Financial Success From The Start: Personal Finance for New Pastors

PRESENTATION FOR THE
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PASTORS CONVENTION
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Personal Finance Statistics

Americans have:
- $999 billion in credit card debt
- $2.8 trillion in loans
- $1.17 trillion in auto loans
- 63% have credit card balances
- 17% have student loans
Personal Finance Statistics

Average household debt: $136,643
Average mortgage debt: $176,222
Average credit card debt: $16,748
Average auto loan debt: $28,948
Average student loan debt: $49,905

www.debt.com/personal-finance-statistics
19% of Americans have zero savings for emergencies

31% have less than $500 in emergency savings
**Definitions**

**Money:** Something generally accepted as a medium of exchange, a measure of value, or a means of payment.

**Wealth:** An abundance of valuable material possessions or resources.
GOD GIVES

“You may say to yourself, ‘My power and the strength of my hands have produced this wealth for me.’ But remember the Lord your God, for it is he who gives you the ability to produce wealth.”

Deuteronomy 8:17-18
GOD OWNS

“Everything under heaven belongs to me”
“The whole earth is mine”
“The earth is the Lord’s and everything in it”
“The land is mine”

Job 41:11; Exodus 19:5-6; Psalm 24:1; Leviticus 25:23
Our responsibility as stewards:

1. Be faithful whether we have a lot or a little.

2. Be faithful with ALL our money.
“Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment.”

1 Timothy 6:17
Assumptions

1. Regardless of your income, you can make your dollars stretch farther if you practice good financial habits and avoid mistakes.
2. Personal finance involves much more than managing and investing money.
3. Acquiring good financial habits requires practice, not just knowledge.
Discussion will be with an assessment of your financial situation (5 points)

Credit cards, debit cards, and consumer debt

Organizing your vital records

Basic insurance questions, and dangers to avoid
Assessing Your Financial Situation

1. Measuring your financial health
2. Setting realistic financial goals
3. Identify where things stand at the present time
4. Make a plan
5. Stay flexible
Financial Assets - Financial Liabilities = Net Worth

Financial assets: money in the bank, investments, money in retirement accounts, value of real estate you own that you can sell if you need cash.
1. Measuring Your Financial Health

Financial liabilities: loans and debts outstanding (e.g., credit card debt, auto loan, student loans).

The difference is your net worth.
2. Setting Realistic Financial Goals

1. Make the goal a positive one.
2. Set a date for achieving the goal.
3. Write it down.
4. Stay focused.
3. Identify Where Things Stand Now

1. Add up all your income for the month.
2. Add up all your expenses for the month.

Expenses may be:
- fixed (housing, food, clothing, transportation)
- discretionary (entertainment, hobbies)
- out-of-pattern (gifts, car maintenance, home repairs)
In 2015, the average American household spent:

- 32.9% on housing
- 17% on transportation
- 12.5% on food
- 11.3% on personal insurance
- 7.8% on health care
- 5.1% on entertainment
- 3.3% on apparel
- 3.2% on cash contributions
- 2.3% on education
3. Identify Where Things Stand Now

Now you will know:

1. You are spending more than you earn.
2. You are spending all that you earn.
3. You are spending less than you earn.
4. Make a Plan

“A budget is just telling your money where to go, instead of wondering where it went.”

John Maxwell

“A budget is a method by which you make your money behave; it is NOT a method by which you make other people behave.”

Dave Ramsey
4. Make a Plan

To build a successful budget:

- Involve the entire family
- Stay disciplined—make budgeting part of the daily routine
- Start the new budget at a time when it is easy to stick with the plan
4. Make a Plan

- Find a budget system that works for you.

  List items on paper
  List items in an Excel spreadsheet
  List items in a computer software package

  Recommended: Quicken Starter
4. Make a Plan

- Distinguish between “wants” and “needs
- Build rewards into the budget
- Avoid using credit cards for every day expenses
4. Make a Plan

If your expenses exceed your income:

- Eat out frugally
- Buy groceries at a wholesale superstore
- Buy a car you can afford
- Choose a fuel-efficient car
- Service and maintain what you have
4. Make a Plan

- Cultivate low-cost interests and hobbies
- Pay cash for your vacation
- Buy insurance only for financial catastrophes
- Don’t buy stuff just because it seems like the grown-up thing to do
- Be particularly careful of items promoted by the “low” amount of the monthly payment
5. Stay Flexible

Budgets are unlikely to work the first month you try

Budgets don’t work because:

- You leave things out
- You over complicate your plan
- You don’t actually live it
5. Stay Flexible

Adapt the budget for major-life changes.

