

# **Does God Prefer Paper or Plastic?**

Condensed electronic version

Here is a no nonsense approach to eliminating your debt, increasing your savings, and getting your finances, back on track.

Evangelist, ventriloquist, and Gospel magician Dan Williams and his wife Marlis learned the hard way that your good credit can quickly become a pile of bad debt.

Their step-by-step plan to eliminate debt, increase savings, and double your giving to charity is a must read for every parent, every family, every pastor, and every church member who wants to break the bondage of debt permanently.

If you are tired of living paycheck to paycheck and the price of gas has you digging deeper than your pockets go, then now is the time to change your financial path.

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## **Table of Contents**

- Chapter 1 Our Great Awakening
- Chapter 2 Been There, Done That
- Chapter 3 Is There Really Good and Bad Debt?
- Chapter 4 The Ostrich Effect
- Chapter 5 Tell Your Money Where to Go
- Chapter 6 How to Avoid Emergencies
- Chapter 7 Putting Your Plan into Action
- Chapter 8 How Badly Do You Want It?
- Chapter 9 What the Bible Says about Wealth

## **Introduction**

We have grown to realize that as we put God first in our work, home, finances, and activities, the many blessings we enjoy everyday are a tremendous responsibility. We are not Financial, Investment, or Legal Advisors, but only wish to share with you some financial principles that we have used to help us finally break this bondage of debt. Our goal is to assist you in being all that you can be for the glory of God with all with which he has blessed you. .

Our intent is not to argue the economics and religious philosophy of debt but to share a very commonsense approach about finances that we trust you will find more than just enlightening. Regardless of your belief or lack of belief in religious influences, there are some very profound statements made hundreds and even thousands of years ago that make a great deal of sense about money. You will find a few of those throughout the book and a more complete listing at the end of the first section. You can do what with them what you choose, but you have to ask yourself, “How is what I have been doing working for me so far?”

### **A little financial humor I have read or said along the way:**

We started out with nothing in life, and after twenty-seven years of marriage, it appears that we have most of it left.

When we wanted to laugh we looked at the checking account, and when we wanted to cry we would look at the savings account.

When we got married we did not have a dime, and within twenty years, we owed more than a hundred thousand.

Money does not buy happiness, but you can drive up really close to it in a very nice car.

I know we should be content with what we have, but it sure would be a lot easier if we had more to be content with.

## Chapter 1 Our Great Awakening

*... We are mortgaging our fields, our vineyards and our homes to get grain during the famine. Still others were saying, "We have had to borrow money to pay the king's tax . . .*

**Nehemiah 5:3–4 (NIV)**

That was us, living the so-called "American Dream" of a house, some land, cars, tools, toys, and more. We wanted it all and seemed to be on the right path to obtaining it, but something was missing. Something eluded us and kept us from finding "it", whatever "it" was. How could we live in the land of opportunity with both of us having good jobs for two of the largest companies in the country and yet still not be satisfied?

No, I did not see any bright lights or hear any voices from heaven but the message was very clear that finally turned our financial life around in early 2007. I have no idea what that person in church was saying and could not even tell you what the topic was, but a few words were read that made me stop in my tracks and changed our financial future forever. They were written over 2,400 years ago and described the financial situation of many American families including ours. After reading those words in Nehemiah again and again, I realized that we were a train wreck waiting to happen. We had followed and swallowed the advertisements right out of the Sunday paper and on the TV. "Why Wait? Buy it Today and Get it Today! Pay Nothing! No Minimum Purchase! No Down Payment! No Monthly Payments! No Interest for 12 Months!" Yep, that was us and what seems like most of America. The only problem is that all of those "why waits" turn into "pay later" and pay a lot later on down the road.

Generations today look at what their parents have and think they deserve to have it all. Not only do we think we deserve it, but we have been lead to believe that we can afford absolutely anything. After all, our parents have a house, car, nice television, lawn mowers, weed whackers, and all the other thingamajigs that go with it. Why shouldn't I have those things? You only live once and you should either "go big or go home" as you live it up. I am not opposed to having "it" and I personally enjoy "stuff," but how we obtain it all while, maintaining our sanity

is the very crux of our awakening and the purpose for writing this book. We trust your financial life and the finances of the generations that follow you will be changed forever.

We don't need people telling us how much it is costing us to fill up our gas tanks or buy a loaf of bread. Yet most every night on the evening news there is a broadcaster standing outside a gas station interviewing people who are suffering from what we are now calling pain at the pump. Many are wondering if we are near the end of the difficult times or if we are just seeing the beginning of what was witnessed last century during the "Great Depression."

Many individuals, families, small businesses, and large corporations along with the news media have until now, as has the federal government, ignored the warning signs months and even years ago of the current and coming economic disaster. I am not a prophet, but I am certain that we as a nation will not bounce back as easily as we did from our previous economic hiccups. The question remains: What will you and I do to turn around our current financial situation? We can sit around and wait for someone to try and bail us out, or we can take the bull by the horns and change it now.

Who would have thought that people would actually take equity out of their homes to help pay for groceries and try to pay their heavy tax burdens? Actually, that very issue was written about over 2,400 years ago. The Prophet Nehemiah wrote, ". . . we are mortgaging our fields, our vineyards and our homes to get grain during the famine." Nehemiah 5:3-4 (NIV)

The price of everything is rising with budgets stretched to the limit. As of the summer of 2008, about one in ten households are either late on their mortgage payment or in the process of foreclosure. It was less than a year ago when the numbers were estimated at just one in a hundred home owners were facing foreclosure. With the new estimates at ten percent, I believe the number is either higher than that or soon will be. As goes the American family so goes America, and right now the average family is in serious financial trouble.

This is certainly not a quick fix or a "get rich quick" book, but it is a systematic method that we have used personally to break the bondage of debt. We have been able to have more, save more, give more, and do more without making more. In fact, we have done all of this while making less due to rising costs and expenses. You will not find the next hot stock tip or sure-thing investment, but you will discover how to get out of debt, teach your children sound principles about money, and be able to share your blessings with others.

I will not say anything you have not heard before, but you will hear it in a way that makes sense to you, the average person, regardless of your income. This book will not only give you the desire to get out of debt, but I believe it will finally give you the “want to.” You can and must decide right now to break the cycle of living paycheck to paycheck.

We’ve all heard the saying that the best things in life are free. Well, I truly enjoy free, but I have also discovered that none of those “free things” pay the bills, put food on the table, or fill up the car with gas. Regardless of your income or status in life, you can experience the peace of true financial freedom. I will share with you how we got out of the credit-card trap and how you can, too.

With hundreds of books available on finances, investments, how to develop a budget, and how to attain the American Dream, we have taken the most practical ideas, comments, and suggestions and rolled them into a simple and easy-to-understand, commonsense approach. This step-by-step plan helped us pay off over \$55,000 of debt in two and a half years. I am glad to say that we were able to double our giving to our local church and also pay for more of the things we needed without using any credit or incurring any debt while actually making less than we did the year before.

## Chapter 2    Been There, Done That

*You have planted much, but have harvested little. You eat, but never have enough. You drink, but never have your fill. You put on clothes, but are not warm. You earn wages, only to put them in a purse with holes in it.*

**Haggai 1:6 (NIV)**

In 1999, we bought a house with six acres and spent nearly seven years of building bigger, better, and nicer to keep up with the neighbors. I plowed through dozens of how-to books on finances, took plenty of bad advice from broke people, rich people, normal people, average people, and anyone we could think of to see how the “other half” lives. I was sure that money would not buy happiness, but I certainly wanted to see how close to it I could come.

When we first moved into our humble little abode, our mortgage payment was a mere six hundred dollars a month and the property taxes were about \$1,500 a year. That meant we only had to save a little over \$25 a week to pay the taxes and less than \$150 a week to cover the mortgage. We had nearly arrived at the Promised Land. I was sure that with just a little more effort we could have it all. With both of us working, we had become the “typical” American family with two kids, two jobs, two cars, two credit cards, and two bank accounts. One account was for saving and one for spending, though there was seldom very much money in either one at the end of the month.

