

**JAMES W. RICKARD**  
**FOURTEEN KEY FINANCIAL PRINCIPLES**

1. Give God a chance first.
  2. Learn to save money.
  3. Learn to spend less than you earn.
  4. Don't finance pleasure items.
  5. Have cash in an emergency fund.
  6. Control your credit cards.
  7. Have adequate life insurance to protect your family.  
(\$250,000 - \$500,000)
  8. Be self-insured for life insurance by age 65 or retirement.
  9. Have retirement plan in progress by age 40.
  10. Own your home by age 65 or retirement.
  11. Have a workable budget - key discipline and control.
  12. There is a difference between debt and obligations.
  13. Understand the TAX law as it applies to you.
  14. Have an estate plan that includes a will and/or living trust.
- Use these principles to develop a financial plan for your life.**

Typical symptom treatments for larger problem:

Consolidate bills with new loan

Put wife to work

Can't stand pressure so go out and buy something expensive

In 95% of families, majority of debt comes from husbands. Women have a basic fear of debt as a result women take families into debt in little increments, men take families into debt in giant leaps.

Of people with financial problems

60% have borrowed more money than they can realistically repay during their lifetime

40% have borrowed more money than they can even make payments on

We will never handle anything less significant than money, nor more outwardly indicative of our inward spiritual condition.

It is virtually impossible to be obedient and impatient at the same time.

Children today want their living standard to start or even be superior to that enjoyed by their parents.

It's not the high cost of living that gets us, but living high.

It's not how much you make, but how well you want to live.

If you go shopping with a friend, you spend 10% more

If you go shopping with children, you spend 12% more

If you go shopping with your husband, you spend 20% more.

In 85% of divorces, the reason has something to do with money.

Whenever you value something too much, whatever happens to it happens to you; e.g., car breaks down, you break down.

Debt - Delinquent financial obligation.

Obligation - Money borrowed and repaid according to agreement.

Two worldly attitudes regarding money:

1. Keep God out of things
2. Our ego is supreme and should rule

## CONVICTIONS THAT AFFECT MY DECISIONS

1. **Give God a chance first.** Psalm 37:7
2. **Avoid hasty speculation.** Proverbs 28:22  
Stick with what you know.
3. **Evaluate every purchase.** I Cor. 10:31  
Can you afford it?  
Is it the best buy?  
Does it add or detract?  
Can you really use it?  
Have you shopped?  
Is it a need, a want, or a desire?
4. **Do not cosign.** Proverbs 6:1-5, 17:18, 22:26
5. **If you don't have peace, STOP!** Proverbs 10:22
6. **Do not be yoked to unbelievers.** II Cor. 6:14  
A yoke includes business partners.
7. **Don't be deceitful.** Proverbs 6:16-19, 16:8, 19:1, 20:7 20:17, 21:6  
Contrary to popular thinking one can be both successful and honest today - totally open and honest.
8. **Seek good Christian counsel.** Proverbs 13:20, Eccl. 9:14-16
9. **Give rather than lend for needs only.** Luke 6:34, Ex. 22:25, Prov. 19:17

## **FINANCIAL PLANNING BEGINS WITH FINDING OUT "WHERE YOU'RE AT"**

The endless supply of get-rich-quick books, tax shelter schemes, glib guides to easy profits in the stock market, real estate and other investment avenues can occasionally leave you wondering whether you're missing the boat. That sort of confusion can be dangerous if it causes you to leap into something without first making sure you can afford the risks.

Good organization, planning and record-keeping are important keys to financial success because they help you make the right decisions.

It's amazing how many people take a long time to work up a net worth statement. Many are surprised at the results.

The following three worksheets will show where you stand now. Don't try to nail down every dollar. An approximate estimate will allow you to get a clear enough picture.

### **Questions to ask yourself**

Is there too much month left at the end of the money?

Is your house payment too high for your salary?

Do you buy more clothes than you wear?

