debt over time and, therefore, there will be no financial benefit from paying off a 0% loan early.

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[74] Federal Reserve Bank of New York, Staff Report No. 668, published in April 2014, p. 17 (http://www.newyorkfed.org/research/staff_reports/sr668.pdf)

[75] Also note that due to the restrictions and the amount due at signing, *auto leases* should be avoided.

But you should consider the benefits to your character that will be gained by saving over time and making your next purchase with cash instead of this type of loan. You will exercise discipline and reap the benefits of patiently waiting to make your purchase with dollars you will have already earned vs. the obligation to make payments with future as-yet-unearned dollars that are uncertain. Due to this uncertainty, it may be advisable to pay off that 0% loan if you have the cash now to do so.

c) Principle for purchases: If you don't have the money to pay for it now, don't buy it!

(1) Prayerfully seek the Lord. If it is a genuine need, He will provide for it.

(2) If it is simply a want, He may not. God's love is often expressed in *withholding* rather than in *giving* because He knows our hearts and our hearts are easily turned to worship the creation rather than the Creator.

(3) Remember, even if you "have it all," you may end up with nothing!

(4) Don't deceive yourself into believing that the object you wish to acquire is a *need* when it is really a *want*, especially when you already possess something that functions well and fulfills its purpose (e.g. phone, car, house, certain items of clothing, etc.).

(5) Although this is a revolutionary concept (note sarcasm), *the simple way to acquire an object is to save for it and then to pay for it!* Yes, God may provide in an unexpected way, but don't presume upon His goodness and generosity, especially when you are sinfully coveting an object that is unnecessary to your well-being and will only result in *idolatry*.

4. It is wise and highly recommended to *monitor* your credit due to the increase of fraud and identity theft.[76] Consider also *freezing* your credit.[77]

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[76] Monitor your *credit score* on a regular basis (e.g. monthly). One way to do this is to utilize the free service provided by creditsesame.com.

You should also check your *credit reports* at least annually. This can be accomplished without cost by going to annualcreditreport.com and inputing your data. In order to check your credit report for free more than once a year, simply set up a reminder to check only one of the three main credit reporting agencies once every four months, rotating to the next agency each time (e.g. *Experian* every January, *TransUnion* every May, and *Equifax* every September).

[77] For the benefits of and procedures for freezing your credit, see: https://clark.com/credit/credit-freeze-and-thaw-guide/

F. Non-Negotiable Principles of Credit Card Use[78]

1. Number One: Only purchase items that you ALREADY have the money to pay for within your budget. Avoid purchasing impulse items on credit. This can be challenging.

2. Number Two: Pay off the balance *entirely every* month prior to your payment due date (i.e. *never* pay just the minimum payment and *never* carry a balance or pay interest).

3. Number Three: Don't spend any more than you would spend if using cash or debit cards. Studies show that most people tend to spend *more* when using a credit card vs. using cash or a debit card. If you find yourself doing this—*and most likely you will spend more when using a credit card*—stop using credit cards.

   For the typical person, it is more difficult to make a purchase if he or she knows that the money is coming out of his or her checking account *directly* and *immediately* versus the rationalization of the typical credit user who says, *"I deserve this now and I can always pay it off later."*

4. Optional: Use a credit card that pays you for using it instead of you paying the credit card company to use their credit card. In other words, get a *rewards card* (cash back is usually best unless you travel frequently) on which there is *no annual fee*, and *never carry a balance* (i.e. never pay interest).

   a) Capital One Quicksilver pays 1.5% cash back on every purchase with no restrictions and no annual fee (as of 2023). *What's in your wallet?*

   b) Costco Anywhere Visa by Citi pays 4% cash back annually on gas purchases, 3% on travel and restaurants, 2% on Costco purchases, and 1% on all other purchases. No annual fee with Costco membership (as of 2023).

   c) Avoid paying annual fees for credit cards. Avoid constantly opening and closing credit card accounts and transferring balances. While the average consumer has five or six credit cards in his wallet, have only one to three credits cards at most.[79] Close credit accounts that you do not use as they

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[78] Since many financial counselors hold the view that there is no such thing as "responsible credit card use," these principles are recommended *only* for those with iron-clad discipline. All others should perform "plastic surgery" on their credit cards and cut them up.

[79] Be sure to keep your personal credit cards separate from any business credit cards that you may also use.

are unnecessary, add additional risk, and can negatively affect your credit score. Also be sure to keep the credit limit on each card within reason.[80]

d) In general, avoid opening retail store credit cards. They lure you in with spectacular deals and you end up spending more than you ever planned, thereby negating any "benefits" from the sales promotions. The end result is making purchases that you are unable to pay off with balances that compound quickly due to exorbitant interest rates.[81]

If one spouse says, "Look at how much I *saved* on this purchase!", the other spouse should ask, "Yes, but how much did you *spend*?" Remember, an unnecessary purchase is still unnecessary and is an expenditure, no matter how much you saved.

5. Bottom line: If a person breaks any of the first three principles, even once, he or she should *immediately* cut up all credit cards and use cash, checks, and debit cards ONLY. Many people do not have the discipline to avoid making unnecessary purchases, especially when attempting to get out of debt.

If the temptation is too great, wisdom dictates that it is best to avoid the use of credit cards altogether. The truth is, if you cannot abide by these principles without fail, you cannot handle the responsibility that comes with using credit cards because your use (i.e. abuse) of them results in financial bondage. Get rid of them and never use them again! *The peace of mind gained is of greater worth than any conveniences or potential "benefits" that may be lost.* The "prestige" of pulling out a Visa Signature card at the grocery or department store isn't worth it if it leads to financial bondage.

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[80] Credit card companies *want* to give you the maximum credit limit possible because they *want* you to charge as much as possible on their cards so that you pay as much interest as possible. *They love you when you only pay them the minimum required payment!* Therefore, it is wise to reduce credit limits and decline offers of credit limit increases, even if the company provides that increase automatically, because it is in *your* best interest, not theirs. If they do provide you with an automatic increase, call them and ask them to return your limit to where you think prudence dictates. After the customer service rep drops the phone and says, "What did say?", make the request again because this is such a rare occurrence for them. And don't let them talk you out of it! If you don't need an increase in your credit limit—and most likely you don't—reject it. In addition, in order to maintain an excellent credit score, never use more than 30% of your credit limit.

[81] According to bankrate.com, the average interest rate in a credit card was 19.6% at the close of 2022, while the average interest rate of a store credit card is 26.72%.

If the biblical steward uses credit cards, the rate makes no difference to him or her since he or she pays off the balance every month, owing no interest. But for those who are not following this practice and are still using and carrying a balance on store credit cards, these highs rates obviously make it more difficult to pay down (and pay off) this kind of consumer debt since the accumulated interest will be much higher than the typical credit card. And remember that having too many credit cards can negatively affect your credit score.

G. Owing Resources

1. Books on Getting Out of Debt *(as with any resource, use with discernment)*

   a) Dayton, Howard. *Your Money Counts: The Biblical Guide to Earning, Spending, Saving, Investing, Giving, and Getting Out of Debt*. Carol Stream, IL: Tyndale House Publishers, 2011.

   b) Burkett, Larry. *Debt-Free Living - Revised and Updated: Eliminating Debt in a New Economy*. Chicago, IL: Moody Press, 2010.

   c) Crown Financial Ministries. *Eliminating Debt package.* Order online at https://www.crown.org/.

2. Online Resources for Getting Out of Debt

   a) Christian Credit Counselors (https://www.christiancreditcounselors.org/) - for those with over $4,000 in credit card debt, CCC is a non-profit organization that uses a three-step process to help borrowers get out of debt and obtain financial freedom. CCC is not a debt consolidation service, but rather a debt management service that allows participants to pay their debt in full up to 80% faster than at their current pace due to the ability to negotiate lower interest rates with credit card issuers. Call 800-557-1985 to speak with a Credit Counselor.

   b) Faith & Finance (https://www.faithfi.com/section/debt) - numerous articles and podcasts related to debt.

“Better is a little with the fear of the Lord than great treasure and turmoil with it.” Proverbs 15:16

VI. Growing as a Faithful Steward

A. Spiritual Transformation from a Heart of Anxiety into a Heart of Trust

1. The Heart of Anxiety

a) The heart of anxiety can cause one to trust in riches for the provision of a safe and secure future rather than wholly trusting in God. Wealth can easily become an idol for those who are anxious and fearful, evidenced by hoarding money for the future instead of exercising generous giving in the present.

1 Tim 6:17, *“Instruct those who are rich in this present world not to be conceited or to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy.”*

b) The heart of anxiety even causes one to worry about the present as to whether or not there will be resources to provide for oneself and/or one’s family. Such people think far too little of their loving, heavenly Father.

Matt 6:25-34, *[25] “For this reason I say to you, do not be worried about your life, as to what you will eat or what you will drink; nor for your body, as to what you will put on. Is not life more than food, and the body more than clothing? [26] “Look at the birds of the air, that they do not sow, nor reap nor gather into barns, and yet your heavenly Father feeds them. Are you not worth much more than they? [27] “And who of you by being worried can add a single hour to his life? [28] “And why are you worried about clothing? Observe how the lilies of the field grow; they do not toil nor do they spin, [29] yet I say to you that not even Solomon in all his glory clothed himself like one of these. [30] “But if God so clothes the grass of the field, which is alive today and tomorrow is thrown into the furnace, will He not much more clothe you? You of little faith! [31] “Do not worry then, saying, ‘What will we eat?’ or ‘What will we drink?’ or ‘What will we wear for clothing?’ [32] “For the Gentiles eagerly seek all these things; for your heavenly Father knows that you need all these things. [33] “But seek first His kingdom and His righteousness, and all these things will be added to you. [34] “So do not worry about tomorrow; for tomorrow will care for itself. Each day has enough trouble of its own.”*

c) The heart of anxiety causes one to hold money—whether little or much—tightly in a clenched fist instead of holding it with an open palm for the Lord to use as He wishes. This creates a false sense of control that only results in further anxiety, not less.

Job 1:21, *"He said, "Naked I came from my mother's womb, And naked I shall return there. The Lord gave and the Lord has taken away. Blessed be the name of the Lord."*

d) The heart of anxiety lies to self, saying, "If I just had a little more, I would be content," robbing one of true contentment.

1 Tim 6:6-8, *6 "But godliness actually is a means of great gain when accompanied by contentment. 7 For we have brought nothing into the world, so we cannot take anything out of it either. 8 If we have food and covering, with these we shall be content."*

e) The cure for the heart of anxiety is placing one's trust fully and confidently in the Lord, the Provider. Cortines and Baumer write,

"Our continual striving to control our finances caused us *greater* anxiety, not less. *The path to freedom is not through more meticulous financial planning, but rather though finding greater trust in God's promises as our provider both now and in the future.*"[82]

2. The Heart of Trust

a) The heart of trust places confidence in the Lord alone to provide, both now in the present as well as in the future.

Lam 3:24, *"The Lord is my portion," says my soul, "Therefore I have hope in Him."*

b) The heart of trust looks longingly towards heaven and gazes at the wonder of the Son until all other things fade away, awaiting a glorious future with Christ.

Col 3:1-4, *1 "Therefore if you have been raised up with Christ, keep seeking the things above, where Christ is, seated at the right hand of God. 2 Set your mind on the things above, not on the things that are on earth. 3 For you have died and your life is hidden with Christ in God. 4 When Christ, who is our life, is revealed, then you also will be revealed with Him in glory."*

c) The heart of trust is radically content, knowing that the Lord will never leave one of His own alone.

Heb 13:5, *"Make sure that your character is free from the love of money, being content with what you have; for He Himself has said, "I will never desert you, nor will I ever forsake you,"*

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82 Cortines & Baumer, *True Riches*, 67. *Italics added.*

d) Fear and anxiety are very real threats to our joy and contentment, and the only cure is to meditate on the promises of God's Word that cause our minds to think biblically and our hearts to trust Him fully, thereby allowing us to live generously rather than greedily. Cortines and Baumer write,

> "If we believe that we have a good Father and that everything Jesus taught is true, our response when anxiety and fear bubble up in our hearts should be one of trust as we remember who holds the future. Learning to trust God enables us to find authentic security and satisfaction in our true provider, opening the door to incredible, unmatched joy he offers to those who choose to live not only fearlessly but generously."[83]

B. Perpetual Existence of Poverty and Wealth

Poverty and wealth have always existed and will continue to exist. Poverty cannot be alleviated through taxes. Government should not be the agent of providing for the poor, but rather individuals and churches (as was Israel) are called upon in Scripture to be generous to the poor and needy who are unable to provide for themselves or their families. It should also be noted that poverty due to laziness is *always* condemned in Scripture.

1. Prov 14:21, 31, *"He who despises his neighbor sins, But happy is he who is gracious to the poor….He who oppresses the poor taunts his Maker, But he who is gracious to the needy honors Him."*

2. Prov 14:23-24, *"In all labor there is profit, but mere talk leads only to poverty. The crown of the wise is their riches, But the folly of fools is foolishness."*

3. Prov 20:13, *"Do not love sleep, or you will become poor; Open your eyes, and you will be satisfied with food."*

4. Prov 21:5, *"The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty."*

5. Prov 21:13, *"He who shuts his ear to the cry of the poor Will also cry himself and not be answered."*

6. Prov 22:2, *"The rich and the poor have a common bond, The Lord is the maker of them all."*

7. Prov 23:20-21, *"Do not be with heavy drinkers of wine, or with gluttonous eaters of meat; For the heavy drinker and the glutton will come to poverty, and drowsiness will clothe one with rags."*

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[83] Cortines & Baumer, *True Riches*, 65.

8. Prov 28:19, *“He who tills his land will have plenty of food, But he who follows empty pursuits will have poverty in plenty.”*

9. Prov 28:27, *“He who gives to the poor will never want, But he who shuts his eyes will have many curses.”*

10. Lev 19:15, *“‘You shall do no injustice in judgment; you shall not be partial to the poor nor defer to the great, but you are to judge your neighbor fairly.”*

11. Lev 25:25, 35, 39, *“If a fellow countryman of yours becomes so poor he has to sell part of his property, then his nearest kinsman is to come and buy back what his relative has sold….Now in case a countryman of yours becomes poor and his means with regard to you falter, then you are to sustain him, like a stranger or a sojourner, that he may live with you….If a countryman of yours becomes so poor with regard to you that he sells himself to you, you shall not subject him to a slave’s service.”*

12. Deut 15:7-8, 10-11, *“If there is a poor man with you, one of your brothers, in any of your towns in your land which the Lord your God is giving you, you shall not harden your heart, nor close your hand from your poor brother; but you shall freely open your hand to him, and shall generously lend him sufficient for his need in whatever he lacks….You shall generously give to him, and your heart shall not be grieved when you give to him, because for this thing the Lord your God will bless you in all your work and in all your undertakings. <u>For the poor will never cease to be in the land</u>; therefore I command you, saying, ‘You shall freely open your hand to your brother, to your needy and poor in your land.’”*

13. 1 Sam 2:7-8, *“The Lord makes poor and rich; He brings low, He also exalts. He raises the poor from the dust, He lifts the needy from the ash heap to make them sit with nobles, and inherit a seat of honor; For the pillars of the earth are the Lord’s, and He set the world on them.”*

14. Matt 6:2-4, *“So when you give to the poor, do not sound a trumpet before you, as the hypocrites do in the synagogues and in the streets, so that they may be honored by men. Truly I say to you, they have their reward in full. But when you give to the poor, do not let your left hand know what your right hand is doing, so that your giving will be in secret; and your Father who sees what is done in secret will reward you.”*

15. Matt 26:11, *“<u>For you always have the poor with you</u>; but you do not always have Me.”* (cf. Mark 14:7; John 12:8)

16. Rom 15:26, *“For Macedonia and Achaia have been pleased to make a contribution for the poor among the saints in Jerusalem.”*

C. Saving for the Future

Prov 6:6-8, *"Go to the ant, O sluggard, observe her ways and be wise, which, having no chief, officer or ruler, prepares her food in the summer and gathers her provision in the harvest."*

Prov 30:25, *"The ants are not a strong people, But they prepare their food in the summer."*

1. Introductory note of both wisdom and warning

   Cortines and Baumer write,

   "Responsibly saving for the future is certainly wise. But many of us take it too far, either by allowing future what-if scenarios to cause us immense anxiety or by oversaving in an attempt to control our own futures. …Planning for the future is certainly wise. But setting our hope and security in our savings is costly, depriving us of the joy of being generous here and now and dampening our trust in God, our one true provider."[84]

   Point: Learn to be a *generous giver* first and *wise saver* second.

2. Definition of saving

   a) *Saving* can be defined as the amount of income left over after all expenses have been paid. So, according to this definition, savings can either be positive or negative. For example,

      (1) Those who spend *more* money than they earn and use credit cards to finance additional purchases that are beyond their means will result in a *negative* savings rate.

      (2) Those who spend *less* money than they earn and live within their means will have a surplus, resulting in a *positive* savings rate.

   b) As it pertains to personal finance, *saving* typically refers to keeping the income remaining after all expenses have been paid and setting it aside for particular purposes and/or to reach particular goals.

      (1) The holding period for savings vehicles is typically *less than one year* (e.g. certificates of deposit that have a term of 12 months or less) or *no holding period* at all (e.g bank savings and checking accounts, money market accounts). In other words, savings are typically held in *liquid* accounts that are easily accessed with little to no waiting period.

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[84] Cortines & Baumer, *True Riches*, 70, 71. See Luke 12:16-21. They add, "Financial security has become the focus of the rich man's hopes and ambitions, displacing his relationship with God and stunting his ability to be generous."