It was easy for me to justify purchases for “stuff.” After all, a man’s castle has to have “stuff.” There is no sense in having a basement that is unfinished. That would be a waste of space. We thought that surely the basement would be more practical with a bathroom, pool and ping-pong tables, foosball, and a nice hot tub outside on the patio. After all, the local building supply store was offering twelve full months with no payments and no interest. The Entertainment Palace said practically the same thing—no payments and no interest for an entire year and a half. Wow, what a deal. Fill ’er up with stuff! After all, you deserve it. You work hard for your money. Besides, we would save a fortune if we could stay at home and use all our stuff

instead of going out all the time. Justifying it was easy. Paying for it and maintaining it was a whole other matter. Our American dream was about to become a nightmare.

Park the car where, outside? Why that is just silly. Why not add a two-car garage? Don't think that clunker deserves a cozy garage to be parked in at night? Don't you know you can get a new vehicle with *zero* percent interest? Who can pass up a deal like that? I can justify a new vehicle because I need reliable transportation to get to work, and after all, you can't pull up to the church in a rust bucket. What would God think? Surely, the pastor knows where I work and the rest of the congregation might not show the respect I know we deserve. Now that I have that nice new car, truck, van, or SUV, I just can't leave it outside in the weather. Heavens no! The right thing to do is to take care of it and keep it in a garage. Besides, the garage is a place where I can save money by working on my own car and changing my own oil. I mean, a garage can't cost more than a few thousand to build if I do everything myself, right? One thing I discovered with do-it-yourself projects is that you can come really close to estimating the costs if you do just one thing. Write it all down and figure it out to the penny, and when you get to the bottom line, add a little and then double it, and you will probably be close.

We thought we "had it all." With two great kids and mom and dad, both with good jobs, there seemed to be no end to that dream of get all you can, can all you get, and sit on the lid when you are done getting. At one point, we had four cars, three of them with payments, department store credit, furniture store credit, home fix-it place credit, and just about anything, we wanted or needed. Were we rich or upper class? Not by any stretch of the imagination, but we were living as if we were. After all, it was just like the advertisements that said there was no interest and that with easy payments, it would all be ours. I don't know about you, but I think the term "easy payments" is just plain wrong. In fact, I don't think you should be able to put those two words together in the same sentence, easy and payments. I've never made any "easy" payments. Payments come from a paycheck, and I think most folks would agree that they work hard for their money. To associate "easy" with "payments" is like associating easy with the work you did to earn the money.

We did the usual first and second mortgage, as they call it. Who can refuse an advertisement that says, "Use that equity in your home to get the things you need and want." We bought all the tools and toys necessary to make our house a happy home and soon discovered

that it all added up to making it a maintenance nightmare. We had all the stuff that people could ever think they needed and all the payments to go with it. All at zero interest, of course.

So what did we do when we finally woke up? When we came to the realization that this American dream was quickly becoming a very bad idea and consuming our every waking moment trying to attain it, we knew we had to make a change. There is nothing wrong with having a house, a car, and all the stuff that goes with it, but there is something very wrong with letting it rule your life. All those interest-free payments led to a pile of payments, and we realized that we were a slave to every single one of them. I believe we are meant and even created to enjoy blessings on this planet, in this country, in your community, and in your church or place of worship. We are not meant to be ruled by our stuff or follow the path of greed to get more.

In the early spring of 2007, we sold our house, six acres, and all of the tools, toys, and stuff that went with it. We moved into an apartment and began systematically paying off the debt that was left after everything was sold. When the preacher said, “Sell all you have and give to the poor,” we found out that when we sold all we had, we *were* the poor. In other words, all of our assets, when sold, did not even pay off the debt we had accumulated to get all of the stuff. We were worth about \$50,000 less than zero. Yep, we were in the hole—a very deep hole.

One very important rule of thumb that hit me like a bolt of lightning was the fact that you cannot get out of debt by borrowing money. That may seem like a no brainer, but the fact is that Americans have become obsessed with borrowing to have or borrowing to get a better deal. If you borrow money from your home to pay off your car or any other consumer debt and you pay it back over the life of your mortgage you—dare I say it?—are absolutely crazy! That car or had-to-have-it item will cost you tens of thousands of dollars over thirty years. A mortgage, if you must have one, should be used for one thing and one thing only and that is your home. Not your car, truck, boat, RV, vacation, or anything else. It is for your home, period.

Before you tell me how much money we are “throwing away” by renting a place, let me say that I think home ownership is a wonderful thing. It is a goal we may set again for ourselves someday. Right now, people ask if I miss working in the garage and mowing the grass, to which I reply, “Like a toothache.” When I miss mowing the grass and pulling weeds on those ninety-degree days, I just sit on the porch and sip a tall, cold glass of iced tea and watch someone else do the work. It’s very therapeutic. Renting is like being a king. When something breaks, we just

call a number stuck on the fridge and someone comes right over to fix it. Yeah, I could get used to this sort of thing. All I do is look back at the more than \$400 each month we spent, just in property taxes, and wonder which one was the bigger waste of money.

To get the most value out of a house that you will probably sell and move away from in less than seven years, there are some very basic rules you need to follow. First, your mortgage payment and your property taxes should never total more than one-fourth of your household take-home pay. You can probably get by with a little more than that, but many families are facing trouble because their house payment and taxes are approaching one-third of their pay. If you and your spouse bring home \$4,000 a month, then your payment, including the taxes or escrow, should be no more than \$1,000.

I can tell you that if you bring home that much money, the bank or mortgage lender will be happy to tell you that you can afford much more than that for a payment. Problem is, they are not the ones making the payment, buying the groceries, putting your kids through college, and filling up your car with gas. It all goes back to someone telling you how much “credit” you can afford, instead of helping you to figure out how much the total debt will cost you. When you are tired of dealing with all of the credit you have, it’s time for a change.

### Chapter 3 Is There Really Good and Bad Debt?

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

**Proverbs 22:7 (NIV)**

I can't say there is such a thing as good debt, because I've never felt good about having to make payments on anything. I can say with absolute certainty that we have seen up close and firsthand plenty of what I would call bad debt. We didn't file bankruptcy, and that was not even in our vocabulary as an option to consider. We had created this mess over several years and were determined to clean it up, even if it meant starting over again without all the "stuff." The strange thing is that we weren't starting over. We were actually getting ahead. We found out that we could have more while doing with less—a lot less. Having been told that debt can be good or that you have to have debt in order to live is a myth that we had swallowed hook, line, and sinker. And sink we did.

People *think* they are beating the system somehow by having debt, which many refer to as "building credit." After all, the bank, mortgage company, department stores, and credit card companies must be trying to help me, right? Look at all the credit they have allowed me to have! Why do we think they are giving us "credit" instead of "debt"? For the first twenty-three years of my life, I did not have a credit card. For the next twenty-four years, we had all the credit anyone could ask for. In fact, we were able to go from absolutely zero credit to over \$300,000 worth of credit, or should I say debt?

Back in the 1980s, the buzzword or acronym of the financial sector was OPM, which stood for "Other People's Money." Why use your own hard-earned cash when you can use someone else's money? Think about it! If I were willing to give you anything you wanted and the only stipulation was that I would not charge you any interest for thirty, sixty, ninety days, or even five years, wouldn't you think that was a great deal? After all, the only part of the bargain that you need to hold up is to make the payments. The better question to ask yourself might be:

Why would anyone give another person that option under those conditions? The answer is one that has put most Americans under their current financial stress.

We usually want more than we have. No interest and just so many “easy” payments may sound good up front, but sooner or later it all has to be paid back. The problem is that people are buying everything on credit, and the items they are buying are gone or worn out before they have even finished paying for them.

