

ISSUES OF LIFE



Personal Finance

September 21, 2022

TOPICS WE WILL BE **COVERING** TONIGHT

- *Money*
- *Tithing*
- *Spending*
- *Budgeting*
- ***Debt***
- ***Savings***
- ***Insurance***
- ***Investing***
- ***Preserving Assets***

QUESTIONS / COMMENTS

*We have budgeted time into the
end of each session.*



DOES GOD REALLY CARE ABOUT FINANCES?

*There are over **2,300 verses** related to money and possessions in the Word*

- ✓ Heaven = **550 verses**
- ✓ Eternal Life, Salvation, Everlasting Life = **201 verses**
- ✓ Repent, Repentance,... = **105 verses**

We are called by God to manage everything he has given to us

DEBT



Issues of Life

Personal Finance Sessions

Proverbs 22:7

The rich **ruleth over** the poor, and the
borrower is servant to the lender.

Romans 13:8

Owe no man any thing, but to love one another: for he that loveth another hath fulfilled the law.

IS IT REALLY SO BAD?

- *Auto and student loans **doubled** after the Great Recession*****
- *The average U.S. consumer debt sits at **\$92,727*******
 - ✓ The average consumer debt is the highest in the District of Columbia, at **\$148,041**.****
 - ✓ Mortgage alone makes up **70%** of all consumer debt.
- ***38%** of US households have credit card debt**
 - ✓ Avg household with credit card debt owes **\$16,883** and pays \$1,292 annually in interest alone*
 - ✓ Families in the top 10% of net worth carry a credit card balance of **\$12,890*****
 - ✓ 43 percent of Americans have been carrying a credit card balance **for over two years**.

*OPPU (<https://www.opploans.com/oppu/articles/scary-financial-facts/>)

** <https://radicalfire.com/scary-financial-statistics/>

***<https://moneyguy.com/2022/06/why-americans-are-actually-broke-2022-edition/>

****<https://mycreditsummit.com/american-consumer-debt-statistics/>

IS IT REALLY SO BAD?

- ***Americans have more personal debt than income****
 - ✓ The typical American family owes **\$155,038** in debt.
 - ✓ Avg American household's median income is **\$61,372**
- ***46% of Americans say their debt level creates stress****
 - ✓ Average debt in America is so high that **46% of Americans** report feeling upset at least once a month as a result of financial worries.
- ***Having children increases the likelihood of debt****
 - ✓ **51% of households** with children have credit card balances
 - ✓ Compared to 42% of families without children

[*https://mycreditsummit.com/american-consumer-debt-statistics/](https://mycreditsummit.com/american-consumer-debt-statistics/)

CAR LOANS

- *Avg New Car Payment is \$743 per month**
- *1 out of 8 car loan payments are more than \$1,000 per month***
- *Foreclosures are going through the roof. Banks are executing repossessions at an aggressive rate***
 - ✓ On your credit for the **next 7 years**
- *Typically, new cars depreciate 10% the moment they are driven off the lot. 63% in the first 5 years****
- *Leases are designed to have the consumer cover depreciation up front.*

*<https://www.foxbusiness.com/economy/typical-monthly-payment-new-vehicle-hits-record-743-dollars>

**Clark Howard podcast

*** Two Cents, How cars keep You Poor



2022-2021 CAR REPO FACTS*

- *2.2 million vehicles are repossessed every year (2022 updated data)*
- *5,418 repossessions every day*
- *226 car repossessions each hour*
- *3.76 repossessions a minute*



With yearly repossession rates at 65% compared to yearly new car sales. This means that for every 2.4 cars sold, 1 existing vehicle on the road will be repossessed each year.

CREDIT CARDS

- **84% of US adults** owned at least one credit card in 2021*
- An average American holds **3.23 credit cards***
- 62.14% of Americans use credit cards to **pay their monthly bills***
- Studies have shown people will **spend 12% - 70% more with plastic****
- The average credit card interest rate in America today is **21.59%*****

*<https://moneytransfers.com/news/content/credit-card-statistics>

**<https://www.ramseysolutions.com/debt/cash-vs-credit-card>

***<https://www.lendingtree.com/credit-cards/average-credit-card-interest-rate-in-america/>



1 Timothy 6:6

But godliness with contentment is
great gain.

CO-SIGNING



CO-SIGNING

- *You are responsible for the entire loan amount**
- *Your credit is on the line**
- *Your access to credit may be affected**
- *You could be sued by the lender**
- *Your relationship could be damaged permanently*
- *Thanksgiving Dinner will always taste different!*





“SURETY” DEFINITION

To agree to be legally responsible if another person fails to pay a debt or to perform a duty.

