Wisdom is the principal thing; therefore get wisdom: and with all thy getting get understanding.
— Proverbs 4:7

Practicum

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The preceding installments have followed a conscious progression from the superiority of God's wisdom over man's intellect, to basic principles which should permeate our lives, to clear-cut biblical teachings on finances. They have focused on what God's Word says about money. These chapters are central; they build a foundation. Wisdom, says Solomon, is the principal thing. It is **reshiyth** — the beginning. It comes first.

But there is more: *"with all thy getting,"* he continues, *"get understanding."* That is, make practical application of wisdom in your life; use what you know. This is precisely the intent of this final installment — to confirm your down-to-earth understanding of money matters. We'll consider four specific areas:

- establishing and managing a personal budget,
- understanding mortgages,
- understanding life insurance, and
- cultivating money-management skills in your children.

If you are expecting investment advice in the pages that follow, then you will be disappointed, for I in no way purport to be a market analyst or an investment strategist. I do, however, wish to humbly offer some insights which might better equip you to become a responsible steward of all that God has entrusted to your care.

Budgeting Basics

God's own Word clearly indicates that God is a god of order. And as we are to be reflective of His character, we should be found pursuing a balance of order. A budget is one way that we can introduce order into our lives. Solomon offered wise practical insight along these lines in Proverbs when he wrote (27:23-24),

> *Be thou diligent to know the state of thy flocks, and look well to thy herds. For riches are not for ever: and doth the crown endure to every generation?*

This is a curious proverb — the first half speaks of a shepherd's attention to his flocks; the second completes the thought with *because money doesn't last forever.* Solomon here teaches, through the lens of an agrarian economy, that tending finances is analogous to tending sheep. We should give the same diligence to the keeping of our finances, he says, as a shepherd does to tending his flocks. Why? Because, as he writes in another place, *"riches certainly make themselves wings; they fly away as an eagle toward heaven"* (23:5).

Jesus, too, consistently taught that the way we manage our lives — including our assets — lends credibility to (or robs credibility from) our Christian testimony. Consider the Master's words as recorded in Luke 14:28-30:

> *For which of you, intending to build a tower, sitteth not down first, and counteth the cost, whether he have sufficient to finish it? Lest haply, after he hath laid the foundation, and is not able to finish it, all that behold it begin to mock him, Saying, This man began to build, and was not able to finish.*

Many cringe at the mere mention of the word *budget;* the very idea is surrounded with much unfounded misconception and fear. Perhaps a clearer understanding of what a budget is and a simple how-to guide will help to allay these fears.

What Is a Budget? A budget is *not* an instrument of torture spouses use to punish each other, is *not* a means of enslavement, and certainly is *not* designed to encourage miserly living. Quite to the contrary, a well-conceived budget relieves the unnecessary burdens of anxiety, frustration and stress.

A budget is simply a plan for managing income. It helps to paint a clear picture of your personal finances so that you might gain (or regain) control over what money is spent and how it is spent. The simple goal of budgeting is to see that what goes out doesn't exceed what comes in; that is, it helps you to live within your means. A budget *does* establish boundaries, *does* require a certain measure of discipline, and will quite possibly highlight some destructive spending practices in your life. And if you're not used to a disciplined lifestyle, you may have some short-term adjustments to make. But a bit of applied diligence today will pay long-term dividends.

A budget works by anticipating larger expenses, then breaking them into smaller, more manageable chunks. Let's say that you and your spouse recently returned from a week-long beach vacation. And as you begin to receive credit card bills from your trip, you find yourself asking, *Where did a thousand dollars go so quickly?* and *How am I going to pay for all this?* Assume further that you wish to take another vacation next year — a reasonable assumption — and that you wish to spend about the same amount of money as you did this year. Begin planning now: divide your target spending amount by the number of pay periods you expect between now and next year's vacation. The result is the amount you should set aside from each pay check toward your goal. Let's assume in our example that you're paid biweekly and that you expect to take next year's vacation one year from now:

$1000.00	Target spending amount
÷ 26	Number of pay periods
$38.46	Per pay amount required to reach target

When next summer arrives, you'll know exactly how much money you have to spend, and when you arrive home there'll be no surprise bills to greet you. Your annual $1000 headache will have become a modest $40 biweekly expenditure.

