

BALANCED BUDGET, BALANCED LIFE

10 STEPS TO TRANSFORMING YOUR FINANCES



BALANCED BUDGET BALANCED LIFE



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Rollie Dimos

RECENT STATISTICS

A Gallup poll¹ found **68%** of Americans don't have a household budget.

A MarketWatch² report found **50%** of Americans live paycheck to paycheck.

- 31% have less than \$500 in savings.
- 19% have \$0 saved for an emergency.

RECENT STATISTICS

A survey by Career Builder³ found **2/3** of workers struggle to make ends meet.

- **50%** said they have to work more than one job to break even.
- **75%** live paycheck to paycheck at least some of the time.

RECENT STATISTICS

NerdWallet⁴ Q1 2017	Avg American
Total debt	\$135,924
Mortgage	\$180,018
Credit cards	\$16,245
Student loans	\$50,868
Auto loans	\$29,058

SYMPTOMS OF FINANCIAL BONDAGE

Overdue bills	Stress and anxiety	Family needs unmet	Lack of commitment to God's work
Gambling, risky investments	Deceitfulness	Over-commitment to work	Money entanglements
Greediness	Covetousness	Self-serving attitude	???

FINANCIAL CONTENTMENT

Financial Contentment Assessment

Anxiety / Stress

Peace / Contentment



0 1 2 3 4 5 6 7 8 9 10

10 STEPS FOR FINANCIAL FREEDOM

1. Live within Your Means
2. Use Credit Wisely
3. Reduce Debt
4. Set Financial Goals
5. Track Your Activity
6. Create a Spending Plan
7. Stick to the Plan for Long-Term Success
8. Save for Future Needs
9. Invest in Yourself
10. Bless Others

STEP #1: LIVE WITHIN YOUR MEANS

This is the basis for all the other steps:

- Be content in your current situation.
- Be moderate in your spending.
- Be generous in your giving.

BE CONTENT

Contentment is:

- Having a heavenly perspective on our earthly needs
- Being satisfied with what we have—not looking to material goods for happiness
- The first step to financial peace

Matthew 6:25 (ESV) “Therefore, I tell you, do not be anxious about your life, what you will eat or what you will drink.”

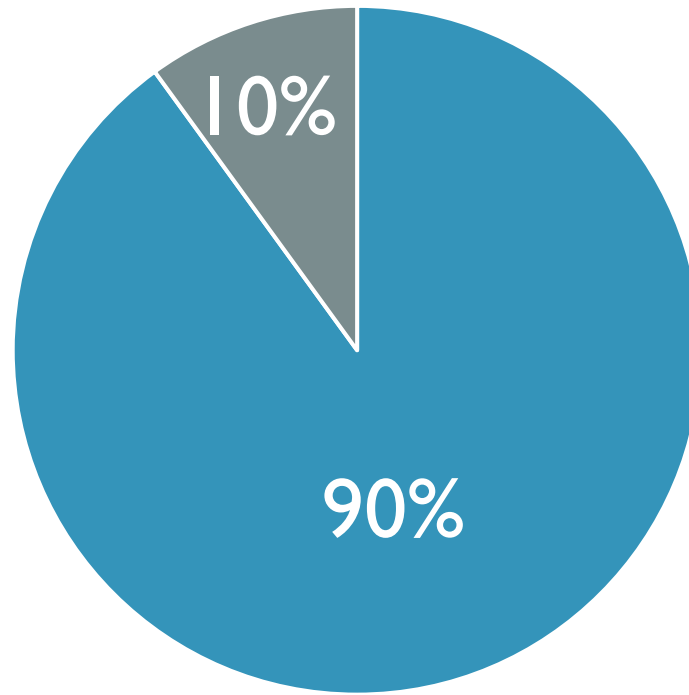
BE MODERATE IN OUR SPENDING

Once we embrace contentment, moderation follows.

- Moderation means placing limits on your spending habits so that you can *spend less than you make*.
- Moderation is the same regardless of your income.

BE GENEROUS IN OUR GIVING

Which is God's portion? Which is our portion?



