



MANAGING YOUR MONEY

Presented by Mary Lowman

I. Money's Bid for Omnipotence

No one can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both God and Money. (Matthew 6:24)

II. Is Money Your Master or Servant?

Watch out! Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions. (Luke 12:15)

Answer these questions candidly:

- Do you look to money for security?
- Do you look at people and think, "I wonder how much money he makes? I wonder what she's worth?"
- When you hear that someone makes or has a lot of money, what is your first reaction? Do you envy them? Do you think more highly of them? Do you stand in awe of them?
- Do you daydream a great deal about things you want or about being rich?
- What would you do with \$1 million if you unexpectedly inherited it today?
- If all of your possessions and money were taken away, what would you do? How would you feel?
- How much are you a slave to the things in your life? How much of the stress and tension in your life is due to anxiety about the things you own?

III. The 10-10-80 Principle

A. Give Ten Percent

From *Money, Sex and Power* by Richard Foster:

"The powers that energize money cannot abide that most unnatural of acts, giving. Money is made for taking, for bargaining, for manipulating, but not for giving. This is exactly why giving has such ability to defeat the powers of money."

Give, and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you. (Luke 6:38)

B. Save Ten Percent

Saving \$3500 a year from age 20 at 3% interest = \$335,000 at age 65.

You can figure approximately how long it will take your savings to double using this method:

The Rule of 72

- Divide the interest rate on your savings into 72. *Example: 5% interest rate*
 $72 \div 5 = 16$ years
- With compound interest \$1000 at 5% will grow to \$2000 in 16 years.

If you add to your savings each month, you will be amazed how it will grow!

C. Live on *Eighty* Percent of Your Net Income

Cut Spending

Here are ten typical expenses that can be cut from anybody's budget:

1. Eating out
2. Cable television
3. Book clubs, record clubs
4. Magazine/newspaper subscriptions
5. Expensive cuts of meat; grocery luxuries
6. Video rentals
7. Long distance telephone calls
8. Frequent hair salon appointments
9. Fitness Centers
10. Going to movies or other types of entertainment

Other important principles:

Avoid impulse shopping.

Learn to resist bargains.

Throw away catalogs; don't go window shopping.

Cut Debt

How do you know if you have serious problems with debt? Here are some symptoms:

1. You don't ever pay off your credit card balances.
2. You have no emergency funds set aside.
3. You use savings to pay credit card bills.
4. You use advances from one credit card to pay off another.
5. You are frequently past due with basic living expenses such as rent or utilities.

IV. Stop Charging and Start Taking Charge of Your Debt

Debt elimination is actually very simple

- Pray. Ask for the Lord's help and guidance. Even if you can afford to pay only a small extra monthly prepayment to reduce your debt, please do it. The Lord can multiply your efforts.
- Allow no more debt (no bank or family loans and, if necessary, cut up the credit cards).
- Develop a good balanced budget that allows every creditor to receive as much as possible.
- List your assets—everything you own. Evaluate the completed list to determine whether you should sell any assets to apply to your immediate debt reduction.
- Start retiring the debt now. Begin with highest interest first. If the debt balances are approximately equal, pay the one with the lowest balance first. Once it is paid off, put all the money on the next, and so on. The average family can be debt free in three years or less. Sound simple? It is. But it requires determination and consistency.

Run toward your creditors, not from them

It's difficult to negotiate with a creditor who has been ignored. Most creditors respond to a specific request that is backed by a detailed written plan. The plan should include what you owe, a copy of your budget, and a detailed plan showing exactly how much you can repay each month.

Already being hounded by debt collectors?

The Fair Debt Collection Practices Act, passed by Congress in 1977, prohibits certain methods of debt collection. Debts covered under the act include such things as money owed for cars, medical care, or charge accounts. Remember that this law does not erase any legitimate debt you owe.

If you have questions about your rights under this act, contact the Federal Trade Commission. Report a problem with debt collectors to your state attorney general's office; they can help define your rights.