It really is that simple!

Keep in mind as you read the remainder of this section that *the methodology presented and ideas offered are guidelines only,* designed to stimulate you to tailor a budget specific to your own needs.

The Envelope Method. An array of creative and interesting budgeting techniques has developed over the years, but my preferred technique is a *golden oldie* commonly known as the *Envelope Method.* The idea embodied in this methodology is to conceive of your finances as a number of envelopes, each reserved for a specific category of spending: housing, food, transportation, etc. As income is received, a predetermined amount is placed into each envelope. As spending needs arise, money is removed from the appropriate envelope (the *Food* envelope, for example) to meet the expense. The budget manager records for each envelope — or spending category — the amount being added or subtracted so that at any given time there is a keen awareness of the contents of each envelope.

Obviously, it would be somewhat inconvenient for most to physically manage a number of envelopes containing cash. I recommend instead a paper implementation of this technique: a ledger to maintain logical envelopes (category separations) and a checking account to hold the cash — we'll examine this implementation in more detail a bit later. Whether you adopt this particular strategy or some other, your understanding of the concepts is crucial. If at the end of this *Budgeting* section you don't feel comfortable with the paper implementation presented, then by all means start with actual envelopes — although it might seem cumbersome to keep cash envelopes, it certainly should complete your understanding of the *Envelope Method.*

Spending Categories. There is considerable disagreement among experts regarding the amount of income that should be devoted to specific purposes. Some say, for instance, that upwards of 40% of combined spousal incomes can be used in buying a home; others, significantly less. Some say that one should have liquid savings equivalent to six months of his income; others, less. These wide-ranging opinions serve to confuse and panic many people. Through the years, I have found only a couple of rules of thumb to which I recommend careful adherence:

- spending must not exceed income, and
- basic needs spending — housing, transportation and food — should together consume no more than 65% of net income.

Exactly what envelopes do I need? How should I apportion my income among them? Consider the general spending guidelines offered in Figure 1.

For most people, expenses may be classified into these general spending categories. But individual budgets are as varied as the population, and each budget manager tailors a plan specific to his own circumstances and preferences. For instance, if you are single and your company provides basic life and health insurance coverage, then you probably have no need of an *Insurance* category — those funds typically earmarked for premiums might be better diverted elsewhere. Similarly, if you have no consumer debt, there is no reason to set aside money to reduce it.

In my own application of these guidelines, I expand some of the general categories into more specific ones. For instance, I divide the housing category into several sub-categories: rent or mortgage payment, insurance, utilities, and maintenance and repairs. Similarly, I expand the transportation category into loan payment (if any),

Figure 1. Percentage Spending Guidelines

These guidelines demonstrate giving based on gross income as a practical expression of Proverbs 3:9 and 1 Corinthians 16:2

% of Gross	Spending Category	Includes
10	Giving	
10 – 30	Taxes	Federal/State/Local Income Taxes 6.2% Social Security Tax 1.45% Medicare Tax
% of Net	**Spending Category**	**Includes**
25 – 40	Housing	Rent or Mortgage Payment Property Taxes Insurance Utilities (Water, Gas, Electric) Phone Maintenance and Repairs
10 – 15	Transportation	Loan Payment(s) Insurance Fuel Maintenance and Repairs
10 – 15	Food	
4 – 6	Insurance	Premiums other than for Home and Auto
4 – 7	Entertainment and Recreation	Cable/Satellite TV Dining Out Movies Ball Games
3 – 5	Vacation	
5 – 7	Clothing	
4 – 6	Short-term Savings	Unplanned or Emergency Expenditures
1 – 15	Long-term Savings	College Retirement Other Big-ticket Expenses
4 – 6	Medical	Co-payments Deductibles Prescription Drugs
0 – 5	Debt Reduction	Consumer Debt
3 – 8	Miscellaneous	Vacuum Cleaner Bags Toiletry Items

insurance, fuel expense, and maintenance and repairs. If you have similar preferences, be mindful to include these specific sub-categories when testing that the sum of your *Housing*, *Transportation* and *Food* spending falls beneath the suggested 65% maximum.

Before You Begin. You should undertake three basic steps — prayer, selection of a budget manager, and evaluation of current spending patterns — before beginning the budget journey.