STEP #2: USE CREDIT WISELY

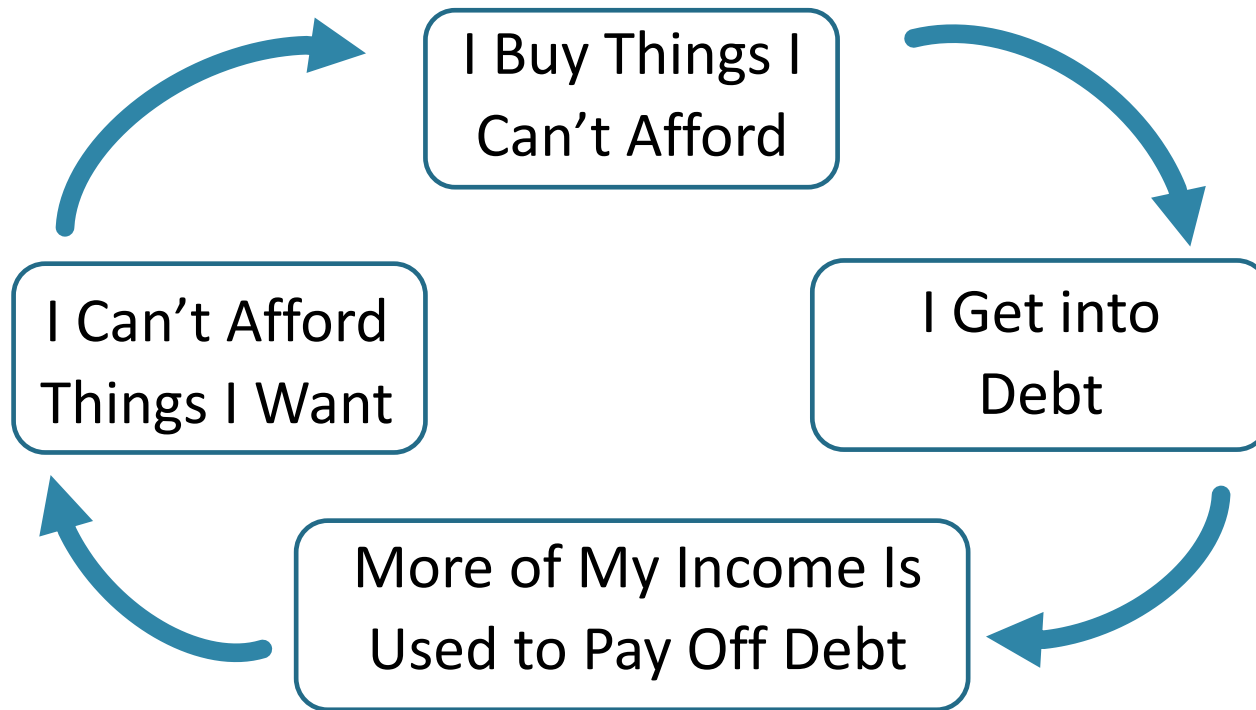
One of the most common ways to incur debt is through credit.

- Credit card companies will allow you to borrow 250% more than you can conceivably repay.
- Credit card companies will charge you a late fee and interest for unpaid balance, but they won't stop you from charging more!

STEP #2: USE CREDIT WISELY

CreditCards.com ⁵	Average Credit Card Interest Rates Oct 2018
Low interest credit cards	14.13%
Balance transfer credit cards	16.28%
National Average APR	17.01%
Cash-back credit cards	17.15%
Credit cards for bad credit scores	24.27%

THE CREDIT CARD DEBT CYCLE⁶



WARNING SIGNS

Do you have any of the following warning signs?

- You are only making minimum payments.
- Your credit card limits are maxed-out.
- You are opening new credit cards to pay off existing balances.
- You are paying bills late.
- Creditors are calling about delinquent payments.

CREDIT CARD TIPS FOR SUCCESS

- Take a “fast” from credit cards. Use cash, checks, and debit cards.
- Ask credit card to lower interest rate or remove late fees.
- Change your spending habits.
- Delete your credit card info from apps and online stores.
- Other ideas? _____

CREDIT CARD TIPS FOR SUCCESS

When is it appropriate to use credit cards?

- When you can pay off the balance each month (and all purchases are part of a balanced budget)
- When it is safer to use credit cards than cash (like traveling). However, same rule applies!

RECENT STATISTICS

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STEP #3: REDUCE DEBT

*Proverbs 22:7 (NIV) “The rich rules over the poor,
and the borrower is slave to the lender.”*

- Debt defined: a liability or obligation to pay; buying something with funds you don't have.
- Debt:
 - Creates bondage to lenders
 - Increases stress, anxiety and conflict in relationships
 - Takes away our ability to respond when God asks us to give

STEP #3: REDUCE DEBT

Q: Are there appropriate uses for debt?

