

**WEEK 3 – The MONEY Plan***(Excerpts taken from “Total Money Makeover”, Ramsey)*

The key to your success over the coming weeks and long-term is for you to identify obstacles that will keep you from staying debt free, saving money, and being financially sound as you desire to be found a faithful steward of God’s resources and in the center of God’s will.

**Obstacle #1: YOU**

You are going to be your worst enemy. Why do you care what others think about you?

**James 1:23** For if any be a hearer of the word, and not a doer, he is like unto a man beholding his natural face in a glass: 24 For he beholdeth himself, and goeth his way, and straightway forgetteth what manner of man he was. 25 But whoso looketh into the perfect law of liberty, and continueth therein, he being not a forgetful hearer, but a doer of the work, this man shall be blessed in his deed.

**Proverbs 29:7** The righteous considereth the cause of the poor: but the wicked regardeth not to know it.

**Obstacle #2: How you VIEW debt**

You already have pre-determined perspectives and attitudes about debt – as you say, *“I am not in that bad of shape.”*

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

**1 Cor 7:23** Ye are bought with a price; be not ye the servants of men.

**Matthew 6:24** No man can serve two masters: for either he will hate the one, and love the other; or else he will hold to the one, and despise the other. Ye cannot serve God and mammon.

**Obstacle #3: DENIAL**

You will try to lie to yourself about your real need for a *total money makeover*.

**Jeremiah 17:9** The heart is deceitful above all things, and desperately wicked: who can know it?

**Malachi 3:8** Will a man rob God? Yet ye have robbed me. But ye say, Wherein have we robbed thee? In tithes and offerings.

**Obstacle #4: Your FAMILY and FRIENDS**

You will try to do what is right, and others that you love and trust will try to hold you back.

**Job 42:7** And it was so, that after the LORD had spoken these words unto Job, the LORD said to Eliphaz the Temanite, My wrath is kindled against thee, and against thy two friends: for ye have not spoken of me the thing that is right, as my servant Job hath.

**Theme song: If you live like no one else, later you can live like no one else.**

Please make sure you are taking time to review what we are covering so that this can really sink in. There may be some extra cleansing of the brain that needs to happen due to the world's radically **AGGRESSIVE** approach to debt and the all-out marketing of it at the earliest stages in life.

Ex. “*Fun Shopping Barbie*” – Visa, Customer loyalty – to the first credit card

For most people, the single greatest opportunity to save money is going to be driven by **INCOME**. Therefore, the key to saving money is keeping as many things from taking your income as possible.

The main drags on income for most people are **CAR** payments, **STUDENT** loans, and **CREDIT CARDS**.

### DEBT MYTH Busters

**Myth**            **Debt is a tool and should be used to create prosperity.**

**Truth**            **Debt adds considerable risk, most often doesn't bring prosperity, and isn't used by wealthy people nearly as much as we are led to believe.**

Given time, a lifetime, risk will destroy the perceived returns purported by the myth sayers.

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

Who are you going to believe – God or some broke finance professor?

**Myth**            **If I loan money to friends or relatives, I am helping them.**

**Truth**            **If I loan money to a friend or relative, the relationship will be strained or destroyed. The only relationship that would be enhanced is the kind resulting from one party's being the master and the other party a servant.**

You will change the spiritual dynamic of relationships when you loan loved ones money.

**Myth**            **By co-signing a loan, I am helping a friend or relative.**

**Truth**            **Be ready to repay the loan; the banks wants a co-signer for a reason, which is that they don't expect the friend or relative to pay.**

If debt is the most aggressively marketed product in our culture today, if lenders must meet sales quotas for “loan production,” if lenders can project the likelihood of a loan's going into default with unbelievable accuracy – there is little doubt that this is not a good idea.

**Prov 17:18** A man void of understanding striketh hands, and becometh surety in the presence of his friend.

There is **POWER** in the Word!

Bible Baptist Church – Bible Study – Page

**Myth**      **Cash Advance, Payday Loans and Rent-to-Own are needed to help lower-income people get ahead.**

**Truth**      **These rip-off examples of predatory lending are designed to take advantage of lower income people and benefit only the owners of the companies making the loans.**

The lending rates on these types of operations are over 100% interest!

**Myth**      **“Ninety days same as cash” equals using other people’s money for free.**

**Truth**      **Ninety days is not the same as cash.**

- 1) Cash is king in any retail operation – try to bargain with it.
- 2) Most people don’t pay off the debt in the allotted time – nationally 88% of these convert to debt at 24-38% retroactive to the purchase date.

**Matthew 6:34** Take therefore no **thought for the morrow**: for the morrow shall take thought for the things of itself. Sufficient unto the day is the evil thereof.