Informative debt-free living materials

To order call Crown Financial Ministries (800) 722-1976 (materials only). Online tools to analyze your spending and articles are available in the Articles Index section at:

www.crown.org.

- *Debt-Free Living* (chapter on the Fair Debt Collection Act and dealing with creditors)
- *Using Your Money Wisely*
- *Business by the Book*
- *How to Manage Your Money*
- *Financial Guide for the Single Parent*
- Small-group studies for adults and college students
- *Every Single Cent*
- For more information on getting your debt under control and becoming debt-free, write to:
Crown Financial Ministries ~ 8331 Walker Springs Ln ~ Suite 301 ~ Knoxville TN 37923

V. Clean Up Your Credit Report Yourself!

Pulled your credit report lately? Is the information in your report correct? Has someone been using your identification to obtain credit? Here's how to find out what your credit report contains and what you can do about it.

Begin by pulling your credit reports from all three credit bureaus: If you have been denied credit based upon your credit report, you can request a free copy of your report within 60 days of receiving the notice of the action. You are entitled to one free report a year if you can prove that you are unemployed and plan to look for a job within 60 days, if you are on welfare, or if your report is inaccurate because of fraud. The charges may vary from state to state, but a credit reporting agency cannot charge more than \$8.50 for a copy of your report. You may get a copy of your credit report from the following credit reporting agencies.

EXPERIAN

1.888.397-3742

www.experian.com

TRANS UNION

1.800.916.8800

www.transunion.com

EQUIFAX

1.866.349.5191

www.equifax.com

If you have any errors: Print out the report, highlight the errors, and send it to the credit bureau, along with a letter of explanation. If you have not received a response from the bureau within 30 days, the errors should be dropped from your record. (Section 611d of the Fair Credit Reporting Act).

If you have duplicate information: Print out the report and highlight any duplications. Send the highlighted copy with a letter stating that you want the inquiry and the account information merged. Mark your calendar for 30 days for a response.

If you have information that should have “aged off”: Creditor inquiries stay on your report for a minimum of six months; employer inquiries remain on your report for two years. Delinquencies, garnishments, repossessions, court orders, eviction for nonpayment, and missed child support stay on your report for seven years. Bankruptcies remain on your report for 10 years from the date of filing. If an item remains on your report longer than this, send a highlighted copy and a letter requesting the bureau to update your account. You should receive a response within 30 days.

If you have unsolicited inquiries: Print out and highlight the report and send it with a letter requesting the inquiries be deleted. Remember, the law states that your report can be pulled by anyone with “legitimate business needs.” This includes employers, car dealers, or others, even if you haven't given a written release authorizing the use of your report. Be very careful who you give your personal information to, even in a casual conversation.

If you do not have a follow up within 30 days: Speak with a customer-service-level manager at the bureau directly. Be polite but firm. Get the name of any customer service representative who tells you a manager is not available. Once you have a manager on the phone, be sure you know his or her name and full title. Clearly explain what service you need and the timeline in which you would like your concerns addressed. Follow up your conversation with a registered letter outlining your agreements and directed to the customer service manager. If your needs are not met, move up to the next level of management. Remain polite but assertive.

If you do not get a copy of your corrected credit report: Not only are you entitled by law to get a copy of your corrected report at no charge (Section 611d), the agency also must send revised reports to anyone who has inquired within the last six months. Send a letter stating that you want a free copy of your corrected report or you will take action under Section 616 of the Fair Credit Reporting Act for “willful noncompliance.” Send a copy of the letter to the Federal Trade Commission.

Put in a consumer statement: You may add a 100-word statement to your credit file, explaining why your report suffered any bumps or bruises or explaining a dispute. Anyone who looks at your report will see your explanation. This is free and easy.

Contact your creditors: Negative information contained in your credit history can be removed only by the creditor who reported it. Be very wary of anyone who claims he or she can remove or clean ratings from your record. If you stay on good terms with your creditors while you are delinquent, they are far more willing to help you rebuild credit. If you agree to pay off a portion of your debt in exchange for a better rating, be sure you get it in writing from the original creditor—not a collection agency! Get any agreements to alter or change the rating in writing from the creditors. Send a copy of the written agreement to the bureau, to become a permanent part of your file.

