

Money Management (Budgeting, Savings and Credit Foundation)

Luke 16: 1-14 NIV

Jesus told his disciples: "There was a rich man whose manager was accused of wasting his possessions. So he called him in and asked him, 'What is this I hear about you? Give an account of your management, because you cannot be manager any longer.' "The manager said to himself, 'What shall I do now? My master is taking away my job. I'm not strong enough to dig, and I'm ashamed to beg-- I know what I'll do so that, when I lose my job here, people will welcome me into their houses.' "So he called in each of his master's debtors. He asked first, 'How much do you owe my master?' "'Nine hundred gallons of olive oil,' he replied. "The manager told him, 'Take your bill, sit down quickly, and make it four hundred and fifty.' "Then he asked the second, 'And how much do you owe?' "'A thousand bushels of wheat,' he replied. "He told him, 'Take your bill and make it eight hundred.' "The master commended the dishonest manager because he had acted shrewdly. For the people of this world are more shrewd in dealing with their own kind than are the people of the light. I tell you, use worldly wealth to gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings. "Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much. So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches? And if you have not been trustworthy with someone else's property, who will give you property of your own? "No one can serve two masters. Either you will hate the one and love the other, or you will be devoted to the one and despise the other. You cannot serve both God and money." The Pharisees, who loved money, heard all this and were sneering at Jesus. He said to them, "You are the ones who justify yourselves in the eyes of others, but God knows your hearts. What people value highly is detestable in God's sight.

Getting Started with a monthly Budget

- Start by keeping track of what comes in and what goes out each month
- What is my total monthly income (money in)
- What are my total month expenses (money out)
- Ask yourself, is more money going out than coming in?
- How much is going towards monthly bills, daily necessities, and entertainment.

Review how you're spending money today

- Essential expenses (tithes/offering, grocery shopping, gas, mortgage/rent, utilities, cc)
- Fixed vs flexible
- Extra expenses (Travel, eating out, clothes,)

Once you have your list of extra expenses, identify areas to cut back

Always pay yourself first

Savings

- Calculate your net cash flow: Monthly income- monthly expenses-potential monthly savings= net cash flow.
- If you're currently at zero, you're spending or saving as much as you're bringing in.
- If you're in the positive, you have money left over each month
- If you're in the negative, you're spending more than you're bringing in.

Setting financial goals

- Short term goals (pay off credit card, or save for family vacation)
- Long term goals (Buy car or house)
- Building your emergency fund

You should be using all of your leftover money to address your goals. When you have a positive net cash flow, it isn't the time to be silly with your finances. Instead, be disciplined. Be very exact with your budgeting/savings goals. You may also automatically transfer the agreed amount you'd like to save to your savings account.

Example: I need \$5000 for a down payment for my rental property and I want to purchase it by December 2025. How much should I save monthly? \$294.00 every single month. This will require a different type of discipline. You can not say yes to everything. Learn how to say no. If the amount of money you're required to save monthly intimidates you, break it up into bi-weekly recurring transfers to your savings account but never steer away from your goal.

What if you don't have money left over? Ask yourself:

- Am I spending on things to matter to me?
- Are there expenses I can reduce?
- Am I able to increase my income?
- Am I paying fees/bills that I can avoid?

Prioritize your financial health:

- Check your budget and review your monthly income. You may have to review weekly if you're changing/breaking a habit.
- Meet with your spouse regarding your budget at least monthly. You must plan as a couple if your focus is stewardship.
- If you are single, review your budget weekly. Seek the counsel of a trust and wise accountability partner

These financial fundamentals set you up for success so that when God blesses you with the opportunity to buy a house, your dream car, or a vacation, you're ready. Additionally, as life happens, you want to be prepared for the unknown. Outside of savings and budgeting, managing credit responsibly is equally as important.

Credit Basics:

- Credit- The ability to make purchases with the agreement to repay the funds later
- Credit Report- Detailed list of your credit history
- Credit Score- a representation of how responsible you've been with your credit.