(2) Savings vehicles also carry very little *risk* and are considered to be *safe* since those funds are typically held in banks that are FDIC-insured. Since these types of accounts are safe and carry very little risk, they also typically pay little interest.

c) Savings can be apportioned between short-term goals and longer-term investments. In other words, *savings* is the broader category that includes *investing*.

3. Reasons for saving

a) Emergency fund — typical guidelines advise individuals or couples to save *three to six months of expenses* as an emergency fund.

Prov 20:4, *"The sluggard does not plow after the autumn, so he begs during the harvest and has nothing."*

(1) An emergency fund is put into place to meet expenses that are unforeseen and could be devastating if it were not in place.

(2) An emergency fund may need to be utilized due to a loss of job or injury that prevents the income earner from working for a short period of time. Other unforeseen expenses may also need to be paid out of an emergency fund (e.g. major health expense, car repair, or home repair, etc.).

(3) An emergency fund should be kept in a liquid account (e.g. savings account). Online high-yielding savings accounts are a good option that pay better interest with no fees than the typical brick and mortar bank. If immediate access is not essential, a portion could be kept in short-term certificates of deposit (CD's).

(4) An emergency fund may need to be larger (*six to twelve months of expenses)* if income is variable. For example, salespersons on commission often face peaks and troughs of earning periods and will need a larger buffer to pay for expenses during times of lower income.

(5) Those who do not have an emergency fund may, unfortunately, have to resort to credit cards. A wiser alternative is to save now in order to prepare for the inevitable that may/will happen later.

(6) It is distressing to think that nearly half of all Americans would “probably” or “certainly” be unable to come up with $2,000 cash in an emergency situation.[85] Don’t be among them!

b) To meet future short-term goals.

(1) Future car purchase — purchasing a car with cash instead of credit.

(2) Future home purchase — saving for a down payment on a home.

c) To fund future major home repairs or remodeling — repair costs may come out of your emergency fund, but a planned remodel should be saved for over a long-term period.

d) To fund annual vacations — don’t fund with a credit card (unless you plan to pay it off immediately). You should have a savings category in your budget for vacations.

Determine the amount you would like to spend, divide that by 12 and save that much each month so that you can pay for your vacations with cash. You may have to cut back on the extravagance, but the stress of having to pay off your vacation expenses *after* the vacation is over can be eliminated and allow you to enjoy your vacation even more.

e) Future major event (e.g. wedding, anniversary, birth) — plan and save for these events by determining a budget beforehand and setting aside the proper amount prior to the event’s arrival.

f) Health care costs (especially if you have a high-deductible individual health insurance plan). Saving in a Health Savings Account (HSA) should be considered as a viable option in this situation.

g) Other infrequent purchases (e.g. computer, major appliance).

4. Principles for saving

a) Pay yourself now so that you can provide for both seen and unforeseen needs later. In other words, save a portion of your income so that you can use that income to fund particular future goals.

b) As a rule of thumb, aim to save a minimum of 10% of your income.

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[85] Results are from a study published by The Brookings Institute in March 2011 entitled, “Financially Fragile Households: Evidence and Implications” by Annamaria Lusardi (George Washington University), Daniel Schneider (Princeton University), and Peter Tufano (University of Oxford). These results are not limited to low-income homes. The study notes that nearly one quarter of homes earning between $100,000 and $150,000 would have a difficult time coming up with $2,000 cash.

c) Always have a goal and timeframe in mind for your savings.

(1) This helps to determine the risk/reward ratio, i.e. the degree of risk should be determined in order to align it with the time horizon and desired reward.

(2) This keeps one from "raiding the cookie jar" when there is a desire to make a purchase that isn't within the budget but could unwisely be purchased with savings set aside for emergencies or other goals.

d) Keep in mind that the Lord may prompt you to give away savings to the needy or for a vital ministry purpose. Always hold your savings in an open palm instead of a closed fist.

5. Short-term savings vehicles[86]

a) Keep your savings safe and liquid.

(1) Bank savings account

(2) High-yield online savings account

(3) Short-term bank CDs

(4) Money market account[87]

(5) All of these are better than keeping cash in a jar or tucked under the mattress since at least *some* interest will be earned, even if it is minimal.

b) When saving, avoid financial products that risk your principal.

(1) Will Rogers, a comedian and humorist of the Great Depression era, is often attributed with the quoting author Mark Twain, when he said, "I am more concerned with the return *of* of my money than the return *on* my money."

(2) In other words, often times it is better to get all of your money back with no risk than to risk your money foolishly and lose a portion. This is an oversimplification of the issue but, nonetheless, the principal should be heeded, especially concerning short-term savings goals.

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[86] See https://www.bankrate.com/ for current rates.

[87] Note that money market accounts are not FDIC insured, i.e. they are not a bank product, but rather mutual fund. They are still secure but just we aware of that fact.

(3) Short-term interest rates can vary, depending on the economic environment. During the 2010's, savings rates were typically below 1%. Following the federal stimulus injections into the U.S. economy during the COVID-19 pandemic, inflation inevitably resulted and short-term interest rates have arisen to between 3% and 4% due to the Federal Reserve's policy of raising rates in order to tame inflation.

D. Fundamentals of Investing

1. In its essence, *investing* is simply supplying money or capital or to a business in exchange for ownership in that business, as well as the right to income or profits earned from that business.

2. Investment = Ownership = Responsibility

a) In **<u>financial</u>** terms, Assets = Liabilities + Equity. Equity is ownership. Shareholders in a company *own* a portion of the overall equity in the company through their investment (i.e. capital) in the company. This is true whether that portion is 10% or 1% or .00001%.

b) In **<u>leadership</u>** terms, investors (i.e. owners) vote for those who will serve on the board of directors. The board members determine who will be the CEO of the company, as well as the policies and mission of the company. In other words, investors control the company because they control the leadership of the company. This results in *ownership* responsibility.

c) In **<u>responsibility</u>** terms, investors, i.e. owners in a company, have an ethical responsibility in regards to the policies, mission, and product or service produced by the company. Those products or services will either have a positive or negative impact on those who purchase and use them, as well as others around them.

(1) Regarding **<u>products</u>** produced, the investor's ethical responsibility starts and ends with the product produced, not on how that product is used by the end user.

(2) Regarding **<u>services</u>** provided, the investor's ethical responsibility extends to how and to whom that service is provided, i.e. the impact it has on the client or customer.

d) Ownership through investment in a company may be diluted due to the multiplicity of shareholders in any one company, but that does not diminish the *ethical* responsibilities created by ownership.

3. Ownership differs from patronage.[88]

   a) Ethically speaking, it is vital to draw a clear distinction between the *owner* of a business and the *patron* of a business.

      (1) An *owner* of a business is responsible for the products and/or services it sells.

      (2) A *patron* makes choices regarding which products or services to purchase.

      (3) An *owner* earns profits based on the sale of products or services. The *patron* does not.

   b) The *owner* has differing responsibilities than the *patron*. Examples:

      (1) If an *owner* of a convenience store offers both alcohol and bottled water for sale and the *patron* chooses to purchase water and not alcohol, the patron is encouraging the owner to stock more water vs. alcohol.

      (2) The *patron* is not responsible for the *owner's choice* of stocking alcohol and the *owner* is not responsible for the *patron's choice* of buying bottled water.

      (3) Even so, the *owner's choice* whether to not to stock alcohol is an ethical choice and the *patron's choice* whether or not to purchase the alcohol is also an ethical choice.

   c) Bottom line: The *investor* is an *owner* and, therefore, has greater responsibility than the *patron* because the *owner* offers products and services to the wider public and earns a profit from the sale of those products or services while the *patron* makes the choice as an individual whether or not to purchase that product or service with no ability to profit from the sale if he/she is the end user.

4. Manufacturers and service providers differ from patrons.

   a) Prior to the transaction between the *owner* of a retail store and the *patron*, and what the *patron* will do with the purchased product, the *manufacturer* of a product or provider of a service has also made a choice regarding *what* will be produced or provided.

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[88] Based on "Ownership vs. Patronage", a video featuring Robin John, CEO at Eventide Investments, which can be found at https://www.eventideinvestments.com/insights/what-is-investing-that-makes-the-world-rejoice/

b) That *manufacturer's* or *service provider's* choice is an *ethical* choice apart from the sales transaction that will take place later. It would follow that *manufacturers* of products and *service providers* must think carefully about their choice of products to manufacture or services to provide as those products or services may be classified, in and of themselves, as amoral, immoral, or moral. Examples:

(1) Amoral — producing a smartphone

(2) Immoral — producing abortifacient pharmaceutical drugs

(3) Moral — producing Bibles

c) In addition, the manufacturing process itself may make use of amoral, immoral, or moral *means* to produce the product or service. Examples:

(1) Amoral — using aluminum to produce smartphones

(2) Immoral — dumping harmful chemicals into the environment in the manufacturing of pharmaceutical drugs (whether or not those drugs or helpful or harmful to the end user)

(3) Moral — providing fair wages and healthy working conditions for employees

5. Biblical warning to avoid immorality and unethical business ownership and practices

Proverbs 1:10–19, *10 "My son, if sinners entice you, Do not consent. 11 If they say, "<u>Come with us</u>, Let us lie in wait for blood, Let us ambush the innocent without cause; 12 Let us swallow them alive like Sheol, Even whole, as those who go down to the pit; 13 <u>We will find all kinds of precious wealth</u>, <u>We will fill our houses with spoil</u>; 14 <u>Throw in your lot with us, We shall all have one purse</u>," 15 My son, do not walk in the way with them. Keep your feet from their path, 16 For their feet run to evil And they hasten to shed blood. 17 Indeed, it is useless to spread the baited net In the sight of any bird; 18 But they lie in wait for their own blood; They ambush their own lives. 19 <u>So are the ways of everyone who gains by violence; It takes away the life of its possessors</u>."*

<u>Food for thought</u>: Could this be the equivalent of modern illegal organized criminal activity? Certainly. But could it also be applied to a pharmaceutical company? What about an abortion provider? Cigarette manufacturer?

6. <u>Conclusion</u>: Investors, as shareholders owning a stake in a company, must make wise choices through their provision of capital into various business ventures based upon the leadership, vision, mission, ethical practices,

products, and services that those companies choose to manufacture or provide.

E. Performance-Driven vs Principle-Driven Investing[89]

1. The predominant view and purpose of investing in the current age is driven by performance *alone*, i.e. will this investment earn a profit? How much? During what time horizon?

2. This performance-based mentality has divorced the currently predominant purpose of investing for profit from its fundamental purpose, i.e. supplying capital to support businesses.

   This mentality not only places the proverbial *cart* of profit ahead of the *horse* of supplying capital to businesses, it has completely separated the two.

3. For the biblically-informed steward, performance and principles *can not* and *should not* be separated from one another.

   a) Due to the ethical responsibilities created by ownership, Christians must consider principles first when making investment decisions.

   b) Principle-driven investing brings joy to the heart of the biblical steward, knowing that his or her investment is bringing blessing to the world through products or services that benefit people and society rather than harming or destroying them.

   c) Performance has a rightful place in investing when it comes *after* the proper principles of investing are in place. *Investing must be principle-driven first and foremost.*

   d) In principle-driven investing, the true purpose of investing will be restored.

      (1) Profiting from "the market"[90] will be replaced by profiting from the productive and intrinsic value of the underlying company(ies) within the broader market.

      (2) Investing will move away from being commoditized and depersonalized in portfolios towards individual companies in which the investor has a personal interest through alignment of values.

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[89] This section is a summary of "The True Purpose of Investing", a video featuring Finny Kuruvilla, Md, PhD, and CIO of Eventide Investments, which can be found at https://www.eventideinvestments.com/resources/the-true-purpose-of-investing-with-finny-kuruvilla/

[90] Buying "the market" has been proliferated in recent decades by through the offering of low cost, low fee index funds and exchange traded funds, which seek to buy the entire holdings of a financial market index, e.g. the S&P 500 or Dow Jones Industrial Index (DJIA).

4. To illustrate the current dominance of performance-driven investing over and above principle-driven investing, answer the following question, "Do I know what I own in my investment and/or retirement portfolio?" The response is self-revealing.

5. The result of commoditized and impersonal investing is that investors unknowingly become owners in companies that are completely at odds with their personal values because of the decisions of fund managers who are committed to a performance-driven model of achieving profits *at any cost*. There is no thought given to ethical responsibility that comes with ownership, which would seek to align deeply held personal beliefs, values, and practices with the beliefs, values, and practices of the companies in which one invests.

6. For the principle-driven investor, the first and most basic question becomes, "*What kind of companies do I want to own?"*

F. Values-Based Investing

1. The history of socially responsible investing (SRI).

    a) Socially responsible investing[91] has been around for centuries and practiced by those who hold to the belief that businesses and corporations should act responsibly in the communities and environments in which they operate. John Wesley is often quoted as one who discouraged his followers from investing in businesses that profited from alcohol, tobacco, weapons, or gambling, which would later be labeled as "sin stocks". There are similar prohibitions in Shariah law going back hundreds of years.

    b) SRI developed in the U.S. in the 1960s as protests developed against weapons manufacturers whose weapons were used in the Vietnam War. Community development banks were established in low-income and minority communities as a part of the Civil Rights Movement. In the 1970s, labor management issues, as well as protection of the environment become hot topics, the latter of which came to the forefront after the accident at the Three Mile Island nuclear power plant. This continued into the 1980s through the efforts to end the racist policy of apartheid in South Africa as companies refused to to business there or provide investment capital, leading to economic instability and the eventual end of apartheid. The history of SRI continued to develop over the next several decades.

[91] Taken from https://www.thebalancemoney.com/a-short-history-of-socially-responsible-investing-3025578.

c) Today, this has evolved into the Environmental, Social, and Governance (ESG) movement.[92] The ESG movement has provided social activists with the weapon to influence corporate and business practices in order to force them into submission and alignment with leftist and progressive political agendas, most of which are directly opposed to conservative, Christian values.

2. The rise of biblically responsible investing (BRI), more commonly known as faith-based or values-based investing.[93]

   The development of values-based investing in recent decades is the result of Christians rethinking their approach to investing with the desire to align their investment philosophy with biblical values, often in opposition to the values that align with the modern form of socially responsible investing.

3. The explanation of values-based investing.

   Because every human being is created in the image of God, an "approach to values-based investing is grounded in the belief that humankind was created with intrinsic, value, and worth."[94] This foundational belief has led to the development of certain investment ideals with a belief that successful business create value for society. The investment ideals developed by Eventide Investments are as follows:

   a) Respecting the value and freedom of all people.

      This includes the right to life at all stages and freedom from addictive behaviors caused by gambling, pornography, tobacco, and alcohol.

   b) Demonstrating a concern for justice and peace.

      This includes fair and ethical relationships with customers, suppliers, and business partners and avoidance of products and services that promote weapons production and proliferation.

   c) Promoting family and community.

      This includes protecting children from violent forms of entertainment and also includes serving low-income communities.

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[92] Taken from https://www.thebalancemoney.com/what-are-environmental-social-and-governance-esg-criteria-5112974.

[93] See https://www.devotedcapital.com/what-is-values-based-investing/.

[94] Taken from https://www.eventideinvestments.com/. Investment ideals are also taken from this webpage.

d) Exhibiting responsible management practices.

This includes fair dealing with employees, communities, competitors, suppliers, and customers as demonstrated by a company's record regarding litigation, regulatory actions against the company, and its record of promoting products and services that improve the lives of people.

e) Practicing environmental stewardship.

This includes practices considered more sustainable than those of industry peers, reduction in environmental impact when compared to previous periods, and/or the use of more efficient and cleaner energy sources.

4. Not all Christians will agree completely with the investment ideals outlined above, but they should at least prompt a conversation about whether or not an investment philosophy should include ideals and what those ideals should/should not be among believers who seek to apply the two greatest commandments in the Bible, as stated by Jesus Himself:

   Matt 22:34-40, *34 But when the Pharisees heard that Jesus had silenced the Sadducees, they gathered themselves together. 35 One of them, a lawyer, asked Him a question, testing Him, 36 "Teacher, which is the great commandment in the Law?" 37 And He said to him, " 'You shall love the Lord your God with all your heart, and with all your soul, and with all your mind.' 38 "This is the great and foremost commandment. 39 "The second is like it, 'You shall love your neighbor as yourself.' 40 "On these two commandments depend the whole Law and the Prophets."*

5. For those who have never considered or thought deeply about this issue, the question to start the conversation should be, *"How can I love the Lord and love my neighbor through my investment strategy?"*

   The answer should result in the development of a *stewardship investing strategy* on the part of all faithful believers.[95]

[95] See https://www.devotedcapital.com/stewardship-investing/.

G. Growing Resources

1. Books on Saving and Investing *(as with any resource, use with discernment)*

    a) Dayton, Howard. *Your Money Counts: The Biblical Guide to Earning, Spending, Saving, Investing, Giving, and Getting Out of Debt*. Carol Stream, IL: Tyndale House Publishers, 2011.

    b) Cortines, John & Baumer, Gregory. *True Riches: What Jesus Really Said About Money and Your Heart.* Nashville, TN: Nelson Books, 2019.

2. Online Investing Resources *(as with any resource, use with discernment)*

    a) Faith & Finance (https://www.faithfi.com/section/investing) - numerous articles and podcasts related to investing.