First, make your finances a matter of prayer. As you grow in your fellowship with the Father and open your life before Him, understand that you are a steward of His resources. If you are married, agree with your spouse (Amos 3:3) on specific directions that your family finances should take, establishing some short- and long-term goals. Commit before God your desire that *every* area of your life — including your finances — would redound to His glory and praise. And seek God's leading as to how He might have you serve with your finances those within and without the kingdom.

Next — if you are married — come to agreement as to which of you should manage the family budget. Though God clearly sets up the man as the spiritual leader of the family, there is no apparent direction given as to who should be tapped as budget manager. I suggest, then, that you apply this simple verse (my own): *Let whosoever among you who is better at these sorts of things manage the family budget.* A penchant for details is preferred, but is secondary to a willing heart.

Finally, take an objective look at where you are today in relation to your category percentage guidelines and make adjustments where appropriate. Don't rush this step: it is not unreasonable to expect that this step might take a couple of months (or more).

Let's invent an example. Phil is a single customer service representative earning an annual salary of $30,000. After taxes, Phil brings home $2,050 per month, or $24,600 annually. Phil spent the last three months tracking exactly where he spends his money; his findings are reported in Figure 2.

Figure 2. Analysis of Current Spending
*Rounding error

Spending Category	Notes	Monthly Expense	Annual Expense	% of Net
Giving	$20 weekly (3.5% of gross)	86.67	1,040.00	4.23
Housing	Rent	550.00	6,600.00	26.83
Utilities	Average across all seasons	75.00	900.00	3.66
Cable TV	Full service + 1 movie channel	40.00	480.00	1.95
Phone		300.00	3,600.00	14.63
Auto Loan		228.33	2,740.00	11.14
Gas	$15 weekly	65.00	780.00	3.17
Renter's Insurance		16.67	200.00	0.81
Auto Insurance		100.00	1,200.00	4.88
Food/Miscellaneous	$75 weekly	325.00	3,900.00	15.85
Entertainment	3 dinners weekly @ $15 2 movies monthly @8	211.00	2,532.00	10.29
Discretionary		52.33	628.00	2.55
		2,050.00	24,600.00	*99.99

Let's make some observations of Phil's spending patterns:

- Phil's giving is perhaps more habit- or tradition-oriented than it is a thoughtful expression of love and devotion.
- Phil's basic needs spending — housing, transportation and food — weighs in at an unhealthy 83% of his net income.
- Spending in the areas of long-distance phone service, cable television and entertainment is *lavish*.
- Phil is setting aside no money for clothing. As it is generally considered inappropriate to appear in public without them, Phil certainly *will* be buying clothes. Unfortunately, he will probably use his credit card to defer the decision of how he will cover this expense. This is by far the most often overlooked spending category.
- There is no provision for car maintenance and repairs. Phil's car *will* need new tires, *does* require periodic maintenance, and *may* break down.
- Phil is not planning for a vacation. When he does take a trip, this expense will probably also land on his credit card.
- No provision has been made for gifts (Christmas, birthdays, weddings, etc.).
- Phil is saving no money, either for short- or long-term purposes.
- The *discretionary* spending category serves as little more than a constant temptation for Phil to spend on impulse. He frequently uses this money for electronic gadgets and CDs.

It seems safe to say that there is room for improvement in Phil's personal finances. And while it probably is unreasonable to expect that Phil can move from sub-par to on target overnight, I do believe that some simple, strategic changes can substantially improve his financial health. Consider the following recommendations and their effect on Phil's finances as shown in Figure 3:

- Increase Phil's level of giving.
- Reduce cable TV service to basic subscription to save about $25 monthly.
- *Drastically* reduce long distance telephone expenditures.
- Lower insurance costs by covering both home and auto with a single carrier.
- Split food and nonfood miscellaneous expenses into separate categories, and do not buy toiletry items, paper products, etc. at higher grocery prices.
- Reduce dining out to once weekly, and cut movie expenses in half (rent four movies for the price of a single big-screen flick).
- Add budget categories for *Savings*, *Clothing*, *Auto Maintenance*, *Auto Taxes*, *Medical and Dental* expenses, *Vacation* and *Gifts*.

