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The Real Deal about Budgeting and Spending

They say that money talks; when it does, it usually says, “Good-bye!” If you don’t direct your money and tell it where to go, then believe me, it will find a way to leave you faster than a bank robber fleeing the police.

One of the smartest ways to gain control of your money is by developing a spending plan, more commonly referred to as a budget. Now don’t get freaked out on the word budget! By the end of this chapter, I bet you’ll run toward it, not away from it. Establishing a budget just means you’ve decided to tell your money where to go, directing it with purpose and intent. A budget is simply a plan for your spending, which allows you to manage your money in order to reach your financial goals. A budget brings order to your financial life.

Believe it or not, we all have a budget of one kind or another. For some people, it means they spend aimlessly until all the money for that month is gone. The result, in most cases, is more month than money. (How many times have you been there?) This type of “budgeter” spends all the cash they’ve earned and must then rely on credit cards or loans to fund monthly deficits. Then there are those who make enough money to be careless without detrimental results. The careless budgeters make pretty good money but overspend, buying expensive indulgences

on impulse because they know they can get away with it. Their money motto is, “I’ve got it, so why not spend it all?” These spenders usually wonder, “Where did all of my money go?”

The final type of budgeters are those who plan their spending not just in their head but on paper. They don’t “wing it” every month and hope for the best. These true budgeters are able to maximize their financial potential because they have a plan.

The goal for everyone, regardless of their income levels, should be to become good stewards of God’s resources. To do this, you must live by a plan in order to maximize your earnings and spend your money wisely, as God advises. You can’t do that without living by a real budget!

According to one study by the Internal Revenue Service (IRS), the number one reason people fail financially is the inability to delay gratification. We want what we want and we want it now! That’s why, in order to make a budget work, you must have self-control. This is a spiritual issue because it requires discipline and control of your desires and impulses. King Solomon accurately described the person who lacked self-control: “A man without self-control is like a city broken into and left without walls” (Proverbs 25:28 *ESV*). In ancient days, a city without walls was subject to any intruder who passed by and was thus in a state of disarray. Have you ever opened your wallet or stopped at the ATM and felt like your account had been pillaged? Without a budget, your financial “city” is prey to any indulgence, get-rich-quick scheme, or predator you encounter.

Regardless of your current budgeting style, sip on this advice:

- ◆ Budgeting is like getting in shape physically—it’s a little uncomfortable at first, and it takes time, but don’t give up. It typically takes three months to see the results of your budgeting discipline.
- ◆ A budget without a goal is drudgery. Don’t focus on what you are giving up or can’t do. Focus on what the discipline of a budget now will allow you to do in the future (save more money, get out of debt, buy a car, purchase a house, or fund your child’s college education).
- ◆ Don’t keep the budget in your head. Write it down on paper or

use a computer software program. It's not a real budget unless it's documented.

- ◆ If married, both spouses need to do their budget together.
- ◆ Get the entire family involved in the process (that includes the kids). Budgeting is a group effort that works best when everyone is involved.

Challenges and Solutions



CHALLENGE ► What can I do to help myself get started on a budget and stick to it? I'm having trouble sticking to a budget; it just doesn't ever seem to ever work for me.

SOLUTION ► Budgeting is simple, but I never said it was easy! The reason most people's budgets don't work is because they continue to spend more than they make. No budget can fix that. Again, you may have to make some drastic adjustments to your lifestyle to get your budget balanced. There are a lot of reasons that budgets don't work.

First of all, go through each budget category shown in the "Percentage Guidelines" table (see "Helpful Tools," page 221), and compare it to your own spending. If your percentages are way out of whack, you will need to make some tough decisions. Also, make sure that you are using a system that is best suited for you. Some people use the envelope system (putting money for each category in separate envelopes), some write everything down in a notebook, others like to monitor everything by computer. Find what works for you and stick with it.