PROVERBS 11:15

He that is surety for a stranger shall smart for it: and he
that **hateth suretiship is sure.**

PROVERBS 17:18

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

PROVERBS 22:26-27

Be not thou one of them that strike hands, or of them that are **sureties for debts.**

If thou hast nothing to pay, why should he take away thy bed from under thee?

38 percent of cosigners have to pay some or all of the loan or credit card bill because the initial borrower failed to pay*

*<https://www.creditninja.com/what-percentage-of-co-signed-loans-default/>

DEBT TAKE AWAYS



- ***Avoid debt at all cost***
 - ✓ Be careful, don't misinterpret the meaning of "GOOD DEBT"
- ***We should always be focused on strategies to reduce our overall debt load***
- ***Don't be afraid to seek confidential counsel from your brothers/sisters in Christ***

SAVING



Issues of Life

Personal Finance Sessions

SO WHAT IS THE BIG DEAL?

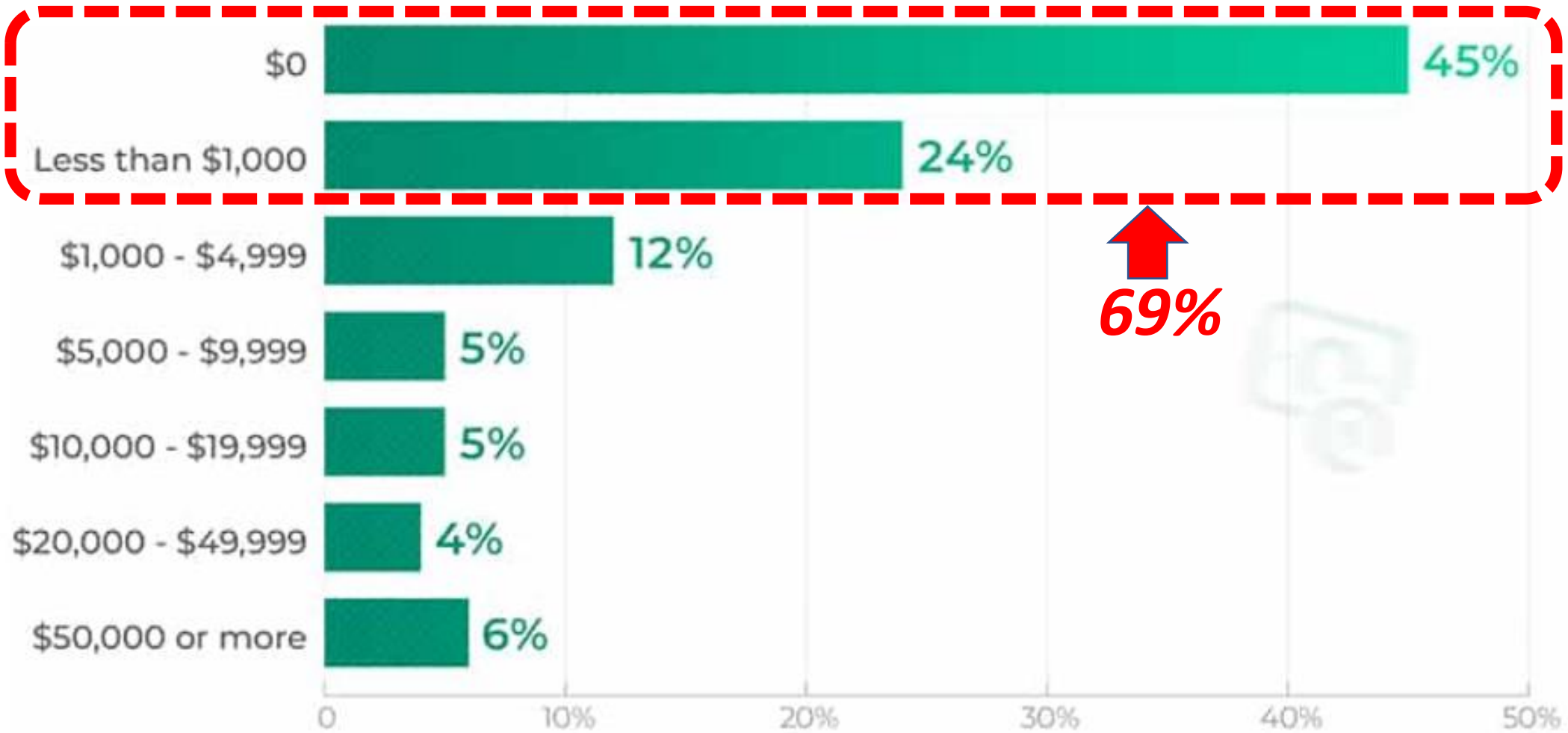
- **Over 60%** of Americans don't have enough savings to cover a \$1,000 emergency*
- **Over 60%** of Americans Live Paycheck To Paycheck***
 - ✓ **40%** of people earning more than \$100,000 per year said they lived paycheck to paycheck as well
- **17%** of Americans making over 100,000 cannot cover a \$400 expense.***
- **33%** of American adults have **\$0** saved for retirement*

