

MONEY TALKS

2. Life After Debt

Start off with feedback from Sunday's message. What did those that were there - or those that have caught up online - take away from it? What encouraged them, what informed them and what challenged them?

Read Luke 14.28-33

31 Or suppose a king is about to go to war against another king. Won't **he first sit down** and **consider whether** he is able with ten thousand men to oppose the one coming against him with twenty thousand? **32** If he is not able, he will send a delegation while the other is still **a long way off** and will ask for terms of peace.

- **First Sit Down.** How prone are you to impulse buying? Do you ever buy things that you hadn't planned to or budgeted for? If yes, what sorts of things – small things or more expensive purchases? Do you think you'd spend less if you didn't use a credit card? How can you practically 'first sit down'? What would that look like for you - would you need to make changes to how you shop?
- **Estimate the Cost.** How well do you know your finances? Do you know what your income and expenses are each month? Do you work to a budget or do you just buy what you like, when you like? What experiences have you had with buying things on credit or with a finance plan? Can you imagine yourself only making major purchases, like a car, once you'd saved the full amount?
- **Think 'Long Way Off'.** Why is it so difficult to make choices today based on an outcome years from now? Is it a lack of forward planning, or a desire to enjoy the present as much as possible? How easy or hard would you find it to live simply and within your means, so as to pay off long term loans more quickly? What financial goals do you have for your future – for five years time, ten years time and for twenty five years time? What are you doing practically now to work towards those goals?

Big Idea: To be financially healthy first sit down, then estimate the cost and then think 'long way off'.

If there are members of the group that are facing major debt pressures, pray for them together as a group. Pray for a new hope and for the courage to make small steps. Pray for the provision of their loving Father who knows what they need.

Split down into twos and threes. Pray for each other to be more empowered towards following Jesus, and less empowered to serving materialism. Pray once more for a contentment that is independent of circumstances. Pray that you would each be able to model wise and healthy financial practices to those around you.

Life After Debt

Introduction

Like a parasitic tapeworm that latches on to us and robs us of the benefit of what we consume, materialism can get a grip of us and make us always hungry for more, never satisfied.

Emotion and spirituality are the biggest factors in the way we relate to money.

When John D Rockefeller, richest man in the world, was asked how much money was enough, he replied: Just a little bit more.

Paul's letter to the Philippians revealed that the secret of **Independent Contentment** – the ability to be content independent of your bank balance or external circumstances – was all about being empowered by faith in Jesus.

But does the Bible have anything practical to tell us about how we actually manage our finances?

*'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? For if you lay the foundation and are not able to finish it, everyone who sees it will ridicule you, saying, "This person began to build and wasn't able to finish."*

*'Or suppose a king is about to go to war against another king. Won't he first sit down and consider whether he is able with ten thousand men to oppose the one coming against him with twenty thousand? If he is not able, he will send a delegation while the other is still **A LONG WAY OFF** and will ask for terms of peace. In the same way, those of you who do not give up everything you have cannot be my disciples.*

Luke 14.28-33

First Sit Down

The 4 stages in a healthy financial purchase are – Want It | Afford It | Need It | Get It.

In other words, when you want something you then think through whether you can afford it and if you really need it, before you buy it.

Marketing and advertising is designed to take away the middle part of that process so you Want It you Get It. Desire it – acquire it.

That's why milk and bread are at the back of all convenience stores, separated by the shop's most enticing products, even though they're the most purchased items. The whole point is to make us Impulse Buy.

But by first sitting down, you buy yourself back the time to go through the process properly. Can I afford this and do I need it?

Application: Never buy on impulse and develop the discipline of buying things after a second look. Credit cards make purchasing on a whim too easy, which is why one study estimated that just having a credit card makes us spend 34% more than we would without one.

Estimate the Cost

A third of all 18-24 year olds are too worried to check what their financial situation really is. Known as the Ostrich Effect, it's the tendency we all have to prefer ignorance of our finances to doing the hard work to confront the reality.

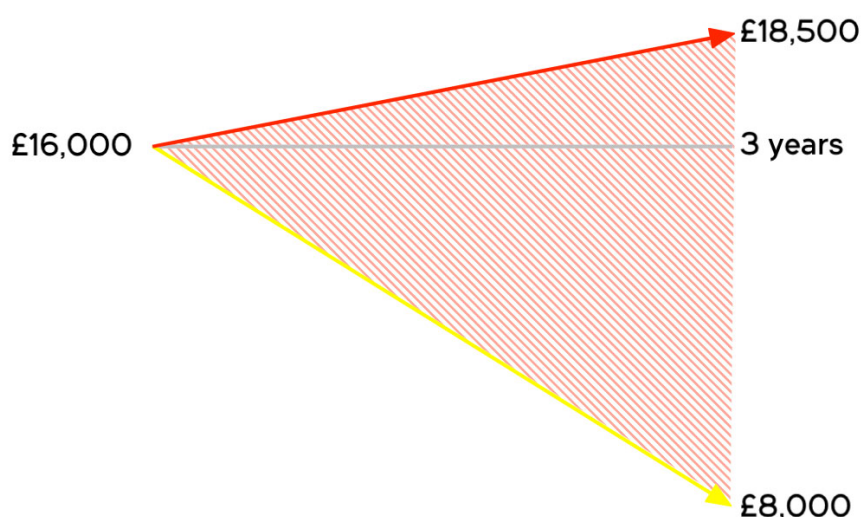
Doing a Reality Check to get a good understanding of all your income – but more importantly, all your outgoings – takes time but is vital. (See attached Reality Check form).