It is a well-known fact that people will spend more when they use credit. In fact, the average person will spend about 35 percent more when purchasing with credit. It is amazing how many fast-food restaurants now accept credit cards. Why would they pay a 2 or 3 percent fee on every transaction to the credit card company on a four or five dollar meal? The reason is quite simple, really. They know that if their customers are going to use plastic instead of the green paper stuff, they will be more likely to spend more—much more. Giving the clerk at the counter four dollars in cash for my burger and fries may be difficult. Swiping my credit card to get a giant fries and drink with that sandwich is as easy as one, two, three. If they can get you to spend over 30 percent more on an impulse, then paying a few percent on the transaction fees is a bargain.

I suppose most people would say that a mortgage is a good debt, because you will build equity. At least that’s the plan when you get a piece of property or a house. Take a \$150,000 mortgage at just 6 percent interest, and your payments would be about \$900 per month for 30 years. That would be 360 monthly payments times \$900, which would equal a total of \$324,000 paid back to the bank or mortgage company. On top of that you might pay \$2,000 per year in property taxes, and you would perform at least \$1,000 a year in maintenance, improvements, and upkeep, which adds another \$3,000 a year or \$90,000 over 30 years to the cost. You now have a grand total of more than \$400,000 invested in your \$150,000 home over 30 years. If you hired all the maintenance repairs and upkeep done by a professional, you might add another \$30,000 to \$50,000. You could approach an incredible figure of nearly half a million dollars.

We all agree, hope, and even pray that the value of our homes will increase each year, but our problem is that we either have a bad memory or we are too young to have seen real inflation, stagflation, or worse, a recession. In the late 1970s there were gas shortages, and interest rates on a mortgage were upwards of 18 percent! Fast-forward thirty years and here we are. Interest rates are certainly what most reasonable people would call acceptable, and there is no shortage of gas

to fuel our vehicles. There is also, however, no shortage of increasing prices either. Home values have plummeted, and foreclosure rates are skyrocketing. The price of a gallon of gas has more than doubled in just a few years. Is anyone really looking at any debt as good debt?

Let's take that \$150,000 home mentioned earlier and see if it is a good investment. Suppose after thirty years you want to sell it. That home *must* increase in value by about 3 percent per year every single year just to "break even." People will often look at only the good years and times of economic boom to justify purchases and spending. When we purchased our home, for example, many properties were increasing in value by 10 to 20 percent or more every year in the late 1990s up to about 2006. Even our humble little abode went from an appraised value of around \$90,000 to over \$270,000 in about seven years. Notice I said "appraised" value. The value of your home seems to depend on whether you are buying it or trying to sell it. Whenever we went to the bank for a home improvement project, they always appraised it at whatever amount we needed to complete the new project and often a little more. When it came time to sell, it took nearly a year and a half and we finally sold our home for 15 percent less than the appraised value.

Having a mortgage was considered *very good debt*. Real estate was a bubble, as some called it, and it was bound to end with the same result as many stock or tech bubbles did in the spring of 2001. Again, our short memory, greed, or just a desire to get ahead has clouded many people's judgment when it comes to real estate. If you put 20 to 25 percent down, lock in a fifteen- or twenty-year fixed mortgage with an interest rate of 6 percent or less, you can and most likely will come out ahead. But if you constantly refinance, have an adjustable-rate mortgage, or always borrow the equity in your home for anything but your home, you will lose and lose big.

To say that we are slaves to anyone to whom we owe money may seem like an exaggeration, but it really is true. Most of us work for one company—two if you have a second job. The fact is that we work for everyone to whom we owe money. That is the whole purpose of working, right? To pay for that thing we have to have, be it a car, boat, motorcycle, RV, SUV, tools, toys—you name it. When we look at our monthly payments, we have become debtors or slaves to the automobile lender, mortgage company, department store, local rental business, check-cashing places, credit card companies, and everyone we owe. If I don't work, I can't pay. If I can't pay, someone may take my stuff or put me in jail. I have to agree that I truly am a slave

to anyone to whom I owe money, as it says in Proverbs 22:7. In a land of plenty, there is a way to get out from under the thumb of the bill collector and the viscous cycle of debt and payments.

The next section of this book will take you step-by-step to avoiding debt and getting out of debt. You will learn how to avoid emergencies and to pay for the things you really need and truly want in life. This is the same method we have used very successfully for every purchase we have made and every debt we have paid off in the past year and a half. You can do this, but it takes a mind-set and an attitude change. I had a teacher in school who called it an attitude adjustment. For some reason that sounded better. A correction just means the idea is good, but the plan we are using to get there needs some adjustment.

We had to adjust our thinking but not to become brainwashed by some fanatic telling us about the evils of debt and beating us over the head with a Bible. Rather, we had to take a hard look at where we were and if what we were doing was working. The answer was a resounding *no!* At the beginning of this book, I shared some of the financial wisdom with you that I have learned along the way. If you remember, I said that we got married with nothing and twenty years later we owed a hundred thousand dollars. When I realized that, I had to take a second look. If we were able to rack up over \$300,000 in debt in less than thirty years, where would be when we retired?

## Chapter 4 The Ostrich Effect

*The plans of the diligent lead to profit as surely as haste leads to poverty.*

**Proverbs 21:5 (NIV)**

To get out of something, you have to first realize and then admit that you are in it. Most people do not have a clue when it comes to their true financial situation. They have what I refer to as the ostrich effect. They bury their heads in a mound of bills and wishfully think that everything is okay and that they can make all of their payments as long as things don't change. As long as they keep getting raises or as long as nothing major breaks down and there are no unexpected large expenses or emergencies, they think they are just fine. The fact is, until we really looked at where we were, we did not even realize that we were just like the ostrich—no clue as to how far in debt we were and how bad things could get when we least expected it.

I was watching a game show where contestants guess the price of various items. The person who comes the closest to guessing the retail price wins the prize. Sounds simple enough, but as the contestants began to yell out prices, one of them guessed \$700 and another guessed over \$7,000, with the others somewhere in between. The actual price of the item was a little over \$2000, so needless to say, the folks on both ends of the guessing game were not the winners. They had absolutely no clue as to how much the prize was worth. Granted, they may not have gone out and recently purchased that particular item, but this showed me how out of touch they were with the reality of the current situation.

I was listening to a radio talk-show host the other day, and people from all across the country would call in to describe their financial situations and ask his advice. One woman called to ask about how she and her husband should invest money for retirement. They owned rental and vacation properties and apparently lived quite well. When the host asked what their yearly income was, she paused for a minute and said, "I'm not sure." He pressed the issue and asked for a guess. Was their income \$40,000 or \$400,000, and the answer was about the same. She had no clue how much money they made last year.

I would hope the average American could tell you within a few dollars how much money he or she made last year. In fact, when it comes time to file your taxes, the government does not ask for an estimate of your income. The Internal Revenue Service wants to know exactly how much money your employer paid you and how much you paid in taxes. I trust that most people know how much they made, but the real problem is realizing how much they spent and where it all went. I want you to know exactly what your financial situation is, and I want you to be able to see it. Follow these steps and you will know what your income is and what your outgo is.

We are not going to have you write down every penny you make and every cent you spend. You will not be asked to keep a receipt for that eighty-cent pack of gum you bought at the convenience store, and there's a good reason for that. In talking with several couples, I have discovered that people who keep track of every penny are usually not keeping very good track of the dollars.

The main purpose of what you are about to read, write, and do is to give you the big picture of how much or how little trouble you may be in. You will also see how easy it is to climb out of the hole and give your finances a serious makeover. You can change your financial future if you decide that is what you want to do and are determined to do so, but the choice is yours. You can't continue doing what you are doing and expect to get a different result. I have said for the past twenty-five years that "If you continue to do what you have always done, you will continue to be where you have always been."

The following pages contain the step-by-step plan we used and are still using to eliminate debt, increase savings, pay cash for items we need and would like, and increase giving to charities. Modify the plan to fit your needs, but believe me, you must have a plan!