**Myth**      **Car payments are a way of life; you will always have one.**

**Truth**      **Staying away from car payments by driving reliable used cars is what the average millionaire does; that is how he or she became a millionaire.**

Taking on a car payment is one of the dumbest things that people do to destroy their chances of saving money. The car payment is most people’s largest payment except for their home mortgage, so it steals more money from the income than virtually anything else. *According to USA Today*, the average car payment is \$378 over 55 months. As soon as a car is paid off, they get another payment because they “need” a new car. If you invested \$378 per month from age 25 to age 65 (normal working lifetime) in a mutual fund getting 12%, you would have \$4,447,084.01 at age 65. Hope you like the car!

An alternative plan = put 10 months of payments in a cookie jar – and buy a \$4,000 car.

**Myth**      **Leasing a car is what sophisticated people do. You should lease things that go down in value and take the tax advantage.**

**Truth**      **Consumer advocates, noted experts, and a good calculator will confirm that the car lease is the most expensive way to operate a vehicle.**

*Smart Money* magazine quotes the NADA as stating the average new car purchased for cash makes the dealer an \$82 profit. If they finance the car, they make an average \$775. If they lease the car, they can sell the lease for an average \$1,300.

**Myth**            **You can get a good deal on a new car at 0 % interest.**

**Truth**            **A new car loses 60 % of its value in the first four years, that isn't 0%.**

A new \$28,000 car will lose about \$17,000 of value in the first four years you own it. That is almost \$100 per week in lost value. To understand what I'm talking about, open your window on your way to work once a week and throw out a \$100 bill.

The average millionaire drives a two-year-old car with no payments.

**Myth**            **You should get a credit card to build your credit.**

**Truth**            **You won't use credit with your Total Money Makeover, except maybe for a mortgage, and you don't need a credit card for that.**

You can get a mortgage if you have lived right. If you find a mortgage company that does actual underwriting, you can qualify for a Conventional fifteen-year fixed-rate loan if:

- You have paid your landlord early or on time for two years.
- You have been in the same career field for two years.
- You have a good down payment, which is more than "nothing down."
- You have no other credit, good or bad.
- You are not trying to take too big a loan. A payment that totals 25 percent of take-home is conservative and will help you qualify.

**Myth**            **You need a credit card to rent a car, check into a hotel, or buy on-line.**

**Truth**            **A debit card will do all that.**

There is only one thing the debit card won't do: get you into debt.

**Myth**            **The debit card has more risk than a credit card.**

**Truth**            **Nope.**

Visa's policy for credit cards is the same for debit cards – based on their regulations.

**Myth**            **If you pay off your credit card every month, you get the free use of someone else's money.**

**Truth**            **CardTrak says 60 % don't pay off their credit cards every month.**

Any questions? If you play with snakes, you will get bitten. A study by Dunn and Bradstreet showed that the credit-card user spends 12 to 18 percent more than those who use cash.

**Myth**            **Everything will be fine when I retire.**

**Truth**            **Ed McMahon isn't coming.**

You have to invest in your future.

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

**Myth**            **Gold is a good investment and will cover me if the economy collapses.**

**Truth**            **Gold has a poor track record and isn't used when an economy collapses.**

Over the past 50 years, gold has proven to return around 4 % per year – about the same as inflation. If the economy collapses, history shows that people go back to the system of bartering or trading goods and services.

**Myth**            **I can get rich quickly and easily if I join these groups, buy this tape set, and work three hours a week.**

**Truth**            **No one develops and makes a six-figure income on three hours a week.**

As a younger man, I often fell prey to this type of garbage. If you are buying into this stuff, you are heading for **PAIN** and loss – and so are your friends.

*Proverbs 23:4      Labour not to be rich: cease from thine own wisdom.*

**Myth**            **Cash Value life insurance, like Whole Life, will help me retire wealthy.**

**Truth**            **Cash Value life insurance is one of the worst financial products available.**

Do not invest money in life insurance – as an **INVESTMENT**. From an insurance perspective and protection for your family, ***you can spend much less money for term life insurance and get a much larger benefit to your beneficiaries.***

**Myth**            **Playing the Lotto and other forms of gambling will make you rich.**

**Truth**            **Lotto and Power Ball are a tax on the poor and people who can't do math.**

Have you ever seen those lines when the jackpot gets big? The Lotto is a rip-off instituted by our government. This is not a moral position; it is a mathematical, statistical fact. Studies show that zip codes that spend four times what anyone else does on lottery tickets are those in lower-income parts of town. Energy, thrift and diligence are how wealth is built – not luck.