*OPPU (<https://www.opploans.com/oppu/articles/scary-financial-facts/>)

** <https://radicalfire.com/scary-financial-statistics/>

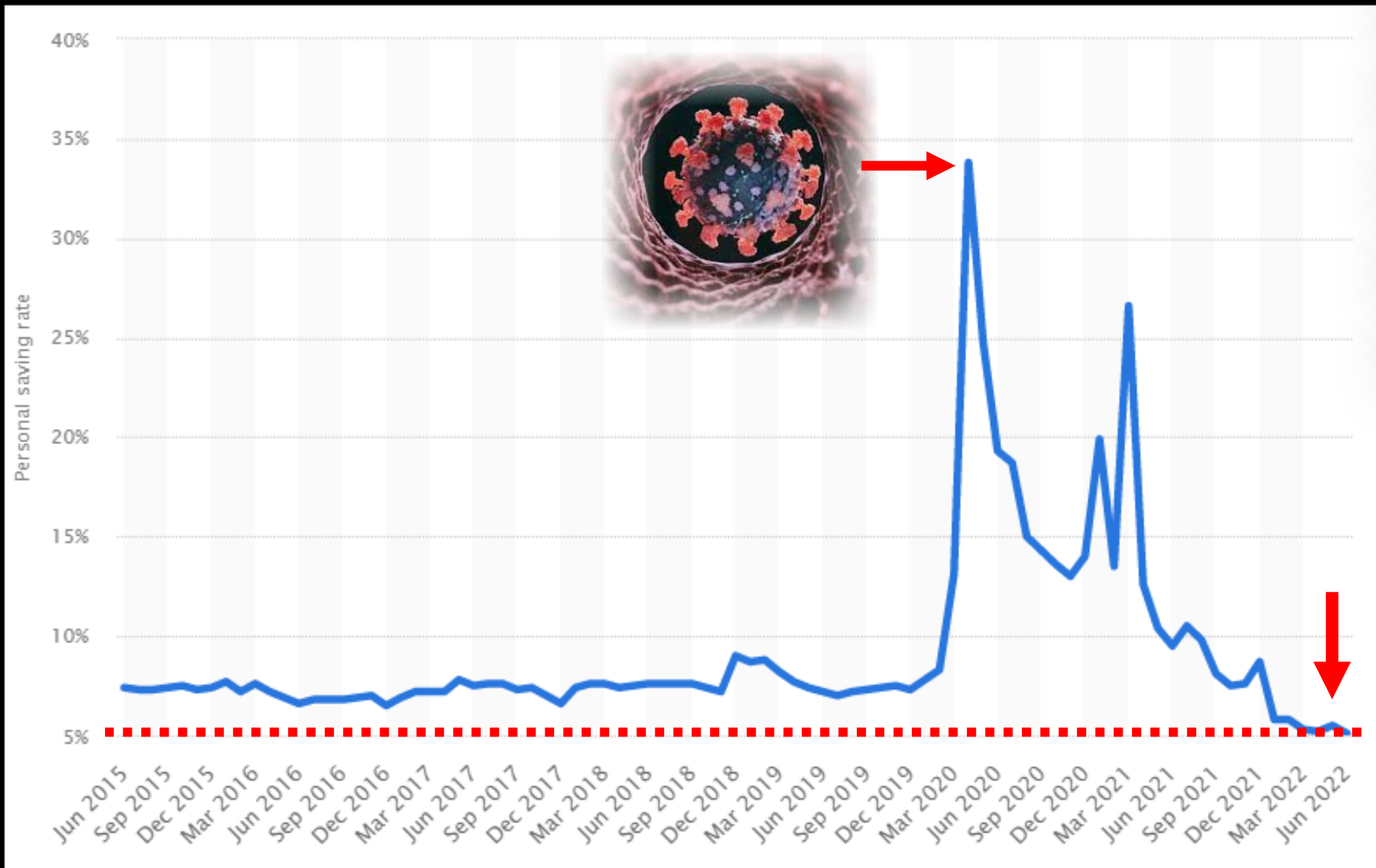
***<https://moneyguy.com/2022/06/why-americans-are-actually-broke-2022-edition/>

HOW MUCH MONEY DO AMERICANS HAVE SAVED



Source: Statista

PERSONAL SAVING RATES IN THE U.S.