    Individuals and couples looking for a Certified Kingdom Advisor (CKA®) can click on “Find a CKA” in the top banner of the Faith & Finance website in order to locate a competent and committed professional who offers biblically wise financial advice for those seeking biblically wise financial counsel. CKAs® receive their training through Kingdom Advisors (https://kingdomadvisors.com/).

    b) Eventide Center for Faith & Investing (https://www.faithandinvesting.com) - provides educational resources for biblically faithful investing through courses, podcasts, and an online journal.

    c) Faith Driven Investor (https://www.faithdriveninvestor.org/) - provides resources to Christ-following investors through multiple forms of content, community, and connections.

    d) Sound Mind Investing (https://soundmindinvesting.com/) - SMI provides do-it-yourself investors with trustworthy strategies for dependable portfolio growth.

    e) LightPoint Portfolios (https://www.lightpointportfoliosolutions.com/) - robust faith-based investing solutions for retirement plans, e.g. turnkey 401k and 403b plans.

APPENDIX 1: The Proper View of Our Heavenly Father

A. The Ultimate Owner of All Things

1. Creator - We must understand that God is the Creator of all created things, i.e. everything that exists that is *not* God has been created by Him (e.g. all spiritual and physical beings; all material and non-material things; all living and non-living things).

    a) Gen 1:1, *"In the beginning God created the heavens and the earth."* (cf. Gen 2:4; Exod 20:11)

    b) John 1:3, 10 *"All things came into being through Him, and apart from Him nothing came into being that has come into being….He was in the world, and the world was made through Him, and the world did not know Him."*

    c) Col 1:16, *"For by Him all things were created, both in the heavens and on earth, visible and invisible, whether thrones or dominions or rulers or authorities—all things have been created through Him and for Him."*

    d) Heb 11:3, *"By faith we understand that the worlds were prepared by the word of God, so that what is seen was not made out of things which are visible."*

    e) Rev 4:11, *"Worthy are You, our Lord and our God, to receive glory and honor and power; for You created all things, and because of Your will they existed, and were created."*

    f) Cf. Ps 8:3; 19:1; 136:5; 146:5-6; Isa 40:26, 28; 45:18; Neh 9:6; Acts 17:24; Rom 1:20; Heb 1:2-3

2. Owner - As a result of being Creator, God owns all created things and has the absolute right to do whatever He pleases with all created things, which He does in accordance with His own divine nature, character, and will.

    a) Ps 24:1, *"The earth is the Lord's, and all it contains, the world, and those who dwell in it."*

    b) Ps 104:24, *"O Lord, how many are Your works! In wisdom You have made them all; The earth is full of Your possessions."*

    c) Ps 135:6, *"Whatever the Lord pleases, He does, in heaven and in earth, in the seas and in all deeps."*

    d) Prov 16:4, *"The Lord has made everything for its own purpose, even the wicked for the day of evil."*

e) Ps 50:10-12, *"For every beast of the forest is Mine, the cattle on a thousand hills. I know every bird of the mountains, and everything that moves in the field is Mine. If I were hungry I would not tell you, for the world is Mine, and all it contains."* (cf. Lev 25:23; Hag 2:8)

3. Sustainer - God not only created all things; He sustains every molecule and atom in the universe at all points in time. Without His direct involvement at every moment in time, all created things would instantly cease to exist. In other words, the created elements do not have properties of existence apart from God. This is a particular work of the Son revealed in the New Testament.

   a) Col 1:17, *"He* [Christ] *is before all things, and in Him all things hold together."*

   b) Heb 1:3a, *"And He* [Son] *is the radiance of His* [Father] *glory and the exact representation of His nature, and upholds all things by the word of His power…"*

   c) cf. Neh 9:6, *"You alone are the Lord. You have made the heavens, The heaven of heavens with all their host, The earth and all that is on it, The seas and all that is in them. You give life to all of them And the heavenly host bows down before You."*

B. The Sovereign Ruler Over All Things[96]

1. The Lord not only is the Creator and Sustainer; He is in total and absolute control of every event and action in the created universe.

   a) 1 Chron 29:11-12, *"Yours, O Lord, is the greatness and the power and the glory and the victory and the majesty, indeed everything that is in the heavens and the earth; Yours is the dominion, O Lord, and You exalt Yourself as head over all. Both riches and honor come from You, and You rule over all, and in Your hand is power and might; and it lies in Your hand to make great and to strengthen everyone."*

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[96] Yet, we must be acutely aware that truth of God's absolute sovereignty does not deny the reality that human beings make real choices with real consequences within the divinely sovereign and providential plan of God. This is known as the doctrine of "divine compatibilism," the position eloquently argued by Jonathan Edwards in his classic treatise, *The Freedom of the Will: A Careful and Strict Inquiry into the Modern Prevailing Notions of that Freedom of the Will which is Supposed to be Essential to Moral Agency, Virtue and Vice, Reward and Punishment, Praise and Blame*, which is more commonly known simply as *The Freedom of the Will*, and further explored by John Feinberg in *No One Like Him: The Doctrine of God*, 626-774 (cf. John Frame, *The Doctrine of God*). This doctrine is put beautifully on display in the tragedy and triumph of the cross in the sermon of Peter in Acts 2, particularly in verse 23, *"this Man, delivered over by the predetermined plan and foreknowledge of God, you nailed to a cross by the hands of godless men and put Him to death."*

b) Psalm 135:6, *"Whatever the Lord pleases, He does, in heaven and in earth, in the seas and in all deeps."*

c) Daniel 4:34-35, *"But at the end of that period, I, Nebuchadnezzar, raised my eyes toward heaven and my reason returned to me, and I blessed the Most High and praised and honored Him who lives forever; For His dominion is an everlasting dominion, And His kingdom endures from generation to generation. All the inhabitants of the earth are accounted as nothing, But He does according to His will in the host of heaven and among the inhabitants of earth; And no one can ward off His hand or say to Him, 'What have You done?'"*

d) Isaiah 40:26, *"Lift up your eyes on high And see who has created these stars, The One who leads forth their host by number, He calls them all by name; Because of the greatness of His might and the strength of His power, not one of them is missing."*

If you are ever in doubt of the Lord's greatness, just look up at the sky on a cloudless night and stand in awe of the awesome creative power of the Creator of the stars!

e) Isaiah 45:6-7, *"That men may know from the rising to the setting of the sun That there is no one besides Me. I am the Lord, and there is no other, The One forming light and creating darkness, causing well-being and creating calamity; I am the Lord who does all these."*

2. The Lord as Sovereign Ruler has placed man, His highest creation, over the dominion of the earth. Man rules as God's viceroy.

   a) Gen 1:26-30, *"Then God said, 'Let Us make man in Our image, according to Our likeness; and let them rule over the fish of the sea and over the birds of the sky and over the cattle and over all the earth, and over every creeping thing that creeps on the earth.' God created man in His own image, in the image of God He created him; male and female He created them. God blessed them; and God said to them, 'Be fruitful and multiply, and fill the earth, and subdue it; and rule over the fish of the sea and over the birds of the sky and over every living thing that moves on the earth.' Then God said, 'Behold, I have given you every plant yielding seed that is on the surface of all the earth, and every tree which has fruit yielding seed; it shall be food for you; and to every beast of the earth and to every bird of the sky and to every thing that moves on the earth which has life, I have given every green plant for food'; and it was so."*

   b) Psalm 8, *"O Lord, our Lord, How majestic is Your name in all the earth, Who have displayed Your splendor above the heavens! … When I consider Your heavens, the work of Your fingers, The moon and the stars, which You have ordained; What is man that You take thought of him, And*

<u>the son of man that You care for him</u>? Yet You have made him a little lower than God, And You crown him with glory and majesty! <u>You make him to rule over the works of Your hands; You have put all things under his feet</u>, All sheep and oxen, And also the beasts of the field, The birds of the heavens and the fish of the sea, Whatever passes through the paths of the seas. <u>O Lord, our Lord, How majestic is Your name in all the earth</u>!"

C. The Loving Father of All Believers

1. Leader and Guide

    a) Psalm 31:3, *"For You are my rock and my fortress; <u>For Your name's sake You will lead me and guide me</u>."* (cf. Ps 48:14; 73:24)

    b) Prov 16:9, *"The mind of man plans his way, but <u>the Lord directs his steps</u>."*

2. Loving Father

    a) Prov 3:12, *"<u>For whom the Lord loves He reproves</u>, even as a father corrects the son in whom he delights."*

    b) John 14:21, 23, *"'He who has My commandments and keeps them is the one who loves Me; and <u>he who loves Me will be loved by My Father</u>, and I will love him and will disclose Myself to him.'…Jesus answered and said to him, 'If anyone loves Me, he will keep My word; and <u>My Father will love him</u>, and We will come to him and make Our abode with him.'"*

    c) Rom 8:28-30, *"And we know that <u>God causes all things to work together for good to those who love God</u>, to those who are called according to His purpose. For those whom He foreknew, He also predestined to become conformed to the image of His Son, so that He would be the firstborn among many brethren; and these whom He predestined, He also called; and these whom He called, He also justified; and these whom He justified, He also glorified."*

    d) 2 Thess 2:16-17, *"Now may our Lord Jesus Christ Himself and <u>God our Father, who has loved us and given us eternal comfort</u> and good hope by grace, comfort and strengthen your hearts in every good work and word."*

    e) 1 John 3:1, *"S<u>ee how great a love the Father has bestowed on us</u>, that we would be called children of God; and such we are. For this reason the world does not know us, because it did not know Him."*

3. Perfect Provider

    a) Gen 22:14, *"Abraham called the name of that place <u>The Lord Will Provide</u>, as it is said to this day, 'In the mount of the Lord it will be provided.'"*

b) Matt 6:25-34, *"For this reason I say to you, <u>do not be worried about your life, as to what you will eat or what you will drink; nor for your body, as to what you will put on</u>. Is not life more than food, and the body more than clothing? Look at the birds of the air, that they do not sow, nor reap nor gather into barns, and yet your heavenly Father feeds them. Are you not worth much more than they?… <u>Do not worry then, saying, 'What will we eat?' or 'What will we drink?' or 'What will we wear for clothing?'</u> For the Gentiles eagerly seek all these things; <u>for your heavenly Father knows that you need all these things</u>. <u>But seek first His kingdom and His righteousness, and all these things will be added to you</u>."*

c) 1 Tim 6:7-8, *"For we have brought nothing into the world, so we cannot take anything out of it either. <u>If we have food and covering, with these we shall be content</u>."*

d) The Lord may *at times* provide for our <u>wants</u> but He will *always* provide for our <u>needs</u>. Dayton writes, "God's part in helping us reach contentment is that He has obligated Himself to provide our needs. However, He has not promised to provide our wants."[97] Larry Burkett was fond of saying, "God is rarely early, but He is never late," when it comes to our physical and financial needs.

e) The problem is that we have taken our list of "wants" and have *recategorized* them as "needs," especially those of us who live in a place like America. And not to diminish our physical needs, but we must remember that He has already met our greatest spiritual needs of forgiveness and peace with Him through the work of His Son, Jesus Christ, on the cross!

    (1) Phil 4:18-19, *"But I have received everything in full and have an abundance; I am amply supplied, having received from Epaphroditus what you have sent, a fragrant aroma, an acceptable sacrifice, well-pleasing to God. <u>And my God will supply all your needs according to His riches in glory in Christ Jesus</u>."*

    (2) Remember that the Letter to the Philippians is one of the prison epistles written by Paul while he was imprisoned in Rome. Even in jail the Lord completely met his needs and knew that God would supply their needs as well!

f) He is trustworthy and faithful and has proven Himself over and over, both throughout the Scriptures and throughout our lives. *Our doubt is fueled* as we look across horizontally at our circumstances but *our faith is flamed* as we look up vertically and consider His promises and character.

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97 Dayton, *Your Money Counts*, 21.

g) Remember, God is not limited like man. He can work and meet our needs in ways that we could never comprehend. He possesses limitless divine power and exercises it in accordance with His will, which nothing on earth or in heaven can thwart. You can trust Him with all your possessions as you recognize His “ownership” over you and all that He has given to you.

APPENDIX 2: Giving & Tithing in the Old Testament

A. Examples of Giving Prior to the Mosaic Law (i.e. the Old Covenant)

1. Gen 14:17-20, *"Then after his return from the defeat of Chedorlaomer and the kings who were with him, the king of Sodom went out to meet him at the valley of Shaveh (that is, the King's Valley). And Melchizedek king of Salem brought out bread and wine; now he was a priest of God Most High. He blessed him and said, 'Blessed be Abram of God Most High, Possessor of heaven and earth; And blessed be God Most High, Who has delivered your enemies into your hand.' He* [Abram] *gave him* [Melchizadek] *a tenth of all."*

   a) After defeating Lot's kidnappers, Abram gave a tenth of the spoils of war to Melchizedek, king of Salem. This was according to Ancient Near Eastern custom, *not* a command of God.

   b) Abram then voluntarily gave the remaining amount to the king of Sodom, a pagan king. Again, this was *not* a command of God but rather a way for Abram to maintain his integrity and independence, i.e. he would owe no favors to the king of Sodom.

      Gen 14:21-24, *"The king of Sodom said to Abram, 'Give the people to me and take the goods for yourself.; Abram said to the king of Sodom, 'I have sworn to the Lord God Most High, possessor of heaven and earth, that I will not take a thread or a sandal thong or anything that is yours, for fear you would say, 'I have made Abram rich.' 'I will take nothing except what the young men have eaten, and the share of the men who went with me, Aner, Eshcol, and Mamre; let them take their share.'"*

   c) Remember: Abram was *not* under The Law of Moses. Why? Because it had not yet been given. He was under no command of God to give but rather followed Ancient Near Eastern custom.

2. Gen 29:20-22, *"Then Jacob made a vow, saying, 'If God will be with me and will keep me on this journey that I take, and will give me food to eat and garments to wear, and I return to my father's house in safety, then the Lord will be my God. This stone, which I have set up as a pillar, will be God's house, and of all that You give me I will surely give a tenth to You.'"*

   a) After his dream at Bethel, Jacob vowed to give the LORD a tenth of everything, *if the LORD would bless him*.

   b) Jacob, "deceiver," bargained with God - *Not advised!!!* Yet Jacob was blessed because of the covenant God had made with Abram and reaffirmed with Isaac, Jacob's grandfather and father respectively.

c) <u>Remember</u>: Jacob also was *not* under The Law of Moses because it still and not yet been given. The Law of Moses will serve as a covenant with the people and nation of Israel that have yet to be established through the 12 sons of Jacob, whose name was later changed to Israel, and the heirs of those sons.

3. <u>Point</u>: Neither Abram nor Jacob gave at the direction or command of the LORD, but rather they each gave according to *cultural practice* and *their own desires*. No divinely required pattern for giving is established in either case.

B. Examples of Giving Under the Mosaic Law (i.e. the Old Covenant)

1. In preparation to enter the Promised Land, God gave *Moses* to Israel as her leader and *The Law* as the nation's constitution.

   Deut 12:5-7, *"But you shall seek the LORD at the place which the LORD your God will choose from all your tribes, to establish His name there for His dwelling, and there you shall come. There you shall bring your <u>burnt offerings</u>, your <u>sacrifices</u>, your <u>tithes</u>, the <u>contribution of your hand</u>, your <u>votive offerings</u>, your <u>freewill offerings</u>, and the <u>firstborn of your herd and of your flock</u>. There also you and your households shall eat before the LORD your God, and rejoice in all your undertakings in which the LORD your God has blessed you."*

2. The Law of Moses—the nation's constitution that regulated daily civic, ceremonial, and moral life under a theocracy—included both *voluntary* and *obligatory* regulations for giving:

   a) <u>Voluntary</u> giving provisions for *freewill* and *thanksgiving* offerings to the LORD. Examples:

      (1) Freewill offering in Exodus

         (a) Exod 25:2 *"...Tell the sons of Israel to raise a contribution for Me; from every man <u>whose heart moves him</u>…"* (cf. Exod 35:21-29)

         (b) Exod 36:3-7, *"They received from Moses all the contributions which the sons of Israel had brought to perform the work in the construction of the sanctuary. <u>And they still continued bringing to him freewill offerings every morning</u>...and they said to Moses, "The people are bringing <u>much more than enough</u> for the construction work...So Moses issued a command"* for them to <u>stop giving</u>.

         (c) <u>Purpose</u>: for the construction of the *tabernacle* and its contents.

      (2) Similar response by David and the people in 1 Chron 28:1-9.

(a) *"Then the people rejoiced because they had offered so willingly, for they made their offering to the LORD with a whole heart, and King David also rejoiced greatly."* (v. 9)

(b) Purpose: for the construction of the *temple* and its contents.

(3) Characteristics of Freewill Offerings:

(a) Voluntarily given.

(b) No stated amount.

(c) For a specific purpose to meet a specific need.

(d) Demonstration of a thankful heart.

b) Obligatory giving laws for supporting the nation's social and religious life (i.e. the government).

(1) Tithing misconceptions

(a) Great confusion remains among believers.

(b) Inaccurate teaching exists in many churches and in many Christian resources that teach on the topic of finances (e.g. books, small group studies, websites, blogs, etc).

(c) Tithing is often incorrectly recommended as a *starting point* or *minimum* amount of giving for church members. Consider the following advice of popular Christian authors:

i) Randy Alcorn describes his understanding of tithing in a section entitled *Training Wheels*:

"The tithe is God's historical method to get us on the path of giving. In that sense, it can serve as a gateway to the joy of grace giving. It's unhealthy to view tithing as a place to stop, but it can still be a good place to start. ... Tithing isn't the ceiling of giving; it's the floor."[98]

ii) Larry Burkett describes the tithe as the *minimum* for a Christian:

[98] Randy Alcorn, *The Treasure Principle: Unlocking the Secret of Joyful Giving* (Colorado Springs, CO: Multnomah Publishers, 2001), 64.