Are you paying too much for insurance?

Do you cash checks or raid the cash machine every couple of days and not know why?

**\*NOW TURN TO THE FOLLOWING WORKSHEETS\***

### BUDGET WORKSHEET

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Spt	Oct	Nov	Dec
Giving												
Savings												
Mortgage with Ins./Taxes												
Utilites												
House Repairs												
Car Payment												
Gas, Oil & Repairs												
Auto Insurance												
Life Insurance												
Health Insurance												
Medical Care												
Food												
Clothing												
Misc												
Misc												
Misc												
Total Expenses												

# INCOME STATEMENT

DATE \_\_\_\_\_

<u>MONTHLY INCOME</u>	<u>MONTHLY</u>	<u>ANNUAL</u>
Salary Net	\$ _____	\$ _____
Wife's Salary Net	_____	_____
Interest and Dividends	_____	_____
Other	_____	_____
<b>TOTAL INCOME</b>	<b>\$ _____</b>	<b>\$ _____</b>

<u>MONTHLY EXPENDITURES</u>	<u>MONTHLY</u>	<u>ANNUAL</u>
Offering to the Lord	\$ _____	\$ _____
House Payment (Rent)	_____	_____
Insurance	_____	_____
Electric/Gas	_____	_____
Sewer/Water/Garbage	_____	_____
Telephone	_____	_____
Property Taxes	_____	_____
Life Insurance	_____	_____
Automobile	_____	_____
Principal and Interest	_____	_____
Auto Insurance	_____	_____
Gas and Oil	_____	_____
Maintenance	_____	_____
Personal Property Tax	_____	_____
Food _____	_____	_____
Home	_____	_____
Restaurants and Carry Out	_____	_____
Entertainment	_____	_____
Vacation	_____	_____
Recreation	_____	_____
Medical	_____	_____
Insurance Premiums	_____	_____
Dental	_____	_____
Loans	_____	_____
Bank	_____	_____
Credit Companies	_____	_____
Education	_____	_____
Clothing	_____	_____
Anniversaries	_____	_____
Birthdays	_____	_____
Christmas	_____	_____
Savings	_____	_____
<b>TOTAL EXPENDITURES</b>	<b>\$ _____</b>	<b>\$ _____</b>

INCOME \$ \_\_\_\_\_ MINUS OUTGO \$ \_\_\_\_\_ = CASH FLOW \$ \_\_\_\_\_  
***When a man's outgo exceeds his income his upkeep become his downfall!!***

## A HANDLE ON YOUR DEBTS

	INTEREST RATES	MONTHLY PAYMENT	OUTSTANDING BALANCE
Auto Loans	%	\$	\$
Personal Loans	%		
Tuition Loans	%		
Home Equity Loan	%		
Other Loans	%		
Credit Cards			
Bank	%		
Store	%		
Airline	%		
Gas	%		
Other	%		
Other	%		
Other	%		
<b>TOTAL</b>		<b>\$</b>	<b>\$</b>

### SET A TARGET DATE TO GET OUT OF DEBT

Installment loans **EXCLUDING** mortgage should be less than 10% of take-home pay. Your goal should be to eliminate all installment debt.

Mortgage payment including insurance and taxes should not exceed 33% of take-home pay.

Consolidation loans work only if you change your habits and stop careless spending.

## BUDGETING

Budget plan shouldn't take more than 4 hours initially to set up, and 30 minutes a week to maintain.

It will take 7-9 months for the budget plan to work efficiently.

A budget is not a plan for a husband to punish his wife.

Common budgeting errors:

Don't use it

Make it so difficult you can't live with it

People should fix maximum level of spending and not just keep readjusting for income increases.

