

VI. Prepare for your financial future – save.

A. Money myths.

- 1. I don't have a large estate, so I don't need a will.**
- 2. I don't need health, disability, or life insurance because I trust God.**
- 3. It is better to buy insurance which is an investment with cash value, rather than just paying for term insurance.**
- 4. It is smart to buy extended warranties on electronic products in case they break.**
- 5. The best insurance has little or no co-pays or deductibles.**
- 6. I don't need to save for retirement because I will be receiving Social Security.**
- 7. I don't need to save for retirement because I plan to work until the day I die.**
- 8. Professional financial advisors can be trusted to give me sound advice, especially if they are friends.**

B. Buy insurance so that you can be prepared to meet your obligations even in calamity.

- 1. Is insurance unbiblical? Prov. 21:5 22:3 I Tim. 5:8**
- 2. Insurance spreads risk among many policyholders. Pr. 10:15**
 - a. When unlikely catastrophe happens to one policy holder, the premiums of the others pay for it.**
 - b. Insurance companies are not a charity to help you avoid paying what you owe (i.e. maternity). They have to collect enough in premiums to pay out claims.**
- 3. Health insurance guards against catastrophic medical expenses.**
- 4. Life insurance meets the needs of your family by replacing your income if you die. II Ki. 4:1-7 I Tim. 5:8**
 - a. A general rule would be at least ten times present income.**
 - b. My advice would be to buy 20 year level premium term life insurance .**
 - c. My advice would not be to buy insurance as an investment -- whole life, etc. You will do better buying term insurance and investing the rest on your own.**
 - d. Don't cancel one policy until you have a new policy in place.**
 - e. Do you need to insure a spouse who doesn't work outside the home?**
- 5. Long-term disability insurance is important because you are more likely to be disabled than to die before retirement age.**
- 6. Auto insurance and homeowners insurance protect your property from theft and damage and your financial assets from liability.**
- 7. Save money by having the highest deductibles and co-pays you can afford.**
- 8. Other forms of insurance: long term care, identity theft.**
- 9. Insurance to avoid – extended warranties, credit card protection, dread disease policies, accidental death, burial, mortgage insurance.**

C. Anticipate future expenses or financial crises through saving. Pr. 6:8 30:24-25 21:20

- 1. Disciplined accumulation of savings is wise. Prov. 13:11 28:20**
 - a. Forego pleasure now for the sake of the future.**
 - b. Consider the opportunity cost of what you want to spend now.**
- 2. First, establish an emergency fund (\$1000 minimum).**
- 3. Then, save for future major purchases (car, home repair, appliances, furniture).**
- 4. During times of prosperity, prepare for possible lean years in the future by keeping 3-6 months expenses in savings. Gen. 41:28ff**
- 5. Prepare for your children's education.**
- 6. Plan for your retirement.**
- 7. How much saving is too much (hoarding)? Luke 12:16-21**

D. Invest wisely.

1. Savings (i.e. emergency fund) which could be needed at short notice should be kept safe and liquid (i.e. insured bank or money market account).
2. Longer term funds (i.e. retirement) can be invested more aggressively.
 - a. You can ride out the ups and downs of the market.
 - b. Equities (stocks) tend to produce a better return over long periods of time.
3. Investment risk tends to increase with anticipated return.
4. Diversify your investments. Ecc. 11:2,6
5. Never invest in anything you don't understand.
6. Beware of "get rich quick" schemes and other investment scams! Pr. 13:11 28:19-20,22 15:27 27:12 Ecc. 5:13-14
7. People fall for scams because of greed, pride and envy. I Tim. 6:9 Ps. 73:3
8. Apply wisdom and seek godly counsel. Pr. 15:22 18:15
9. Beware of financial advisors (salesmen) who may have a conflict between your interests and theirs. Pr. 22:3
 - a. What is the person who is selling this investment getting out of this transaction? (front end loads, commissions, fees, expenses, back end loads)
 - b. Don't be rushed into a decision. Sleep on it. Seek counsel.
10. If you need professional financial advice it is better to pay for the advice and make no-load/fee investments than to be steered into high commission investments.
11. Beware of investing with friends and family!

E. Types of investments

1. Lending money to others: bonds and CDs.
 - a. How can you make money in bonds and CDs?
 - (1) The primary way these benefit you is through interest.
 - (2) Interest rates are higher for longer term bonds and riskier bonds (junk).
 - (3) A bond can increase in value if interest rates drop.
 - b. What are the risks?
 - (1) Default risk.
 - (2) Inflation and higher interest rates will reduce the market value of a bond.
 - c. Present interest rates are extraordinarily low, thereby punishing investors and helping debtors.
 - d. Because rates are likely to rise with inflation, short term bonds and CDs are much safer investments than long term.
 - e. Is it unbiblical to take interest from others? It is wrong to take advantage of your brothers' desperate need, but it is not wrong to receive investment interest. Lu. 19:23 Ex. 22:25 Ps. 37:26 15:5 Dt. 23:19-20 Pr. 28:8 Lev. 25:35ff Neh. 5:4,7
2. Equities/Stocks in which you own a fraction of a corporation.
 - a. How you can make money in stocks?
 - (1) Price appreciation as the company prospers.
 - (2) Dividends (sharing in earnings).
 - b. What are the risks?
 - (1) The company in which you invest can fail.
 - (2) The overall market can drop.
 - c. Different kinds of stocks have different risks and potential returns – blue chips, growth, small and mid-cap, international, emerging markets, etc.
 - d. Stocks have returned significantly more than bonds over time; but they are more volatile which makes them better for long term investing.
3. Precious metals – gold and silver. Hag. 2:8 Mt. 6:19
 - a. Possible benefits of owning precious metals.