Appropriate

Purchase a home

College education

Inappropriate

Automobile

Credit card

Q: How much debt is okay?

✓ DTI < 35–40%

DEBT SNOWBALL METHOD

Step 1: List your debts from smallest to largest.

Debts	Total Payoff	Interest Rate	Minimum Payment
Credit Card	\$1,800	19.5%	\$55
Car Loan	\$5,000	5.5%	\$250
School Loan	\$25,000	7.5%	\$300

Step 2: Make minimum payments on all debts except the one with the smallest balance—throw as much money as possible to that one.

Debts	Total Payoff	Interest Rate	Minimum Payment	Extra Cash + Minimum Payment
Credit Card	\$1,800	19.5%	\$55	\$155
Car Loan	\$5,000	5.5%	\$250	
School Loan	\$25,000	7.5%	\$300	

DEBT SNOWBALL METHOD

Step 3: Once the debt is gone, add that payment to the next smallest debt while making minimum payments on the rest.

Debts	Total Payoff	Interest Rate	Minimum Payment	Extra Cash + Minimum Payment
Credit Card	\$1,800	19.5%	\$55	\$155
Car Loan	\$5,000	5.5%	\$250	\$405
School Loan	\$25,000	7.5%	\$300	

Step 4: Repeat this process as you plow through the rest of your debt.

REDUCING DEBT: TIPS FOR SUCCESS

- Make a commitment to get out of debt as quickly as you can.
- Be careful about “same as cash” offers.
- Find ways to increase cash to throw at debt: part-time job, garage sale, trade in expensive car for economical car.
- Other ideas? Can you find \$200 extra a month to pay down debt? _____

STEP #4: SET FINANCIAL GOALS

You can't manage what you don't measure.

- 1: Monitor your net worth to measure your progress.
- 2: Set short-term and long-term SMART goals:

Specific

Measurable

Achievable

Relevant

Timely

STEP #4: SET FINANCIAL GOALS

Net Worth Worksheet		
Assets		Market Value
	Cash	
	Investment & Retirement	
	Property	
	Other	
Total Assets		
Liabilities		Amount Owed
	Unsecured Debt	
	Secured Debt	
Total Liabilities		
Net Worth (Assets Minus Liabilities)		

STEP #4: SET FINANCIAL GOALS

Goal	Strategy or Action Steps	When Do I Start?	When Do I End?
Example:			
I want to save \$500 for an emergency fund in the next 10 months.	Save \$50 per month.	February 1	November 30
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

STEP #5: TRACK YOUR ACTIVITY

This is the first step to creating a useful budget.

- To track *income*, include wages, rental income, government assistance, investment income, interest, and dividends payments.
- To track *expenses*, include fixed and variable spending.
 - Fixed expenses: occur each week or month; established by contracts and agreements like mortgage, rent, loans, utilities
 - Variable expenses: may not happen each week, vary with use, and usually involve “treating yourself to something nice” like dining out, entertainment, vacations, gifts, and hobbies

STEP #5: TRACK YOUR ACTIVITY

Weekly Income and Expense Worksheet

Week No. ____	Category									
	Income	Taxes	Tithes & Offering	Housing & Utilities	Food	Transportation	Health & Medical	Personal & Family	Debt & Miscellaneous	Savings & Retirement
Sunday										
Monday										
Tuesday										
Wednesday										
Thursday										
Friday										
Saturday										
Subtotals										

Total Income _____ less Total Expenses _____ = Net Surplus / Deficit _____

STEP #6: CREATE A SPENDING PLAN

A budget/spending plan:

- Is a blueprint to allocate your money to certain priorities in your life
- Empowers you to reach your financial goals

The goal is to create margin in your spending plan.

Luke 14:28 (NIV) “Suppose one of you wants to build a tower. Won’t you first sit down and estimate the cost to see if you have enough money to complete it?”