### ***Step One: Find Out Where You Are***

You must find out how much debt you have, what your expenses are, and how much income you earn. Then you must write it down. Computers are wonderful, but my wife still likes a good old-fashioned pen and paper. If you prefer to click a mouse, you can use an Excel spreadsheet. Either way, get it on paper! There are templates at the end of this section that you can use as an outline for making your own forms to fit your particular situation and finances.

Using the basic outline of the chart shown in this section, write down all of your debt and expenses in two separate columns. Debt is absolutely *anything that you owe* money on and are obligated to pay back in some systematic way. Debt includes payments for credit cards, student loans, boats, cars, RVs, rental properties, department store cards, gas cards, all mortgage payments including first and second loans, home equity loans, and anything else that must be repaid. If you owe money on it, it's a debt—period.

Expenses are things we generally need and purchase monthly, weekly, or even daily, but they include things that you buy or spend money on that are not considered a debt. This will include groceries, utilities, gas, cable TV, phone, cell phone, clothes, water, eating out, movies, and other flexible expenses. The forms or spreadsheet you use may be much longer or shorter depending on your particular financial situation. Let me assure you of one thing; you are not alone.

We have been taught that debt is normal, that it's okay, or even worse, that it's good. I am convinced that we did not realize how bad debt can be or the stress it can place on a family until we wrote it down. We thought that all "expenses" were just part of life and not choices we had made to live at that level. There was no real rhyme or reason to the expenses other than the fact that we figured that's what it took to live as the so-called "middle class."

If, when you list all of your debts and all of your expenses, you are flabbergasted by the total or the bottom line, then I can assure you that you are not alone. Whatever it is, write it down. You will not see the entire picture until you put it on paper. When you do, you may very well have your own awakening and see the method to the madness of debts and payments.



Total monthly take-home pay	\$
Subtract total monthly debt payments and total monthly expenses	- \$
Amount of surplus or negative balance	=

If your monthly debt and monthly living expenses add up to more than your monthly income, then you, the same as most Americans, either have an income problem or an outgo problem. You could be experiencing both, needing more to come in just to meet what is currently going out. The purpose of writing it down is so you can see it and are not clueless to the train wreck that you may be headed toward.

Debt payments are very easy to write down because you know exactly how much the payment is every month. Actual expenses that you put down on the right side of the paper are little harder to nail down, because most of these will vary each month. Inflation has caused the price of items such as food, utilities, clothing, and entertainment to increase and vary monthly. You will find yourself constantly adjusting the budget each month to keep up with inflation and overages, but don't lose heart. It will pay off big time in the long run, and you will begin to see positive results almost immediately.

This was what showed us how we got into the mess we were in. We quickly discovered exactly how much was coming in and that much more was going out. It was as if a light switch had been turned on. All of sudden, we could physically see the status quo we had fallen into. The "payments" we had agreed to seemed so small at the time. Fifty dollars here, a couple of hundred there, and pretty soon there was nothing left out of all we were making and bringing home to throw into the bank. It had become a vicious cycle of payments. Every paycheck translated into countless payments for stuff and expenses to live. For the first time, we could actually see our financial situation and then we could figure out how to change it for the good—the very good.

When you write down your debt along with the payments, it is not a question of good or bad debt. It does not matter if you think you are beating the system of "no interest and no payments for a year." When you write it down, you can see the insanity of the endless cycle of debt. If you think you will never get ahead because you will always have payments, you are half-right. You will never get ahead if you choose to always have payments and use credit.

After putting it on paper, we went from clueless to clued in very quickly. We were not working just to live; we were living to work—working just to make payments. Our money seemed to have no purpose other than payments. Our plan did not go beyond the next paycheck, and our paycheck did not go beyond the next payment. Someone once asked me if we lived paycheck to paycheck. My reply was, “No, sometimes we can’t make it that far.”

Putting everything on paper showed us where we were, and it will show you where you are. Once you write down your own figures, I will show you how we were finally able to tell our money what to do instead of wondering what to do about our money. There are certain accounts that I believe everyone with an income must have, and I will tell you exactly which accounts we set up to change our financial future for good.

It does not matter if you make minimum wage, live on what I call social insecurity, or if you earn a million dollars a year. The basic principles for handling that money and directing it where to go are the same. Have you ever said, “If I only knew then what I know now”? Well, “then” is already past, and you are living in the now. Decide this moment that you will change the bad money decisions and habits that have led you to your current problem! You *can* tell your money where it will be spent. In the next chapter, that is exactly what you will do.

## Chapter 5 Tell Your Money Where to Go

*In the house of the wise are stores of choice food and oil, but a foolish man devours all he has.*

**Proverbs 21:20 (NIV)**

It has been said that, “there are those who make things happen, those who watch things happen, and those who wonder what happened”. We spent nearly twenty-seven years of our marriage wondering what happened to the money we made week after week, year after year. You can make things happen with your money if you spend it on purpose. In other words, once you find out what you make, you should know exactly where it is spent. We’ve all heard that it’s our money. Well, if it’s my money, then I should be the one telling it where to go and how it should be spent.

Every dollar in every one of our four bank accounts has a specific purpose, and each account is used for a specific goal or purpose. We could not pay off debt without a “pay off debt account.” We couldn’t save for a vacation, new car, or whatever without a “savings account.” We came up short on gas or grocery money every month, because there was not any “expense account” money available. Every time we thought we were getting ahead or at least breaking even, something would break or need to be replaced. We could not pay for the emergencies, because there was no “emergency account.” The reason people do not get out of debt isn’t because they don’t want to; they just do not have a plan to make it happen.

If you have a little or a lot of debt and you are paying all of your bills and expenses out of one or two accounts, you probably will never get out of debt. The problem is that most people do not have a method for paying bills and spending money. Our method used to be, pay all of the bills and spend whatever was left over on whatever we needed. I didn’t think there was anything terribly wrong with that philosophy except for the fact that there were always payments and always spending and never any savings.

In a previous chapter you wrote down all of your debt and all of your expenses. I’m guessing you quickly realized that those two columns did not include everything on which you spend money. You were probably wondering where the money comes from for such items as

vacations, birthdays, holidays, car replacement, new appliances, furniture, and dental or medical emergencies, and the list goes on. Let's take a clear look at a breakdown of each account and how you can tell your money where to go and make it work much harder for you instead of your having to work harder for your money.

You can start out by writing this down on paper or using the computer, but set up all four accounts as described in the next section and you will start to see how quickly your debt can disappear, your savings can increase, your "emergencies" virtually end, and your household can be much happier. Conversations will quickly go from "How can we afford that?" to "What can we save up for next?"

### ***Step Two: Set Up Four Accounts***

We personally have discovered that the fastest and easiest way to get out of debt is to have four bank accounts. Yes, I said F-O-U-R! If you have no debt but just expenses, you will still want to use three accounts to make the most of and get the most out of your money. You used to get a toaster when you opened an account. Now you will get the satisfaction of knowing what every dollar in every account you have is used for and that you are going to decide how to spend your money before you spend it.

If you have completed the first step of writing down all of your debt and all of your expenses, then you can now see where your money is going. Believe it or not, it went there because that is where you "let" it go every month. There are probably more than a couple items that you purchased or spent money on that you are wishing you didn't, but it's gone and you can't get it back. From here on out you are going to tell it where to go, how much is going there, and for what specific purpose it will be used.

### **The Debt Account**

Bank account number one is the "Debt Account" and is used to pay *only monthly debt*. We know exactly what the monthly payments are each month and how much money we need to put into that account to cover those payments. Figure out what your debts are and write them all your down. If you just do it in your head, you will not fully grasp the situation and how much that debt is really costing you. You must write it down!

The form below will help you to get started. A lot of expenses are common from one family to another, but you may need to add or subtract things from the list to make it fit your particular situation. Take the time to make sure that you have included all of your debts.