- (1) Tangible hedge against the inflation of paper money.
 - (2) Doomsday scenario.
 - b. Risk. Mt. 6:19
 - (1) The price can drop (a bursting bubble).
 - (2) Confiscation.
 - (3) Theft.
 - (4) Illiquidity.
 - (5) You get no interest or return. Are you burying your talents? Mt. 25:15ff
 - c. The conventional wisdom is to put 5-10% of your long term savings into precious metals.
 4. Other investments: real estate, annuities, currency trading, futures etc.
- F. Other practical investment issues.**
1. In addition to buying individual stocks and bonds, one can buy mutual funds which pool the money of many investors and spread risk.
 - a. Each mutual fund has its own focus: stocks, bonds, (even real estate) or a mix.
 - b. Watch carefully the fees and expenses of mutual funds.
 2. You can put your long term investments into tax-advantaged retirement accounts (IRA, 401k, 403b etc.).
 - a. A normal IRA, 401K, or 403b allows you to defer tax payments until you withdraw the money upon retirement.
 - b. Roth IRA allows you to pay the tax now and then to withdraw the money upon retirement, including the appreciation, tax-free.
 - c. Your retirement account can be held in a bank or with a mutual fund.
 - d. If your company offers to match your retirement contribution. take it.
 3. It is wise to gradually move in or out of more risky investments (i.e. stocks and commodities) and to re-balance your investments periodically.
 4. Social Security and Medicare may help, but don't rely upon these programs.
 5. Defined benefit retirement plans are rare in the private sector, but still common among government workers.
 6. Wise saving and investing will enable you to do more for the Lord.
 7. You can save money on taxes by giving appreciated assets to charity (i.e. stocks).
 8. Your ultimate security is in the Lord, not your earthly assets. Luke 12:13ff
- G. Make a will.**
1. Who will finish raising your children?
 2. Will your (the Lord's) assets be distributed according to your desires?
 3. Leave an inheritance to your children. Pr. 13:22 19:14 20:21 II Co. 12:14
 - a. First you had better train them how to acquire, spend, and save money.
 - b. Must you treat your children equally?
 4. You may want to include your church or favorite charities in your will.
 5. Provide direction to those who will settle your affairs.
- H. Create a legacy drawer – cover letter, will and trust, list of financial accounts, insurance policies, passwords, and other important documents.**
- I. Investment exercise.**
1. Calculate your net worth.
 2. Evaluate your insurance risks.
- J. Case study: The naive believes anything.**

VII. Concluding applications.

- A. Make it your goal to be wise, not rich! 23:4-5 19:1 28:6,22 8:10-11 15:16-17 16:16**
 - 1. Material things will never satisfy you. Ecc. 5:10, 15**
 - 2. Seek wisdom and your financial needs will be met. Mt. 6:33 He. 13:5-6 Ps. 34:10**
 - 3. Be rich toward God. Luke 12:21**
- B. You can't take it with you. II Pet. 3:10-13 Ecc. 5:15 Mt. 6:19-21**
- C. Remember our Lord Jesus Christ Who paid your debt. II Co. 8:9**

VIII. Appendix.

A. Recommended resources

- 1. "Money Possessions and Eternity," by Randy Alcorn.**
- 2. "The Total Money Makeover," by Dave Ramsey.**
- 3. "Financial Peace Revisited," by Dave Ramsey.**
- 4. "Your Money Map," by Howard Dayton (Crown Ministries).**
- 5. "Money: God or Gift", by Jamie Munson.**
- 6. "Family Money Matters", by John Temple (Day One).**
- 7. "48 Days to the Work You Love," by Dan Miller.**
- 8. "What Color is Your Parachute?" by Richard N. Bolles.**
- 9. "Your Career in Changing Times," by Lee Ellis and Larry Burkett**
- 10. Crown Ministries www.crown.org (free articles, online calculators and forms).**
- 11. Dave Ramsey www.daveramsey.com (Some free tools, but some cost money).**
- 12. www.mint.com free budgeting and financial record keeping online.**

B. Dave Ramsey's baby Steps to financial freedom.

- 1. Save \$1000 cash as a starter emergency fund.**
- 2. Start paying off your debt using the debt snowball.**
- 3. Finish the emergency fund – 3 to 6 months expenses saved.**
- 4. Invest 15% of your income in retirement.**
- 5. Invest/save for college**
- 6. Pay off your home mortgage.**
- 7. Build wealth and give.**

C. Crown Ministries Money Map.

- 1. Destination 1: Saving for Emergencies.**
- 2. Destination 2: Your Spending Plan.**
- 3. Destination 3: Consumer Debt Paid Off.**
- 4. Destination 4: Saving for Major Purchases.**
- 5. Destination 5: Investing.**
- 6. Destination 6: Planning Your Estate.**
- 7. Destination 7: True Financial Freedom.**

D. Money issues at various stages of life.

- 1. College - avoid student debt, don't use credit cards, start working with a budget (to establish a lifelong habit).**
- 2. Young Adult – pay off student debt, live modestly (budget), establish career, start saving for retirement (compounding), save to buy a home and for kids' college.**
- 3. Middle Age - seek to pay off house, get retirement savings in order, don't wipe out savings paying for kids' college.**
- 4. Retirement – move your retirement assets into more conservative/safe investments, live carefully within your budget, be generous with your time and resources.**