STEP #6: CREATE A SPENDING PLAN

Benefits:

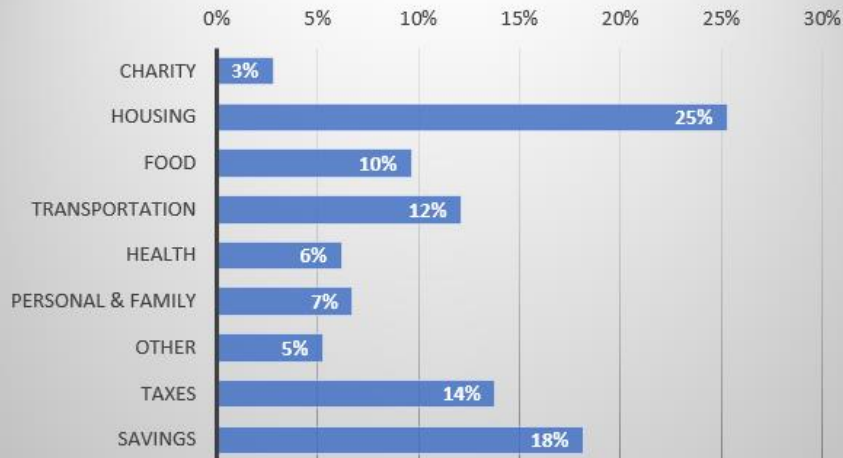
- Helps you see where you are headed
- Reduces stress, brings peace to your life
- Helps you prioritize your activities
- Embraces accountability

How? Using the worksheet from Step #5:

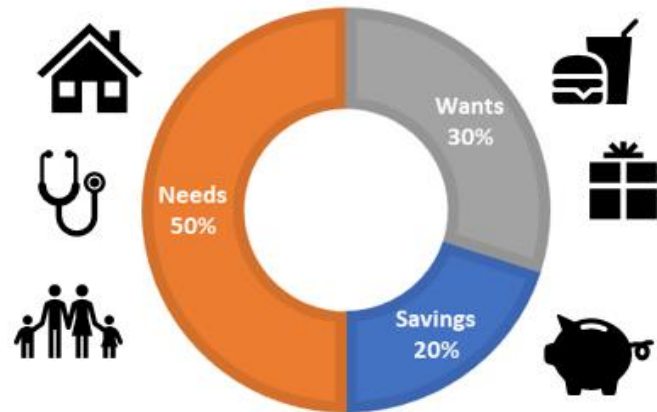
- Compute your net monthly income (gross income less taxes).
- Compute your total expenses by spending category.
- Add monthly amounts for financial goals (savings, retirement, vacations, home and auto repairs).
- Create margin and find ways to increase it.

BENCHMARK YOUR SPENDING PLAN

Average Consumer Spending⁷



50/30/20 BUDGET⁸



STEP #7: STICK TO THE PLAN FOR LONG-TERM SUCCESS

1. Find ways to increase margin in your budget.
 - Bypass your favorite coffee shop each day and save \$91 a month.
 - Bring your lunch instead of going out and save over \$1,000 a year.
2. Use the envelope system to control spending.
3. Avoid impulse and convenience buying.
4. Reward yourself and your family when you reach a goal/milestone.

Other ideas? _____

STEP #8: SAVE FOR FUTURE NEEDS

Create margin to put aside money for future needs.

Short-term emergency fund:

- \$500 to \$1,000 for unexpected needs not in your monthly spending plan (appliance or auto repair).

Long-term emergency fund:

- Three to six months expenses if you lose your job or can't work for an extended time.

STEP #8: SAVE FOR FUTURE NEEDS

College expenses:

- Expect costs of \$15K to \$27K per year.
- Experts suggest school debt should not exceed first year's salary.

Other savings needs?

- _____

STEP #8: SAVE FOR FUTURE NEEDS

Use life insurance to protect your future.

- Transfers risk from your family to your insurance provider
- Can cover major needs if primary wage earner passes away

STEP #9: INVEST IN YOURSELF

Many adults have difficulty planning for their financial needs during retirement.

- 28% don't have adequate savings for retirement.⁹
- 50% can't maintain current standard of living during retirement.¹⁰
- 53% are not comfortable making investment decisions about their retirement accounts.¹¹

FACTORS THAT AFFECT RETIREMENT DECISIONS

How long do you want to work?

What do you plan on doing during retirement?

What is your standard of living/lifestyle?

How much have you invested?

How long will you live?

How is your health?

TYPES OF RETIREMENT FUNDING

- 1. Social Security:* Designed to cover 40% of preretirement income.
- 2. Pensions:* Only 8% of employers offer pensions.
- 3. Employer-Sponsored Plans:* Offered by 47% of employers.
 - May include automatic and matching contributions
 - 401(k) or 403(b)
- 4. Individual Retirement Accounts:* Funded by the individual.
 - Traditional IRA or Roth

HOW MUCH DO I NEED?