<b>Debts</b>	<b>Monthly Payment</b>
Car 1	
Truck	
RV/Boat/etc.	
Equity Loan	
1 <sup>st</sup> Mortgage	
Credit Card	
Credit Card	
Furniture	
Other	
Other	
Other	
Other	
Total	\$

Whatever the total amount of monthly debt payments you have, you need that amount and not a penny less in the debt account to make all the payments each month. Remember, this is just debt. The reason the “no payments” and “no interest” gimmicks look so appealing are because we don’t see the big picture. We are often only looking at the “easy” payment of \$50 a month, \$200 a month, or whatever it is. We don’t see the end to the cycle, because there *is* none if we keep doing the same thing.

When we write it *all* down, we see the bottom line, which is the total of all our debt. If you want a real eye-opener, take all of your monthly statements for all of your monthly payments and “amortize” them. In other words figure out or look at the original contract and see what the total payments and interest will cost you for the amount you borrowed. A \$150,000 house at 6 percent interest for 30 years plus taxes, maintenance, and insurance will cost you well over \$400,000 in the total paid back. Some recent statistics show that the average American family has over \$9,000 in credit card debt alone. This does not include mortgages, equity loans, or automobiles. More and more senior adults are filing for bankruptcy than at any time in our history. You must write it down, and you must write it down *now* to break the bondage and cycle of debt.



be the one that requires the most amount of lines, even though the monthly dollar amount may be smaller than your debt account total.

Some people look at their bank accounts and see some money in there and decide to spend it on something. Then they wonder why they don't have enough money to pay the electric bill or buy groceries without using the credit card each month. Remember, every dollar is going to be given a name and told where to go. If there is money left over at the end of the month, assign it to something, but don't blow it on "stuff" just because it's there. You may want to pay down a debt or put it in your third account, which is the one we have used the most to stop using credit and to keep out of debt.

### **The Emergency Account**

The third account is absolutely *the most important account you can establish*. The "Emergency Account" will keep you from getting into debt any further. It is the one account we discovered we must have to get us on track, keep us on track, and get us out of debt. It is used for many things, but for only one purpose, and that is *emergencies!*

<b>Emergency Account</b>	<b>Minimum needed</b>
If you rent a home or apartment	\$500 minimum
If you own or are buying a home	\$1,000 minimum

We will discuss this in greater detail, but if you want to know just how important this account will be to you, write down on a piece of paper or make a mental note of any emergencies that you have experienced in the past few years. This can include items such as car repairs, appliances that needed to be replaced, doctor and hospital bills, emergency dental visits, and just about anything that you were not planning to spend money on but had to because it was an *emergency*, right? Now write down the dollar amount that each one of those emergencies cost you. Did you have the money to pay for them, or did you use a credit card or store finance plan?

## Chapter 6 How to Avoid Emergencies

*Seven years of great abundance are coming throughout the land of Egypt, but seven years of famine will follow them. Then all the abundance in Egypt will be forgotten, and the famine will ravage the land. The abundance in the land will not be remembered, because the famine that follows it will be so severe.*

**Genesis 41: 29–31 (NIV)**

You must have an emergency fund (Account #3) to handle life's unexpected items. If you have been alive for more than a day, you probably realize that life happens and you must prepare for it. You can substitute any word you want for "it." But trust me—"it" happens.

Saving money does not make you a scrooge or a miser; it makes you smart with money. When my great-uncle was alive, I thought he was dirt-poor. He lived in a rickety old house and drove an old car. After his death, they cleaned out his house and found thousands of dollars in cash stuffed in his mattress and in an old clock on the wall. That may be the extreme, but I'm guessing if he needed—and I mean truly *needed*—something, he didn't swipe a credit card. He could afford to go get it. He may have been misguided about how to wisely use his money, but money he had.

Why do we bother to save for emergencies? It is absolutely necessary, and it is obvious that emergencies have been happening since the dawn of time. They will continue to happen as long as we own anything that has a motor, engine, electrical system, piping, plumbing, wires, or any kind of controls. Genesis 41:35–36 instructs us to save and store up in the good times, because the bad times are coming. It is not a question of whether we are going to face emergencies; it is only a matter of when those emergencies will happen.

All you have to do is turn on the news and see the emergencies that people face every day. As I write, flooding and tornadoes are pounding midwestern America, while thousands of acres of land and homes are being destroyed by wildfires in the West. Inflation is rearing its ugly head, and there seems to be no relief in sight for fuel, energy, and food prices. Add to all of these

emergencies the fact that anything can break at any time, and you quickly realize that not planning for an emergency or not having a reserve is not a very good plan at all.

At our house, we learned to refer to them as “oopses.” I’m pretty sure that’s not a word, but when something breaks or needs to be replaced, instead of swearing or yelling at what just broke or at someone who happens to be in the room, we just say “Oops, that’s life.” Only now we have a plan to deal with it. We have the money set aside and can pay for that emergency, whatever it is and whatever it costs.

If you do not have an emergency fund, you will find it extremely difficult if not impossible to get out of debt or to stop using debt and credit to fix the emergencies. We tried to get out of debt and promised ourselves that we would only use the credit card for “emergencies.” Problem was that every time something broke, wore out, or needed to be replaced, we found it was too easy to go to a store and get a new one. We would usually use our credit card or the store’s own credit plan. Who can say no to a store that offers six months, twelve months, or even eighteen months same as cash? I would say to myself, “Yeah, I can make the payments.” Pretty soon all we have is payments on top of payments for everything we live in, drive, watch, eat, do, and use. After all, it’s part of the American Dream, right? Wrong!

If you rent a home or an apartment, your emergency fund should be at least \$500. After one year of renting, we discovered that even with furnished appliances, there were many emergencies outside of our apartment. One trip to the dentist for a root canal or other emergency work, and I soon discovered that you can fork out a lot more than \$500. The more you have in the emergency fund, the less you will need to rely on credit cards. If you own a home, you will probably need to save \$1,000 or more for your emergency fund.

The easiest way to plan for how much you will need for your Emergency Fund is to walk through your entire house, inside and out. Write down what will probably need to be repaired or replaced or could create a real hardship or “emergency” if it were to break and how much it would cost. Do you have one vehicle or three? If you rent an apartment with all appliances included and you only have one vehicle, then a smaller fund will be sufficient. If you are self-employed or have a business, then do the same for your business emergency fund and make sure that your personal or family funds are not mixed with business funds.

One way to grow your emergency fund is to pay the minimum payment on all your monthly debts, along with your regular monthly expenses. After you have paid all of the

minimum monthly payments on your debt and have taken care of your expenses, put \$50, \$100, \$300, or whatever amount is left after each month into your emergency fund. When your Emergency Fund (Account #3) reaches \$500 to \$1,000, you are now ready to start getting out of debt.

You may have to cut back on eating out or do without your morning latte, but whatever you do, put money in your emergency account before you begin thinking about trying to get out of debt. Every time we pledged to get out of debt, we had an emergency of some sort. The only way to cover it was to swipe the card. Once we had an emergency fund in place, we could start applying some serious funds to getting out of the trap of debt and payments.

People will often confuse an emergency account with a savings account. They don't really have any plan for it, it is just sitting there. The money isn't designated to any particular cause, and when they need or want it, they just take it out and spend it. I have talked to people who have thousands of dollars in a so-called savings account, and when the car breaks down or the water goes out, they swipe their credit card to repair or replace it. Your emergency fund is used for emergencies, and when something quits working, it's an emergency!

### **The Savings Account**

The fourth account is for *savings*. This account covers all of the items that are not in the first three accounts such as vacations, birthdays, anniversaries, and holidays. As you look at the following chart, notice the four accounts and how your monthly household income is applied to each account.