Ask for supplemental credit information: Get written recommendations from your landlords, utility companies, phone company, or any other good credit you may have that does not show up on your credit report. Submit the recommendation letters with any credit application.

Document everything: Keep copies of all letters sent, mark your calendar, get names and titles of EVERYONE with whom you speak. Keep a log of your interactions. Send letters by registered mail to have proof of the dates and locations your letters were received.

If someone is using your I.D. to obtain credit: Write a letter to the credit bureaus, explaining which accounts were fraudulently opened and request that they put a fraud statement in your file. This statement will explain to potential creditors that your I.D is being used illegally and they must call you prior to opening new credit accounts. Write to the creditors that opened accounts and explain that someone is illegally using your I.D to obtain credit. They will send you an “Affidavit of Forgery,” which you must complete and send back before they will begin an investigation. Keep copies of all correspondence and a record of all conversations, including the name and title of the person with whom you talked. Follow up with the creditor within a week to ensure they received your completed “Affidavit of Forgery.” If you have not heard about the disposition on your account within 30 days, check to determine the progress of the investigation.

VI. Steps to Making a Budget

In making and using a budget, there are several logical steps, each requiring individual effort. Sample form for budgeting is included.

Step 1—List Monthly Expenditures in the Home.

A. Fixed Expenses

- Tithe
- Federal income taxes (if taxes are deducted, ignore this item)
- State income taxes (if taxes are deducted, ignore this item)
- Federal Social Security taxes (if taxes are deducted, ignore this item)
- Housing expenses (payment/rent)
- Residence taxes
- Residence insurance
- Other

B. Variable Expenses

- Food
- Outstanding debts
- Utilities
- Insurance (life, health, auto)
- Entertainment, recreation
- Clothing allowance
- Medical/dental
- Savings
- Miscellaneous

NOTE: In order to accurately determine variable expenses, it is suggested that both husband and wife keep an expense diary for 30 days. Every expenditure, even small purchases, should be listed.

Step 2—List Available Monthly Income.

NOTE: If you operate on a non-fixed monthly income, use a yearly average divided into months.

Salary	Interest	Rents	Dividends
Notes	Income tax refund	Other	

Step 3—Compare Income Versus Expenses.

I encourage couples to establish a budget based on the husband's income only. I recommend the wife's income be applied to one-time purchases only—vacations, furniture, cars—or to savings or debt reduction. Too many times the wife's income is interrupted by illness, pregnancy, or a change in the husband's employment location.

If total income exceeds total expenses, you only have to implement a method of budget control in your home. However, if expenses exceed income (or more stringent controls in spending are desired), additional steps are necessary. In that case, to reduce expenses, an analysis of each budget area is called for. These areas are outlined below.

“Budget busters” are the large potential problem areas that can ruin a budget. Failure to control even one of these problems can result in financial disaster in the home. This area is evaluated by typical budget percentages for a \$35,000 annual income (family of four). Naturally these percentages are not absolutes and will vary with income and geographical location.

A. Housing (36 percent of net income)

Typically, this is one of the largest home budget problems. Many families, motivated by peer pressure or some other pressure, buy homes they can't afford. It is not necessary for everyone to own a home. The decision to buy or rent should be based on needs and financial ability, rather than on internal or external pressure.

B. Food (12 percent of net income)

Many families buy too much food. Others buy too little. Typically, the average American family buys the wrong type of food. The reduction of a family's food bill requires quantity and quality planning.