"The word tithe means one-tenth. It's the minimum portion that a Christian should tithe. The tithe's purpose is to be a testimony of God's ownership, and thus it is meant to be individualized."[99]

iii) Dave Ramsey, posted on July 9, 2009, on his website in a section entitled *Dave's Advice on Tithing and Giving* describes tithing as a *scriptural mandate* for the church:

"The tithe, which is a scriptural mandate, was not instituted for God's benefit because He already has all the money He needs. He does not need our money. ... So why does He ask us to give 10% to Him? **Tithing was created for our benefit.** It is to teach us how to keep God first in our lives and how to be unselfish people."[100]

(d) Tithing quiz:[101]

i) True or False? Jesus never tithed.

ii) True or False? Paul tithed and taught the NT Church to tithe in his Epistles.

iii) True or False? The "first fruits" offering and the tithe were the same thing in the O.T.

iv) True or False? In the O.T., the people were required to tithe first and then any giving over that amount was considered a freewill offering.

v) True or False? The tithe that was brought to the storehouse in Jerusalem came from the Levites, not the people of Israel. It was a tithe of the tithe they had received (i.e. one tenth of one tenth).

vi) True or False? The O.T. tithe was based on a person's increase in assets, not his annual income.

vii) True or False? In the O.T., the tithe was not a fixed percentage.

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[99] Larry Burkett, *The Word on Finances: Topical Scriptures and Commentary* (Christian Financial Concepts, 1994), 238.

[100] http://www.daveramsey.com/article/daves-advice-on-tithing-and-giving/lifeandmoney_church/

[101] Answers: (a) True (since Jesus was not a landowner that raised crops or herds, i.e. a farmer or rancher; see the following discussion) (b) False; (c) False; (d) False; (e) True; (f) True; (g) True; (h) True; (i) True; (j) True

viii) True or False? The tithe was never an amount of money, but consisted of food so that the priests and Levites would have provision for their dietary needs.

ix) True or False? The priests and Levites who received tithes could not personally own any land themselves.

x) True or False? Tithing was the "property tax system" used in Israel to underwrite its national administration, festivals, and welfare services.

(2) Overview of tithing

(a) The tithe was instituted by God via *The Law of Moses*.

(b) Note: The Law of Moses applied *only to Israel* and the tithe applied *only to the landowners of Israel that raised crops or herds.*

(c) There were three separate tithes prescribed in The Law of Moses totaling approximately 23.33% (yet, as illustrated below, for animal owners the percentage would vary).

i) Tithe #1 - "Levitical Tithe"

Lev 27:30-33, *"Thus all the tithe of the land, of the seed of the land or of the fruit of the tree, is the Lord's; it is holy to the LORD. If, therefore, a man wishes to redeem part of his tithe, he shall add to it one-fifth of it. For every tenth part of herd or flock, whatever passes under the rod, the tenth one shall be holy to the LORD. He is not to be concerned whether it is good or bad, nor shall he exchange it; or if he does exchange it, then both it and its substitute shall become holy. It shall not be redeemed."* (cf. Num 18:21-32)

— Yield of the produce of the land

- *"seed of the land"*

- *"fruit of the tree"*

— Every tenth animal

- do not pick the best or the worst

- chosen from a random ordering

- not the *first* of every ten, but the *last* of every ten

- not exactly 10% because animals are indivisible[102]

— Requirement applied to landowners *only* who were living in the land of Israel.

- Farmers (seed and fruit of the land)

- Ranchers (herds and flocks)

— Not based on income, but on the *increase of assets* (crops and flocks).

— Note: The assets that are described were *God-created* and sustained, *not man-made*.

— Given as food to support the Levites, who served the Lord in the tabernacle (and later in the temple in Jerusalem)

- Levites did *not* own land

- Levites did *not* raise crops or flocks

- Levites had *no* inheritance in the land

— Acknowledgment that *only YHWH* could provide for them.

— The Levites were to choose the best one-tenth of the tenth given to them ("a tithe of the tithe", i.e. 1%), and give it to the priests.

[102] If a man owned 9 animals, the percentage would be 0%, since it is the *tenth* animal and not the *first* that must be given. If he owned 19, the percentage would be just above 5% since he would only have to give only one out of every 10. If he owned 20, the percentage would be 10% because he would have to give 2 out of the 20, i.e. the last two out of each lot of ten.

— The priests, i.e. the sons of Aaron, were to be support in this manner.[103]

ii) Tithe #2 - "Festival Tithe"

Deut 14:22-26, *"You shall surely tithe all the produce from what you sow, which comes out of the field every year. You shall eat in the presence of the LORD your God, at the place where He chooses to establish His name, the tithe of your grain, your new wine, your oil, and the firstborn of your herd and your flock, so that you may learn to fear the LORD your God always…"*

— Yield of the produce of the land

- *"tithe of your grain"*
- *"new wine"*
- *"oil"*

— Firstborn animals

- *"the firstborn of your herd or flock"*

… *"If the distance is so great for you that you are not able to bring the tithe, since the place where the Lord your God chooses to set His name* [i.e. Jerusalem] *is too far away from you when the LORD your God blesses you, then you shall exchange it for money, and bind the money in your hand and go*

[103] Data regarding the first census of Israel on Mt. Sinai: 603,550 males able to fight, age 20 and over (Num 1:44-46); Plus 22,000 male Levites (3.5% of male population - Num 1:47; 3:39); The sons of Aaron, a small number from among the tribe of Levi, served as priests (Num 3:10); Therefore, after settling in the land, the ranchers and farmers from among the male population of Israel supported the Levites and priests with food through their tithes (Deut 12:1-19). That is why The Law of Moses should be considered as more than a religious document, i.e. it was also a political document that addressed the economic and social needs of the nation of Israel that was established as a *theocracy*. Moses was not their king; rather, God was their Sovereign and Moses served as His prophet and administrator. Later, under the leadership of Samuel, the Israelites rejected God as their King and foolishly asked for a human king, which was predicted by God as far back as the Abrahamic Covenant (Gen 17:6, 16).

1 Samuel 8:4-9, *"Then all the elders of Israel gathered together and came to Samuel at Ramah; and they said to him, 'Behold, you have grown old, and your sons do not walk in your ways. Now appoint a king for us to judge us like all the nations.' But the thing was displeasing in the sight of Samuel when they said, 'Give us a king to judge us.' And Samuel prayed to the Lord. The Lord said to Samuel, 'Listen to the voice of the people in regard to all that they say to you, for they have not rejected you, but they have rejected Me from being king over them. Like all the deeds which they have done since the day that I brought them up from Egypt even to this day—in that they have forsaken Me and served other gods—so they are doing to you also. Now then, listen to their voice; however, you shall solemnly warn them and tell them of the procedure of the king who will reign over them.'"*

to the place which the LORD your God chooses. You may spend the money for whatever your heart desires: for oxen, or sheep, or wine, or strong drink, or whatever your heart desires; and there you shall eat in the presence of the LORD your God and rejoice, you and your household."

— Allowance for exchange and purchase later

- Traveling distance may be too far
- Sell your produce or animals for money
- Bring the money on your journey
- Purchase food and drink upon your arrival

— Partake in the eating/drinking and share with others as you celebrate the feasts

— Reminder not to neglect the Levite (v. 27)

iii) Tithe #3 - "Poor Tithe"

Deut 14:28-29, *"At the end of every third year you shall bring out all the tithe of your produce in that year, and shall deposit it in your town. The Levite, because he has no portion or inheritance among you, and the alien, the orphan and the widow who are in your town, shall come and eat and be satisfied, in order that the LORD your God may bless you in all the work of your hand which you do."*

— Recall the seven-year cycle of Sabbaths, in which land was given rest during the seventh year.

— Every third and sixth year of that cycle, a tithe was to be taken and stored *within the city* in which people lived.

— Intended as welfare for Levites, aliens, orphans, and widows living in those cities.

(3) Summary of tithing

(a) Was *not* based on income, but on the increase of assets.

(b) Served as a "property tax" in Israel.

(c) Affected only landowners with crops and herds in the land of Israel.

(d) Used to support Levites, priests, and poor.

(e) Annualized rate was 23.33% *of the increase of the produce and flocks*, i.e. the property was not taxed over and over.

(f) Only in effect under The Law of Moses for the nation of Israel.

(4) In addition to tithing, there were:

(a) Freewill offerings

i) Burnt offerings (Lev 1; 6:8-13; 8:18-21; 16:24)

ii) Peace offerings (Lev 3; 7:11-34)

iii) Sin offerings (Lev 4; 5:1-13; 6:24-30; 8:14-17; 16:3-22)

iv) Trespass offerings (Lev 5:14-19; 6:1-7; 7:1-6)

(b) First-fruits offering (Deut 26:1-11)

(c) First-born offering (Lev 27:26-27)

(5) Number one misinterpreted passage on tithing:

Malachi 3:8-10, *"Will a man rob God? Yet you are robbing Me! But you say, 'How have we robbed You?' In <u>tithes</u> and <u>offerings</u>. You are cursed with a curse, for you are robbing Me, the whole nation of you! <u>Bring the whole tithe into the storehouse</u>, so that there may be food in My house, and test Me now in this," says the LORD of hosts, "If I will not open for you the windows of heaven and pour out a blessing until it overflows."*

(a) Malachi focused on the failings of the *leaders* of Israel. The priests were offering blemished sacrifices (chap 1).

(b) God's name was being defiled and the people were practicing idolatry (chap 2).

(c) The tithe was not being collected and placed in the storehouses and, as a result, *the Levites began working in the fields*, which they were forbidden to do (chap 3, cf. Neh 10:37-39).

(d) As a result, the tithe of the tithe was not being brought to the storehouse in Jerusalem and *the temple service was being neglected*. Israel was robbing God by failing to obey The Law of Moses in this vital area of ministry to those who served in the temple (i.e. the Levites).

APPENDIX 3: Comparison of 15-Year vs. 30-Year Mortgage[104]

A. Option 1: 15-Year Mortgage

Purchase a single-family home for $500,000 with 20% down (i.e. $100,000), financing $400,000 at 3% for 15 years. Principal and interest payments are $2,762/month.

1. Down payment of $100,000
2. P&I x 180 = $497,160
3. Total cost = $597,160

B. Option 2: 30-Year Mortgage

Purchase a single-family home for $500,000 with 20% down ($100,000), financing $400,000 at 4% for 30 years. Principal and interest payments are $1,910/month.

1. Down payment of $100,000
2. P&I x 360 = $687,600
3. Total cost = $787,600

Difference *Saved* with a 15-year mortgage = $190,440

C. Affordability Issues

1. Typical home buyers cannot *afford* a 15-year mortgage. Why not? Because they want the *maximum* house available for the *maximum* monthly payment they can afford vs. buying a smaller home and paying off their home earlier with a 15-year mortgage at the same level of mortgage payment. In other words, they *choose* not to afford a 15-year mortgage.
2. The choice of a longer 30-year mortgage could quite possibly reveal a short-term mentality ("What monthly *maximum* payment can we afford?") that fails to consider the long-term consequences (30 years of *lower* payments with resultant *higher* costs). But this is not always the case.
3. The choice of a shorter 15-year mortgage tends to reflect a long-term mentality ("Our home will be paid off sooner!") that understands the short-term consequences (15 years of *higher* payments with resultant *lower* costs

[104] Helpful mortgage calculators can be found at bankrate.com

for the same home) with long-term benefits (freeing of funds that can be used elsewhere when the mortgage is paid off).

4. Yet, on a practical level, the typical family has income limitations that must be taken into consideration. Even though a 15-year mortgage is preferable, it simply may not be feasible given those income constraints, especially when housing is so expensive in certain parts of the country (e.g. Los Angeles, New York, etc.).

D. Alternative Financing Strategies to Consider

Prov 21:5, *"The plans of the diligent lead surely to advantage, But everyone who is hasty comes surely to poverty."*

1. Purchase the $500,000 home with a 30-year mortgage but pay it off in 15 years with accelerated payments, i.e. turn the 30-year mortgage into a 15-year mortgage *on your own*.

    a) Down payment of $100,000

    b) Finance $400,000 at 4% for 30 years

    c) P&I payment $1,910/mo + $1,050/mo additional payment

    d) New payment $2,960/mo

    e) Results

        (1) Mortgage paid off in 15 years

        (2) Total cost of financing $532,800 (not including down payment)

        (3) Difference saved with accelerated payments = $154,800

    f) Strength and Weakness

        (1) <u>Strength</u>: Allows purchaser the flexibility to reduce payments down to the required amount in an emergency.

        (2) <u>Weakness</u>: Allows purchaser the flexibility to reduce payments down to the required amount in an emergency.

        (3) In other words, *the strength is also the weakness*. The temptation will be to categorize the desire for purchases of other items as an *emergency* and never return to the "pay-off early" plan after the "crisis" is over because another *emergency* will inevitably come along.

(4) Although effective, the majority of home buyers to do not have the *discipline* and *endurance* to make this strategy work.

(5) In addition, many home buyers do not have the sufficient *income* necessary to pay the extra monthly payments on a consistent, long-term basis.[105]

2. Purchase a home of lesser value. Start with the *payment amount* from the 30-year mortgage calculation and apply that payment amount to a 15-year mortgage. In other words, ask the question, "How much can be financed for 15 years with a $1,910/mo payment?" in order to discover the amount that you *can* afford on a 15-year amortization schedule.

   a) $1,910/mo payment (that would purchase a $500,000 home if financed for 30 years)

   b) 15-year mortgage at 3% (which is a lower interest rate due to the shorter term of the loan)

   c) Amount financed = $276,500

   d) Allows a purchase price approx. = $350,000

   e) Down payment of $70,000 (i.e. 20%, saving $30,000, which could be used to purchase appliances/furnishings/upgrades or simply saved)

   f) So, instead of buying a $500,000 home with a 30-year mortgage, the equivalent payment of $1,910 will buy a $350,000 home with a 15-year mortgage.

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[105] Some will also make the argument that paying off your loan early, especially with the ability to finance at historically low interest rates, doesn't make sense. The reasoning is this: Why pay off a 4% interest rate, which is also deductible from income on your income tax return, when the extra money that would be used to pay off the loan could be used to earn a return higher than the loan interest rate of 4%? That certainly does make sense financially but, due to the uncertainty of the future and the necessity to earn a rate higher than your mortgage in order for this strategy to work, it may be wiser to pay off the loan early. Wisdom needs to be exercised if choosing to attempt to outperform the rate of your mortgage through the purchase of securities (or other financial products or investments) since risk and uncertainty are always involved when investing.

Those who choose to pay off their mortgage early are guaranteeing themselves a 4% return (i.e. they are keeping themselves from having to pay 4% on the principal that is reduced) and any "benefits" derived from mortgage interest deductibility are outweighed by the increase in equity in the home. Why pay interest to a mortgage lender in order to deduct a smaller percentage of that interest from income in order to reduce taxes? It's better to pay no interest at all and lose the deduction because any *increase in taxes* will be less than the cost of *interest* paid.

g) Although your home may be smaller, you will own your home in 15 years instead of 30 years.

h) In 15 years, after your loan is paid off, you will have an additional 15 years worth of principal and interest payments in the future *that can be redirected*, providing you with numerous options for money that would have been spent on principal and interest payments. These options include:

  (1) Give more to the church or gospel-centered ministries or charities

  (2) Support a missionary family(ies) on a monthly basis

  (3) Help or support a seminary family in need

  (4) Pay college tuition without the need for loans

  (5) Upgrade or remodel your home

  (6) Save more to meet other short-term goals (e.g. new vehicle, vacation, health-care needs)

  (7) Save more for long-term goals (e.g. retirement, future income needs)

  For example: $1,910/mo invested in a diversified portfolio earning 6% for 15 years = $550,500[106]

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[106] For ease of illustration, this does not take into account taxes that would have to be paid annually (e.g. due to dividends and short-term capital gains) as well as taxes that would have to be paid if and when the asset is sold (e.g. due to long-term capital gains) if this investment were made in a taxable account.

APPENDIX 4: A Plan for Getting Out Of Debt[107]

A. Pray! Pray! Pray!

Confess your sins of greed, covetousness, and idolatry and commit your debt reduction and elimination plan to the Lord. He will bless your efforts and may even provide surprising ways for you to pay off your debts as you demonstrate faithfulness to Him during this process.

B. Live within your means

Randy Alcorn writes, “Our name is on God’s account. We have unrestricted access to it, a privilege that is subject to abuse. As His money managers, God trusts us to set our own salaries. We draw needed funds from His wealth to pay our living expenses. One of our central spiritual decisions is determining what is a reasonable amount to live on. Whatever that amount is—and it will legitimately vary from person to person—we shouldn’t hoard or spend the excess. After all, it’s His, not ours. And He has something to say about where to put it.”[108]

1. Although this is certainly not true of everyone, is quite possible that if you are burdened by overwhelming debt, it is probably due to the fact that you have not aligned your thoughts with those of the quote above. As previously stated, you must develop a new mindset and develop new patterns for how you will use God’s finances after abusing them for so long.

2. You must now learn to live within the gap between income and spending, not the gap between income and borrowing as you have in the past.

3. There is no magic formula here. You must either increase your income or lower your spending or a combination of both. But your starting point should be to decrease your spending. *Live within your means!*

C. List *everything you <u>own</u>* (i.e. every asset). Go through your list and determine to sell any unnecessary items to help “kick start” your debt reduction plan. Have a yard sale. Sell stuff on eBay.[109] And yes, this list may even include an unnecessary second (or third?) car. This will help change your perspective from

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[107] The sad reality is that less than half of those who begin this journey will make it to the end. Therefore prayer, commitment, discipline, and accountability are paramount to success. Dayton, *Your Money Counts*, 42.

[108] Randy Alcorn, *The Treasure Principle* (Colorado Springs, CO: Multnomah Publishers, 2001), 27.

[109] Read Joe Mihalic’s story of radical steps to debt reduction and elimination here at http://nomoreharvarddebt.com

what you may be "losing" to what you will be "gaining" with financial freedom as you use the proceeds to begin paying down your debt.