### GENERAL GUIDELINES FOR YOUR BUDGET

BUDGET ITEMS	SUGGESTED PERCENTAGE	BUDGET ITEMS INCLUDE
Giving*	11%	
Housing	30-36%	utilities, taxes, insurance, mortgage payment, & repairs
Food	14-16%	
Auto	13-16%	insurance, gas, maintenance, payments
Insurance	2-4%	life insurance (health insurance-fringe)
Entertainment	2-5%	put money in envelope and don't mix with other funds
Clothing	5%	
Medical/Dental	5%	
Savings	5%	also unexpected emergencies
Credit	5%	the cut-up credit card sent to a creditor really impresses them (the goal should be 0%)
Household/Misc.	4-8%	haircuts, cosmetics, piano lessons, & gifts

*\*All percentages are from take-home pay except your giving, which is based on gross income.*

# BALANCE SHEET

DATE \_\_\_\_\_

	ASSETS	LIABILITIES
Real Estate		
Home	\$ _____	\$ _____
Farm or Ranch	_____	_____
Recreational	_____	_____
Rental Property	_____	_____
Other	_____	_____
Automobiles		
1.	_____	_____
2.	_____	_____
3.	_____	_____
Recreational Equipment		
Boat	_____	_____
Motor Home/Trailer	_____	_____
Motorcycle	_____	_____
Sporting Goods (golf etc.)	_____	_____
Photography Equipment	_____	_____
Furniture		
Household	_____	_____
Lawn	_____	_____
2nd Home	_____	_____
Collector's Items		
Jewelry	_____	_____
Coins	_____	_____
Stamps	_____	_____
Art	_____	_____
Antiques	_____	_____
Other	_____	_____
Cash & Investments		
Cash on Hand	_____	_____
Savings Accounts	_____	_____
Bonds	_____	_____
Notes Receivable	_____	_____
Cash Value of Life Insurance	_____	_____
I.R.A. Funds	_____	_____
Stocks	_____	_____
Retirement Funds	_____	_____
Miscellaneous Assets	_____	_____
TOTAL	\$ _____	\$ _____

<b>Total Assets</b>	\$ _____
<b>Less: Total Liabilities</b>	_____
<b>Net Worth As of</b> _____	_____

# Mortgage Loan

Assumption - 8% interest for 30 years.

	Principal Loan	
	Example 1	Example 2
	<u>\$60,000</u>	<u>\$100,000</u>
Payment - Principal and interest	\$ 440	\$ 734
Times 12 months	5,280	8,808
Times 30 years	158,501	264,240
Total Principal paid	60,000	100,000
Total Interest paid	98,501	164,240
<i>Add per month to your payment</i>	<u>\$ 100</u>	<u>\$ 166</u>
Payment - Principal and interest	\$ 540	\$ 900
Times 12 months	6,480	10,800
Times 17 years	110,160	183,600
Total Principal paid	60,000	100,000
Total Interest paid	50,160	83,600

\*SUMMARY\*

Increased monthly payment by	\$ 100	\$ 166
Increased annual payment by	1,200	1,992
Paid off mortgage in 17 years and Saved on interest	48,341	80,640

MORTGAGES: biweekly vs. fixed			
What an \$80,000 mortgage at 10% interest would cost:			
Term	Payment	Payoff	Interest
30-yr. biweekly	\$351.03	20-yrs 10 mos.	\$110,007.11
30-yr. fixed	702.06	30 years	172,741.60

*Source: Mechanics and Farmers Savings Bank*

## AUTOMOBILE PURCHASE

2 - 4 - JUNK

*Purchase a 2-year-old Cutlass for \$11,000 with \$2,000 down and financed at 10% for 3 years. Maximum mileage 25,000 with 2 year or 24,000 mile warranty.*

First Time - First Year	
Total payment - Down Payment	\$ 2,000
Finance at \$290.41/month times 36 months	10,455
TOTAL	\$ 12,455
Pay 4th year into savings - \$290.41 x 12	\$ 3,485
Interest	100
Sell Cutlass at end of the 4th year	4,400
TOTAL CASH AVAILABLE	\$ 7,985