Hints for Grocery Shopping

- Always use a written list of needs.
- Try to conserve gas by buying food for a longer time period and in larger quantities.
- Avoid buying when hungry (especially if you're a "sugar-holic").
- Use a calculator, if possible, to total purchases.
- Reduce or eliminate paper products—paper plates, cups, napkins (use cloth napkins).
- Evaluate where to purchase sundry items, such as shampoo, mouthwash. (These are normally somewhat cheaper at discount stores.)
- Avoid processed and sugar-coated cereals. (These are expensive and most of them have little nutritional value.)
- Avoid prepared foods, such as frozen dinners, pot pies, cakes. (You are paying for expensive labor that you can provide.)
- Determine good meat cuts that are available from roasts or shoulders, and have the butcher cut these for you. (Buying steaks by the package on sale is fairly inexpensive also.)
- Try store brand canned products. (These are normally cheaper and just as nutritious.)
- Avoid products in a seasonal price hike. Substitute or eliminate.
- Shop for advertised specials. (These are usually posted in the store window.)
- Use manufacturer's coupons (cents-off on an item or items) only if you were going to buy the item anyway and it is cheaper than another brand would be without the coupon.
- When possible, purchase food in bulk quantities from large discount stores; the per-item cost is cheaper. Do not buy from convenience stores except in case of emergency.
- Avoid buying non-grocery items in a grocery supermarket except on sale. (These are normally "high mark-up" items.)
- For baby foods, use normal foods processed in a blender.
- Leave the children at home with a sitter to avoid unnecessary pressure.
- Check every item as it is being "rung up" at the store and again when you get home.
- Consider canning fresh vegetables whenever possible. Make bulk purchases with other families at farmers' markets and such. (NOTE: Secure canning supplies during off seasons.)

C. Automobiles (12 percent of net income)

The advertising media refers to us as “consumers,” but that’s not always the best description. I believe that P.T. Barnum had a more apt word—“suckers.” Often we are unwise in our decision making when it comes to our machines—especially cars.

Many families will buy new cars they cannot afford and trade them long before their utility is depleted. Those who buy a new car, keep it for less than four years, and then trade it for a new model have wasted the maximum amount of money. Some people, such as salespeople who drive a great deal, need new cars frequently; most of us do not. We swap cars because we want to—not because we have to. Many factors enter here, such as ego, esteem, and maturity.

D. Insurance (5 percent of net income)

It is unfortunate to see so many families misled in this area. Few people understand insurance, either how much is needed or what kind is necessary. Who would be foolish enough to buy a Rolls Royce when he or she could afford only a Chevrolet? Yet many purchase high-cost insurance even though their needs dictate otherwise.

Insurance should be used as supplementary provision for the family, not for protection or profit. An insurance plan is not designed for saving money or for retirement. Ask anyone who assumed it was; the ultimate result was disillusionment and disappointment.

In our society, insurance can be used as an inexpensive vehicle to provide future family income and thus release funds today for family use and the Lord’s work. In excess, this same insurance can put a family in debt, steal the Lord’s money, and transfer dependence to the world.

One of your best insurance assets is to have a trustworthy agent in charge of your program. A good insurance agent is usually one who can select from several different companies to provide you with the best possible buy and who will create a brief, uncomplicated plan to analyze your exact needs.

E. Debts (5 percent of net income)

It would be great if most budgets included 5 percent debts or less. Unfortunately, the norm in American families is far in excess of this amount. As previously discussed, credit cards, bank loans, and installment credit have made it possible for families to go deeply into debt.

What things can you do once this situation exists?

- Destroy all credit cards as a first step.
- Establish a payment schedule that includes all creditors.
- Contact all creditors, honestly relate your problems, and arrange an equitable repayment plan.
- Buy on a cash basis, and sacrifice your wants and desires until you are current.

F. Entertainment/Recreation (6 percent of net income)

We are a recreation-oriented country. That is not necessarily bad if put in the proper perspective. But those who are in debt cannot use their creditor's money to entertain themselves.

The normal tendency is to escape problems, even if only for a short while—even if the problems then become more acute. Christians must resist this urge and control recreation and entertainment expenses while in debt.

What a terrible witness it is for a Christian who is already in financial bondage to indulge at the expense of others. God knows we need rest and relaxation and, once our attitude is correct, He will often provide it from unexpected sources. Every believer, whether in debt or not, should seek to reduce entertainment expenses. This usually can be done without sacrificing quality family time.

