

Money, Money, Money

I. Compounding Interest

The Rule of 72

Compounding Applied to Debt

Monthly payments:

Amount Owed	One Year	Three Years	Five Years	Ten Years	Total Paid
5,000	463	186	132	97	11,640
10,000	926	372	265	193	23,160
15,000	1,390	557	397	290	34,800
20,000	1,853	743	530	387	46,440
25,000	2,316	929	662	483	57,960
30,000	2,779	1,115	795	580	69,600

II. Facts and Stats on Personal Debt (Tom Werth - 2007)

1. ___% of all Americans owe more than they own. [If they sold everything they would not be able repay what they owe.]
2. ___% of all income is used for consumer debt repayment.
3. \$ ___ billion in credit card debt in US.
4. \$ ___ billion in credit card interest paid last year.
5. ___% of credit card users don't pay off their balances each month.
6. \$ ___ is the average amount of revolving credit card debt for American families.
7. ___ thousand new credit cards are issued every day of every year.
8. ___ month is that amount of time it would take for a financial crisis to hit the average American family.
9. \$ ___ is the average American college student credit card debt.
10. 1 in ___ households has filed for personal bankruptcy (over 800,000 personal bankruptcies in 2007 and rising).

III. The Biblical Principles Regarding Borrowing

The Question of Debt

Debt: An obligation to pay that cannot be met currently.

Romans 13:8

Is it ever right to borrow?

Deuteronomy 28:12

Psalm 37:21

Psalm 112:5

The Obligation to Repay

Exodus 22:14

Psalm 37:21

The Danger of Debt

Proverbs 22:26-27

The Love of Money and Possessions

Matthew 6:24

IV. A Borrowing Mentality

Lies we believe that can lead us to debt:

1. Things bring happiness

Luke 12:15

Philippians 4:11

1 Timothy 6:6-8

2. There are no negative ramifications to debt

Proverbs 22:7

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3. **My problems would be solved if I just had a little more money**

Hebrews 13:5-6

4. **I really “need” this!**

Romans 1:25

5. **God loves me and wants me to be happy and/or to bless me**

Borrowing always presumes upon the future and upon God’s grace.

6. **This is a good investment**

V. **What to do about Debt**

1. **Repent:** Change your mind and your actions regarding money, things, needs v. wants, giving, saving, and spending, credit and debt.
2. **Establish and live on a monthly budget based on a moderate lifestyle.** This frees up every possible dollar for debt repayment.
 - a. Give: Develop a pattern of giving back to God first. Purpose to recognize God’s ownership of everything and to trust Him for your provision.
3. **Incur no new debts.** “If I can’t afford it now, it isn’t God’s will now.”

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- a. Destroy credit cards. Unless you always make full payment when due (so you never pay interest). Get rid of the temptation.
 - b. Discipline and self-control (and sacrifice) are required.
4. **Eliminate existing debts.** Develop a careful plan for giving, saving and spending. Seek wise counsel. Liquidate unnecessary assets. Realize it won't happen over night.
- a. Determine whether any non-essential assets can be sold to help reduce debt. This can be a jump-start and decreases the amount of interest paid over time.
 - b. Establish a repayment plan and share it with creditors. Do not promise anything you can't follow through on. Be pro-active in communicating with creditors and share your situation with them honestly.
 - c. Prepare written goals for debt repayment. Goals help you stick to the plan. Having them in writing will assist you in being accountable – you need to be accountable!
 - d. Pay minimum payments on all debts and maximum possible on highest interest debt. This will shorten the time for debt repayment and decrease the overall amount of interest paid.
 - e. As debts are paid off, use the repayment amount to accelerate payment on the next highest interest rate of debt. Do not cut back on total debt repayment as debts are paid off.

5. Rejoice/Celebrate Grace

- a. As debts are repaid, give thanks to God.
- b. Celebrate progress when milestones are reached.

VI. Questions to ask before going into debt:

- A. Is my not having enough resources for what I want God's way of telling me that it is not his will for me to buy it?
- B. Is it possible that this thing may have been God's will but I don't have the resources to buy it because of past unwise decisions?
- C. Since debt is spending money that I don't have, is my choice to go into debt proof that I believe I need more than God has given me the means to have?
- D. If God knows best, and if he knows this thing is one of my needs, then why hasn't He provided the funds? Is He perhaps encouraging me to pray for provision rather than take things into my own hands by securing a loan?
- E. Is the additional money for which I am obligated and the bondage it will create worth the value that I will receive by getting the money and possessions now?
- F. Evaluate your purchases:
 - a. Does it enhance God's work through you?
 - b. Is it a necessity?
 - c. Can you do without it?
 - d. Is it the best possible buy?
 - e. Does it add to your family relationships?
 - f. Will it depreciate quickly?
 - g. Will it require costly upkeep?

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Appendix 1

Age	Contribution	Year-end		Contribution	Year-end
21	1,000	1,100		0	0
22	1,000	2,310		0	0
23	1,000	3,641		0	0
24	1,000	5,105		0	0
25	1,000	6,716		0	0
26	1,000	8,487		0	0
27	1,000	10,436		0	0
28	1,000	12,579		0	0
29	0	13,837		1,000	1,100
30	0	15,221		1,000	2,310
31	0	16,743		1,000	3,641
32	0	18,417		1,000	5,105
33	0	20,259		1,000	6,716
34	0	22,284		1,000	8,487
35	0	24,513		1,000	10,436
36	0	26,964		1,000	12,579
37	0	29,661		1,000	14,937
38	0	32,627		1,000	17,531
39	0	35,889		1,000	20,384
40	0	39,478		1,000	23,523
41	0	43,426		1,000	26,975
42	0	47,769		1,000	30,772
43	0	52,546		1,000	34,950
44	0	57,800		1,000	39,545
45	0	63,580		1,000	44,599
46	0	69,938		1,000	50,159
47	0	76,932		1,000	56,275
48	0	84,625		1,000	63,003
49	0	93,088		1,000	70,403
50	0	103,397		1,000	78,543
51	0	112,636		1,000	87,497
52	0	123,898		1,000	97,347
53	0	136,290		1,000	108,182
54	0	149,919		1,000	120,100
55	0	164,911		1,000	133,210
56	0	181,402		1,000	147,631
57	0	199,542		1,000	163,494
58	0	219,496		1,000	180,943
59	0	241,446		1,000	200,138
60	0	265,590		1,000	221,252
61	0	292,149		1,000	244,477
62	0	321,364		1,000	270,024
63	0	353,501		1,000	298,127
64	0	388,851		1,000	329,039
65	0	427,736		1,000	363,043
Total	8,000	427,736		37,000	363,043