BUT DO I REALLY NEED TO SAVE?

- Yes, it will rain!
- 70% of people will have a significant life changing event every 20-years.

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



HOW MUCH SHOULD I TRY TO SAVE?

- 15% of your income (2022 = 5.1%)
- Start off with an emergency fund of \$1,000 (does not include credit cards)

The Target



Work towards the goal of having
3 to 6 months

of living expenses in your emergency fund

- Tithing — 10%
- Savings — 15% ←
- Food — 10%
- Utilities — 5%
- Housing costs — 25%
- Transportation — 10%
- Health — 5%
- Insurance — 10%
- Personal spending — 5%
- Miscellaneous — 5%



Let Pharaoh do *this*, and let him appoint officers over the land, and take up **the fifth part** of the land of Egypt in the seven plenteous years.

20% →

Genesis 41:34

RETIREMENT SAVINGS ACCOUNTS BALANCES, BY AGE

The table shows the median and average amounts that different age cohorts have saved in their retirement accounts.

<i>Age</i>	<i>Median</i>	<i>Average</i>
<25	\$1.8K	\$6.3K
25–34	\$14.1K	\$37.2K
35–44	\$36.1K	\$97K
45–54	\$61.5K	\$179.2K
55–64	\$89.7K	\$256.2K
65+	\$87.7K	\$280K

Table: Vanguard's How America Saves 2022 Report

SAVINGS TAKE AWAYS



- *Based on debt load, aim to save 15%*
- *To prepare for the inevitable, start to focus on building an emergency fund*
- *Remember the “Ant”.*

**Which having no guide, overseer, or ruler,
Provideth her meat in the
summer, *and* gathereth her food in the
harvest.**

Proverbs 6:7-8



LIFE INSURANCE



Issues of Life

Personal Finance Sessions

LIFE INSURANCE

- **Term life insurance** *covers you for a specific amount of time.**
 - ✓ If you get a 20-year policy, you're covered for that 20-year term.
 - ✓ More cost effective and allows one to invest the incremental resources into higher return investments than alternative products.
- **Whole life insurance** *(sometimes called cash value insurance)*
is a type of coverage that lasts your whole life.
 - ✓ Whole life plans are generally more expensive than term life.
 - ✓ There are a couple of reasons for that, but mostly it's because you're not just paying for insurance.
 - ✓ In many plans the rate of return is only 1-3% with high commissions levels.

*<https://www.ramseysolutions.com/insurance/term-life-vs-whole-life-insurance>

INVESTING



Issues of Life

Personal Finance Sessions

Deuteronomy 8:18

But thou shalt remember the Lord thy God: **for it is he that giveth thee power to get wealth**, that he may establish his covenant which he sware unto thy fathers, as it is this day.

The Millionaire Next Door - Two behavior groups.

Which do you belong? Which do you want to belong?

Prodigious Accumulators of Wealth (PAW's)

- Do not hoard their money but invest their money for potential reward (not risky investments or long odds for return).
- Has the belief that accumulating wealth is not a flashy, rapid process but a slow one that takes years.
- Choose to live below their means.
- Use time, energy and money effectively, in ways conducive to building wealth. Make these work for them.
- Prioritize financial independence over displaying high social status.
- No parental economic support. Limited to no handouts.
- Teach their children financial discipline and frugality.
- Leverage market opportunities. Are in a financial position to react appropriately.
- Read and educate themselves on a variety of financial and other topics.

Under Accumulators of Wealth (UAW's)

- Spending tomorrows cash today. Debt.
- Wealth is defined by their material possessions.
- Put off investing until they reach some random income level, then once achieve continue not to invest so they can keep up with the lifestyles of their neighbors, friends and family.
- As income levels rise so does their desire to outperform those, they compare themselves too.
- Buy more expensive homes, fancier cars, luxury items, etc. – become consumers rather than investors. Above all comfort.
- Do not budget or know where their money is spent. Financial plan is to spend everything they touch.
- Their parents never taught them, by example or other, about the value of investing for the future or other financial concepts.