D. List *everything you owe* (i.e. every liability). Include mortgages, credit card balances, and any other loans you may have (including personal loans). Use this list to establish a priority for your debt reduction and elimination plan.

E. Track your expenses

1. For 30 days straight (i.e. one month), track your daily spending. Record *every penny* that is spent along with the item purchased. You will be amazed when you discover where your money went, e.g. "I spent *that much* on Starbucks this month? Ouch!" This will allow you to separate "needs" from "wants" and show you were you can begin to cut unnecessary expenses and make sacrifices in your purchases.

2. Carry a small notepad and pen with you everywhere you go to record your purchases. Or use the notepad on your smartphone, if you have one, or download an app (i.e. iOS has a free app called QuickMoney that is designed for this purpose, as of 2014).

3. Categorize your expenses from the last 30 days into the categories that will be outlined in the "budgeting" section of this material. This will allow you to discover where all those dollars are going and reveal the categories in which you are making wasteful and unnecessary expenditures.

4. After cutting some unnecessary expenses, you should be able to come up with an amount that you will be able to redirect toward your debt reduction.

F. Develop a written plan (i.e. budget[110]) for your income according to the following priorities.

1. Give - even when getting out of debt, you should continue to give. The percentage or amount may (and even should) be lower, because you need to meet your financial obligations to pay off your debt as quickly as possible. You should still maintain the priority of giving to the local church, but never at the expense of failing to pay your debt.

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[110] I highly recommend using YNAB's very user-friendly apps (for your desktop and smartphone) to develop and maintain your budget. ynab.com has helpful videos that will get you started by explaining the process in a fun and easy to understand way. YNAB will be examined in greater detail later in this course under the topic of budgeting.

a) Remember, *"the wicked borrows and does not pay back"* (Ps 37:10).[111] It would not be a good testimony to tell your creditors, "I can't pay you anything this month because I have to give to the church."

b) Also give consideration as to how Prov. 3:27-28 may apply. *"Do not withhold good from those to whom it is due, When it is in your power to do it. Do not say to your neighbor, "Go, and come back, And tomorrow I will give it," When you have it with you."* Applied to debts, if you have the ability to repay your debts now, pay them now.

2. <u>Save</u> - You will have to live on a subsistence level if you really want to pay off your debt and have success in doing it. Cut your spending as much as possible and save as much as possible and apply that savings toward debt reduction every month.

3. <u>Spend</u> - As mentioned above, your spending must be significantly reduced. *You must learn to live within your means*. Fixed expenses will take priority and keep variable expenses to a minimum. If you are married, make sure you and your spouse make these decisions together and each one sacrifices equally, yet still allow a minimum for "treating yourselves" (in equal amounts for each person using *cash only*) once in a while without taking too much liberty. That's what drove you into this mess in the first place, right?

G. Save a mini-emergency fund prior to beginning the debt reduction process.

1. It is advisable to save at least a minimal amount prior to beginning to pay more than the minimum payments on your credit cards and/or other consumer debt. For example, Dave Ramsey recommends that a person save $1000, which may be a wise and appropriate amount, prior to beginning to pay more than the minimum balance on your credit cards. That way, if there is an unexpected expenditure, e.g. repair on your car, you won't have to go into debt again, which can be discouraging to even the most well-intentioned person or couple.

2. Burkett reiterates this point when he writes, "I also believe that those who are in debt should have a savings category. Why? Because in order to get out of debt, you must avoid *totally* the use of credit. If you don't have any

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[111] By the way, this verse rules out the possibility of declaring bankruptcy for the vast majority of believers. If you are considering bankruptcy, be sure to seek out and listen to wise biblical counsel prior to making that decision. Also be sure to pray earnestly for the Lord's help as you acknowledge the wrong choices that have led you to where you are now. There may be the extremely rare exception when it is appropriate to declare bankruptcy after all other options have been exhausted, but it must be exactly that, *rare*! Certainly bankruptcy should *never* be the first choice and even if the civil authorities declare a person free from their debts after bankruptcy, the moral obligation remains to pay back your debts, even if it is on a reduced scale. This will serve as a powerful testimony to creditors.

unrestricted savings on hand and something essential breaks down (a washing machine, refrigerator, or hot water heater, for example), it will lead to the use of credit again."[112]

H. Develop a plan to pay off your consumer debt and stick with it.

1. "Debt Avaball" method of debt reduction and elimination defined.

   This method could be described as a combination of the "Debt Snowball" and the "Debt Avalanche" methods, which are the two most popular methods for debt reduction and elimination.

   a) Debt Snowball[113] - begin by paying off credit cards or other personal loans that have the *lowest balance* first. The reasoning is that this will provide greater motivation from the *emotional aspect* as you get rid of smaller balances first and then work on the next smallest balance with the funds you were paying on the first balance plus the minimum balance on this account, thus your payment "snowballs" into larger and larger amounts.

      Note: This method ignores interest rates and focuses on balances, but the weakness is that it will take longer to pay off your debts and more interest will be paid on the balances utilizing this method.

   b) Debt Avalanche - begin by paying off loan accounts with the *highest interest rate* first. The reasoning is that since you are paying the most interest on the highest balances[114] you should, therefore, get rid of them first in order to reduce the interest paid as quickly as possible, which provides motivation from the *rational aspect*.

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[112] Burkett, *The Complete Financial Guide for Young Couples*, 91.

[113] Crown Financial Ministries offers a Debt Snowball Calculator online: https://www.crown.org/resources/debt-snowball-calculator/

Dave Ramsey advocates the "Debt Snowball" method in his book, *The Total Money Makeover*. If you find his method more motivating, use it. Note that Dave Ramsey can be highly motivational and has influenced countless people to get out of debt. This is commendable. Yet, be advised that Dave sometimes uses Bible verses out of context or wrongly interprets them when applying them to personal finance matters. Also be aware of his tendency towards pride, especially in response to anyone challenging his methods or advice. His "one size fits all" approach to investing is not recommended by financial advisors who have greater investment knowledge and experience and know that each person or family's situation is unique and, therefore, requires tailored solutions. Listen to Dave's daily podcast if you need motivation to get out of debt, but be warned that not all of his methods and solutions are endorsed or recommended by this author. He has helped a lot of people but has also built quite an empire for himself.

[114] The typical order, from highest to lowest interest rate, will be: credit cards, mortgage and home equity loans, auto loans, then student loans.

<u>Note</u>: This method ignores balances and focus on interest rates being charged and <u>will allow you to *pay less interest overall* and *pay off your debt more quickly* than the Debt Snowball method</u>.

c) <u>Debt "Avaball"</u>[115]

(1) In the Debt Snowball method, rewards come from *accounts* being paid off. Since you begin with the lowest balance, the emotional reward will come sooner as that first account balance is paid off. But using this method, as noted above, you will *pay more in interest* and *take longer* to pay off your debts.

(2) The Debt Avaball takes the financial and mathematical approach of the Debt Avalanche method and combines it with the emotional benefits of the Debt Snowball method, allowing you to "have a ball" while paying down your debt. The same emotional rewards can be obtained by celebrating predetermined *amounts* being paid off (e.g. every $500 or $1,000 paid off).

(3) Therefore, the benefits of both can be achieved: the necessary *emotional rewards* to keep you motivated along with the *rational knowledge* that your debts are being paid off as quickly as possible with the lowest amount of interest paid overall.

2. "Debt Avaball" method described in detail

a) Begin by paying off your loan that charges the highest interest rate, which will typically be one of your credit cards and, quite probably, one of the department store cards you have.

(1) Be sure to make the minimum payment on *all* your credit cards during the entire process but apply your newfound "savings" from your expense reduction (but *not* your mini-emergency fund) to this credit card until it is paid off.

(2) Celebrate at the $250 or $500 (or other predetermined amount, depending on the balance of the account) payoff amount. Treat yourself to something that you enjoy *with a small amount of cash*, i.e. *by no means* in adding more debt! Or choose not to spend and, instead, treat yourself to something free, yet enjoyable, in your quest to celebrate each milestone.

b) Once your first card is paid off, take the amount you were paying on the first card and apply that amount to the credit card with the next highest

[115] As far as I know, I have never heard it called this, but it sounds "fun," right? Are you ready to "have a ball" paying down your debt? (I know, it sounds cheesy)

interest rate, which will also include your minimum payment on that card. You should now have more “savings” with which to pay because you are not only paying what you were on your first card but now have the minimum payment added to it.

c) Continue this process and you will begin to see the “snowball” and “avalanche” process in action since the amount you are able to pay grows and grows until all your high interest rate credit cards are finally paid off!

d) If you are so motivated (and you should be), move on to your other debts with the next highest interest rates (e.g. second mortgage, auto loans, student loans, personal loans, etc.) until you reach the end of your consumer debt elimination journey.

e) Why stop now? Why not tackle your mortgage next? While there are differing opinions on whether or not to pay off your mortgage early due to the so called “tax-favored” status of the mortgage interest deduction on income tax returns along with the possibility of earning more interest if you were to invest the same amount for a greater potential return than the interest rate being paid on your mortgage (see previous discussion), *reducing and eliminating debt is never a foolish move*. We simply do not know what the future will hold and a position of financial freedom will always allow for greater stewardship opportunities.

3. “Debt Avaball” method illustrated[116]

a) Current debt listed from highest to lowest interest rate

(1) Department store credit card: $1,000 balance at 25%

(2) Visa: $10,000 balance at 18%

(3) Mastercard: $2,500 balance at 13%

(4) Student loan: $30,000 balance at 4.5%

b) Minimum monthly payment required[117]

(1) Department store credit card: $20

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[116] In order to compare the Debt Snowball and Debt Avalanche methods, use unbury.me as a free resource to calculate your results. You will note that the Debt Avalanche will *always* result in lower overall interest paid and a shorter payoff period.

[117] Although not all credit cards calculate the minimum required payment the same way, a typical method is to require a certain percentage of the balance. In this example, 2% of the balance is utilized as the minimum required payment.

(2) Visa: $200

(3) Mastercard: $50

(4) Student loan: $311

c) Calculate extra "savings" available from monthly budget

(1) First, formulate a reasonable budget that allows you to *live within your means* while also providing an extra amount for savings and debt reduction. In this example we will assume that $200/month is now available for this purpose.[118]

(2) Second, over the next five months, use that extra $200/month savings to build up a $1000 mini-emergency fund (i.e. do not use amount this for debt reduction).

(3) Third, after building your mini-emergency fund, use that $200/month savings towards debt reduction.

d) Apply that $200/month, plus $20 minimum payment to the department store credit card every month since it has the highest interest rate. It will be paid off in 5 months. Celebrate at the $500 paid off mark and again when the entire balance is paid off! Be sure to cut up that department store credit card.

e) Apply $420/month ($220 + $200) to the Visa. That card will be paid off in another 29 months. Celebrate at each $1000 paid off mark and again when the entire balance is paid off! Cut up that card.

f) Apply $470/month ($420 + $50) to Mastercard. It will be paid off in another 4 months. Celebrate when entire balance paid off! Cut up that card.

g) Apply $781 ($470 + $311) to student loan. Paid off in another 30 months. Celebrate at each $1000 paid off mark and again when the entire balance is paid off! No more student loan!

h) Results

(1) You will be consumer debt free in just over 5 years, having paid off your original balance of $43,500.

(2) Total interest paid during that period = $8,686.17.

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[118] The YNAB method of budgeting will often result in finding this previously "hidden" amount of savings. YNAB will be discussed in the "budgeting" section.

(3) You now have $781/month in your budget after paying off all your consumer and student loan debt. Use it wisely! Pray and ask the Lord what He would have you do next with that amount.

(4) Keep the Debt Avaball going! If there is also a mortgage on the home, this $781/month could be applied to paying off the mortgage early (see previous material for mortgage early payoff methods and calculations). Utilizing this extra savings could significantly reduce the time to pay off your mortgage.

I. Earn additional income if you are unable to pay your expenses and pay down your debt. But be sure to heed the following warning from Burkett: "More money is not the answer; more discipline is. Until couples decide to live on what they make, more money will not help."[119]

1. If you do earn additional income, it is *essential* that you use this additional income to pay down debt *only*! Don't begin spending it on other things or you won't make any progress and you will be in worse condition because you will become dependent on this additional income *to feed your increased spending habits*.

2. Get a second job in the evenings or weekends, but be careful not to ignore your responsibilities to your family. Again, use this income *only* for the purpose of paying down your debt. *Do not come to rely upon this as a second source of income for your regular, ongoing monthly expenses!*

3. If your children are old enough to work out of the home, explain to them the mistakes you've made and ask them contribute a portion of their income, if they have a job, to your debt reduction plan. But don't force them since they may resent you for making them pay for your mistakes!

   Making the whole family a part of the process will provide your children with a valuable example and powerful incentive to avoid the poor choices that you have made. They will also see your humility and the transformation of your heart as you become faithful stewards.

J. Hold fast! Be certain that you do not add any additional debt during this process. As a precaution, if would be wise *not* to use credit cards during this time. In fact, you may come to discover that you *no longer need* credit cards and are able to pay for everything with cash, checks, or debit cards. If you do that, there is less temptation to overspend like you typically would when using credit cards. So just get rid of those credit cards now! *Seriously, get rid of them!*

K. After you pay off your debt, become a liberal giver and a conservative spender while learning the secret of contentment, i.e. that God will supply all of your

[119] Burkett, *The Complete Financial Guide for Young Couples*, 107.

needs. *And make a commitment never to go into credit card and consumer debt again!* Why would you escape bondage and taste freedom just to return again to that bondage?

1. Determine an acceptable level of spending that will also allow you to save in order to provide for future needs. You should be able to increase your savings since you are no longer diverting funds towards debt reduction.

2. If and when you receive salary increases, don't increase your spending. Rather, either save more, if it is necessary, or give more, or a combination of both.

3. Consider moving into a more affordable home, if necessary. Ask yourself, what level of spending do I really *need* to live on while I am sojourning here on earth? The answer to this question will be different for everyone.

4. Develop a heavenly perspective while continuing to be a faithful earthly steward.

Col 3:1-4, *"Therefore if you have been raised up with Christ, <u>keep seeking the things above, where Christ is</u>, seated at the right hand of God. <u>Set your mind on the things above, not on the things that are on earth</u>. For you have died and your life is hidden with Christ in God. When Christ, who is our life, is revealed, then you also will be revealed with Him in glory."*

APPENDIX 5: Renting vs. Buying a Home

A. The issues

1. The purpose of this discussion is not to disparage home ownership. On the contrary, there are multiple benefits to owning a home, as shall be outlined. And these benefits often go beyond financial, i.e. there are emotional and psychological benefits that just can't be quantified.

   a) Burkett writes, "Without question the best overall investment for the majority of Americans has been their home. Residential housing has kept track with inflation and appreciated approximately 4 percent a year besides. That doesn't make it the best growth investment, but it does make it the best performer for the average individual."[120]

   b) Note that this quote is taken from a book published by Larry Burkett in 1992. The historical data up to that point supports his statement and, to a large degree, should hold true in the long run. But as those who have recently experienced the bursting of the housing bubble at the end of the first decade of the new millennium can attest, home values dropped dramatically and many people found themselves living in an "investment" they could no longer afford, often resulting in being "underwater" on their mortgages (i.e. their home's value had fallen to less than the amount they owed on their mortgage).[121]

2. There are also many responsibilities that come with home ownership that should be taken into consideration prior to making one of the largest single purchases in your lifetime. Home ownership is costly and, as we have recently experienced, home values have the potential to drop dramatically during a financial crisis that may also affect the housing market at such a fundamental level.

3. The purpose here is to point out the many hidden costs of home ownership and to challenge the idea that purchasing a home should primarily be viewed as an investment when it is really a series of long-term, ongoing expenditures that may or may not (but typically does) result in growth in the value of the house and/or the property upon which it is built. In other words, it *can* be an investment, but is usually a very expensive one.

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[120] Larry Burkett, *Investing for the Future* (Wheaton: Victor Books, 1992), 79.

[121] A time of "easy credit" created this subprime mortgage crisis that was triggered by a significant decline in home prices. The resulting defaults on mortgages and foreclosures created a domino effect that coincided with the Great Recession (from Dec 2007 to June 2009) from which it is now slowly recovering. Beware! It is possible that the student loan market could face a similar crisis in the U.S. at some point in the near future.

B. The debate

1. As stated above, *home ownership* is often considered to be one of the greatest investments people can make and renting is often seen as simple “throwing money away” when a person could be building equity instead. While the historical data lends credence to the fact that home/property values have typically increased at a steady pace above inflation, there is always the risk that home values may plummet, as we have recently experienced, which will then require a number of years before they recover to their pre-crisis values. Selling a home during one of those “troughs” can result in huge losses.

2. On the other hand, *renters* do not have the costs associated with home ownership (e.g. costly maintenance and upkeep, property taxes) and will not suffer loss of equity if the house or apartment in which they are living is damaged or destroyed by natural causes (e.g. fire, tornado, earthquake, flood, etc.). The most that they risk is the potential of their personal possessions being destroyed within the home they are renting. Yes, it is true that the owners of the properties that are being rented will factor in all of their costs prior to setting the rental price, but due to downward market conditions, a large portion of rental units actually can and do lose money.

3. *So, which is better, to rent or to own?* As we shall see, there are numerous variables that make that a difficult and challenging question to answer. And sometimes the answer may make sense on a financial level but not on a practical or emotional level and vice versa. But all decisions should take the following issues into consideration along with the necessity of seeking the Lord’s will through prayer and wise counsel of other godly people, especially from those with experience in the real estate market.