As you can see from these numbers, some relatively minor adjustments can make dramatic improvements. Phil's basic needs expenditures, for example, previously a major area of concern, was reduced from 83% of net to 69% — still above the recommended limit, but now at least within reason. As Phil's income rises and spending needs change in the years ahead, he should continue this process of evaluation and adjustment in the pursuit of the ideal income/spending balance.

Figure 3. Revised Spending Plan
*Rounding error

Spending Category	Notes	Monthly Expense	Annual Expense	% of Net
Giving	Doubled to $40 weekly	173.33	2,080.00	8.46
Housing	*Unchanged*	550.00	6,600.00	26.83
Utilities	*Unchanged*	75.00	900.00	3.66
Cable TV	Decreased to Basic Service	15.00	180.00	0.73
Phone	Decreased *substantially*	70.00	840.00	3.41
Auto Loan	*Unchanged*	228.33	2,740.00	11.14
Gas	*Unchanged*	65.00	780.00	3.17
Auto Maintenance	New category	30.00	360.00	1.46
ad valorem Taxes	New category	10.00	120.00	0.49
Home & Auto Insurance	Combined policies; 10% reduction	105.00	1,260.00	5.12
Food	Reduced to $60 weekly	260.00	3,120.00	12.68
Miscellaneous	Separated from *Food*	50.00	600.00	2.44
Entertainment	Reduced dining out and movies	75.00	900.00	3.66
Vacation	New category	60.00	720.00	2.93
Clothing	New category	100.00	1,200.00	4.88
Medical	New category	60.00	720.00	2.93
Gifts	New category	31.00	372.00	1.51
Savings	New category	92.34	1,108.00	4.50
		2,050.00	24,600.00	*99.99

Putting it into Practice. Okay, enough talk — it's time to put into practice what you've learned. As promised earlier, we'll consider Phil's on-paper implementation of the *Envelope Method* (Figure 4). Inexpensive ledger paper with virtually any number of columns is available at your favorite office supplier, but for our illustration, some of Phil's spending categories were consolidated due solely to space constraints:

- *Utilities* includes gas, water, electric, cable TV and phone services
- *Car Maint* includes Fuel and maintenance expenses
- *E & R* (Entertainment and Recreation) includes dining out, movies, etc., *plus* vacation.

Before delving into the detail of Phil's ledger, consider some thoughts of a general nature:

- The paper implementation of the *Envelope Method* is an extension of a common check register — all those columns up to and including *Balance* represent the check register; each column to the right of Balance represents a logical envelope or spending category.
- *Giving* is the first spending category as a practical application of Proverbs 3:9 and 1 Corinthians 16:2. Further (though it is not represented here), I recommend dividing *Giving* into three sub-categories — the local church (the largest portion), other ministries you may feel a burden to support, and a reserve amount to allow your immediate responsiveness to the leadership of the Holy Spirit.
- The amount earmarked for each spending category from a paycheck is recorded for reference at the top of each category's column.
- There are several safeguards available to ensure your budget tracking accuracy: they're built in, but worthless if unused. First, as you record each transaction, adjust the running balance (add deposits, subtract checks and other withdrawals) — this *Balance* column provides the big-picture view of your checking account balance. Next, make a practical application from your junior high algebra: the left and right sides of every equation are equivalent. For each transaction, the left side (*Amount*) must equal the right (the sum of the individual envelope categories). Finally, at the end of every month, sum each column to determine the balance in that envelope. The sum of each envelope's balance must equal the checking account's overall balance.