Social Security and Pensions

<u>Social Security</u>	<u>All 50 States Public Pension Systems</u>	<u>Ohio Public Employees Retirement System</u>	<u>Ohio State Teachers Retirement System</u>	<u>Teamsters Central States</u>
------------------------	---------------------------------------------	------------------------------------------------	----------------------------------------------	---------------------------------

Insolvent by 2035

(\$8.28T)

(\$430B)

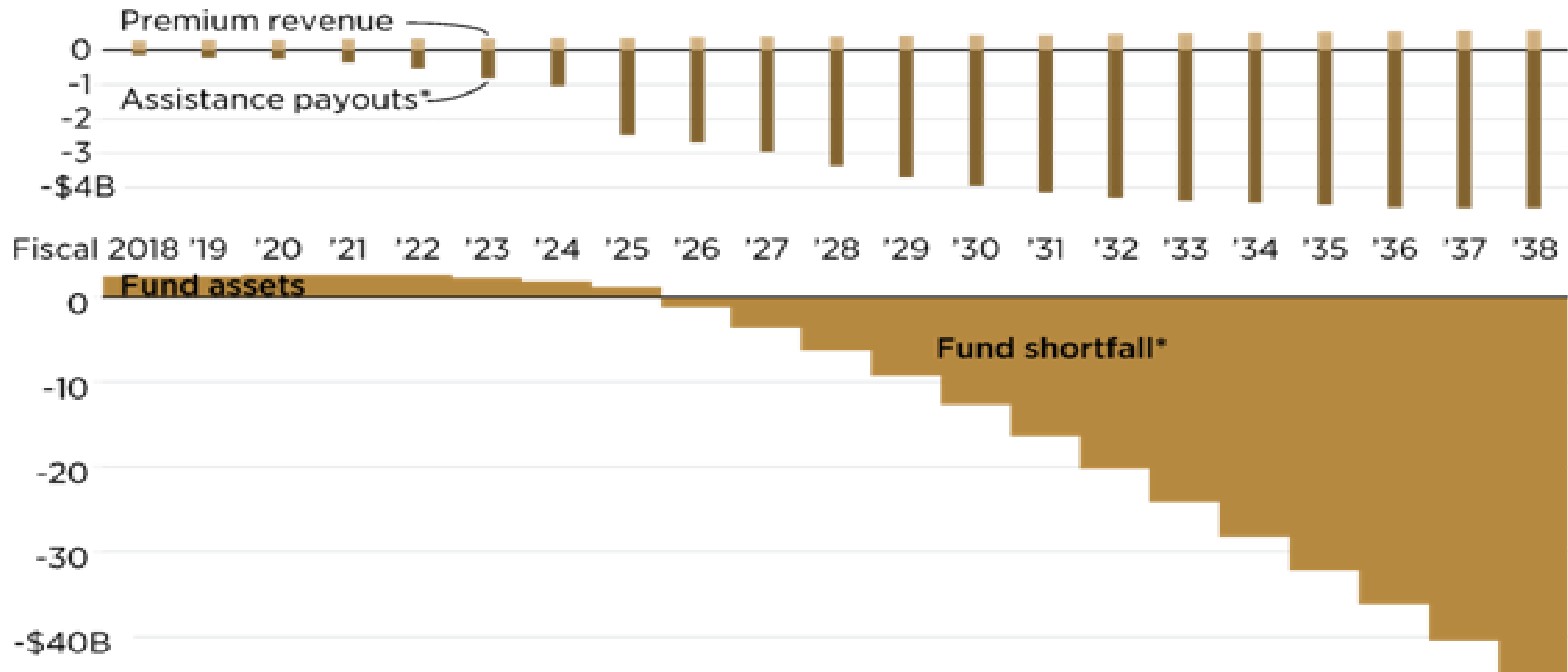
(\$20.8B)

Insolvent by 2025
Received Special Financial Assistant 2022 to support for several years.

Pension Benefit Guaranty Corporation (PBGC) – A US government agency protects and insures the retirement security of over 33 million American workers, retirees, and beneficiaries in both single-employer (private) and multiemployer private sector pension plans. PBGC guarantees basic plan pension benefits, including pension benefits at normal retirement age, most early retirement benefits, disability benefits, and annuity benefits for survivors of pension plan participants. The PBGC multiemployer pension insurance program was expected to be insolvent by 2026 but under the American Rescue Plan 2021, a change was made which provided \$91B to PBGC which provided funds to several multiemployer plans to help with providing benefits. Your PBGC benefit may be less than you were receiving from your plan, because payments are considered an estimate—PBGC's best calculation of the amount we can pay under federal legal limits.