Experts suggest saving how much by the time you retire:

- About 1 to 3 times your annual salary
- About 4 to 6 times your annual salary
- About 10 to 12 times your annual salary
- At least \$1 million

HOW MUCH DO I NEED?

Consider:

- Life expectancy during retirement is 18–25 years.
- Health expenses for a married couple during retirement: \$280,000.

Experts recommend:

- Save 9–17% of your income for retirement.
- You'll want 70–90% of your preretirement income to maintain your standard of living.

HOW MUCH DO I NEED?

✓ Fidelity Investments suggests:¹²

- Saving 1X your annual salary by age 30.
- Saving 3X your annual salary by age 40.
- Saving 6X your annual salary by age 50.
- Saving 8X your annual salary by age 60.
- Saving 10X your annual salary by age 67.



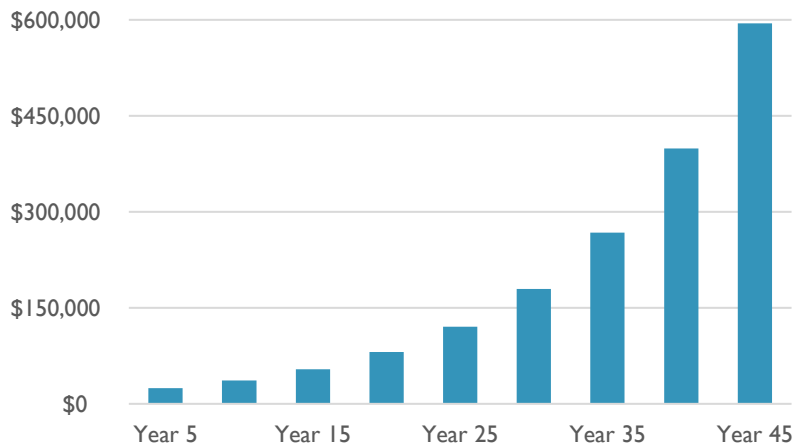
- ✓ Start early and invest as much as you can. Increase it over time, little by little.
- ✓ Let compound interest work for you.

THE POWER OF COMPOUND INTEREST

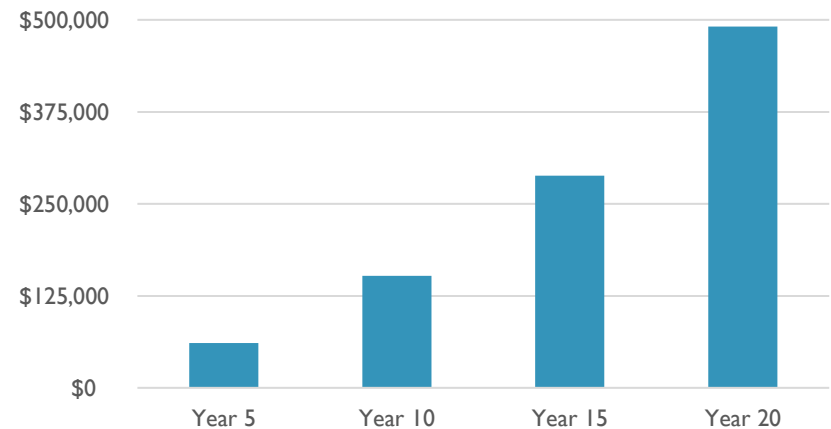
Taylor starts investing \$4,000 per year at age 20. After 5 years, she stops all contributions. Her total investment is \$20,000. Aaron waits until age 45 and invests \$10,000 per year until age 65. His total investment is \$200,000.

Which chart represents their respective investments over time?