Second, make sure you are being realistic when establishing a budget. Many of the people I speak to and counsel get discouraged because they haven't been able to make a budgeting system work. I've found that in most cases it's because they are not being realistic. Allocating zero dollars to budget items like entertainment, recreation, clothing, miscellaneous, or some other category is unrealistic. Having a budget doesn't mean you'll never go to a movie or restaurant. So be real with yourself,

and then do your best to stay within those parameters. Use the “Estimated Budget” form in the “Helpful Tools” section to specify amounts that are realistic. Create a plan, then be sure to stick with it.

Third, stay away from *people*, *places*, and *things* that tempt you to spend. (Most of the time, it’s our actions that cause the budget not to work.) Solomon says, “The wise are cautious and avoid danger; fools plunge ahead with reckless confidence” (Proverbs 14:16 NLT).

Sometimes *people* in your life can trigger excessive spending and bust your budget. I remember when I was in my twenties and quite a few of my friends were professional football players. When we were together, they loved to go out and eat at nice restaurants. They could afford to do it, but I couldn’t! I had to let them know that I was on a budget and I couldn’t afford to do fine dining every time we ate out. When you’re on a budget, you can’t afford to keep up with the Joneses.

MONEY FACT

If your expenses exceed your income, then your upkeep will be your downfall.

—ANONYMOUS

Also, pay attention to *places* that prompt unnecessary spending. Malls, jewelry stores, and department stores are common budget busters. (Home Depot is my weakness!) To stick to your budget, you’ve got to know your weaknesses and drive right past them.

Things can also activate surplus spending, like shoes, golf accessories, clothes, food, and art. If you’ve made it this far without those items, then you probably don’t need them. Besides, no one will care how good you look when you’re standing in the poorhouse.

CHALLENGE ► What can I do to balance my budget and save money?

My monthly expenses are more than my monthly income. I know I’m living above my means because I constantly live from paycheck to paycheck and never seem to have any extra money.

SOLUTION ► There are only four things you can do: (1) reduce your expenses, (2) increase your income, (3) find new money, or (4) do a combination of all three. Let’s talk about these options.

You’re not alone; the average American spends \$1.20 for every one

dollar earned. Yes, that's right, every time you and your neighbors make a dollar, you not only spend it all but you borrow an additional twenty cents. It's impossible to save money that way.

The first order of business before you begin to cut your expenses is to find out where your money is going. This is one of the benefits of creating a budget, because it enables you to track everything you spend and get an accurate account of all your expenses.

After that, it's time to start eliminating or reducing unnecessary expenses. This may require replacing your house or car with something more affordable. Other alternatives include moving into a cheaper apartment or finding a roommate. Even modifying small expenses like dry cleaning, eating out, and going to the movies can save hundreds of dollars each month. Put a halt to weekly shopping sprees, unplanned grocery purchases, and indulgent gifts. You must also be willing to give up some of your habits, like getting your hair and nails done (ladies, don't curse me), drinking gourmet coffee, and going to the car wash every week (brothers, break out the hose and do it yourself, or add it to the kids' chore list). These changes may hurt, but they're absolutely necessary if you want to end the money drought.

After reducing expenses, the next thing to do is increase your income. If you can't convince your boss to give you a substantial raise, then you may need to get a part-time job, just long enough to balance your budget. If possible, check into working a few overtime hours. Don't let pride come before your fall. Be willing to do whatever it takes (legally and morally) to increase your income.

Fourth, you need to find some new money. There may be some things that you haven't considered that can free up extra money for you on a monthly basis—and they don't involve counterfeiting or working extra jobs. Let me list a few:

- ◆ *Stop getting a tax refund.* “What you talkin' 'bout, Lee?” Why wait until April to get money you should have in your pocket all year-round? If you get a sizeable tax refund, it simply means you let Uncle Sam “hold” your money without paying you interest. That doesn't make good financial sense when that money could have been in an interest-bearing account or

paying off debt. If you increase your withholding allowances (consult with your tax adviser first), you may be able to bring home an extra \$100 or more on a monthly basis! Of course if you do this, you'll no longer get a big, fat refund check in the mail, but you will see more money each month. (Isn't that what you want?)