Account 1	Account 2	Account 3	Account 4
Debt	Expenses	Emergency	Savings
Car	Tithe/Giving		Birthday
Truck	Electric	\$500	Christmas
RV/Boat/etc.	Heating	if you rent	Anniversary
Equity Loan	Water/Sewer		Vacation
1 <sup>st</sup> Mortgage	Phone	\$1,000	Dentist
Credit Card	Cell Phone	if you own	Eye Exams
Credit Card	Cable TV		Purchases
Furniture	Groceries		Entertainment
	Toiletries		
	Cleaning		

Why do we have a separate account or a savings plan for all these little “extra” items? Because they are a big reason people go into debt, especially at the holidays and for vacations. We all know that every single year Christmas comes on December 25, but most people act as if they had no clue when it is going to happen when it comes to their spending habits. I’m guessing your anniversary comes on the same date every year as well. This tells me you should have taken out a certain amount of money from your paycheck for the past fifty-two weeks and set it aside for that special day and special gift. Yeah, right! How many of us actually set up a fund with a plan to pay for vacations, anniversaries, birthdays, and holidays? Since we started our savings account or “Fun Fund,” we have done more and had a lot more money with which to do it.

We have already stated that the first two accounts are to cover all payments for debt and monthly living expenses. With each account, including the Savings and Emergency accounts, we assign or designate for every dollar a name or purpose “on paper” at the beginning of each month. In other words, we are telling our money where to go. For our personal situation, we only make actual payments out of two of the accounts and usually transfer funds online as needed. With online banking, we do not have to keep track of four statements, checkbooks, and all the hassle that goes with it.

We adjust our accounts on a regular basis, which is almost monthly. Some accounts are adjusted more often if the cost of something rises or falls dramatically in a short period of time or if there are some unexpected items for which we did not plan. A computer and spreadsheet make adjusting accounts as easy as a click of the mouse, but even if you do it all on paper, you are not making drastic changes. Try to keep your amounts rounded to the nearest dollar or at least the nearest five dollars. We never include cents or odd amounts in the budget. Remember, expenses vary but they seldom vary by pennies. It is usually dollars and sometimes lots of them. You will be much farther ahead if you budget seventy-five dollars for gas this week and only need fifty than if you budget fifty and need the seventy-five. Sounds silly, I know, but having some money left beats not having enough, which is what used to happen to us week after week.

## Chapter 7 Putting Your Plan into Action

*A faithful man will be richly blessed, but one eager to get rich will not go unpunished.*

**Proverbs 28:20 (NIV)**

I hope you have not waited until this step to get your family involved and onboard with your plan to be financially free from the bondage of debt! If they are not involved, now is as good a time as any. An old-fashioned “family meeting” is essential to letting the household know several things about your endeavor. Make a clean, clear list of what you would like to share with them. The purpose of sharing is not to bully them into joining your crusade; it is to show them that you want a better way of life for them than you have made for yourself. You want to break the cycle and bondage of debt!

Whatever your plan is, make it visible to all who are in the house. After we typed out all of our debt on a piece of paper, for example, we printed it as large as the computer printer would allow and then hung it on the refrigerator, over the computer, on the bathroom mirror, and anyplace else we could think of. The kids were as shocked as we were at the mess we had created. We did not need this piece of paper as a daily reminder of how much of a mess we were in; we needed it to keep us on track and committed to saying this one sentence out loud every day: *No more debt and no more borrowing for any purpose.* Remember, you did not get into debt overnight and you will not get out of debt in a few days, weeks, or even months. You can, however, get out of debt and control your financial future if you make a plan, review it often, and stick with it.

You will soon find the entire family looking for ways to earn, save, and spend more wisely and with a purpose. Doing what it takes to involve everyone will also provide accountability and keep all of you on the straight and narrow road to financial peace. If the kids are involved from the very beginning and they see your passion and commitment, they will quickly begin to question their needs, wants, and purchases as you do the same with everything you buy. If you, as mom and dad, are going out to eat and buy clothes, tools, automobiles, appliances, and all of your other wants, however, the kids will begin to question your conviction

and seriousness about the plan. I have devoted an entire section in this book that teaches kids how to earn, save, spend, and give money. I trust you will read it to and with your children so they can be good stewards of all they have and can be on the same plan to financial freedom as you are.

***Step Three: Systematic Debt Reduction***

Okay, you have accounts from which to pay your monthly debts, cover your monthly living expenses, take care of the emergencies, and hopefully cover the birthdays, holidays, vacations, and other special events. Now you need to *pay off* your debt as quickly as possible. The first step was to pay the absolute minimum on all bills until your emergency fund has reached the goal of \$500 to \$1,000.

You are now ready to list your debts from the smallest to the largest balance in an Excel spreadsheet or on a piece of paper. Smallest to largest means the smallest balance first. It does not matter what the interest rate is. Just list the debt with the smallest total amount that you have. In this example, I listed the credit card with the smallest balance, which was \$1,500. The minimum payment was \$50.

Credit Card	Credit Card	Car or Truck	Student Loan	Home Eq. Loan
\$1,500	\$3,500	\$10,000	\$15,000	\$30,000
\$50	\$125	\$250	\$150	\$300

Once the emergency fund goal is reached, add the amount you were putting into the emergency fund each month plus any extra you make and apply it to the monthly payment of the smallest debt. If we were adding \$250 each month to our emergency fund, we now applied that to the minimum monthly payment of credit card number one. Wow, we are now paying \$300 each month on a credit card balance on which we were paying \$50—the \$50 minimum payment plus the \$250 we were putting into the emergency fund. Continue to make the minimum payment on everything else. You have one goal and one goal only and that is to pay off the smallest debt you owe. Keep at it and keep focused. Call the credit card company, cancel the card, and then shred it, cut it up, or burn it. Don't use it anymore, ever!

You may be thinking you'll keep it just for those little emergencies, but you don't need it. Why? You have an emergency fund, remember? The last thing you need when you are trying to get out of debt is more debt. Pay the card off and get rid of it.

Credit Card	Credit Card	Car or Truck	Student Loan	Home Eq. Loan
\$1,500	\$3,500	\$10,000	\$15,000	\$30,000
\$300	\$125	\$250	\$150	\$300

Apply as much as you can to the smallest debt and get rid of it as quickly as you can. Why start with the smallest one first? Simple. When you get it paid off, you have some immediate satisfaction and the feeling of conquering debt and breaking away from it. Every debt paid off is like a weight thrown off your shoulders. If you were to start with a debt that had a high interest rate but also had a large balance remaining, you would most likely stick to the plan for a few months and then get discouraged and give up.

So what do we do when an emergency comes up? We take the money out of our emergency fund and pay for it. Then we go back to paying the minimum on everything including the debt that we were trying to pay off. We pay the minimum on everything until our emergency fund is built back up to the \$500 to \$1,000. Then we proceed again with knocking out the debt.

It may be tempting to start paying off your debt without first building up an emergency fund, but that will probably only last until you have an emergency. If the water heater goes out, I'm guessing the members of your household who use hot water will want it fixed immediately if not sooner. If the alternator on the car goes on the fritz and you can't get to work, your boss probably won't understand.

Remember, you were paying \$300 on a small debt that had a minimum payment of probably \$50. If you put the \$250 extra that you were paying on the debt and apply it toward your emergency fund, you will build it back up to the full amount in probably one or two months. We have found that the average emergencies we have faced the past two years have run in the neighborhood of \$250 to \$300. So why do we have a \$1,000 emergency fund? Simple. If the average is around \$300, that means there are some that are much more, and we don't like surprises.

## Chapter 8 How Badly Do You Want It?

*Allow no sleep to your eyes, no slumber to your eyelids. Free yourself, like a gazelle from the hand of the hunter, like a bird from the snare of the fowler.*

**Proverbs 6:4–5 (NIV)**

Once you realize that you have a better chance of getting eaten by a shark or drowning in your bathtub than winning the lottery, you will want a plan that works and you will want it to work quickly. How do you pay extra money on a debt or put money aside for an emergency fund when you can barely make ends meet now? Perhaps the better question is how badly do you want to get out of debt? There are many simple things we can do each day to wind up with a significant amount of extra money each month to break the cycle and bondage of debt. Here are just a few ideas that we have used over the past year that really put us on the fast track.