Cliff ahead: Multiemployer fund to be drained by fiscal 2026

Due to the projected number of retirees in failing plans and lack of paying participants, the Pension Benefit Guaranty Corporation estimates its multiemployer fund will run out shortly after the Central States plan is expected to fail.



*Projected payouts and shortfall are based on nominal obligations; actual assistance shortfall will be largely reduced as pension payments would be slashed to to a small fraction once fund is depleted.

Source: Pension Benefit Guaranty Corporation
Randy Leonard/CQ Roll Call

Retirement savings – 401k

Traditional 401k

- Pretax contributions
- Tax deduction year of contributions
- Usually, an employer match
- Savings grow tax deferred
- Owe taxes when funds are withdrawn
- Contribution limit < 50yrs old - \$20,500
- Contribution limit > 50yrs old - \$27,000
- Income limit - \$305,000 (above is not eligible for employer match)
- Can withdraw funds at 59 ½ yrs. Old
- Must take Required Minimum Distributions (RMD) – 72 yrs. old
- May make sense if you are in higher tax bracket now than expected during retirement

Roth 401k

- Post tax contributions
- No tax deduction
- Usually, an employer match
- Savings grow tax deferred
- Do not pay taxes when funds are withdrawn (must maintain for 5yrs)
- Contribution limit < 50yrs old - \$20,500
- Contribution limit > 50yrs old - \$27,000
- No Income limit
- Can withdraw funds at 59 ½ yrs. old
- Must take Required Minimum Distributions (RMD) – 72 yrs. old
- May make sense if you are in a lower tax bracket now than expected during retirement.
- Can roll Roth 401k balance into Roth IRA which does not require any minimum distributions.

Retirement savings – IRA

Traditional IRA

- Pretax contributions
- Tax deduction year of contributions
- Savings grow tax deferred
- More investment choices than Traditional 401k employer plan
- Owe taxes when funds are withdrawn
- Contribution limit < 50yrs old - \$6,000
- Contribution limit > 50yrs old - \$7,000
- Income limit
- Can withdraw funds at 59 ½ yrs. Old
- Must take Required Minimum Distributions (RMD) – 72 yrs. old
- May make sense if you are in higher tax bracket now than expected during retirement

Roth IRA

- Post tax contributions
- No tax deduction
- Savings grow tax deferred
- More investment choices than Roth 401k employer plan
- Do not pay taxes when funds are withdrawn (must maintain for 5yrs)
- Contribution limit < 50yrs old - \$6,000
- Contribution limit > 50yrs old - \$7,000
- Income limit - Single \$129,000 - \$149,000
- Income limit – Married file jointly \$204,000 - \$214,000
- Can withdraw funds at 59 ½ yrs. old
- NO Required Minimum Distributions (RMD) – 72 yrs. old
- May make sense if you are in a lower tax bracket now than expected during retirement.

401K & IRA TAKE AWAYS



- *The key difference between Roth and traditional lies in the timing of their tax advantages.*
- *With traditional, you deduct contributions now and pay taxes on withdrawals later, while Roth allow you to pay taxes on contributions now and get tax-free withdrawals later.*
- *Traditional IRAs function like personalized pensions: In return for considerable tax breaks, they restrict and dictate access to funds.*
- *Roth IRAs function more like regular investment accounts, only with tax benefits: They have fewer restrictions, but fewer breaks as well.*
- *Whether you think your annual income and tax bracket will be lower or higher in retirement is a key factor in determining which to choose.*

IT CAN BE CONFUSING!

Dow Jones Industrial Average

Nasdaq Composite

S&P Index

Mutual Funds

Exchange Traded Funds (EFT)

Bond Funds

Stock Funds

Emerging Markets

International Funds

Aggressive portfolio

Moderate Portfolio

Conservative Portfolio

Bull Market

Bear Market

Asset Class

Blue Chip

Dividend

Capital Gain

Diversification

Dollar Cost Averaging

Equity Fund

Fixed Income

Growth Stock

Investment Grade Bonds

Large Cap

Mid Cap

Small Cap

Morning Star Ratings

Loads

Net Asset Value

Risk Tolerance

Treasury Bill, Note, Bonds

Yield

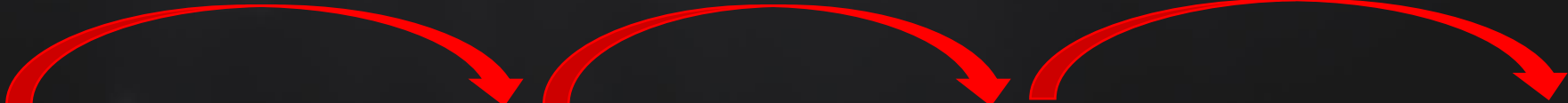
Mutual Funds vs. Exchange Trade Funds (ETF's)