- ◆ *Raise your insurance deductibles.* The higher your deductible, the lower your annual and monthly insurance premiums will be. If your deductible is \$250, raise it to \$500 or even \$1,000. This strategy could reduce your annual premium by \$100 or more. The downside is that if you happen to have an accident, you'll have to pay more to get your car fixed. On the other hand, if you never have an accident, then you've successfully put more money in your pocket.
- ◆ *Eliminate your home telephone line.* If you get good cell phone reception in your home, you probably don't need a home phone. Even if you have to boost the minutes on your cell phone plan, you could still save \$30 to \$50 a month.
- ◆ *Watch those ATM withdrawal fees.* If you currently incur ATM withdrawal fees of \$1 to \$2.50 per transaction, they can add up to hundreds of dollars each year. To avoid these unnecessary fees, limit your withdrawals and only use your bank's ATMs.

CHALLENGE ► How do I set up a monthly budget when my income fluctuates? I work on commission, and my income varies from month to month. This makes it hard for me to establish a monthly budget.

SOLUTION ► I've been working on commissions for over twenty years, so I know some of the pitfalls firsthand. Living on a budget calls for extreme discipline when your income is commission-based, but it can definitely be achieved. The trick is making your variable income appear to be steady. That means during the prosperous months when the money is rolling in, you can't treat it like a financial windfall! Plan for the future; store up and prepare for the lean months. I call this the Joseph Principle. In Genesis 41:53–56, Joseph saved during the seven

years of plenty to survive during the seven years of famine. I know a lot of successful people who have a few big months, and they spend money like there's no tomorrow. Then when tomorrow comes, they've got to beg, borrow, and steal in order to survive.

Here's how a budget can help you avoid this financial pitfall:

- ◆ Begin your budget by determining how much you make annually; then divide that by twelve, and that becomes your monthly income. (Don't use wishful thinking; be realistic. Commissioned salespeople are notorious for overstating how much they think they're going to earn.)
- ◆ Set up a savings account or money market account, and funnel all of your commissions into it on a monthly basis.
- ◆ List your required monthly expenses, and withdraw from the savings/money market account only what you have agreed to live on for each month.
- ◆ Adhere to your budget.
- ◆ Resist the urge to make large purchases when you have a big month, unless all of your monthly expenditures, including deposits into a savings account, have been met.

CHALLENGE ► I am a commissioned salesperson. Unfortunately, since the economic downturn, my entire industry has been affected. As a result, my sales have gone down, and I am not earning the income I used to. It is so bad that my expenses are more than my income! What can I do?

SOLUTION ► You can do two primary things (mentioned earlier in the challenge of balancing a budget): (1) reduce your expenses and/or (2) increase your income. Let's look in more detail at these two options. Unfortunately, neither one is easy.

Reducing your expenses sometimes takes a lot of sacrifice. When times are tight, you have to count the cost of your lifestyle. Can you really afford to eat out, buy new clothes, go to the movies, drink expensive coffee, etc.? The first order of business, before you begin to cut your expenses, is to find out where your money is going. This is one of the

benefits of creating a budget because it enables you to track everything you spend and get an accurate account of all your expenses.

Next, look for ways to increase your income. Raises are hard to come by these days because most companies have cut their budgets and aren't quite as generous as they used to be. If possible, consider putting in a few more hours. During tough economic times salespeople have to work almost twice as hard and long. And, as mentioned earlier, consider getting a part-time job and keeping it long enough to balance your budget.

CHALLENGE ► How can I learn to resist the temptation to spend? I find myself buying things I don't really need, especially when they're on sale!