If you want to jump-start your plan beginning with your emergency fund, you'll find it can be done and it can be done quickly. The fastest way to have a fully funded emergency account is to consider having a garage sale. Go through everything in the house, garage, storage, closets, and so on to find what you don't need. A general rule of thumb for us was this: If we had not used something for an entire year or four full seasons, we probably didn't need it.

Spend several weeks collecting items. Get the whole family involved. Later on we will discuss how to teach your children biblical principles about money. This would be a great time for them to start their path to financial freedom and understanding the danger of debt. You may want to encourage them to put some items in the garage sale and give them a portion of the proceeds from their stuff if it sells.

Other ideas to build up your emergency fund include saving rather than spending any unexpected income, finding a part-time job, cutting back on family vacations, or working overtime. The options are almost unlimited if you constantly ask yourself, "How badly do I want it?"

Make the sacrifice of packing your lunch for work each day. If you don't think this is a substantial amount, pay cash for all food or drink items that you buy for just *one week* at work

and when going to and from work. Keep the receipts for every food or drink item and add them up at the end of the week. Then multiply that by fifty weeks a year, giving yourself two weeks for vacation, and see how much you have spent on eating meals and snacks at work. I personally was spending nearly \$200 a month on feeding my face away from home. It amounted to about two dollars for breakfast or break in the morning, five to six dollars at lunch, and then a light snack in the afternoon. Do that twenty to twenty-two working days a month and you will soon find out that you are spending several hours of pay just on meals and snacks at work.

Before you think that you can't possibly buy all the food you will need at the grocery store and then make your lunch every day, think again. Note the amount that you spent on food at work. Now go to the grocery store and see what that \$50 will buy. You will be able to get a loaf of bread, which typically has twenty slices in it, for around \$2 if it's on sale. Let's just call it \$3 and get the first loaf you come to. You can purchase all of the deli-style meat that you like along with a case of water, case of soft drinks, and several kinds of fresh fruit and vegetables. If you have a refrigerator at work, then you really have it made. If not, pack your lunch the night before. I've found that if I get up at 5:00 a.m. and try to decide what I want for lunch before I have had breakfast, that task is a bit daunting while I'm clearing that sleepy, gooey stuff from my eyes. It works much better to have already taken care of getting lunch together.

Another new idea that worked well was to make a family sacrifice of not eating out and not going to the movies or other entertainment for one month. Before you scream for the steak house and the kids insist on the fast-food fries and meal with a toy that will wind up in the garage sale, have a family meeting. Let everyone know why you are not going out this month to see the latest movie at nine bucks a ticket and twice that for snacks. Ask your spouse and your children for some alternative ideas of what *they* would like to do as a family while they are "trapped" inside the house in the evening for an entire month.

One of the things we did was to set up a game night once a week. Yes, they still make these things called board games, and no, they don't have controllers. They don't even hook up to the HDTV. They really give you a chance to talk to your kids and your spouse, though.

Perhaps you could spend less on vacation by not flying to a condo on a beach somewhere. One of our recent vacations consisted of staying home and taking one-day trips to parks and inexpensive entertainment events in our hometown and surrounding areas. We spent less than \$200 for two of us for the entire week. It was the best and least expensive vacation

ever. We easily saved \$500 by not driving hundreds of miles at more than \$4 a gallon, eating out, and staying in hotels. That was enough to jump-start the emergency fund and start on the smallest debt in a hurry.

You might also go through all of your valued keepsakes—or junk, as is usually the case—and have a garage sale or auction. Use the Internet or a business that will sell items for you on the Internet. You may be able to fully fund your emergency fund and wipe out one or more of your small debts entirely by getting rid of a few things that you probably should not have gone into debt for in the first place.

How about cutting back at Christmas just a little? Handmade crafts and baked goods are a lot cheaper than department store clothes or the latest tools and gadgets. We asked family members if we could make a donation to a charity of their choice instead of giving gifts that they don't really want or need. We spent less than we would have on gifts from a store and felt better because we were giving to the needy.

Our favorite gifts have a donation of \$25 per family member to those whose names we were assigned at a local Crisis Pregnancy Center and the National Bible Society. It was great to be able to have the organizations send our family members cards of thanks for a gift given in their honor. It also gave us great pleasure to know that we gave a gift that mattered and that someone truly needed more than any toy or sweater I could find at the store.

Use your imagination and ask others what ideas they might have and you will find that establishing a fully funded emergency fund and jump-starting your plan goes rather quickly. How badly do you want to get out of debt and what will you do to accomplish it? Focus on the prize of “no more debt” and stick to the plan.

### **Want a Big Pay Raise?**

How would you like to give yourself a pay raise? You will begin to realize that every debt you pay off will increase your net worth by that amount and will increase your income by the amount of that monthly payment when it is gone. When you get debt number two paid off, it is like giving yourself a \$425 a month raise and increasing your net worth by \$3,500 in the example I just gave. Make sure you fully grasp and understand that statement. *Every debt you pay off provides a two-part return.* First, you increase your net worth by the total debt paid and second, you give yourself a raise equivalent to the amount of the monthly payment. It is a great

feeling to sit down at the dinner table with your family when you have made your last payment on a debt and be able to say that you got a raise of \$100, \$200, or \$300 this month because you no longer have that payment. Go ahead; bask in the moment and share it with your family. It's a good thing, and it is one less merchant or material thing to which you will be a slave.

Remember, you did not get into debt overnight but you can get out in a hurry if you sacrifice a little now. As soon as debt one is paid off, take half of the monthly amount you were paying on it and celebrate with your family and thank them for their sacrifice. We were paying \$300 a month on our smallest debt, so when it is paid off, we used \$150 and celebrated, but only once.

Credit Card	Credit Card	Car or Truck	Student Loan	Home Eq. Loan
\$0	\$3,500	\$10,000	\$15,000	\$30,000
\$0	\$425	\$250	\$150	\$300

Finally, things are starting to move along. The next thing you will do is to take the amount you were paying on debt number one when it is paid off and apply it to debt number two in your list as shown, adding that amount to what has been, up until now, your regular monthly payment. Credit card debt number two of \$3,500 will now have a monthly payment of \$425 instead of the \$125 you were paying previously. Remember, we were paying \$300 each month on debt number one, which is now paid off, so we added that amount to debt number two, which means that it will now be paid off in about nine months.

Remember, you are closer to getting out of debt now than you were just one month ago, and you will be closer next month than today if you stick with it. You will find that you are always looking for ways to make and apply extra money each month to get the next debt paid off.

I know it seems painful for a while. You don't feel as if you are "enjoying" life the way everyone else is, but that is very temporary. Don't forget that *you have been just like everyone else* and you didn't like it. A few short months from now you will find yourself enjoying life much more because you won't be stressed about all the payments. While the average person or family is trying to decide how to pay for that vacation they went on months ago, you will have

the satisfaction of knowing that yours is paid for before you leave. In fact, in the next step we will show you how to save for all the things that were causing you to get so far in debt in the first place.

Don't lose heart and don't look at the neighbors. Stop wondering how they can afford all their stuff. You already realize that they are where you were, up to their ears in debt with no end in sight. Believe me, you will be able to live a lot better later if you spend a lot smarter now. While everyone is realizing food and gas prices are eating away at their income and they can't make their payments, you'll have money for the groceries and gas and *no payments* to worry about. We went from paying for everything with credit to having money to pay for everything, and I can tell you that it feels good, very good.

The next step is where the fun begins, and you will be way ahead of the average American family. You are now paying over \$800 a month on a debt that you were paying less than \$200 on when you started this financial adventure.

Credit Card	Credit Card	Car or Truck	Student Loan	Home Equity
\$0	\$0	\$0	\$15,000	\$30,000
\$0	\$0	\$0	\$825	\$300

When the student loan debt above is paid off, you will be applying over \$1,100 a month on the Home Equity Loan. At that rate, you may actually have some equity in your home. Remember to celebrate and pat yourself on the back for paying off a debt, but stay on track and apply that loan directly to the next debt, which in this case is the home equity loan. You will actually be looking for ways to pay even more on a debt when you see how quickly it can be paid off.