- *Both mutual funds and ETFs offer investors pooled investment product options.*
- *Mutual funds have more complex structuring than ETFs with varying share classes and fees.*
- *ETFs typically appeal to investors because they track market indexes, mutual funds appeal because they offer a wide selection of actively managed funds.*
- *ETFs actively trade throughout the trading day while mutual fund trades close at the end of the trading day.*
- *Mutual funds are actively managed, and ETFs are passively managed investment options.*
- *Mutual funds usually have higher tax implications as they pay investors capital gains.*

Cryptocurrency

- *A cryptocurrency is a form of digital asset based on a network that is distributed across a large number of computers. This decentralized structure allows them to exist outside the control of governments and central authorities.*
- *Some experts believe that blockchain and related technology will disrupt many industries, including finance and law.*
- *The advantages of cryptocurrencies include cheaper and faster money transfers and decentralized systems that do not collapse at a single point of failure.*
- *The disadvantages of cryptocurrencies include their price volatility, high energy consumption for mining activities, and use in criminal activities.*

March 2021 - \$58,734; May 2021 - \$35,749; Oct 2021 - \$61,374; Sept 2022 - \$19,980



Other investments choices in 2022/2023:

High-yield savings accounts. Short-term certificates of deposit. Short-term government bond funds. Series I bonds. Short-term corporate bond funds. S&P 500 index funds. Dividend stock funds. Value stock funds.

Three important elements when it come to investing:

- 1) The amount invested monthly 2) The rate of return 3) How many years to reach your goal

How much do I need to invest to achieve \$1,000,000 at age 65

AGE	Monthly	Rate of return	Monthly	Rate of return	Monthly	Avg. market return 30yrs
25	\$1,090	3%	\$530	6%	\$235	9%
30	\$1,360	3%	\$750	6%	\$370	9%
35	\$1,750	3%	\$1,030	6%	\$585	9%
40	\$2,250	3%	\$1,500	6%	\$940	9%
45	\$3,100	3%	\$2,200	6%	\$1,555	9%
50	\$4,400	3%	\$3,500	6%	\$2,750	9%

* Effects of compounding of interest/returns. Not adjusted for inflation or taxes.

2 Thessalonians 3:6-10

v6 ...that ye withdraw yourselves from every brother that walketh disorderly...

v7 ...we behave not ourselves disorderly among you;

v8 Neither did we eat any man's bread for nought; but wrought with labour ...

v9 ...but to make ourselves an example unto you to follow us.

v10 ...that if any would not work, neither should he eat.

WILL

What is a Will?

- Is a legally prepared and bound document that states your intentions for the distribution of your assets, wealth and designation of who will take care of your children, after your death.
- 37% of 24 – 54 yr. have a will – **63%** do not
- 60% of 55+yr have a will – **40%** do not

Why is it important?

- Everyone over the age of 18 should have a Will. Plain and simple.
- Ensures you're protecting your assets, surviving spouse and heirs after you pass. By explicitly outlining what you want to have happen, in the future, your final wishes will not be ignored if others try to step in. In the absence of a Will, assets will be distributed according to state laws and the courts.

What happens if you do not have a Will?

- You died "intestate" in the absence of a Will, assets will be distributed according to state laws and the courts. Children's rights are put into the hands of the court if you pass away. A judge decide what is in the best interest of your children.

Do I need an attorney to draft a Will?

- You do not need at attorney to draft your will. Some individuals feel more comfortable and for more complex situations an attorney may be appropriate. Many simple Wills can be obtained from online resources.

LIVING WILL

What is a Living Will?

- A written statement detailing a person's desires regarding their medical treatment in circumstances in which they are no longer able to express informed consent, especially an advance directive. To relieve pain or provide comfort even if such treatment might shorten my life, suppress my appetite or my breathing, or be habit forming.

Why is it important?