SOLUTION ► Stop buying on impulse. The next time you are at the mall or your favorite store and you get the urge to spend, just don't do it! Instead, go home and ask the Lord whether you should make the purchase. Then take forty-eight hours to think about it. I guarantee you, after forty-eight hours the urge to buy whatever you wanted to buy will go away half of the time or you'll realize there's a bill that needs to be paid!

MONEY FACT

At least 70 percent of Americans live from paycheck to paycheck.

Spending money on impulse is a difficult habit to break for those who have money and is detrimental for those who don't. If you are spending so much that it's affecting your finances and your family, then you may be a "shopaholic." Sometimes our spending habits are symptomatic of what's going on inside of us and may require counseling to resolve. I've seen people spend because they had low self-esteem, were depressed, or wanted to be accepted by a certain crowd. Whatever the case, make sure that you deal with the root cause of your shopping habits.

CHALLENGE ► What's the best way for me to track my spending? I've heard about the envelope system. Can you tell me if it's helpful and how it works?

SOLUTION ► Yes, the envelope system is one of the best ways to organize your finances and spend wisely. It may not work for every category of spending you have (since some budgeted items you'll pay by check or with automatic withdrawals), but it works great for tracking categories like food, clothing, gas, entertainment, and miscellaneous expenses.

Here's how it works:

- ◆ First, you must have a budget in place. Establishing a budget helps to create the categories needed for the envelope system and to determine what amounts of money should be allocated to each category.
- ◆ After you've categorized your cash expenses, fill each envelope with the money allocated for it in your budget. For example, if you allow \$400 for food, put \$400 in cash in your food envelope for the month.
- ◆ Once you've spent all the money in a given envelope, you're done spending in that category. If you go on a shopping spree and spend all of the \$200 you had allocated for clothing, you can't spend anything else on clothing for the rest of the month. If, for some reason, you decide to spend more than what's allocated for a particular category, you will have to reduce the amount in another category to make up the shortfall. Perfecting the envelope system will take time, but let me tell you—it works!

CHALLENGE ► What can I do to ensure that I always make the right financial decisions? I've made a few ill-advised financial moves and could probably make better decisions with a little help, but I'm a very private person when it comes to my finances and don't like for anyone to know my business.

SOLUTION ► No one makes all the right financial moves all the time. Even some of the wealthiest people I know have made some bad money decisions from time to time. That's why it helps to have a financial professional to help us make wise decisions.

Most people who make poor financial decisions do so because they did not seek wise counsel before making the decision that got them into trouble. Some people refuse to be swayed from decisions they've already made up their mind to pursue, while others let pride prevent them from seeking advice. As a man, I have to admit that we can be especially prideful when it comes to seeking financial counsel. We don't even ask for directions when we're lost, let alone financial counsel!

No matter how smart we think we are, everyone can use a little assistance. "Fools think their own way is right, but the wise listen to others" (Proverbs 12:15 NLT). Before making a major financial decision, you should subject it to three sources of counsel:

1. *The Word of God.* God's Word clearly provides answers to our questions and concerns regarding money.
2. *The peace of God.* Sometimes God gives us an inner peace or an apprehension about a certain financial move. Even if you have the money to do what you want, never override the peace that God gives or the caution light He provides.
3. *The people of God.* Opening yourself to a broader perspective and alternatives you might have never considered will expand your knowledge and experience. God constantly sends people to us who can help us make better decisions; therefore, don't hesitate to consult your financial counselor, spouse, parent, friend, or church leader, in order to achieve the goals you desire.

CHALLENGE ► Our family's income was cut in half when my husband lost his job. We realize we have to make some changes, but where do we start?

SOLUTION ► You are not alone; 2.4 million Americans have lost their jobs since 1991, and in 2009, during the height of one of America's deeper recessions, the unemployment rate exceeded 9 percent! It now takes longer than ever before to find a new job, and even when you do, it may offer a lower salary, no health insurance, and fewer benefits. First, thank God if you find a job, even if it provides a lower income than you had before.