Credit Card	Credit Card	Car or Truck	Student Loan	Home Equity
\$0	\$0	\$0	\$0	\$30,000
\$0	\$0	\$0	\$0	\$1,125

Your final step may sound a bit bizarre, but it is the step that brings true financial freedom from the bondage of debt. So what would you do when your final debt is paid off? You would once again celebrate with half of that payment. Then you would pile up cash and lots of it, because the \$1,000 emergency fund is not going to be sufficient to obtain financial peace or financial freedom.

You will put a considerable amount of money aside for the big-ticket items that you will soon need. I'm guessing that while paying off your debts that you did not go out and buy a car on payments. At least I hope you didn't. Your car will need to be replaced, and the best investment is to buy a vehicle that is one or two years old and pay cash for it. You can purchase almost any vehicle that is a year or so old with less than 30,000 miles on it for half the price of a new one. Saving for a car is easy if you take all the money you were spending to pay off your final debt and put in the bank for a newer car.

The next big-ticket items that will require a substantial amount of savings are the big emergencies. Remember, God gives us the ability to make wealth and expects us to use some of that wealth to save for the hard times ahead. What if the main breadwinner of the family lost his or her job? In today's unstable economy, any of us could be out of a job at any time or any company could fold or just move overseas. You need to save funds that would cover three to six full months of all of your expenses to cover such an emergency. Pile up money and lots of it for the big-ticket items and the big-ticket emergencies, and you will have enough piled up. Don't hoard all you get, but don't be foolish with what you have made, either.

How long would it take you to save for a newer car if you did not have any payments? How much would you be able to give to your church, local charity, or the needy if you had no monthly payments? How much more ministry could your church do without payments on a new building? We will discuss the financial crises that churches and charities are facing later in the book. I trust you will soon be able to gain all you can, save all you can, and give all you can as you realize where your wealth has come from, making the best decisions possible while you use it.

It wasn't until I got sick and tired of debt, credit, and the endless cycle of things breaking and needing to be repaired that we finally said, "Enough is enough." We listed all of our debts and all of our expenses. We figured out our exact monthly household income and had to decide if

we wanted to keep living like everyone else or if we were going to break the cycle and bondage of debt.

How badly did I want to get out of debt? Did I want to go out to eat or put that amount of money toward a debt? Was I going to buy a car with payments, or was I going to pay cash for one I could afford. It may have seemed as if I were being a scrooge or miser, but the entire family quickly realized that debt was the cause of our stress and it was going to ruin us. In an effort to gain contentment with “stuff” and the latest and greatest gadget, we were quickly becoming dissatisfied with what we had and what we were paying for it. The cost of debt was leading to bondage and we wanted out!

Ask yourself if there are certain things you and your family would be willing to do without for a short time while you are getting out of debt. With every debt you pay off, you will discover that you want out of the next one even more quickly. Becoming debt free is truly a joyful journey. We all say that we hope and pray to be financially independent, but we often confuse that with having a great deal of wealth. You can be independent from credit cards, mortgages, car payments, and all of your stuff when you have the “want to.”

To get out of debt, write it down, say it out loud, and talk about it. Soon you will find yourself racing to the finish line and wanting to make that final payment. The best part about taking the long walk down the road to financial freedom is that the closer you get to the end, the faster you go and the more refreshed you feel. Every debt paid off is like a weight lifted off. Trust me; you can run faster, farther, and healthier when you are not carrying the bondage and weight of debt.

Use the following forms to get you started. Make your forms to fit your own budget, but feel free to use these outlines.





## Chapter 9 What the Bible Says about Money and Debt

*The earth is the LORD'S, and everything in it, the world, and all who live in it.*

**Psalm 24:1 (NIV)**

It does not matter if you have an income of ten thousand dollars a year or one hundred thousand dollars a year. The principles that you need to follow for obtaining, managing, spending, saving, and giving money are the same. Work hard to make an honest living, spend less than you make, save some, and give some away. I have instructed my children from the time they were old enough to handle money that if you save ten percent and give ten percent, the rest will find a place to be spent.

There are hundreds of verses about money and stewardship found throughout the scriptures. We have been warned for hundreds and even thousands of years about the dangers of pursuing ill-gotten wealth and carrying debt. We hire accountants and professional investment advisors to invest our hard-earned money. The following references about handling finances are broken down into a few of the most common topics of debt, saving, and giving. All of the verses are from the New International Version of the Bible.

### **What The Bible Says about Debt**

*“Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him, saying, ‘This fellow began to build and was not able to finish.’”*

Luke 14:28–30

*“He who puts up security for another will surely suffer, but whoever refuses to strike hands in pledge is safe.”*

Proverbs 11:15

*“Do not be a man who strikes hands in pledge or puts up security for debts; if you lack the means to pay, your very bed will be snatched from under you.”*

Proverbs 22:26–27

*“The rich rule over the poor, and the borrower is servant to the lender.”*

Proverbs 22:7

*“Free yourself, like a gazelle from the hand of the hunter, like a bird from the snare of the fowler.”*

Proverbs 6:5

*“Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellow man has fulfilled the law.”*

Romans 13:8

Why do we call it “credit,” when the Bible clearly calls it debt?

### **What the Bible Says about Saving**

*“Seven years of great abundance are coming throughout the land of Egypt, but seven years of famine will follow them. Then all the abundance in Egypt will be forgotten, and the famine will ravage the land. They should collect all the food of these good years that are coming and store up the grain under the authority of Pharaoh, to be kept in the cities for food. This food should be held in reserve for the country, to be used during the seven years of famine that will come upon Egypt, so that the country may not be ruined by the famine.”*

Genesis 41:29–30, 35–36

*“In the house of the wise are stores of choice food and oil, but a foolish man devours all he has.”*

Proverbs 21:20

*“Others were saying, ‘We are mortgaging our fields, our vineyards and our homes to get grain during the famine.’ Still others were saying, ‘We have had to borrow money to pay the king’s tax on our fields and vineyards.’”*

Nehemiah 5:3–4

### **What the Bible Says about Giving**

*“Be sure to set aside a tenth of all that your fields produce each year.”*

Deuteronomy 14:22

*“‘Bring the whole tithe into the storehouse, that there may be food in my house. Test me in this,’ says the LORD Almighty, ‘and see if I will not throw open the floodgates of heaven and pour out so much blessing that you will not have room enough for it.’”*

Malachi 3:10

*“A tithe of everything from the land, whether grain from the soil or fruit from the trees, belongs to the LORD; it is holy to the LORD.”*

Leviticus 27:30

*“Do not withhold good from those who deserve it, when it is in your power to act. Do not say to your neighbor, ‘Come back later; I’ll give it tomorrow’— when you now have it with you.”*

Proverbs 3:27–28

*“Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver.”*

II Corinthians 9:7

*“ . . . If your enemy is hungry, feed him; if he is thirsty, give him something to drink.”*

Romans 12:20

Enjoy your new journey to breaking the bondage of debt.

Contact us if you have any questions or to schedule a no cost no obligation seminar and book signing for your church, business or civic group.

Please visit us on the web at: [www.goodbiblesense.com](http://www.goodbiblesense.com) email us at [dmw.1180@yahoo.com](mailto:dmw.1180@yahoo.com)

In Christ,

Dan and Marlis Williams

*“... We are mortgaging our fields, our vineyards and our homes to get grain during the famine. Still others were saying, “We have had to borrow money to pay the king’s tax ...”*

**Nehemiah 5:3, 4 (NIV)**

*“You have planted much, but have harvested little. You eat, but never have enough. You drink, but never have your fill. You put on clothes, but are not warm. You earn wages, only to put them in a purse with holes in it.”*

**Haggai 1:6 (NIV)**