*Proverbs 30:24, 25    There be four things which are little upon the earth, but they are exceeding wise: <sup>25</sup> The ants are a people not strong, yet they prepare their meat in the summer;*

*Proverbs 13:11      Wealth gotten by vanity shall be diminished: but he that gathereth by labour shall increase.*

**Myth**            **I don't have time to work on a budget or retirement plan.**

**Truth**            **You don't have time not to.**

Most people concentrate on the urgent in our culture. Please don't do what everyone else does on this topic. ***A budget is people telling their money where to go instead of wondering where it went.*** You have to make money behave, and a written plan is the whip and chair for the money tamer.

Most people spend more time picking out clothes than planning their careers or even their retirements. What if your **LIFE** depended on how you managed your money today, your 401k or whether you started saving your money? It does – ***the quality of your life in the future*** and at retirement depends on your money management today.

**EVERYONE** must budget – everyone!

**Myth**            **I can't afford insurance.**

**Truth**            **Some insurance you can't afford to be without.**

We all hate insurance, until we need it. We pay and pay and pay premiums, and sometimes we feel insurance poor. Some recommendations:

- Auto and Homeowner Insurance – choose higher deductibles in order to save on premiums. With high liability limits, these are the best buys in the insurance world.
- Life Insurance – purchase twenty-year level term insurance equal to about ten times your income. Term insurance is cheap and the only way to go; never use life insurance as a place to save money.
- Long-Term Disability – if you are thirty-two years old, you are twelve times more likely to become disabled than to die by age sixty-five. The best place to buy this is through work at a fraction of cost.
- Health Insurance – The number-one cause of bankruptcy today is medical bills; number two is credit cards. One way to control costs is to look for large deductibles to lower your premium.

## TWO MORE HURDLES

**Hurdle #1:**            **IGNORANCE** – No one is born financially smart.

In a culture that worships knowledge, to say ignorance of money is an issue makes some people feel defensive. Don't be defensive. It is not lack of intelligence, but lack of know-how. According to the Census Bureau, the average family in America makes about \$41,000. Even if they get a raise, ***the average family will make over \$2 million in a working life-time!*** And we teach NOTHING about how to manage this money in high schools and colleges.

**Hurdle #2:**            **KEEPING** up with *the Joneses* – The Joneses can't do math.

Peer pressure, cultural expectations, "reasonable standard of living" – I don't care how you say it, we all need to be accepted by our crowd and our families. This need for approval and respect drives us to do some really insane things. One of the paradoxically dumb things we do is destroy our finances by buying garbage we can't afford to try to make ourselves appear wealthy to others.

In *The Millionaire Next Door*, Tom Stanley writes that he found the average millionaire lives in a middle-class home, drives a two year old or older paid for used car, and buys jeans at Wal-Mart. In short, he found that the typical millionaire found infinitely more motivation from the goal of financial security than from what friends and family think. The need for approval and respect from others based on what they own was virtually nonexistent.

The typical Jones family that makes close to \$100,000 per year has this to show for it:

- \$400,000 house – and still owe \$390,000 – including the home equity loan used to furnish it
- Two \$30,000 LEASED cars
- \$50,000 in credit card debt
- \$25,000 left on a student loan – can't pay because they have no money

But, they have traveled well and dressed in high fashion. These people have a negative net worth, but they really look good. The parents are very impressed, and the siblings frequently stop to ask for money because they are “obviously doing well.”

They present the perfect picture of the American dream that has turned into a nightmare. Behind the perfect hair and the French manicure, there is a deep depression, a sense of futility, an unraveling marriage, and disgust with themselves.

They have a “dirty little **SECRET**.” The secret is that they are nowhere near as cool as they appear. They are broke and desperate, and no one knows it. Not only does no one know it, but everyone thinks the opposite is true.

Resistance of the heart is the real issue. We like our nice houses and nice cars, and selling them is painful. We also don't want to admit to everyone we have impressed that we are fakes. Yes, when you buy a big pile of stuff with no money and lots of debt, you are a financial fake.

Peer pressure is very, very powerful. Being real takes tremendous courage. We like approval, and we like respect, and to say otherwise is another form of denial. To wish for admiration can become a drug. Many of you are addicted to this drug, and the destruction to your wealth and financial well-being caused by your addiction is or will be huge.

**RADICAL** change in the quest for approval, which has involved purchasing stuff with money we don't have, is required for a money breakthrough. The courage to address what may seem like a small issue may be just enough to get things turned around in your life.

Are you going to be led into well-dressed poverty by peer pressure anymore?

Everyone has a weak spot – what is yours?

1 Timothy 6:6 But godliness with contentment is great gain.