I personally know how it feels to have your income cut almost in half. After the September 11, 2001, terrorist attacks, the stock markets went into a drastic nosedive, and unfortunately so did my business. At the time my family and I were living in a huge mansion (our dream house) that we could easily afford. However, the temporary downturn in our income caused us to do some serious soul-searching. We became increasingly aware of how the house was consuming our future wealth and depriving us of total financial freedom. That led us to make a tough but smart decision. We decided to downsize. Now we are happier in our current home than we ever were in our so-called dream house!

In Joel 2:18–27, Joel delivered a message for the people of Judah: God promised to drive away the army of locusts and restore the pastures again. In fact, God said He would deliver such “bumper crops” that would more than make up for the years depleted by locusts! I believe God can do the same thing for you too! Trust that God will restore you financially!

To deal with this adverse situation and keep your finances on track, some major adjustments are required. In a practical sense, you are going to have to dissect every area of your finances. Start by taking a serious look at what you spend on food, clothing, automobiles, entertainment, vacations, private school, and especially the house. You may have to temporarily scale down some major expenses—sell your home and buy a smaller one, or rent an apartment and replace your car with one that requires a lower monthly payment or none at all.

You should also consider a part-time job, but be careful that it doesn't add more stress to your life. A part-time job is not always the answer, especially if it jeopardizes your health, time with your family, or your relationship with God. The important thing for you right now is to be realistic, do what you have to do, trust God, and learn to be content.

CHALLENGE ► My child is attending a private college, but I recently lost my job, and now I can't afford it. What should we do?

SOLUTION ► It is time to rethink where your child is going to school. Like the previous questioner whose husband lost his job, with unemployment you should reevaluate every expense, including your child's

education payments. I believe the best school for your child is one that provides a solid education without putting the family in \$150,000 of debt that they cannot afford. It just doesn't make good economic sense to put yourself in the "poorhouse" if there are other quality options for your child. Nor does it make sense to let your child pile up \$100,000 in private student loans. Look for some affordable schools in your state. A quality education is not dependent on price.

CHALLENGE ► I know broke people need to budget, but what about those of us who are living well and who don't need to watch every penny?

SOLUTION ► It doesn't matter how much money you earn or have saved—*everyone can benefit from a budget*. I'm sure you've read the stories about such celebrities as M. C. Hammer, TLC, and Mike Tyson, to name a few. They were all very high-income earners (Mike Tyson earned over \$300 million during his boxing career), yet ended up broke or close to it! If it happened to these millionaires, it can happen to anyone.

Proverbs says, "Look after your sheep and cattle as carefully as you can, because wealth is not permanent. Not even nations last for ever" (Proverbs 27:23–24 GNT). This Scripture is a reminder that regardless of your wealth, it is necessary to carefully monitor your riches because there is no guarantee they will last forever.

CHALLENGE ► When money is tight, which bills should take priority over others? I simply don't have the money to pay all my bills some months, but I still want to be responsible with the money I do have.

SOLUTION ► When money is "too tight to mention," you need to prioritize your bill paying based on what's best for you and what will cause the fewest and least severe repercussions. Just because a certain creditor barks the loudest doesn't mean they should get paid first, second, or even third for that matter. When you can't pay all of your bills in a timely manner, follow these rules:

- ◆ *Necessities are first.* These are things that you absolutely need in order to live, in this order: You need a roof over your head,

so pay the rent or mortgage first. Then you need to be warm in the winter and cool in the summer, so pay the utility bills. In most cases, transportation is vital, so pay your car loan. Men, if you've been ordered to pay child support, then pay it! Take care of your babies or you will end up in jail. Besides, your children are your responsibility and don't deserve to suffer. Also, if you are the primary breadwinner in your family, the last thing you want to do is die and leave your family penniless, so try to pay your life insurance premium; try not to let it lapse during tough times.