Second Time - Fifth Year	
Purchase 2-year-old Cutlass for	\$ 13,000
Less - Down Payment	7,985
Amount to finance	\$ 5,015
Finance \$5,015 at 10% for 1 1/2 years = \$300.29/month	
<b>NOW</b>	
Save \$300.00/mo for 2 1/2 years - 30 mo x \$300.18 =	\$ 9,000
Interest	250
Sell Cutlass at the end of the 4th year	5,200
TOTAL CASH AVAILABLE	\$ 14,450

Third Time - Ninth Year	
Purchase 2-year-old Cutlass for \$14,450 CASH	
Continue to save at \$300/month	

## INSURANCE

*Should Christians have insurance? How much life insurance do you need? I Timothy 5:8  
Here is a way to make an estimate:*

	EXAMPLE	YOUR ESTIMATE
1. What are your cash or convertible to cash net assets now?	\$ 20,000	
2. Deduct the cash value of life insurance	4,000	
3. Net	\$ 16,000	
4. Add the face value of all your present life insurance policies	50,000	
5. Here is what your survivors would be able to invest to earn additional income if you died today	\$ 66,000	

NOW, WHAT ASSETS AND INCOME DO YOU NEED?	EXAMPLE	YOUR ESTIMATE
6. Your estimated burial and other final costs may be	\$ 6,000	
7. An immediate, temporary emergency fund for your family	6,000	
8. An education fund for your children	20,000	
9. Total cash needs if you died today	\$ 32,000	
10. Annual income you want for your spouse (80% of the salary you now receive)	24,000	
11. Less any survivor's Social Security benefits available to your family per year (ask at your local Social Security Administration office for an estimate)	8,400	
12. Amount of additional income you will need to provide	\$ 15,600	
13. Divide line 12 by .07. This is how much principal you will need invested at 7% in order to provide that additional income	\$222,000	
14. Add your immediate cash needs (line 9)	32,000	
15. Total cash needs at your death	\$254,000	
16. Less what you already have (line 5)	66,000	
17. Additional insurance required to provide the amount of annual income needed by your family	\$188,000	

## INVESTMENTS

**A family can sensibly consider an investment program when it can answer "yes" to these 3 questions:**

1. Does your family have an emergency fund to carry it through a financial crisis?
2. Does your family have sufficient life insurance to provide security for the family in the event of the breadwinner's death?
3. Does your family have money to invest which it will not need for at least several years?

If yes, you are ready to seek the Lord's leadership in an investment program. He will guide you in the investing of HIS money.

### KNOW WHAT INTEREST WILL DO

Example 1: If you invest \$10,000 at 10%

TIME IN YEARS	IT WILL BE WORTH
10 YRS	\$ 25,936
15 YRS	41,770
20 YRS	67,272
25 YRS	108,342

Example 2: If you invest \$2,000 a year to age 65

AGE	8%	11%	14%
40	169,330/1365	288,950/2910	510,043/6242
50	60,986/491	82,001/825	111,927/1369

## ARE YOU AN OVERSPENDER?

Many people who spend too much have common personality characteristics. To isolate these, Money magazine asked 15 credit counselors and financial planners to draw up this checklist. True or false:

T F

- |         |     |  |
|---------|-----|--|
| ___ ___ | 1.  | You spend money on the expectation that your income will rise.                                 |
| ___ ___ | 2.  | You take cash advances on one credit card to pay off another.                                  |
| ___ ___ | 3.  | You spend over 20 percent of your income on credit-card bills.                                 |
| ___ ___ | 4.  | You often fail to keep an accurate record of your purchases.                                   |
| ___ ___ | 5.  | You have applied for more than three cards in the past year.                                   |
| ___ ___ | 6.  | You regularly pay for groceries with a credit card because you <b>need</b> to.                 |
| ___ ___ | 7.  | You often hide your credit-card purchases from your family.                                    |
| ___ ___ | 8.  | Owning several credit cards makes you feel richer.   |
| ___ ___ | 9.  | You pay off your monthly credit-card bills but let others slide.                               |
| ___ ___ | 10. | You like to collect cash from friends in restaurants, then charge the tab on your credit card. |
| ___ ___ | 11. | You almost always make only the minimum payment on your credit-card bill.                      |
| ___ ___ | 12. | You have trouble imagining your life without credit.   |

