**Introduction:**

**Here are the Key principles for today’s lesson:**

**Principle #1 The wise** \_\_\_\_\_\_\_\_\_\_\_\_\_ **while the foolish** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**:**

Pr 21:20 *There is* treasure to be desired and oil in the dwelling of the wise; but a foolish man spendeth it up.

**Principle #2 Debt equals** \_\_\_\_\_\_\_\_\_\_\_\_\_**:**

Pr 22:7 The rich ruleth over the poor, and the borrower is servant to the lender.

 A. Consider the facts about debt in our society today:

58% Males

66% Females

87% Single Moms

List \_\_\_\_\_\_\_\_\_\_\_\_\_ as the #1 stress factor in their lives!

B. Now Americans carry an average credit-card balance of $16,061 per household.

1. The average household has 10 credit cards.
2. The average interest rate is 15.7 -18%.
3. If your credit card balance is $8,000.00, and you make the minimum monthly payment at 18% interest, it will take you 25 years, 7 months to pay off the debt. You will also pay $15,432 in interest charges (almost twice the balance), bringing your total to $23,432.
4. If you didn’t have your credit card payment of $218 a month, and instead you invested that money in a 12% savings plan (historical stock market return), you could retire in 25 years with $1.3 Million saved.
5. **TRAGEDY**: Christian households fail financially due to high debt at nearly the same rate lost world, even though **Bible teaches foolproof debt management principles**!

## Learn God’s view of taking on debt

A. Biblical Debt

1. Debt is frequently discussed in the Bible, never strictly forbidden, is also not once encouraged.
2. The Bibles direction to avoid borrowing is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ not commandment
3. Remember - Biblical principals do not define sin – are God’s attempts to keep us on track - out of trouble
4. Breaking Biblical principals does not result in punishment, it results in \_\_\_\_\_\_\_\_\_\_\_\_\_ consequences for our Bad Choices
5. Debt causes turmoil in Christian families = Satan at work to slow God’s plan

B. Gods overall statement about debt:

1. Pro 22:7 The rich ruleth over the poor, and the borrower *is* servant to the lender.

C. The borrower WAS servant:

1. **Biblical borrowing** is where you borrow and can pay back the money as scheduled and, are certain that if necessary, you could cash out and payback the entire debt

\_\_\_\_\_\_\_\_\_\_\_\_\_.

1. The important issue is not the debt, it is \_\_\_\_\_\_\_\_\_\_\_\_\_

**Most Important Question:** Can you at any time answer God’s call to drop everything in your present life to serve God some where else without being bound by debt?

### II. See the reasons why people over borrow !

A. No self control = easier to borrow than say no

B. Lack of trust – We Too often we borrow first without even asking God.

1. Lack of education on good buying practices- decision making is a learned skill.

D. Sophistication of Marketing

E. Due to Covetousness

1. Webster’s Definition covetous:

 **M**arked by **inordinate desire** for wealth or possessions

 or for another's possessions

or **H**aving a craving for possession <covetousof power>

Covetousness is all about our **attitude, and not the stuff its self**.

F. Covetousness is Sin

1. The passages we are about to read are known for their direction about fornicators and … but focus on what it says about covetousness: 1 Cor 5: 9-11
2. The sin of covetousness is so bad that God says that we should not even be hanging out with covetous people. Eph 5:3, Col 3:5, Luk 12:15 , Rev 3:14, Psa 10:3 , Eph 5:5, Pro 28:16 , Ecc 12:13
3. Personal application;

If you are a person given over to Covetousness – repent!

Put OFF \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_!

G. See that the opposite of Covetousness is Contentment: 1Ti\_6:6, Phil 4:11

### III. Normal Debt in America:

 Look At how most Americans live and how debt controls their lives: (conservative figures)

|  |  |  |  |
| --- | --- | --- | --- |
| **Approximate figures** | **Debt** | **Interest Payment YR** | **Interest Payment mo** |
| **Median house (Midwest) $880 payment 30 yr** | **205,000-20% DP=164,000** | **5,759.57 /yr** | **479 (ave)** |
| **2nd mortgage @ 7%** | **8200** | **574** | **47** |
| **Car (20K 60 mo 7%)** | **20,000** | **753** | **62** |
| **Credit Cards Debt @ 18%**  | **8400** | **1512** | **126** |
| **Student loans** | **26,600** | **1001** | **83** |
| **Total Interest Paid** |  | **10600** | **$797** |
| **Total Interest - no house payment** |  | **4841** | **$318** |

* 1. Americans average $ 51,939 income / household = means after tax truly spendable = $38,900 /yr = $3246 / month spendable income.
	2. If $797 per month goes to interest, we get to spend only $2449 on our living needs!
	3. Which makes it easier to live $3246/mo or $2449/mo? $800 / mo = $200 per week difference!
	4. Our average monthly interest now equals a 33% **CUT** in spendable income!
	5. This is the same as making only $36,700 gross / not paying interest – instead of $52,000.
	6. From my counseling experience we see the worst forms of debt among them are:
		1. Student loan debt
		2. Car loans
		3. Credit Card debt
		4. Home equity loan debt – almost always tied together with credit card debt
	7. These 4 things hold people perpetually in the lower class, or lower middle class!!