Recreation Hints

- Plan vacations during “off seasons” if possible.
- Consider a camping vacation to avoid motel and food expenses. (Christian friends can pool the expenses of camping items.)
- Select vacation areas in your general locale.
- Use some family games in place of movies (like some of those unused games received at Christmas).
- To reduce expenses and increase fellowship, consider taking vacation trips with two or more families.
- If flying, use the least expensive coach fare (i.e., late night or early morning usually saves 10 percent to 20 percent).

G. Clothing (5 percent of net income)

Many families in debt sacrifice this area in their budget because of excesses in other areas. And yet with prudent planning and buying your family can be clothed neatly without great expense. This requires effort on your part in terms of:

1. Saving enough money to buy without using credit.
2. Educating family members on care of clothing.
3. Applying discipline with children to enforce these habits.
4. Developing skills in making and mending clothing.

Learn to be utilizers of resources rather than consumers. How many families have closets full of clothes they no longer wear because they are “out of style”?

Many families with large surplus incomes spend excessively in the area of clothes. Assess whether it really matters that you have all of the latest styles. Do your purchases reflect good utility rather than ego? Do you buy clothes to satisfy a need or a desire?

Budget Hints

- Make as many of the clothes as time will allow. (Average savings is 50 percent to 60 percent.)
- Make a written list of clothing needs and purchase during the “off” season when possible.

- Select outfits that can be mixed and used in multiple combinations rather than as a single set.
- Frequent the discount outlets that carry unmarked name-brand goods.
- Shop at authentic factory outlet stores for close-out values of top quality.
- Select clothing made of home washable fabrics.
- Use coin-operated dry cleaning machines instead of commercial cleaners.
- Practice early repair for damaged clothing.
- Learn to utilize all clothing fully (especially children's wear).

H. Savings (5 percent of net income)

It is important that some savings be established in the budget. Otherwise, the use of credit becomes a lifelong necessity and debt a way of life. Your savings will allow you to purchase items for cash and shop for the best buys, irrespective of the store.

Savings Hints

- Use a company payroll withdrawal, if possible. This removes the money before you receive it.
- Use an automatic bank withdrawal from your checking account.
- Write your savings account a check just as if it were a creditor.
- When an existing debt is paid off, allocate any extra money toward the next largest debt. When all consumer debt is paid off, then reallocate that money to savings.

I. Medical/dental expenses (4 percent of net income)

You must anticipate these expenses in your budget and set aside funds regularly; failure to do so will wreck your plans and lead to indebtedness. Do not sacrifice family health due to lack of planning; but, at the same time, do not use doctors excessively. Proper prevention is much cheaper than correction.

You can avoid many dental bills by teaching children to eat the right foods and clean their teeth properly. Your dentist will supply all the information you need on this subject.

Many doctor bills can be avoided in the same way. Take proper care of your body through diet, rest, and exercise, and it will respond with good health. Abuse your body and you must ultimately pay through illnesses and malfunctions. This is not to say that all illnesses or problems are caused by neglect, but a great many are.

Do not be hesitant to question doctors and dentists in advance about costs. Also, educate yourself enough to discern when you are getting good value for your money. Most ethical professionals will not take offense at your questions. If they do, that may be a hint to change services.

In the case of prescriptions, shop around. You will be amazed to discover the wide variance in prices from one store to the next. Ask about generic drugs. These are usually much less expensive and are just as effective.

J. Miscellaneous (variable expenses) (5 percent of net income)

These can include a myriad of items. Some of the expenses occur monthly and others occur on an as-needed basis (such as appliances).

One of the most important factors in home expenses is you. If you can perform routine maintenance and repair, considerable expenses can be avoided. Many people rationalize not doing these things on the basis that time is too valuable. That is nonsense. If every hour of the day is tied up in the pursuit of money, as previously defined, then you're in bondage.