Figure 4. The Envelope Method Illustrated

No.	Date	Description	x	Amount	Balance	Giving 173.33	Housing 550.00	Auto Loan 228.33	Insurance 105.00	Utilities 160.00	Auto Maint 105.00	Food 260.00	Misc 50.00	E & R 135.00	Clothing 100.00	Medical 60.00	Gifts 31.00	Savings 97.34
	1	Balance Forward	x	0.00	3974.98	159.97	550.00	228.33	105.00	160.00	268.35	280.00	123.14	563.00	269.83	385.00	295.00	587.36
893	3	My Local Church		(40.00)	3934.98	(40.00)												
894	4	Green Grocers		(71.18)	3863.80							(58.61)	(12.57)					
895	4	A+ Apartments		(550.00)	3313.80		(550.00)											
896	6	Rent - Insure., 6 months		(130.00)	3183.80				(130.00)									
897	8	Tickets Unlimited, Braves		(36.00)	3147.80									(36.00)				
898	10	My Local Church		(40.00)	3107.80	(40.00)												
899	11	City Bank, #26		(228.33)	2879.47			(228.33)										
900	11	Consolidated Cable		(14.97)	2864.50					(14.97)								
901	13	Big Bell Phone		(42.75)	2821.75					(42.75)								
902	15	Fill-'er-Up Gas, Credit Card		(54.00)	2767.75						(54.00)							
903	16	Electric Co-op		(68.00)	2699.75					(68.00)								
904	16	Green Grocers		(65.00)	2634.75							(65.00)						
905	16	Best Cleaners		(9.34)	2625.41								(9.34)					
906	17	My Local Church		(40.00)	2585.41	(40.00)												
907	18	Gift Shop, Smith Wedding		(41.60)	2543.81												(41.60)	
908	21	My Family Doctor		(10.00)	2533.81											(10.00)		
909	22	The Clothes Pen		(33.18)	2500.63										(33.18)			
910	23	ShopSmart (Toiletries)		(21.37)	2479.26								(21.37)					
911	24	My Local Church		(40.00)	2439.26	(40.00)												
912	26	Green Grocers		(80.70)	2358.56							(80.70)						
ATM	27	Dinner & Movie w/Jill		(50.00)	2308.56									(50.00)				
DEP	29	My Employer		2050.00	4358.56	173.33	550.00	228.33	105.00	160.00	105.00	260.00	50.00	135.00	100.00	60.00	31.00	92.34
913	30	To Savings Account		(500.00)	3858.56													(500.00)
					3858.56	173.30	550.00	228.33	80.00	194.28	319.35	335.69	129.86	612.00	336.65	435.00	284.40	179.70

- Some spending categories, like *Auto Loan*, are designed to net to zero each month: that is, the amount allocated exactly equals the amount spent each month. Others, like *Insurance*, accumulate a balance toward less frequent expenditures. Still others (*Savings*, *Medical*) should accumulate with no fixed limit — these merit special consideration. When your savings envelope balance reaches a certain level (which you determine), you might convert a portion of it to a longer-term investment or savings instrument so as to gain a higher return. For medical expenses, when the accumulated amount reaches your insurance out-of-pocket maximum for the year, you might divert the excess budget amount to other uses.

Now, consider some specific observations; there are several transactions of interest:

- The first entry represents the carrying forward of balances from the previous month's closing summary. Note that the beginning balance *exactly* equals the sum of the balances for each of the spending envelopes.
- On the 3rd, 10th, 17th and 24th, Phil issued checks to his local assembly. Though he is paid monthly, Phil's personal conviction is to give weekly as an expression of his conscious desire to be a faithful steward before God on a moment-by-moment basis.
- Check 894 on the 4th, the ATM withdrawal on the 27th, and the deposit on the 29th are *split transactions* — the amount of the transaction is divided among two or more spending categories. For check 894, one check was issued to Winn-Dixie for both grocery and toiletry items. For the deposit of the 29th, note that the amount added to each category is the same as the amount recorded at the top of that column — the budgeted amount for each of Phil's paychecks.
- Phil recorded an Automatic Teller Machine (ATM) transaction on the 29th. *Always remember to record electronic transactions!*
- On the 30th, Phil issued a check to himself for deposit into a savings account. Though he earns a nominal rate of interest in his interest checking account, he earns more in his savings account. When his savings account reaches a higher level, he might purchase a Certificate of Deposit or some other longer term investment.

Avoiding Common Mistakes. There are a few common tendencies you should give care to avoid as you undertake to infuse a measure of order into your finances. None of these errors is sufficient of itself to doom your budget experience to failure, but each certainly has the potential to lead to your discouragement, a favorite tool of the Evil One.

The first tendency is to yield to the temptation of immediate gratification — to spend impulsively, making unplanned purchases of nonessential items. *The budget*, through its inherent preplanning, provides a guard against this tendency, but *is worthless if ignored.* Both men and women are impulse buyers, though men tend to spring more for big-ticket items — cars, stereos, appliances. The best defense against impulse buying is to know your own weaknesses, to anticipate the temptation, and to plan your response in advance. I suggest that when faced with such a temptation, you impose a several-day waiting period (a few days to a few weeks, depending upon the individual). While you wait, seek and lean on the counsel of your spouse or a godly accountability partner. If at the end of the moratorium you still feel inclined to make the purchase — *and if the funds are available* — then have at it.