Don’t keep spending at the same level after a major-life change occurs.

Remember: The purpose of the budget is to “cut spending by accident.”
In 1970 only 15% of Americans had a credit card.

In 2017, 77% of Americans have at least one card.

The average cardholder has seven cards.
“The rich rule over the poor, and the borrower is servant to the lender.”

Proverbs 22:7
The advantages of credit cards:

1. Free use of the bank’s money until the bill is due
2. Convenience. No need to carry as much cash
3. Essential for some transactions such as renting a car and purchasing items on-line
BUT:

Credit cards encourage spending money you don’t have by making it easy and tempting.

Don’t forget to pay off the credit card in full each month. Minimum payments results in a high interest way to live beyond your means.
Resist the credit temptation:

1. Reduce your credit limit on your credit cards.
2. Replace your credit card with a charge card that MUST be paid off every month.
3. Never buy anything on credit that depreciates in value.
4. Think in terms of total cost, not monthly payments.
5. Stop the junk mail which encourages spending.
6. Go shopping with cash, not plastic or checks.

www.debtoranonymous.org  800-421-2383
Debit Cards

Keep you from spending money you don’t have.

Reconcile your checking account regularly because of the danger of overdrawing your account.
Credit Scores

A three-digit score based on your credit report.

Scores range from 300-850.

Average scores for mortgage applicants: 755
Average scores for FHA loan applicants: 689
Average scores for new car loans: 714
Average scores for used car loans: 643
Credit Scores

To see your score:

www.annualcreditreport.com

Or call: 877-322-8228
Credit Scores

Three credit bureaus:

Equifax: Equifax.com 800-685-1111
Experian: Experian.com 888-397-3742
TransUnion: TransUnion.com 800-888-4213

Federal law entitles you to a free copy of your credit report annually from each of the three credit bureaus.
Credit Scores

To raise your score:

- Pay your bills on time
- Put more than the minimum amount toward your credit cards and other loans
- Limit your debt accounts; too many loans and high balances lowers your score
- Keep your old accounts; don’t open numerous new ones
Getting Organized

Keep vital documents in a home safe or in a bank safe-deposit box.

For the home safe, put documents you need quickly and can replace in the event of a catastrophe.

**Examples:** passports, insurance policies, emergency cash, a copy of your will.
Put documents you rarely need in a safe-deposit box:

**Examples:** titles to assets; deeds; birth, marriage, and death certificates; military papers; stock certificates; list of bank and brokerage accounts; a copy of your will; an inventory of your valuables
Getting Organized

What to you really need to save?

**One month:** credit card and ATM receipts (until you get your monthly statement); receipts for items you might wish to return in the next 30 days.

**One year:** paid utility bills; monthly and quarterly bank, brokerage, and credit-card statements; pay stubs until you get your W-2.
Seven years: Tax returns, receipts for major purchases and year-end credit card, bank, and brokerage statements.

Indefinitely: Medical records; receipts for home improvements; mortgage documents; current insurance policies; warranties until they expire.
1. Do you understand the individual coverages, protection types, and amounts of each insurance policy you have?

2. Does your current insurance protection make sense given your current financial situation?

3. If you wouldn’t be able to make it financially without your income, do you have adequate long-term disability insurance coverage?
4. If you have family members who are dependent on your continued income, do you have adequate life insurance coverage to replace your income if you die?

5. Do you carry enough liability insurance on your home and car to protect all your assets?

6. Do you whether your insurance companies have good track records when it comes to paying claims?
Dangers to Avoid:

1. Not setting financial goals.
2. Not knowing where your money goes.
3. Carrying a balance on your credit card.
4. Delaying saving for retirement.
5. Falling for frauds, either in investment opportunities or fraudulent financial advisors.
6. Making financial decisions based on emotion, especially when experiencing a major life change.
7. Exposing yourself to catastrophic risk.
8. Forgetting that health, relationships with family and friends, and career satisfaction is more important than money.
Best Investments:

1. Pay off consumer debt—all those credit cards with high interest rates.
2. Invest in your health. Eat healthy, exercise, and relax.
3. Invest time and effort in family and friends.
4. Invest in personal and career development.
Helpful Websites

http://www.choosetosave.org

An aggregation of resources for saving, including online calculators and budgeting tools.

http://www.feedthepig.org

Sponsored by the AICPA; provides weekly savings tips.
Helpful Websites

https://www.smartaboutmoney.org

Includes courses about spending and saving, credit and debt, insurance, investing, and employment.