Total Value: \$594,511



Total Value: \$490,850



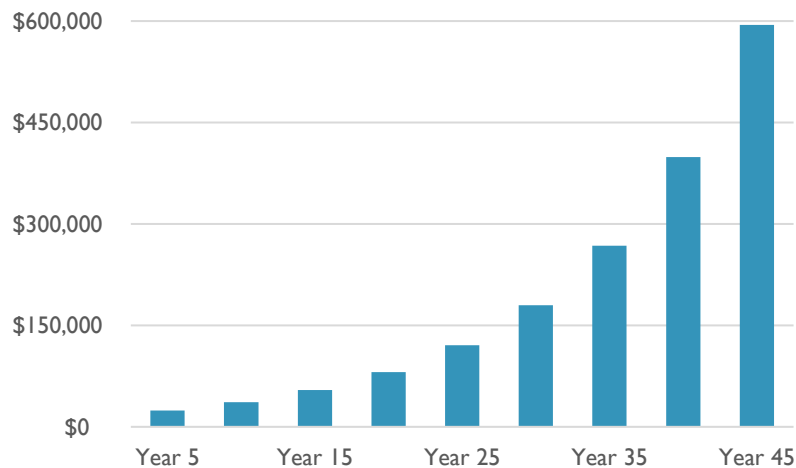
THE POWER OF COMPOUND INTEREST

Taylor's Investment:

\$20,000

Total Value With Interest:

\$594,511

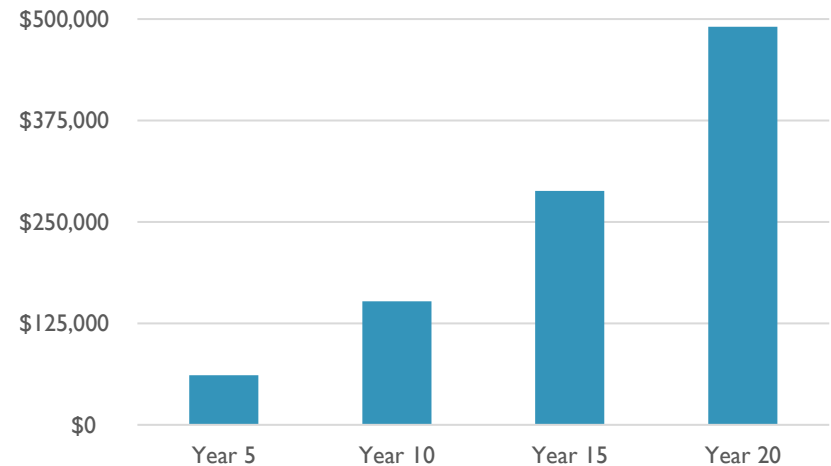


Aaron's Investment:

\$200,000

Total Value With Interest:

\$490,850



HOW MUCH DO I NEED?

If you want 70–90% of your preretirement income to maintain your standard of living, how's your progress?

- What's your Social Security estimate?
- What's your pension / 403(b) estimate?
- How much personal savings do you need?

For help, visit: <https://www.agfinancial.org/retirement-planning/calculators/>

HOW MUCH DO I NEED?

How much do you want per month?

- \$3,000 / month

Let's assume your Social Security estimate is:

- \$1,000 / month

Then how much 401(k) / 403(b) and/or Personal Savings is necessary to provide \$2,000 per month for next 20 years (assuming 4% growth)?

- \$330,000

For help, visit: <https://www.agfinancial.org/retirement-planning/calculators/>

STEP #10: LEAVE A LEGACY

Consider the following statements:

- Generosity is a theme woven throughout Scripture.
- God promises blessings when we are generous to others.
- Money really can buy happiness!

How can we leave a legacy to our family and others?

- It's not just leaving what you *earned*, but what you *learned*.

GOD HONORS GENEROSITY

It is well with the man who deals generously and lends; who conducts his affairs with justice. (Psalm 112:5, ESV)

Honor the LORD with your wealth and with the firstfruits of all your produce; then your barns will be filled with plenty, and your vats will be bursting with wine. (Proverbs 3:9–10, ESV)

One gives freely, yet grows all the richer; another withholds what he should give, and only suffers want. Whoever brings blessing will be enriched, and one who waters will himself be watered. (Proverbs 11:24–25, ESV)

Whoever is generous to the poor lends to the LORD, and he will repay him for his deed. (Proverbs 19:17, ESV)

The point is this: whoever sows sparingly will also reap sparingly, and whoever sows bountifully will also reap bountifully. (2 Corinthians 9:6, ESV)

STEP #10: LEAVE A LEGACY

Leave a legacy:

- Be generous to others and model good behavior for others to follow.

If you have children:

- Teach the principles of contentment and moderation.
- Help your children earn money so that you can teach them to save, give, and spend wisely.
- Teach the principles of budgeting, creating margin, and setting goals for their financial future.

CLOSING COMMENTS

Q & A

NOTES

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