### SCORING

*More than 2 true answers. You must stop. It's time to draw up a budget, pay off bills and re-evaluate spending habits.*

*More than 5 true answers. You may be wise to consult a financial counselor for help in changing your habits.*

## HOW TO GET OUT OF DEBT

Step 1:

Stop all new indebtedness immediately.

Step 2:

Promise to put all extra income into debt retirement.

Step 3:

Sell all depreciating items for which you are now in debt.

- a) Replace with less expensive item.
- b) Get out from under all monthly payments.
- c) Sell all items with maintenance and upkeep costs first.

Step 4:

Closely examine food costs. You should be able to make a 15% minimum cut.

Step 5:

Begin immediately to "do it yourself" instead of paying for services.

Step 6:

Set a challenging goal for debt retirement on a pay-period basis, and make all the necessary sacrifices until you are out of debt.

Step 7:

Make getting out of debt a family effort. Let every member participate with his own resources.

## SHOPPING TIPS

*Millions upon millions of dollars are spent each year by manufacturers to study our shopping habits for the purpose of influencing our thinking to attract us to their product. No regard is given to whether we need the product or not. This decision is ours. The decision of whether or not to buy lies solely with us. However, we must keep in mind that we are fighting a professional army of sales people every time we turn on the T.V., radio, read the paper or magazines, or go to the store. For this reason, we must develop smart shopping habits and a strong defense against the worldly traps set by Satan to take away that which God has given us.*

*Please note the following list of suggested aids for your use in developing smart shopping habits:*

1. Do not buy on impulse alone!
  - a) Allow only one purchase at a time that is not a part of your planned budget.
  - b) Never buy impulse items with credit.
  - c) Stay out of the store unless it's necessary.
  
2. Do not overextend finances for gift items.
  - a) Keep a calendar of gift-giving events and plan ahead.
  - b) Do not buy gifts on credit.
  
3. Good grocery buying habits.
  - a) Always use a written list of needs.
  - b) Never go grocery shopping when hungry.

## SUMMARY

1. Control credit cards
2. Evaluate your standard of living.
3. Have short- and long-range goals for your family.
4. Guard your financial integrity.

*"There is nothing wrong with looking at your life and feeling good about a job well done for God!"*

LUKE 16:10,11

James W. Rickaard's Auto Purchase Plan  
2 – 4 – Junk  
(Adapted for South Africa)

1. Car number 1, First Year

Rather than buy a new car, purchase a 2 year old car for R70,000.

Down Payment = R10,000	R10,000
Finance at R2,204.92 per month (times 36 months) (15% interest)	<u>R79,377.12</u>
Total	R89,377.12
Continue to make payments to yourself for 12 months	R26,459.04
Interest	R 1,000.00
Sell vehicle at end of the 4 <sup>th</sup> year	<u>R24,000.00</u>
Total Cash Available	R51,459.04

2. Car number 2, Fifth year

Purchase a 2 year old car for R80,000	R80,000.00
Less – Down Payment	<u>R51,459.04</u>
Amount to finance	R28,540.96
Finance at 15% for 18 months at R2,423.76 per month	R43,627.68
NOW THAT YOU ARE DEBT FREE-----	
Save R2,500 per month for 2 ½ years	R75,000.00
Interest	R2,500.00
Sell car at the end of 4 years	<u>R30,000.00</u>
Total cash available	R107,575.00

3. Car number 3, Ninth Year

Purchase 2 year old car for R100,000 CASH  
Continue to save R2,500 per month