 **99% VS. 1%** **But few are telling the truth why -**

* 1. Rich = few Americans who are staying out of debt & are investing and building wealth (God’s way)

Pr 21:20 *There is* treasure to be desired and oil in the dwelling of the wise

Pro\_13:22 A good man leaveth an inheritance to his children's children:

* 1. Poor = those sunk in debt and wasting 1/3 or more of their income on interest …. and investing almost nothing. (Satan’s Covetous Way). Pr 21:20
	2. If that same family above had no interest payments except the house, that $4841 per year for 35 years of marriage would add up to $145,180
	3. If invested in a 401K or mutual funds and got 8% that $4841 per year would grow to a fantastic $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_!

**IV. 8 Steps to Financial Peace:**

Dave Ramsey – very biblical very actionable steps that work – I added the first essential one

1. Give God His share first –Tithe - ALWAYS
2. $1000 Emergency Fund
3. Pay off all debt but the house – smallest to largest debt – emotion – not math!
4. 3-6 months living expenses – rainy day fund – most laid off at some time in life
5. Invest 15% of household income into Roth IRA’s and pre-tax retirement like 401K’s at work – start as early as possible.
6. College Funding - $11,000 per year state school.
7. Pay off Home Early – yields unbelievable financial freedom
8. Build Wealth!

**III. 2 types of borrowing discussed in the Bible:** Borrowing for your own needs, and pledging to pay a debt when someone else fails to pay it.

A. Scriptural borrowing for your self:

1. This is where you \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, control the asset, and could raise the money to payback the debt if you had to. (Remember the goal is to stay out of bondage)

a. Examples: Land, House

b. God’s Minimum standard for biblical Borrowing, PS 37:21, Rom 13:8

c. Falling behind in payments is also breaking a pledge and therefore also wrong.

**2. Wrong way to borrow** = borrow money but have no way to pay it back if it became necessary to do so. (Wrong - risk of being \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to someone other than God)

**a. Examples:**

Student loans, Credit card debt exceeding the cash value, 125% home equity loans

Owe more than a car is worth (upside down).

##### B. Surety

1. Surety is making \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ debt sure (or guaranteed) so God says watch out! Pro 17:18, Pro 11:15

a. Only sign if you would \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ anyway

## Biblical Borrowing

A. \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ – Homes – Can’t have a reasonable one without debt

1. Make a down payment that makes you “sure”. Make certain to put down enough that you could still sell your property at the “worst case imaginable market value” = 20%
2. Buy a house under your maximum purchasing limit based on your income. (Use Restraint)

Most financial lenders will lend you up to 40% of your monthly net income – when 30% is the maximum recommended for a balanced budget in most **“AVERAGE”** Christian families.

Plan for worst case - 1 spouse looses a Job, One gets an Illness, Baby that must have Mom at home.

1. Make a plan to completely pay it off. Pay it off early if possible.

4. Buy the proper amount of insurance to keep you “Sure” in the event of a fire, flood, other disaster.

### B. Cars –I personally don’t think cars should be purchased on credit. Horrible investment! Decision is between you and the HS.

1. Determine if you really need a different car. Good cars will go 250K miles!

2. Buy insurance to prevent loss above that which you can easily cover.

 Do not buy comprehensive only unless you can kiss the car goodbye and not miss it.

3. Buy a car that fits into your budget not your ego

C. Student Loans

1. Student Loan Facts:
2. $1.26 trillion in total U.S. student loan debt
3. 44.2 million Americans have student loan debt
4. 1 out of 6 student loans is in default
5. Average monthly student loan payment (for borrower aged 20 to 30 years): $351
6. 66 percent of graduates from public colleges had loans (average debt of $25,550)
7. Dissatisfaction with Student loans:
8. Students who graduate with excessive debt are about 10% more likely to say that it caused delays in major life events, such a buying a home, getting married, or having children.
9. They are also about 20% more likely to say that their debt influenced their employment plans, causing them to take a job outside their field, to work more than they desired, or to work more than one job.
10. They are also much more likely to say that their undergraduate education was not worth the financial cost!
11. Why the Problem Exists:
	1. Student loans are the result of demand on government BY UNIVERSITIES (not students).
	2. A (false) belief that universities cannot exist without student loan income (they did for over 100 years).
	3. A belief by government and universities that tuition can continue to rise as long as student loans are available to cover it.
	4. Student loan policies are set by school needs, not the student’s needs and best interest.
	5. Student loan terms are set by the legislator, not the financial market.
	6. Unlike every other loan, there is no check and balance to assure that the degree (investment) will result in the likelihood of a high enough income to pay the debt back.
	7. A very false belief by most students that 4 year degree will result in a \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_.

Very True – if MD, MBA, engineer

Completely False - if anthropologist, social worker, many teachers…..

College at any cost does not equal financial success for many people who take out student loans

1. Student Loan Examples
2. Better way –

Work and night school

Junior College - $2,100 per year + can live at home, KU $8,600 Tuition + living

Work + Scholarships – Leslie

Employer paid – many companies will reimburse

Student loans are completely presuming on God in the future and are a bad way to go.

My advice – avoid student loans like the plague!!