C. The advantages and disadvantages of *home ownership*

1. Advantages of home ownership

    a) Current interest rates on mortgages are at historic lows.

    b) The benefit of building equity over time as the mortgage is paid and interest is reduced while the amount of principal paid increases.

    c) Potential of increasing property value over time.

    d) Deductibility of mortgage interest or property taxes on tax return, lowering the cost of home ownership overall.

    e) Mortgage payments will remain stable over time (vs. rent increases) if you remain in the same home and have financed with a fixed-rate mortgage.

f) Long term stability of remaining in a favorable neighborhood/location.

g) Freedom to decorate and/or remodel according to your own tastes and needs.

h) The privilege of calling your home, *your* home.

2. Disadvantages of home ownership

a) The savings that is necessary for a down payment (typically 20%) plus costs involved when buying and/or selling.

b) Difficulty of qualifying for a mortgage at the lowest rate possible.

c) Requirement to pay homeowner's insurance if you have a mortgage. Plus the additional cost of PMI (Private Mortgage Insurance) if your down payment is less than 20% of the appraised value or sale price. This insurance protects the lender in case you default on making mortgage payments and the home goes into foreclosure.[122]

d) Responsibility of paying for maintenance and upkeep or the time required in performing the work yourself.

e) Necessity of paying for property taxes, which may increase with rising property assessments.

f) Risk of potential loss or damage to your home due to natural disasters or natural causes (e.g. termites, mold, etc.).

g) If the location of your home turns from a "good" neighborhood to a "bad" neighborhood, your home value could be negatively affected.

h) Your home value could also be negatively affected by a downturn in the economy (e.g. during the recent financial crisis of 2008-2009).

i) Challenges of selling a home in a buyer's market (due to the illiquidity of housing) if you need to relocate or change jobs that necessitates a move within a short time frame.

D. The advantages and disadvantages of *renting*

[122] If you are currently making PMI payments, be sure to track the payments of your principal on the loan. Once the loan-to-value ratio hits 80%, you may notify the lender and discontinue paying PMI premiums. But even if you don't track this balance, the lender is required to cancel PMI when that ratio reaches 78%, assuming you have been making your payments and your credit score is acceptable. It is advisable to track it on your own as some lenders have been known *not* to cancel PMI when they should, citing the reasons above.

1. Advantages of renting

    a) Lower upfront costs that are limited to first/last month's rent and/or security deposit.

    b) No costs for maintenance is required since the owner is required to pay for these costs unless you do damage to the home.

    c) No direct payment of home ownership costs (property taxes, insurance, etc.). Although those costs will be factored into the rental price by the owner, sometimes the owner may be losing money due to market conditions that favor renters.

    d) Funds set aside for a down payment as well as ongoing funds that would have to go towards maintenance and other expenditures could be invested and potentially earn a higher return than the typical 4% annual home value increase.

    e) In addition, the choice could be made to rent a smaller apartment or home for much less than it would cost to purchase a larger home while your income is lower in the early stages of your career, allowing you to save on housing expenses.

    f) Ease of moving if and when you need to move (due to job change or relocation), as long as you are not tied to a long-term rental contract or lease agreement.

    g) On the other hand, the possibility may exist to sign a long-term contract to keep the price of rent fixed for a period of time, protecting against rent increases in the future.

    h) Avoid the possibility of owning a depreciating asset (i.e. a house).

    i) Renter's insurance is recommended, but not required.

2. Disadvantages of renting

    a) Increasing rental rates, potentially making rent unaffordable.

    b) Potential shortage of rental units available that make your options limited and rental prices higher.

    c) Instability of rental homes that may be sold, forcing the renter to move.

    d) Inconvenience of moving if you are happy with your location but are required to move by the owner.

e) Rental payments do not result in the building of equity over time and never end unless you purchase a home at some point in the future.

f) No deductibility of mortgage interest or property taxes on tax return.

g) Remodeling or upgrading cannot be accomplished without the owner's approval.

h) Your home is not necessarily *your* home (i.e. someone else owns it).

E. Illustration of buying vs. renting

1. Conditions of purchasing versus renting

a) Home purchase conditions

(1) $500,000 with 20% down payment = $100,000

(2) $333 sq ft = 1,500 sq ft home

(3) Financed: $400,000 @ 4.25% for 30 years

(4) Annual property taxes of .6%[123] = $3,000

(5) Annual homeowners insurance = $960

(6) Annual maintenance of approx. 0.5% of home value[124] = $2,500

(7) Annual rate of property inflation (historical average) = 4%

(8) Highest marginal federal tax rate = 15%

b) Rental conditions

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[123] Note that this is a percentage of the property's sale price, not necessarily the assessment value. This example assumes that the assessment value equals the purchase price.

[124] On average, homeowners spend between 1% and 4% of their home's value on maintenance and repairs on an annual basis, but this figure may be a bit high for the inflated L.A. housing market that, for the most part, has milder weather than many other parts of the country. *If the amount is larger than 0.5% of the value, the results will be even more heavily skewed in favor of renting*.

Another method of computing this cost is to take between 3% and 8% of monthly payments and then to annualize this amount. Age will also play a role in the amount of maintenance required as older homes tend to cost more to maintain than newer homes. As mentioned above, weather and location certainly also play a role. *The point is that home maintenance costs will have a significant impact on the final total costs of home ownership and need to be realistic in order to to make the comparison valid.*

(1) Rental price = $1.60 sq ft

(2) Monthly rental payments (for a 1,500 sq ft home) = $2,400

(3) Annual rental inflation = 3%

(4) Although not included in this calculation since it is not required, the cost of renter's insurance could also be added to the total cost of renting. This would add approx. $10,500 to $12,000 more to the *total* (not annual) cost of renting over 30 years.[125]

2. Variables considered in purchasing versus renting[126]

a) Home purchase variables

(1) Financing conditions, i.e. down payment, interest rate, term

(2) Appraisal basis for property taxes

(3) Cost of homeowners insurance

(4) Average annual rate of property inflation

(5) Average annual maintenance costs

(6) Mortgage interest deductibility on income tax return and marginal tax rate[127]

(7) Seller's costs, if and when house is sold

(8) Cost of capital (rate of return that could have been earned if the down payment and additional housing costs had been invested)

b) Rental variables

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[125] The rental insurance premium is assumed to cost between $225 and $250 per year and increases at 3% per year.

[126] Note that utilities are not taken into consideration in this scenario since it is assumed that the home being purchased and the home being rented are equivalent and, therefore, would have the same monthly costs for utilities. The average cost is 10%-15% of the monthly payment.

[127] Although the ability to deduct mortgage interest from income on annual income tax returns is a benefit, it is a costly benefit. In order to *deduct* mortgage interest, one first has to *pay* that interest to the lender. What benefit is it to pay a large amount of interest in order to take a small percentage of that interest as a deduction? It is better to pay *no interest* to the lender and deduct *nothing* on your tax return vs. paying interest and taking a deduction.

(1) Cost to rent a comparable house

(2) Rate of annual rental inflation

c) It is important to note that with so many variables that can change over time, the results can and will be greatly affected. This makes the decision challenging due to the instability and uncertainty of future conditions.

3. Results of purchasing versus renting

a) Total 30-year *costs* of home ownership

(1) Total *cost* = $3,141,389, which would consist of the initial down payment, principal and interest payments, homeowners insurance, annual maintenance, minus tax deductions, plus the cost of capital (i.e. the opportunity cost of investing annual housing expenditures).

(2) If the house were sold for an inflated price of $1,559,326, the net result would equal $1,675,623 in total *costs*.[128]

b) Total 30-year *costs* of renting = $1,370,172

c) <u>Net result</u> at the end of 30 years:

(1) If the home was *not* sold, the net result would be $1,771,217 *in favor* of renting, i.e. it would cost that much *less* to rent vs. to own over a 30-year period.

(2) If the home was *sold*, the net result would still be $305,451 *in favor* of renting, i.e. costing that much *less* to rent vs. to own over a 30-year period.

(3) Overall, assuming these conditions, it would cost *less* to rent than to own in both (a) and (b) over a 30-year period.

d) Although mortgage costs would be eliminated after the 30th year, the *other costs* associated with home ownership will continue. This is one factor that homeowners do not take into consideration in rent vs. ownership discussions.

The following housing expenses will continue after the mortgage is paid off:

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[128] One cannot simply take the *purchase price* minus the *selling price* in order to come up with the *total profit* because this calculation does not take into account all of the costs stated in (a) above. For example, initial purchase price of $500,000 taken away from the sale price 30 years later of $1,559,326 in order to equal a profit of $1,059,326 yields an inaccurate result since it does not take into account all of the *costs* listed in (a) above.

(1) Property taxes (which increase with assessment values)

(2) Homeowners insurance (which increases with rising property values)

(3) Annual maintenance costs (which increase with inflation)

(4) Plus, potential remodeling costs (which have *not* been taken into consideration in this scenario)

e) Final considerations when making a decision

(1) The *hidden costs* of home ownership must be taken into consideration and a home owner cannot simply take the purchase price minus the selling price to come up with "total profit." All ongoing, annual expenditures must be accounted for as well.

(2) The uncertainty of rental costs and the instability of renting must also be taken into account if this choice is made over home ownership. The downpayment and any net gains over cost ownership are assumed to be invested at a rate of 6%, which is quite possible over the long term if invested in a diversified, conservative portfolio.

(3) A slight change in any one—or a combination—of the variables involved in renting vs. owning can and will dramatically affect the outcome in favor of one over the other.

(4) The decision is not always clear but the more highly informed person will be in a position to make a wiser decision.

F. Final thoughts

1. Although it certainly may be a profitable investment under the right economic conditions, it may be better *not* to consider your home primarily as an "investment." Although it is an asset that *may* increase in value (but with no guarantee), it also requires a significant amount of annual expenditures (i.e. hidden costs).

2. Will a home owner build equity? Absolutely. Is a home an asset? Certainly. *But is it building wealth as quickly as you think it is?* Probably not, especially when one takes into account all of the necessary—and often hidden—expenditures of home ownership. Home ownership typically pays off in the long run for those who remain in their homes for a number of years, so give careful consideration to the time frame and benefits of owning one particular home.

3. *Don't live beyond your means in order to purchase a home.* The financial burden can quickly affect your marriage and family relationships in a negative way by adding undue pressure.

a) Prov 15:16, *"Better is a little with the fear of the Lord <u>than great treasure and turmoil with it</u>."*

b) Prov 16:8, *"Better is a little with righteousness than great income with injustice."*

4. Seek out and receive wise counsel and weigh the pluses and minuses of each option. Heed the advice of the following Proverbs (and Job):

   a) Prov 1:5, *"A wise man will hear and increase in learning, and a man of understanding will acquire wise counsel,"*

   b) Prov 9:9, *"Give instruction to a wise man and he will be still wiser, teach a righteous man and he will increase his learning."*

   c) Prov 12:15, *"The way of a fool is right in his own eyes, but a wise man is he who listens to counsel."*

   d) Prov 15:22, *"Without consultation, plans are frustrated, but with many counselors they succeed."*

   e) Job 12:13, *"With Him are wisdom and might; to Him belong counsel and understanding."*

APPENDIX 6: Investing in Practice

Prov 28:20, *"A faithful man will abound with blessings, but he who makes haste to be rich will not go unpunished."*

A. Definition of Long-term Investing

1. An *investment* can be defined as "an asset or item that is purchased with the hope that it will generate income or appreciate in the future." *Investing* is the process of both acquiring and selling assets (e.g. bonds, stocks, or real estate) either at a loss or a gain.

2. A key point for investing, then, is that there is *risk* involved and the time horizon is usually considered to be long-term.[129] What makes this different from *savings*? Savings typically involves very low to no risk, i.e. there is little to no risk that the principal will decrease in value and, on the upside, the asset will earn a certain nominal rate of interest. But in many contexts, *saving* and *investing* are used interchangeably.

B. Precursor and Warning Prior to Pursuing Long-term Investing

1. Get out of debt, especially consumer debt, prior to beginning your long-term investment plan. And, if you are so motived (few people actual are), pay off your mortgage after your consumer debt and become completely debt-free.

2. Burkett writes, "The first long-range goal of any couple should be freedom from debt. It makes no sense to do long-range financial planning in the areas of retirement, inheritance, and education when you still have debts. Eliminate all debts *first* and then use the funds you will have available each month to do the other things. …With discipline, any couple can be totally debt-free. It's a matter of commitment.
   "In order to do long-term financial planning, you must develop a surplus of money. Once you're debt-free, continue to live at the same spending level and you'll develop a surplus. Obviously, it's hard for God to multiply your assets if you don't have any."[130]

3. *Never desire to become rich through investing.* Check your heart…constantly! Investing should be for the purpose of providing for appropriate needs or wants that should *never* take the place of God. Hold very loosely to any wealth that you may acquire through investing.

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[129] Note that "long-term" is a very subjective term. Depending on the situation, it can mean anything from one year to more than 30 years.

[130] Burkett, *The Complete Financial Guide for Young Couples*, 127.

a) 1 Tim 6:6-11, *"But godliness actually is a means of great gain when accompanied by contentment. For we have brought nothing into the world, so we cannot take anything out of it either. If we have food and covering, with these we shall be content. <u>But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction</u>. <u>For the love of money is a root of all sorts of evil</u>, and <u>some by longing for it have wandered away from the faith and pierced themselves with many griefs</u>. But flee from these things, you man of God, and pursue righteousness, godliness, faith, love, perseverance and gentleness."*

b) Prov 23:4-5, *"<u>Do not weary yourself to gain wealth</u>, <u>cease from your consideration of it</u>. When you set your eyes on it, it is gone. For wealth certainly makes itself wings like an eagle that flies toward the heavens."*

c) Prov 30:7-9, *"Two things I asked of You, Do not refuse me before I die: Keep deception and lies far from me, <u>give me neither poverty nor riches; Feed me with the food that is my portion, that I not be full and deny You and say, 'Who is the Lord?' or that I not be in want and steal, and profane the name of my God</u>."*

d) Dayton writes, "I believe that our heavenly Father will never ultimately prosper His children when they are motivated to get rich. Wanting to get rich—loving money—closely parallels greed. And "greed . . . amounts to idolatry" (Colossians 3:5). The Father watches jealously over His children to ensure that we will not be drawn away from loving Him with all our hearts."[131]

4. Those who are rich and desire to be faithful stewards should use their wealth for eternal purposes.

a) Dayton writes, "Understand me clearly. I am not saying getting rich is wrong. In fact, I rejoice to see God sovereignly enable a man or woman to prosper. Nothing is wrong with becoming wealthy if it is a by-product of being a faithful steward."[132]

b) 1 Tim 6:17-19, *"Instruct those who are rich in this present world not to be conceited or to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy. Instruct them to do good, to be rich in good works, to be generous and ready to share, storing up for themselves the treasure of a good foundation for the future, so that they may take hold of that which is life indeed."*

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[131] Dayton, *Your Money Counts*, 109.

[132] Dayton, *Your Money Counts*, 108.

c) Matt 6:19-21, *"Do not store up for yourselves treasures on earth, where moth and rust destroy, and where thieves break in and steal. <u>But store up for yourselves treasures in heaven</u>, where neither moth nor rust destroys, and where thieves do not break in or steal; <u>for where your treasure is, there your heart will be also</u>."*

C. Goals for Long-term Investing

Prior to examining various legitimate goals for investing, considering the following words of Larry Burkett,

"A legitimate purpose of any investment program is to help your family achieve greater security. This can include investing to provide for your children's education, to provide a family inheritance, to provide for retirement, and the like. But there are also many non scriptural reasons for investing: greed, indulgence, and covetousness, to name a few."[133]

A few of these goals will now be considered.

1. Retirement income needs

a) Redefining "retirement" from a biblical perspective

(1) A precursor to determining retirement income needs is the need to define retirement and ask whether or not the Bible promotes retirement.

(2) The typical understanding of retirement is that at a certain age all work will stop and the real enjoyment of life will begin with a focus on leisurely activities free from all commitments and void of productivity. This is *not* a biblical understanding of retirement.

(3) The Bible only make *one* reference to retirement:

Number 8:23-26, *"Now the Lord spoke to Moses, saying, '<u>This is what applies to the Levites</u>: from twenty-five years old and upward they shall enter to perform service in the work of the tent of meeting. <u>But at the age of fifty years they shall retire from service in the work and not work any more</u>. They may, however, assist their brothers in the tent of meeting, to keep an obligation, <u>but they themselves shall do no work</u>. Thus you shall deal with the Levites concerning their obligations."*

(4) This reference deals with the Levites *only*. At the age of 50, they were to retire from their service in the tabernacle (and later in the temple, after it was built by Solomon). They were still allowed to assist the

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[133] Burkett, *The Complete Financial Guide for Young Couples*, 180.

working Levites, but they were not allowed to perform the Levitical duties themselves. They were to give themselves to 25 years of dedicated service in the temple and then retire from the work. This is only supposition, but it may be that the work was so demanding that the physical toll on their bodies was quite high. This also allowed them to pass on the work and become mentors to younger priests.

(5) Beyond this the Bible does not define retirement, but transitioning to an unproductive life of total leisure is certainly not promoted in Scripture. Faithfulness never ends, even in the realm of work. Certainly an elderly person is unable to perform the same work as a younger person, but if he or she does not remain productive, the statistics show that disability, disease, and death are just around the corner.

Burkett writes, “A man’s probability of dying if he stops work at 65 goes up approximately 500 to 600 percent. So if you want to live longer, stay active.”[134]

(6) Remaining productive does *not* mean that a person has to earn an income through employment, but it is probably better for their health if they do. If possible, they should live off a portion of earned income through a job that doesn’t require the same level of energy as their former career in addition to a portion of their retirement income, yet still be active in service to others. In fact, retirement may be the time in which a person or couple can devote themselves *full-time* to ministry and volunteer work. If they have the means to enjoy certain aspects of God’s creation on a more frequent basis, they should. *But the idea of total relaxation and disengagement from a productive life is not what retirement should be about. Ministry* and *mentorship* are certainly wise and useful options, whether or not one earns an income from those activities.