- By planning ahead, you can get the medical care you want, avoid unnecessary suffering and relieve caregivers of decision-making burdens during moments of crisis or grief. You also help reduce confusion or disagreement about the choices you would want people to make on your behalf. If you do not have a living will and you become incapacitated and unable to make your own decisions, your physicians will turn to your closest family members (spouse, then children) for decisions. This can place a heavy burden on family members and can also cause rifts within the family if there is disagreement. Advanced directives needs to be in writing.

What happens if you do not have a Living Will?

- When there is no living will, you essentially lose your voice in your end-of-life care. Don't put yourself or your loved ones through this. Your physicians will turn to your closest family members (spouse, then children) for decisions. This can place a heavy burden on family members and can also cause rifts within the family if there is disagreement.
- **Most of you have probably heard of Terri Schiavo. From 1990 through 2005, she was artificially kept alive in a persistent vegetative state. Throughout this time, her loved ones waged a battle over what was to be done with her. Terri's husband argued she should be taken off machines — because she told him that was what she wanted. Her parents said Terri would not have wanted that. Doctors are required to keep you artificially alive.**

DURABLE **HEALTHCARE** POWER-OF-ATTORNEY

What is a Healthcare Power of Attorney?

- A healthcare power of attorney (HCPA) is a legal document that empowers a specific individual, you designate, to speak with others and make decisions on your behalf concerning your medical condition, treatment, and care when you can no longer make such decisions. It is important to trust your HCPA, as that person may be charged with making life-and-death decisions on your behalf.

Why is it important?

- Healthcare proxies can communicate with the patient's doctors to prevent unwanted treatments and avoid making the wrong decisions. Maybe you are unconscious as the result of an accident. Perhaps you are a terminally ill patient who has entered into a coma. Your wishes are fulfilled properly. Choose your HCPA carefully, someone that will follow your directives, discuss your wishes prior to appointing your HCPA.

What happens if you do not have a Healthcare Power of Attorney?

- Your wishes may not be enacted, and you may put one of the following individuals in a very tough position,
- The following people, in order of priority, are legally authorized to make your health care decisions for you: Your court-appointed guardian or conservator; Your spouse or domestic partner; Your adult child; Your adult sibling; A close friend; or nearest living relative.

Difference between Living Will and Healthcare power of Attorney.

- HCPA allows you to appoint a person or persons to make health care decisions if you cannot act for yourself. A Living Will simply states your wish to have certain types of care withheld or withdrawn in specific situations, such as if you have a terminal condition or are in a permanent coma. A Durable Power of Attorney for Health Care is broader because it can apply to any condition you may have or treatment you may need.

DURABLE POWER-OF-ATTORNEY

What is a Power of Attorney?

- A durable POA gives a person (who is called an “attorney in fact”) legal authority to act for another person in a variety of matters, including banking, benefits, housing, taxes, real estate, litigation, and more. A durable power of attorney refers to a power of attorney which typically remains in effect until the death of the principal or until the document is revoked.

Why is it important?

- There are many good reasons to make a power of attorney, as it ensures that someone will look after your financial affairs if you become incapacitated. Without a durable power of attorney, you may be left with no one, or possibly too many, to represent your interests, such as your finances, business, or health. A durable power of attorney gives you and your loved one’s clarity about what you want when you may be unable to communicate.

What happens if I do not have a Durable Power of Attorney?

- With a non-durable POA, your agent's authority ends as soon as you become incapacitated. If you have a durable POA, your agent can continue to make decisions for you even after you become unable to make them yourself. No one can access your accounts or property if not held jointly, continue to pay bills, etc.

TRUST

What is a trust?

- A trust is a fiduciary relationship in which a trustor gives another party, known as the trustee, the right to hold title to property or assets for the benefit of a third party. Each trust falls into six broad categories—living or testamentary, funded or unfunded, revocable or irrevocable.

What is an Irrevocable Trust?

- Irrevocable trust refers to any trust where the grantor cannot change or end the trust after its creation. Grantors may choose a trust with such limitations to limit estate taxes or to shield assets from creditors. The grantor, having effectively transferred all ownership of assets into the trust, legally removes all their rights of ownership to the assets and the trust.

Why is an Irrevocable Trust important?

- Medicaid 5yr look back period. Who pays for their care? If a senior has gifted countable assets during the look-back period and requires a nursing home level of care, they (or their family) will have to pay for this care out of pocket somehow until either the look-back period has passed, and the senior can apply for Medicaid without issue or until the penalty period runs out and they become eligible for coverage.

Do I need an Irrevocable Trust?

- The only three times you might want to consider creating an irrevocable trust is when you want to **(1) minimize estate taxes, (2) become eligible for government programs, or (3) protect your assets from your creditors.**