What makes up your credit score and report?

- 35% is payment history
- 30% is the amount owed on your credit lines (Don't maximize your credit cards/lines of credit)
- 15% is the length of credit
- 10% is new credit
- 10% is your credit mix

You should always know where you stand as it relates to your credit.

You may request a free credit report annually from each of the reporting bureaus, Experian, Equifax, and TransUnion.

It is to pull your credit report from a different bureau every 4 months. Also, most banks allow you to access your credit score and credit report for free as many times as you like. Use this time to review, fix, and dispute as needed.

DTI Ratio (Debt to Income)

- Experts state that a healthy DTI ratio is 35% or less. Typically, with this percentage you have the capacity to save since in this season of our lives, we're stewarding our finances and refraining from unnecessary spending.
- 36%-49% is considered adequate, you should lower your DTI by paying more than the minimum owed on your credit cards. A consolidation loan may help as well, but this requires discipline.
- 50% or more than half of your income is going to debt. In this case you may not have much money left over to save or handle an unexpected expense. Also, when making purchase and the lender approves you, your interest rate will be higher.

5 C's of Credit

- Credit history- Your personal record of how you have managed credit over time.
- Capacity- Your ability to comfortably manage your payments.
- Collateral- Something you own that you may pledge to secure a loan.
- Capital- Savings, investments, and other assets that you could use to repay a loan if you experience a financial setback.
- Conditions- The economic environment and how you plan to use the funds.

Steps to building credit

- Become an authorized user on a trusted person's credit card. Typically, this is a family member such as your parents. It isn't wise to become an authorized signer on a friend's card or even your boyfriend or girlfriend.
- Apply with a cosigner or co-applicant.
- Consider a college card.
- Consider a secured card or loan.

Maintaining your credit

- Charge only what you can afford.
- Avoid maxing out your credit accounts.
- Pay your bills on time, in full, every time. This includes utilities, your cell phone bill, and rent.
- Keep your balances low.
- Pay more than the minimum balance.
- Keep an eye out for lower interest rates.
- If you're having difficulty paying your bills, contact your creditors immediately to discuss your options.
- If your card is stolen or your accounts are hacked, place a security freeze on your credit reports immediately.

Managing Debt

- Consider debt consolidation
- Pay off debt faster by refinancing to a shorter term
- Lower your monthly payments
- Pay off your most expensive loan first
- Know your limits.

Scriptures to meditate on as you plan out your budget and manage your credit

Ecclesiastes 5: 10-12 NKJV

He who loves silver will not be satisfied with silver; Nor he who loves abundance, with increase. This also is vanity. When goods increase, They increase who eat them; So what profit have the owners except to see them with their eyes? The sleep of a laboring man is sweet, whether he eats little or much; but the abundance of the rich will not permit him to sleep.

Deuteronomy 8:18 NKJV

And you shall remember the Lord you God, for it is He who gives you power to get wealth, that He may establish His covenant which He swore to our fathers, as it is this day.

Matthew 6:24 NKJV

No one can serve two masters; for either he will hate the one and love the other, or else he will be loyal to the one and despise the other. You cannot serve God and mammon.

Proverbs 21:5 NKJV

The plans of the diligent lead surely to plenty, but those of everyone who is hasty surely to poverty.

I Timothy 6: 6-10 NIV

But godliness with contentment is great gain. For we brought nothing into the world, and we can take nothing out of it. But if we have food and clothing we will be content with that. Those who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge people into ruin and destruction. For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs.

Proverbs 22:7 NKJV

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

Proverbs 13:4 NKJV

The soul of a lazy man desires and has nothing; but the soul of the diligent shall be made rich.

Proverbs 22: 26-27 NKJV

Do not be one of those who shakes hands in a pledge, one of those who is surety for debts; If you have nothing with which to pay, why should he take away your bed from under you?

Proverbs 13:11 NKJV

Wealth gained by dishonesty will be diminished, but he who gathers by labor will increase.