The faithful steward seeks to please his Master even in the twilight years by asking, “Lord, what do *You* want me to do with the remaining time You have given to me?”

b) One option for defining retirement could be the time when a person transitions from being paid by an employer to work to being paid by himself or herself to work (or minister, or mentor), i.e. he or she becomes financially independent.

(1) How do they pay themselves? Hopefully through the combination of Social Security benefits (which should *not* be solely relied upon) that they paid into the system and potentially, a pension (gov’t or private),

[134] Burkett, *The Complete Financial Guide for Young Couples*, 144.

along with the income produced from a portfolio of properly diversified investments (or income from rental real estate, etc.) that have grown over many years of wise and consistent savings.

(2) Income from a part-time job could be a part of this picture as well. Dayton writes, "One objective of saving is to diminish our dependence upon a salary to meet our needs. This affords us the freedom to volunteer more time to ministry should this be what the Lord wants for us. The more my savings produce, the less I am dependent upon income from my work. Some have saved enough to be free one day a week, and others are in a position to be full-time volunteers without the need to earn a salary."[135]

c) In light of these facts, investing during your early and middle age years is not only advisable, it is wise since you are taking responsibility for your own stewardship. Obviously, not all people have invested wisely and not every person will be able to provide entirely for their needs in retirement. In this case, there is a responsibility for children to care for their parents in their golden years. But never forget the following words of David (be sure to read Ps 37 in its entirety):

Ps 37:25, *"I have been young and now I am old, yet I have not seen the righteous forsaken or his descendants begging bread."*

2. College education expenses

a) Saving for retirement should take priority over saving for college for your children. Although it would not be ideal, college tuition *can* be financed through student loans. Your retirement should not be financed through any type of loan, especially against your home.[136]

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[135] Dayton, *Your Money Counts*, 107.

[136] It is rarely a good idea to tap into your home's equity via a reverse mortgage to provide retirement income. A reverse mortgage could jeopardize your plans to pass on your home to your heirs after your death since it will probably have to be sold to pay off the loan. Since they are considered to be a home equity loan, yet without the necessity for a review of your income or credit score, reverse mortgages carry higher upfront costs and charge higher interest rates. In addition, the lender will probably require you to carry insurance in case the value of your home drops and exceeds the value of your loan. This makes the cost of borrowing expensive. Remember, you are still responsible to pay property taxes, homeowners insurance, and maintenance costs. Consider downsizing to a smaller home first. In general, it is a bad idea to tap into the equity of such an asset. It is better to sell it, if necessary, and buy something cheaper if you need money due to some extraordinary circumstance.

b) One of the best vehicles for saving for college is a 529 College Savings Plan.[137]

3. Down payment on a home

a) In order to save for a down payment on a home, a person or couple will often have to sacrifice spending in other areas in order to accomplish this goal.

b) Due to the high cost of home ownership in Southern California, it may take a number of years to save for this goal. If it is beyond your means to save for a down payment, be content to rent.

4. Other long-term goals (starting a business, vacation home, wedding, future gift for heirs, gift to church or charity etc.)

a) Don't invest just to invest. In other words, while investing in and of itself is good, you should always have a goal in mind. You must answer the following questions, "What am I saving for?", "Why am I saving for it?", "How much money will I need to pay for it?", "When will I need to pay for it?", and "Am I actually able to save for it out of my current income?"

b) Having particular goals in mind along with being able to answer these questions provides incentive to save towards those goals. It also helps to determine the time horizon, amount needed, and level of risk you should take in order to reach that goal. And, most of all, whether or not you should even save towards this goal in the first place.

D. Principles for Long-term Investing

1. What are the three most important words in real estate? *Location. Location. Location.* Similarly, the three most important words of investing are: *Diversification. Diversification. Diversification.* Proper diversification and asset allocation within that diversification are vital to long-term investing and will reduce volatility.

a) *Volatility* is a measure of risk in regards to how much an investment will fluctuate, i.e. how much the value will rise or fall over a given time period.

(1) If an investment's value fluctuates widely, both up and down, it is highly volatile, i.e. it is a *high risk* investment.

(2) If an investment's value fluctuates little, either up or down, its volatility is low, i.e. it is a *low risk* investment.

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[137] There are other options available for funding and paying for college education expenses, but only the 529 plan will be discussed below.

(3) But even if an investment's volatility is low, it is still susceptible to losing value due to changing market conditions.

b) Volatility can be reduced by one factor more than any other factor: *diversification*.

(1) Asset allocation decisions with a properly diversified portoflio account for 91.5% of a portfolio's volatility (i.e. risk).[138] In other words, the amount of risk in your investment portfolio is determined heavily by the choices of assets/asset classes that are placed into that portfolio.

(2) This means that having a properly diversified portfolio is the single most important decision that must be made when investing.

c) Diversification offers major benefits. As the saying goes, "Don't put all of your eggs in one basket." Although the context indicates that the following is an admonition to give generously while there is still time, Solomon's words are often applied to the principle of diversification:

Eccl 11:2,*"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth."*

d) Risk/Reward Ratio: It is vital to understand that if you make the choice to pursue greater returns (i.e. rewards), it will require you to take greater risks.

(1) The greater the risk, the greater is the potential for *reward*.

(2) But, on the flip-side, the potential for *loss* will also be greater as well.

(3) *The amount of risk that you are willing to take as an investor should be based primarily on your responsibility to be a faithful steward.*

Financial advisors often make reference to age, time horizon, goals, and personality, which are all valid factors when considering risk tolerance, but the Christian must first ask himself or herself, "How would the Lord want me to invest *His* money?" Serve God faithfully and use wealth wisely.

Luke 16:10-13, *"He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much. <u>Therefore if you have not been faithful in the use of</u>*

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[138] The remaining factors in determining portfolio volatility are Market Timing at 4.6%; Stock Selection at 2.1%; and All Other factors at 1.8%. Source: Brinson, Hood and Beebower. "Determinants of Portfolio Performance," 1986, update 1991 and 1995. Asset allocation does not ensure a profit or protect against a loss. All investments are subject to risk. There is no assurance that any investment strategy will be successful.

unrighteous wealth, who will entrust the true riches to you? And if you have not been faithful in the use of that which is another's, who will give you that which is your own? No servant can serve two masters; for either he will hate the one and love the other, or else he will be devoted to one and despise the other. You cannot serve God and wealth."

2. Don't *invest* funds that will be needed within one to three years. Keep that money in a very conservative savings vehicle instead that does not risk the principal.

3. It is not wise to attempt to time the market (i.e. trying to guess the market tops and bottoms). A buy-and-hold strategy over the long term has proven itself over and over historically.[139]

   Prov 28:20, 22, *"A faithful man will abound with blessings, But he who makes haste to be rich will not go unpunished. … A man with an evil eye hastens after wealth And does not know that want will come upon him."*

   Prov 21:5, *"The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty."*

   a) "Slow and steady wins the race" (recall the story of the tortoise and the hare). Faithful and consistent saving will build wealth over time.

      (1) As mentioned previously, lotteries and gambling are "get rich quick" schemes that must be avoided by the faithful steward. They lead to nothing but bondage and financial ruin.

      (2) Also be aware of of pyramid schemes in which those at the top, i.e. the "early adopters", take advantage of those on the bottom *by design*. *Every* pyramid scheme is a house of cards destined to fall. A pyramid scheme *can never* sustain itself. *Stay away!*

   b) Don't chase performance. Last year's winner are often this year's losers. The greatest inflow into a given mutual fund typically occurs immediately *after* it has generated above-average performance and immediately *before* it starts to underperform. In other words, don't ride the wave when it is just about to crash.

      (1) The average professional investor—as well as the typical money manager—is *consistently* unable to time the market, i.e. sell at the highest point and buy at the lowest point. The choices made by a novice investor attempting to time the market are certainly no better

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[139] Even though historical returns are no guarantee of future results, using historical data is still useful.

and these inexperienced investors often end up losing money by buying high and selling low due to the typical investor psychology of getting in the game too late and staying in too long. *Fear* and *greed* are the worst enemies of the investor.

(2) This is almost impossible to do due to the uncertainty of the future and the often unforeseen conditions of quickly moving markets.

(3) "Over the 15-year period through 2005, a buy-and-hold investor in the S&P 500 would have realized an average annual return of approximately 11.5%. By contrast, an unlucky market-timer who missed only the market's ten best days during that 15-year period would have earned an average annual return of just 8.1%. …Empirical evidence and practical experience demonstrate that investment strategies based on market-timing and performance-chasing (or momentum) rarely deliver long-term success."[140]

c) Be patient and you will see your investments grow as the magic of compound interest—earning interest not only on the principal, but also on the interest—takes effect over the years. To illustrate, which of the following two options would you choose?

(1) $1,000,000 today? OR

(2) The amount of money you would have if you doubled the value of 1 penny per day for 30 days?

(a) End of day 1 = 2 cents

(b) End of day 2 = 4 cents

(c) End of day 3 = 8 cents

(d) End of day 4 = 16 cents, etc.

(3) The second option would result in $10,737,418.24 at the end of 30 days![141] That is the power and magic of *compound interest*.

d) The Rule of 72 is helpful to keep in mind when saving/investing and answers the question, "How many years will it take for me to double my initial investment?"

[140] Source: Vanguard Investment Counseling & Research.

[141] The rate of return = 100% for 30 periods with the assumption that the first penny is doubled at the end of the first day.

(1) The Rule of 72 is a general rule of thumb that will provide you with the approximate number of years that it will take to double your money *at a certain rate of return*. In other words, take your expected annual rate of return and substitute it for *x* in the following equation:

$$72 / x = \text{number of years to double investment}$$

(2) For example, if $10,000 is invested at 6%, it will take approximately 12 years to double that money into $20,000. If the rate of return is 8%, it will take approximately 9 years, etc.

4. Keep expenses low. Most investors are overpaying when it comes to annual expenses charged by the investment companies and they don't even know it.

a) Over the long term, high expenses will significantly reduce the overall return of an investment (e.g. mutual fund, exchange traded fund).

(1) $100,000 lump sum invested over 30 years with a 6% annual rate of return will result in $574,349 assuming no annual expenses.

(2) $100,000 lump sum invested over 30 years with a 6% annual rate of return and .1% in annual expenses will result in $532,899.

(3) $100,000 lump sum invested over 30 years with a 6% annual rate of return and .9% in annual expenses will result in $438,976.

(4) Some mutual fund companies charge well over 1% (even up to 2%) in annual expenses, and these charges are often buried in the prospectus and are, therefore, hidden from the average investor because they do not show up on the statement.

b) Companies like Vanguard (personal.vanguard.com) and T. Rowe Price (individual.troweprice.com) keep expenses low for the vast majority of their investments, especially their no-load (i.e. no commission), indexed mutual funds. Investments can be purchased directly from these companies via their websites with no need for a financial advisor.

c) Yet, there are other crucial factors that must be considered beyond low expenses (see section IV: Growing as a Faithful Steward).

5. Remember, if something sounds too good to be true, it probably is. Use wisdom and discretion in order to keep from being enticed by clever-sounding arguments.

a) Don't be swayed by clever sounding arguments that are actually foolish, as well as deceptive, when analyzed.

b) If you don't understand it, don't invest in it.

6. Be fully aware of the risks involved in each investment vehicle. There is no such thing as a “risk-free” investment. It does not exist.

    a) No risk is worth taking if you are relying upon the capital to provide for your day-to-day needs, e.g. retirement income.

    b) Remember, potential gain is *married to* potential loss.

        (1) In other words, if there is the potential to *gain* 30% or more, there may also be the potential to *lose* 30% or more.

        (2) Higher potential rewards *always equate to* higher potential risk. There are no exceptions!

    c) No risk is worth taking if it causes you to lose sleep at night.

    d) Remember that a 50% loss requires a *100% gain* to get you back to where you started. For example:

        (1) $10,000 starting balance.

        (2) 50% loss reduces that balance to $5,000.

        (3) What total rate of return is required to return a $5,000 balance to $10,000? 50%? No. A 100% rate of return is required.

    e) Gambling is a form of extreme risk-taking. Some investments can certainly be considered akin to gambling if the risk is high enough.

7. Invest with a purpose; otherwise you are just hoarding. And that hoarding can often lead to loss due to the lack of purpose for those funds which may be invested foolishly.

    Eccl 5:13, *“There is a grievous evil which I have seen under the sun: <u>riches being hoarded by their owner to his hurt</u>. <u>When those riches were lost through a bad investment and he had fathered a son, then there was nothing to support him</u>. As he had come naked from his mother’s womb, so will he return as he came. He will take nothing from the fruit of his labor that he can carry in his hand.”*

8. Different goals require different time horizons and different investment vehicles. But every goal will take time and effort, so be wise and be patient. Remember:

    a) Prov 13:11, *“Wealth obtained by fraud dwindles, but the one who gathers by labor increases it.”*

b) Christians should never pursue "get rich quick" schemes, which are certain to fail.

c) Remember: "A fool and his money are soon parted."

9. As the financial crisis during the Great Recession demonstrated, most investors had taken on too much risk since many of them lost 40% or more of the value of their portfolio during this crisis. Everyone is happy when their returns are sky-rocketing, but very few consider the downside potential until it is too late and they suffer the loss.

10. If you need advice, find an investment advisor that is like-minded and will work towards achieving *your* goals, not his or hers.

a) In my opinion, paying a *fee* for services is better than paying a *commission.* Again, this is *my personal preference*. Why?

(1) Conflict of interest is removed. If I, as the client, pay the advisor a fee, he or she is working for me versus being paid a commission, which is paid to them by the investment or insurance company.

(2) Fee-only or fee-based advisors have a *fiduciary duty*, i.e. are required to do what is in your best interest as the client.

(a) *Suitability* is the minimum standard for all investment advisors, but this only requires that an investment be *suitable* for the investor, not necessarily in their *best interest*. In other words, a *suitable* investment *may not necessarily be in the best interest* of a client.

(b) Therefore, a *fiduciary* standard is higher than a *suitability* standard.

b) Even though this is my personal preference, there certainly are honest financial advisors and insurance agents who earn a commission that also serve their clients in a *fiduciary* way.

(1) The choice must be made on an advisor-by-advisor basis.

(2) Interview several advisors to find one that deals with honesty and integrity and matches your particular personality style and is able to work towards meeting your investment wishes without taking undue risk. This person *may* or *may not* be a believer.

E. Long-term Investing Vehicles

1. Tax-deferred and tax-favored accounts

a) Roth IRA (Individual Retirement Account)

(1) Currently one of the best means of investing for retirement for individuals (or spouses of individuals) for workers with earned income below a certain threshold.

(2) Is *not* an investment product, but rather provides tax-favored status to investment products.

(3) The options available for investments within a Roth IRA are nearly endless, which is a benefit over the often limited choices of 401(k) plans. The individual retains complete control over those choices with a Roth IRA.

(4) Contributions are made on an *after-tax* basis (i.e. no deduction is allowed for Roth IRA investments on income tax returns).

(5) All earnings are not only *tax-deferred*, they are also *tax-free* when withdrawn in retirement. The current maximum annual contribution (2023) is $6,500 per individual ($7,500 if you are over age 50).

(6) If you calculate that your income tax rate will be *higher* in retirement, consider utilizing a Roth IRA for your retirement contributions (i.e. investment). In effect, you will be paying the tax *now* at a lower rate instead of later at a higher rate.

(7) But due to the uncertainty of income tax laws, it may make sense to take advantage of the future tax-free withdrawal status vs. the present advantage of taking a tax deduction for Traditional IRA contributions.

b) Traditional IRA (Individual Retirement Account)

(1) Another means of investing for retirement for individual workers (or their spouses) with earned income below a certain threshold.

(2) Is *not* an investment product, but rather provides tax-favored status to investment products that are placed within an IRA.

(3) The options available for investments within a Traditional IRA are nearly endless, which is a benefit over the limited choices of 401(k) plans. The individual retains complete control over those choices.

(4) Contributions are made on n *pre-tax* basis (i.e. a deduction is allowed for Traditional IRA investments on an income tax return). All earnings are *tax-deferred*, i.e. they will be taxable when withdrawn in retirement. The current maximum annual contribution (2023) is $6,500 per individual ($7,500 if you are over age 50). Deductibility is reduced and eliminated as income levels increase past a certain threshold (see

current IRS rules) for those who are also contributing to a employer-sponsored retirement plan (e.g. 401(k)).

(5) If you calculate that your income tax rate will be *lower* in retirement, consider utilizing a Traditional IRA for your retirement contributions (i.e. investment). In effect, you will be deferring the payment of taxes on that earned income until *later.*

(6) As noted previously, be aware that you will have to pay taxes on withdrawals (both principal and earnings) since you were given the ability to deduct your contributions in earlier years.

c) Investment choices for Traditional or Roth IRA's

(1) Many mutual fund companies offer the option of target date retirement funds, simplifying the investment choice process.

(2) Many of these companies also offer low-cost mutual funds and ETF's (Exchange Traded Funds), which will reduce the significant impact that costs can have on total return when compounding kicks into effect (yet, see previous material on other considerations beyond low-cost).

d) 401(k) or other employer-sponsored retirement plan (e.g. 403(b) or 457(b) deferred compensation plans for state/local government employers or employees of other tax-exempt organizations)

(1) Function similarly to Traditional IRAs in that contributions are made on a pre-tax basis and earnings are tax-deferred until withdrawals are made during retirement.