A part of care and maintenance around the home relates to family life, particularly the training of children. When they see mom and dad willing to do some physical labor to help around the home, they will learn good habits. But if you refuse to get involved, why should they? Where will they ever learn the skills of self-sufficiency?

Some men avoid working on home projects because they say they lack the necessary skills. Well, those skills are learned, not gifted. There are many good books that detail every area of home maintenance. As previously mentioned, at some point in the future many of these skills will be necessities rather than choices.

K. School/Child Care (6 percent of net income)

(If this category is used, other categories must be adjusted downward a total of 6 percent.)

An ever-increasing segment of our population has expenses for private school and/or childcare. This category must reflect those expenses. All other categories must be reduced to provide these funds.

L. Investments (5 percent of net income)

Individuals and families with surplus income in their budgets will have the opportunity to invest for retirement or other long-term goals. As debt-free status is achieved, more money can be diverted to this category.

M. Unallocated Surplus Income

Income from unallocated sources (garage sales, gifts) can be kept in one's checking account and placed in this category. This category is also useful for recording income information for tax purposes.

VII. Variable Income Planning

Families with variable monthly incomes need budgets even more than families on fixed salaries. Many people with fluctuating incomes get trapped into debt because they borrow during lean months and spend what they make during high-income months, rather than repaying what they previously borrowed. *A prudent man sees evil and hides himself, the naive proceed and pay the penalty. (Proverbs 27:12)*

Living on a fluctuating income can be very deceiving—and difficult. Months of high income can easily be construed as a windfall profit. To properly budget a variable income you must

conservatively estimate what your annual income is likely to be, divide that by 12, and then develop your monthly budget based on that amount. You should put all your income into a savings account and withdraw your average monthly salary from that account each month.

This method will allow surplus funds from higher income months to accumulate in the savings account to cover budgeted expenses during months of lower income. This is not hoarding; it is planning according to Proverbs 6:6-8: *“Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest.”*

Monthly Budget Made Simple

Categories	Budgeted Amount	Actual Cost	Difference
Tithe	\$	\$	\$
Housing	\$	\$	\$
Insurance	\$	\$	\$
Electricity	\$	\$	\$
Gas	\$	\$	\$
Water	\$	\$	\$
Sanitation	\$	\$	\$
Phone	\$	\$	\$
Assessment fees	\$	\$	\$
Food	\$	\$	\$
Car/Gas	\$	\$	\$
Dining Out	\$	\$	\$
Day Care	\$	\$	\$
Vacation	\$	\$	\$
Entertainment	\$	\$	\$
Clothing	\$	\$	\$
Savings	\$	\$	\$
Medical	\$	\$	\$
Household needs	\$	\$	\$
Animal expenses	\$	\$	\$
Gifts	\$	\$	\$
Irregular Expenses	\$	\$	\$
MISC	\$	\$	\$
TOTAL	\$	\$	\$

VIII. Money Saving Tips:

- Check out Restaurant.com or Groupon.com for coupons or special deals. You could also purchase a local Entertainment book.
- Choose water at a restaurant instead of another beverage and skip the appetizer and dessert.
- Consider re-financing to a lower rate; look into the new government programs and lower interest rates.
- Pay off your credit card each month so you do not have to pay interest.
- Call your credit card company and negotiate a lower interest rate.
- Unplug household items that you do not use regularly.
- Switch light bulbs to LED's.
- Cut coupons and see if your local grocery store price matches with sales ads.
- Get rid of your cable television.
- Give up expensive habits like your daily coffee or smoking.
- Buy used. Used cars, thrift stores, garage and yard sales are a great way to save money while still buying quality items.
- Install a programmable thermostat.
- For entertainment check out your local town or county websites to see what events may be going on in your city for free.
- Use your library to rent books and DVD's at no charge.
- Slow down your internet service to save money each month.
- If you mainly use your cell phone consider getting rid of your house phone.

Some Free Budgeting Websites

www.crown.org

www.mint.com

www.budgettracker.com

www.budgetpulse.com