But with instant credit and finance packages, working out the true cost is not straight forward.

For example, buying 2 cinema tickets should cost you around £20. But if you buy them using a credit card that you're only paying the minimum monthly repayments (3%) means it will take you around 15 years to pay off the £20 credit, by which time the interest payments mean you'll have paid £40.

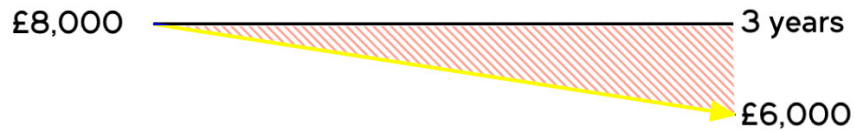
That's £40 for 2 cinema tickets.

A bigger example would be purchasing a brand new car for £16,000 with a finance package. Typically you pay monthly for 3 years at an annual interest rate of 6.9%. That means that by the time you've paid for the car, you've actually paid £18,500. Worse yet, the car has gone down in value and is now only worth £8,000. So you've paid £18,500 for something that's just worth £8,000, losing yourself over £10,000.



Now if you've got money to burn then you're free to do that, but just be aware of the cost and make sure that you're happy to do this.

A much better option is to buy the 3 year old car at £8,000 and to buy it with cash. The car will still lose money over time, but at a much gentler rate.



Application: Never buy anything on a finance agreement, or through credit – unless you absolutely have no choice. Rather, save up front and buy with cash. You get much better deals that way and you can't be talked into buying something you can't afford. It's crazy to pay more money for something that's worth less. Discipline yourself to put off a purchase – whether a car or a kitchen – until you can pay up front.

And if you have a credit card, work towards always paying the balance off in full each month. The sums just don't add up otherwise.

Think 'Long Way Off'

In the story Jesus told, the smart move wasn't seeking terms with a stronger opponent, but it was doing that when they were still a long way off.

When it comes to finances, most of us think short term. We think about what we want now, what we need now, what we can afford now. But the power of compound interest can work for you, not just against you. Taking the long view can lead to some extraordinary benefits.

For example, taking a standard mortgage of £100,000 will mean monthly payments of about £650. After 25 years you will have paid the bank a total of £195,000.

But if you can increase your monthly payments by just £75 (not much more than £17 a week) then you'll pay off your mortgage 5 years earlier and save yourself £20,000.

Even better, if you continue paying the £725 a month once your mortgage is repaid – but this time into a standard savings account – then in 5 years time you'll have made £47,000 in savings.

In other words, slightly increasing your mortgage payments today leaves you nearly £70,000 richer 25 years later.



Application: Learn to live simply and plan for the long term. If you can simplify your lifestyle and put those savings into paying off your debt, or a long term loan like a mortgage, you will save yourself a huge amount.

If you get a rise in income, don't immediately increase your standard of living. Instead, use the extra resources to pay off your debts more quickly. The power of compound interest means that the difference to your long term finances will be enormous.

Conclusion

Finance can be an area of tremendous worry and anxiety, it's an emotional area and it has spiritual power. But the more we love and follow Jesus, the more disempowered materialism and money become in our lives. We can trust Jesus that, if we put his kingdom first, then he can take care of our material needs and desires.

So do not worry, saying, "What shall we eat?" or "What shall we drink?" or "What shall we wear?" For the pagans run after all these things, and your heavenly Father knows that you need them. But seek first his kingdom and his righteousness, and all these things will be given to you as well.

Matthew 6.31-32

Next time – the power of generosity and how to embrace a lifestyle of extreme giving!

Philip Jinadu
www.woodlandsmetro.church/moneytalks



Reality Check - INCOME

Fill in the Reality Check from to calculate your actual income and expenditure every week or month. Always start with Income - that's the easy part - and then fill in the Spending part of the form.

Type	Weekly/Monthly
Basic salary/wages	
Partner's basic salary/wages	
Guaranteed overtime	
Partner's guaranteed overtime	
Bonuses	
Partner's Bonuses	
Pension	
Child benefit	
Income support	
Job seeker's allowance	
Tax Credits	
Maintenance/child support	
Other benefits (1)	
Other benefits (2)	
Other income (1)	
Other income (2)	
Total	



Reality Check - SPENDING

Record your current spending or your targets for reduced spending.

Type	Weekly/Monthly
Mortgage/Rent	
Second mortgage	
Endowment	
Ground rent	
Building insurance	
Contents insurance	
Council Tax	
Water rates	
Gas	
Electricity	
Coal/oil	
Telephone/mobile phone	
TV license/TV subscriptions	
TV rental	
Fines	
Petrol	
Car Tax	
Car Insurance	
Car servicing/repairs	
Car loan	
Pension	
Life insurance	
Child care	

Maintenance	
House repairs/decoration	
Charitable giving	
Regular savings	
Housekeeping (food & cleaning supplies)	
Prescriptions	
Launderette/dry cleaning	
Newspapers	
Cigarettes	
Clothes	
Hobbies/sports/toys	
Entertainment	
Meals out/takeaways	
Gambling/bingo	
Christmas/Birthday presents	
Holidays	
Emergencies	
Travel to work/school	
School dinners/meals at work	
Other school expenses	
Pocket money	
Pets	
Other (1)	
Other (2)	
Total	