(2) The contribution limits are higher than Traditional and Roth IRAs (see current IRS rules).

(3) As noted above, if contributing to an employer-sponsored retirement plan, deductibility for any additional, separate contributions made to a Traditional IRA will be affected.

(4) Positives:

(a) If you are offered one of these types of retirement plans and an employer match is offered, you should contribute at least up to the amount of the employer match since this is a benefit provided by your employer.

(b) If costs are low and the investment options are good, a 401(k) plan may be a good way to save for retirement.

(c) Payroll deduction is a convenient and “forced” way to invest automatically on a regular basis. If you have the option to invest after your paycheck, you are probably not as likely to do so on a regular basis.

(5) Negatives:

(a) Most employees do not understand the investment options provided for them by their employer’s 401(k) and, therefore, do not know which choices are appropriate or best for their particular situation.

(b) Many 401(k) plans offer limited investment options and, therefore, provided limited choices for the employee. Often these options are poor performers in comparison with other investment options that may be available with better returns and lower costs for the same amount of risk outside of the 401(k) plan.

(c) Many 401(k) plans are expensive and the expenses are often buried in the details of the 401(k) materials provided to them by their employer. Not only are their administrative fees, there are also expenses charged by the investment companies, making the costs higher.

2. Taxable (and after-tax) accounts

a) Emergency fund

(1) As previously discussed, emergency funds should be kept in *liquid*, short-term bank accounts, e.g. savings and checking accounts, high-yield savings accounts, or money market accounts.

(2) But if you have a large emergency fund, which may consist of six months or more of monthly expenses, you may want to consider keeping a portion (50% or less) in an online savings account, which may pay a *little bit* more interest than your local bank. You may also want to consider a short-term certificate of deposit for this portion.

(3) It is not worth it to risk losing a portion of your emergency fund in the stock market. Resist the temptation to earn a little bit more. Your emergency funds should be kept liquid, but not in a jar at home earning 0% interest.

b) College savings via a 529 College Savings Plan[142]

(1) 529 plans are not investments, but rather vehicles with tax benefits that will carry your investments that will be used to pay for higher education expenses in the future.

(2) The account owner, which is typically a parent (or grandparent), retains control of the assets and can change the beneficiary to another eligible family member.

(a) In other words, only one 529 plan is necessary per family as the account owner can list the oldest child as beneficiary, then change the beneficiary to another child when necessary (e.g. graduation of first child, at start of second child's college entrance, or even skip the first child if he or she does not attend college). Yet, if you will have two or more children in college at the same time, it makes sense to have one plan for each.[143]

(b) You as the owner (or your spouse) can even utilize the assets in the 529 plan to pay for higher education expenses if one of you chooses to pursue higher education since any family member can be named as the beneficiary.

(3) Contributions grow tax-deferred. But note that there are no state (in California; other state's rules may vary if you live in and utilize that state's 529 plan) or federal tax deductions for these contributions. Contribution limits are usually quite high as well.

(4) The options for choosing investments within the 529 plan are quite simple (e.g. age-based, target-date, etc) and can be set to automatically move from aggressive to more conservative investments as the college entrance date approaches.

(5) Earnings are tax-free if the money is used to pay the beneficiary's qualified education expenses.[144]

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[142] 529 "savings" plans will be described here, which are preferred over the 529 "pre-paid" plans.

[143] Also, depending upon how the account is registered, in most cases the 529 is considered to be an asset of the account owner (e.g. a parent) for determining financial-aid eligibility.

[144] Examples of qualified withdrawals include tuition and fees; books, supplies and equipment; academic tutoring; room and board; uniforms; and transportation. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

(6) There are many low cost, no-load 529 plan options available. Be sure to check companies like Vanguard and T. Rowe Price for their options.

(7) Note: you do *not* need to live in a particular state in order to utilize that state's 529 plan. For example, a California resident can utilize a 529 plan in Nevada and utilize it to pay for higher education expenses in any other state.[145]

3. Personal opinion: *life insurance* is typically not the best investment vehicle due to the high internal costs and ongoing expenses of one product serving the role of both future provision and investment vehicle. There will definitely be differences of opinion on this point, but if life insurance is viewed primarily as a means of "provision" and not as "protection," the investment portion of your family's financial plan should be via a separate, lower-cost investment vehicle, such as mutual funds or ETF's (Exchange Traded Funds).

[145] A 529 plan is also a great way for grandparents to contribute to their grandchildren's education costs due to gift tax incentives.

APPENDIX 7: Legacy of the Faithful Steward[146]

A. Be an Example of a Faithful Steward to Your Children

1. Children will learn from their parents, whether they learn implicitly, through your actions, or explicitly, through your words, or a combination of the two.

2. The vast majority of children are never taught the proper way to handle money, so they simply follow the pattern (positive or negative) that has been set for them by their parents.

3. If you have not been a faithful steward with the finances that God has given to you, make a commitment to change and share that commitment with your children. It may actually be more difficult for them to make adjustments since they may not have the maturity or experience to understand why the changes need to be made and how it will impact them.

B. Teach Your Children About Personal Finances

1. Begin by denying yourself and practicing self-discipline when it comes to your spending. Allow your children to see the transformation and demonstrate to them that they are not the only ones being affected by the changes you are making. You are being affected by them as well.

2. If you children are old enough, allow them to take part in discussions about the family budget. They do not need to know every detail and you will want to be discerning in the information that you share, depending on their age and maturity. But as they grow older, begin to share more details and allow them to ask questions and understand your decision-making process.

3. Find a good curriculum that will allow you to systematically teach your children about finances. Teach them that they need to live on a budget as well, even from a young age.

4. Children need to be actively involved in maintaining the home through regular chores and duties so that they learn basic life skills and how to be responsible. Parents can determine whether or not to pay them an *allowance* or pay them on a *per chore* basis.

5. Children can also be *paid for doing extra work* around the home. Be sure to pay them a fair wage but they should *only* be paid if they complete the job. The quality of their work should also be a consideration in the amount they will earn (i.e. you may want to pay them a “bonus” for exceptional work).

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[146] This topic is worthy of a separate course but due to obvious restraints, only an overview will be given.

C. Provide a Visual Image of the Principles of Giving, Saving, and Spending

1. Teach your children the basics of budgeting the income that they earn.

   a) Three basic categories are enough to begin with: 1) giving, 2) savings, and 3) spending. For every dollar earned, a portion should go into each category. Suggested percentages might be 10% for giving, 40% for saving, and 50% for spending, but you as parents can make this determination.

   b) Some children are naturally savers and will not want that to spend very much. Others will want to spend everything. So adjust the percentages for each child accordingly to both match their personality as well as to work on their weaknesses.

2. Most children, especially younger ones, learn well with visual aids, so decorate three mason jars for each child and label them Giving, Saving, and Spending.

   a) Even though we live in the online-age, allowing them to actually see the money (as well as its disappearance after spending) will serve as a powerful way to reinforce the principles being taught.

   b) It will teach them generosity, discipline, and wisdom with how they give, save, and spend. They will also see that when the spending money is gone, it's gone, and they should not be allowed to rob one jar to fill another!

   c) As your children grow older, opening a savings account (age 12 or earlier) and eventually a checking account (age 16) will be the next steps beyond the mason jars, but only if they have demonstrated responsibility and learned the proper lessons of personal finance.

   d) *Use extreme caution ahead!* The following suggestion should be used only after careful consideration and prayer by the parents. By age 17 or 18, children who are earning a regular wage working at a job outside the home should be taught the basic principles of *credit* by allowing them to have a *secured* credit card. You as parents must actively teach them how to control and manage that credit using the same rules outlined earlier in this material: use it only for budget items and only if you already have the money in your checking account; pay the balance off completely every month; and if the balance isn't paid, force them to cut up the credit card. No exceptions. Don't give in. Remember:

      Prov 29:15, *"The rod and reproof give wisdom, but <u>a child who gets his own way brings shame to his mother</u>."*

Prov 13:24, *"He who withholds his rod hates his son, but <u>he who loves him disciplines him diligently</u>."*

3. When children give, save, and spend out of the money that they themselves earned, they will appreciate it more and learn the basic skills of personal finance that will set them on a course for financial success in the future.

   a) Prov 22:6, *"Train up a child in the way he should go, Even when he is old he will not depart from it."*

   b) Eph 6:4, *"Fathers, do not provoke your children to anger, but bring them up in the discipline and instruction of the Lord."*

4. Regarding monetary gifts given to your children for birthdays, Christmas and other holidays, graduation, etc., don't force them to treat it the same way as the money that they earned.

   a) If they want to spend it, let them spend it because it was given to them as a gift. But if they desire to give some and/or save some, let them do that as well. Remind them of these options, but let them make the decision and deal with the consequences, whether good or bad.

   b) This will teach them that *earnings* are different than *gifts* and allow them to develop decision-making skills that you can also use as opportunities for discipling them.

APPENDIX 8: Gifts, Inheritance, & Estate Planning

A. Giving is for the Living: "*Do yer giving' while yer livin' so yer knowin' where it's goin'.*"

1. Giving should take place while you are living and any remaining inheritance should be planned for through the use wise estate planning.

   a) There are financially advantageous ways to give while you are still living and may be preferable to giving after death through your estate. You also will have the ability to receive the blessing of giving while you are still living. The *present* and *active* act of giving is stressed in the words of Jesus that are quoted by the Apostle Paul to the Ephesian elders in Acts 20:

   Acts 20:35, *"In everything I showed you that by working hard in this manner you must help the weak and remember the words of the Lord Jesus, that He Himself said, '<u>It is more blessed to give than to receive</u>.' "*

   b) Any giving that does take place prior to death should be accomplished through a valid will (each spouse should have a valid will) or a trust (each will can be established as a *pour over will* that "pours over" all personal assets that are not registered in the name of the trust) that outlines the desires of the deceased for his or her assets while he or she is still living, which will be executable upon death. Consider the following advice:

      (1) Burkett writes, "One reason the wife needs a will is because in a common accident the assets of the estate can pass to her. If she has no will, she dies intestate and the court handles the estate."[147]

      (2) Dayton writes, "Whether you are married or single, rich or poor, you should have a will. Not only does it clear up any legal uncertainties, it also helps you map out your finances while you are alive so that you can protect the best interests of your heirs."[148]

2. Consider carefully the following regarding giving an inheritance while still living.

   a) Burkett writes, "What are the basic guidelines for inheritance? First, God's Word teaches that you do your giving while you're still alive. The only exception is when you die prematurely. Our basic inheritance plan should

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[147] Burkett, *The Complete Financial Guide for Young Couples*, 141.

[148] Dayton, *Your Money Counts*, 111.

be to pass along the inheritance to our children while we're living, so we can see how they use it."[149]

b) Dayton advises, "You should provide an inheritance for your children. However, it probably is not wise to leave your children with great wealth if they have not been thoroughly schooled in the biblical perspective of money and how to properly manage it. Andrew Carnegie once said, 'The almighty dollar bequeathed to a child is an almighty curse. No one has the right to handicap his children with such a burden as great wealth. He must face this question squarely: Will the fortune be safe with my child, and will my child be safe with my fortune?'"[150]

3. If you and your spouse do not each have a *valid will*, have them drawn up by a competent estate planning attorney as soon as possible. Do not delay because wisdom dictates that you should do this as a wise steward of the possessions that have been entrusted to you. See below for additional advisable estate planning documents that you should have in place.

   Dayton reminds us, "The Bible teaches that we brought nothing into the world and we will take nothing with us when we die, but we can leave it behind precisely as we wish. We can specify to whom and how much. If you die without a will, these decision are left up to the court. Under some circumstances the court can appoint a guardian (who may not know the Lord) to raise your children if you have not made this provision in your will."[151]

4. It is advisable for a husband (or wife) to keep his wife (or husband) abreast of all their assets and liabilities and give her (or him) instruction on where to find all of the necessary documents and information in case of his (or her) premature death. It is wise to find a trustworthy friend and ask him or her to be the one to walk your grieving spouse through this difficult process when you are gone and help him or her to settle the estate with that spouse.

B. Inheritance: A Blessing or a Curse?

1. Most people would consider it a benefit to receive an inheritance from a long-lost wealthy family member. Some even wish that elderly members of their family would die so that they can gain a portion of their estate and squander it on their selfish desires. This is certainly the wrong perspective to have regarding an inheritance.

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[149] Burkett, *The Complete Financial Guide for Young Couples*, 140.

[150] Dayton, *Your Money Counts*, 110.

[151] Dayton, *Your Money Counts*, 110-111.

a) The belief that an inheritance will solve all of your financial problems is a false belief. An inheritance will only mask the problems that already exist. An improper understanding of the biblical principles of wise stewardship and the constant violation of those principles, even if made out of ignorance, are the problem. Until those root issues are dealt with, no amount of money will rescue the foolish or ignorant steward.

b) So before you lean on a future inheritance to be your financial savior, you need to seriously examine your heart motives and proceed through the process of transforming your thinking into godly patterns of thought that lead to God-honoring actions regarding your finances. Your mind needs to be informed by the truth of God's Word in order to be transformed and renewed (Rom 12:1-2).

2. An inheritance can be a blessing for the wise and righteous but will serve as a curse for the foolish and wicked.

   a) Prov 13:22, *"A good man leaves an inheritance to his children's children, and the wealth of the sinner is stored up for the righteous."*

   b) Prov 20:21, *"An inheritance gained hurriedly at the beginning will not be blessed in the end."*

C. Estate Planning Fundamentals - Essential Documents

1. Simple Will: At a minimum, each spouse should have a valid *simple will* (a.k.a. *last will and* testament) drawn by a competent estate planning attorney or online service (e.g. https://trustandwill.com/).

   a) Declares your intentions regarding the disbursement of the assets of your estate while you are alive vs. dying *intestate* (i.e. without a will) and losing the ability to determine which heirs will receive your assets. In that case, the state will decide and it will not always be your spouse or children. Plus, the probate process can be costly and time-consuming.

   b) In addition to your heirs, you may also decide which charities or organizations will receive predetermined amounts or percentages of your assets upon your death.

   c) Although a good first move, simply naming a beneficiary for each asset is *not* a sufficient estate plan. Assets with named beneficiaries, as well as property owned as a joint tenant with right of survivorship, will bypass your wills so be sure to keep your beneficiary declarations up to date for each asset, especially if you do not have a valid will or a trust in which you have placed all of your assets.

d) In a will you must also name the *executor* of your estate, i.e. the being who will handle the disbursement of your assets according to the stipulations of your will after your death.

e) A will allows you as the parents to appoint the legal guardian(s) of your choice for your minor children or other family members that are unable to care for themselves. Otherwise, a judge will decide and it may not always be according to your wishes.

f) A will also allows you to have predetermined funeral arrangements added to it. You can also name charities that you would like to be donated to in your honor after you pass.

2. <u>Revocable Living Trust</u>: If you own a home or significant amount of assets, in addition to a will you should also establish a *revocable living trust*. It may be a good idea to do this even if you do *not* have a significant amount of assets, especially if you have minor children as heirs to whom you would like to leave particular assets and how you would like those assets to be managed before control is given to the children as they become adults.

   a) If you are married, both of you should be assigned as the *trustees* of the trust.

   b) You, as a couple, need to name an appropriate *successor trustee* who will handle the trust upon both of your deaths. It may or may not be wise to have a family member take on this duty. If it is a family member, make sure they have thick skin and a cool head, along with the competence to handle the duties required of a trustee.

   c) For those with a significant and complicated estate, you may want to consider naming a *corporate trustee or co-trustee* to handle your estate due to the complexity involved in administering the contents and/or managing the investments of your estate.

   d) Due to the complexity and multiple trusts available that are applicable to various circumstances, speak with a competent estate planning attorney to help you determine whether or not a trust is necessary, as well as what kind of trust is appropriate for your situation.

   e) A properly written trust can help to minimize gift and estate taxes, especially for those with a significant amount of assets.

   f) Also, an additional benefit is that trusts avoid the public nature of estates handled through the probate process, i.e through a will alone.

3. <u>Power of Attorney</u>: Determine the person(s) you would like to serve as the agent(s) for your Power of Attorney (POA) in the following areas:

a) Durable POA for Finances

(1) When naming a person as your agent in a power of attorney, you are giving them the ability (i.e. power) to make legal decisions on your behalf for your finances and other assets.

(2) This person must be trustworthy and honest since you are providing them with the power to make these legally binding decisions on your behalf. This is a major responsibility, so be wise in your choice.

(3) The level of power you provide can be adjusted up or down according to your wishes and will be stated within the POA document.

b) Durable POA for Healthcare

(1) In the event of your incapacitation, this document authorizes an agent to make medical decisions for you according to your wishes stated in the POA document.

(2) Typically one spouse will have the POA for the other. A child may also be assigned POA for a parent.

c) Living Will (a.k.a. Advanced Medical Directive)

(1) This document is used to determine end-of-life decisions regarding medical care, e.g. whether or not you desire to remain on life support under certain conditions.

(2) This document removes all doubt about your wishes and relieves family members of the burden and struggle of making this decision during an already difficult and stressful time.

4. Additional Estate Planning Steps

a) It is a wise idea to keep *an inventory of your assets* and include that list in your estate planning documents. This makes tracking down your assets simpler for your executor and/or successor trustee.[152]

b) It is also helpful to include a *list of contacts* of your personal advisors, e.g. personal banker, financial advisor, tax advisor, legal advisor, etc. You should also include a list of your utility and service providers for your home, if you own one.

c) In this digital age, you should keep a *list of passwords* in a safe and secure location for your executor and agent(s) in the event of your death or incapacitation. Secure software or apps can accomplish this goal.

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[152] There are computer and smartphone apps that can help you accomplish this task.