- ◆ *Priorities are second.* Government-related obligations, like IRS taxes and school loans, should be paid timely. Instead of avoiding these responsibilities, communicate with such agencies, and they are likely to cut you some slack.
- ◆ *Everything else is third.* Items that are not necessities, such as credit cards, department store debts, and payments for furniture and appliances, have to be put on hold until you are able to pay them timely. This doesn't mean you should completely avoid these creditors. Contact each of them and try to arrange smaller payments or deferments.

Now let me tell you what's going to happen with these bills for "everything else." Once you fall behind on your payments, the creditors will call. Then you'll start getting letters demanding payment. If you know your situation is short-term, try to explain it to them and they may negotiate better terms for you. If your situation is more long-term, then you might as well ride it out. The creditors will turn your bills over to collection agencies. Now this is not the best scenario in the world, but it's not the worst either. You've actually protected yourself. Why do I say that? Because other than damaging your credit score, there's very little these lenders can do to you. If there's no collateral behind the money you owe them, there's nothing they can take from you. They made a bet on you and they lost (creditors know they'll lose a certain amount of money on clients who can't pay). I'm not suggesting that you avoid your

responsibilities, but if your current situation prevents you from temporarily paying bills, there's nothing you can do about it.

CHALLENGE ► Does God really care how we spend our money? I give my tithes (10 percent of my income) to the church; therefore I think I should be able to do what I want to with the other 90 percent.

SOLUTION ► God is *deeply concerned about how we spend our money*. As a matter of fact, every spending decision we make is a spiritual decision! Handling money is a spiritual issue. Why is that? It's because everything we have belongs to God! It is His money, every bit of it, not just the 10 percent tithe but the whole thing! Psalm 24:1 says, "The world and all that is in it belong to the Lord; the earth and all who live on it are his" (GNT). Since God owns it all, that makes us stewards, and as stewards of God's wealth, we have a responsibility to be faithful with His money.

Every time you go shopping or play the lottery (yes, some of the saints do gamble), you're spending God's money. One day we all will have to give an account to God for our time, talents, and treasures (money). I don't know about you, but I want to hear the Lord say, "Well done, good and faithful servant . . . enter into the joy of your master!"

Ten Commandments for Budgeting and Spending

1. Thou shall not “wing it” with thy finances. (Thou shall always live by a budget.)
2. Thou shall not spend more than thou makes.
3. Thou shall not try to keep up with the Joneses. (They’re broke too.)
4. Thou shall always get godly counsel regarding major financial decisions.
5. Thou shall not buy on impulse. (Remember the forty-eight-hour waiting period.)
6. Thou shall practice delayed gratification. (You don’t have to have everything now.)
7. Thou shall balance thy budget, even if it means reducing thy lifestyle.
8. Thou shall stay away from the people, places, and things that cause overspending.
9. Thou shall use the envelope system or some other system to track spending.
10. Thou shall learn to be content with what thou hast (whether much or little).

Prayer

Dear Lord,

I acknowledge that everything in the heavens and the earth belongs to You. I am a steward and You are the owner of all that I possess. Help me to be faithful with all of the resources You have placed under my care, no matter how great or small. Help me to be disciplined and more strategic with my spending. Help me to learn how to be content. Give me insight and wisdom on how I can cut unnecessary expenses out of my life. Lord, I also pray for increase and opportunity. Enlarge my territory so that I can earn the income I am capable of earning. I realize I can do nothing without You, so I ask for Your help today, Lord.

Help me learn how to live beneath my income. Help me to budget and spend wisely. I pray for financial unity within my household, and also that my spouse and I will work as a team and not as individual parts.

I recognize that it is You who gives us the power to make wealth, so that Your kingdom can be established. Therefore, Lord, help me to further Your kingdom in all that I do. In Jesus' name I pray. Amen.

MONEY CHALLENGES

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