The second tendency is legalism. Sometimes a budget manager becomes an unyielding tyrant who makes no allowances for changing circumstances. *Flexibility is key in budgeting* — always treat your spending categories as guidelines that will bend from time to time.

Finally, and perhaps most importantly, consider that it may not be possible to attain all of your budget and/or category goals in the beginning months, especially where existing indebtedness is involved. *Do not attempt to fix all of your financial problems overnight.* To divert your food and clothing budgets to repay indebtedness, for instance, leads to other problems (namely, starvation and nakedness). Seek instead to make steady progress and, as Paul advised in Philippians 4:5, to *"Let your moderation be known unto all men."*

Questions and Answers about My Budget.

Q. I'm spending more than I'm making. How can I recover?

A. The plain truth is that you are living above your means; immediate adjustments are *required.* You should evaluate your attitudes about money in the light of God's Word and effect corrections at once.

The type of lifestyle you're apparently living violates a principle that David articulates in prayer: *"Keep back thy servant also from presumptuous sins; let them not have dominion over me"* (Psalms 19:13). While David's words contain no specific reference to money, he clearly indicates that to presume on the grace of God is sinful. If you *are spending your substance on riotous living* (or otherwise demonstrating poor stewardship), all the while supposing that God will bail you out of financial difficulty, then you are presuming on God's grace. If God has given you an income, then He already has provided you the vehicle through which such difficulty might be averted. It might not be the level of income you want or think you deserve. And it likely means that when you leave Mom and Dad's shelter you significantly lower your standard of living. *You simply must accept this reality.* In today's English, David's prayer might be paraphrased, *Lord, help me to never use your grace as a crutch or as an excuse for wasteful living.* Learn to curb your appetite for extravagance.

Q. *What if I'm overspending in a particular category?*

A. Don't panic — remember, flexibility is key. If you overspend in a particular category this month, you must either (a) reduce next month's spending in that category by an equivalent amount, or (b) *borrow* the overspent amount from another envelope (also known as *robbing Peter to pay Paul*). For instance, if you have a $30 balance in your entertainment envelope and spend $40 on an evening out, then you have created a $10 deficit *in that particular envelope.* You must either spend $10 less on entertainment next month, or move $10 from another envelope (say, *Clothing*) into your entertainment budget. These sorts of practices are expected from time to time as needs dictate, but *consistent* overspending in a certain area signals the need to reevaluate your spending categories and percentages.

Q. *What if my basic needs spending exceeds 65% of my net income?*

A. It depends. If you're overspending in these areas by only a small amount, then drastic measures probably are not warranted, though I do encourage your making downward adjustments over time, for the 65% guideline really is intended to be an upper limit. If, however, you're *grossly* overextended in the areas of housing, transportation and/or food, then adjustments are in order, and economic decisions may have to be made — the indications suggest that you may be living above the level of God's provision.

Q. *I owe a large sum on several different credit cards. Should I combine this debt into a single loan?*

A. Consolidation loans are commonly dangled before those overwhelmed by the weight of consumer debt. And indeed, there may be considerable interest savings over the typical 15% - 21% credit card interest rate. But while it might make *economic* sense to consolidate your debts, other issues must first be addressed. How did you incur this debt? Do you tend to spend lavishly or impulsively? Are you too proud to drive a used car? Is your house more than you can afford? Have you violated any Biblical principles regarding money?

First correct any root problems related to incorrect attitudes and poor spending habits, *then* consider debt consolidation. If you consolidate without examining the *why*s and *how*s of your circumstances, then you will soon likely find yourself in the same condition as before.

Q. *My spouse and I both work. Should we combine our incomes in determining house affordability?*

A. Real Estate and Finance pundits typically teach that a couple should consider both of their incomes in determining the level of mortgage that they can afford. I recommend against this practice for a couple of reasons. First, your real estate agent and mortgage lender are likely motivated by more than pure allegiance to you — theirs are highly competitive and *highly incentive* professions. Quite simply, the more expensive the house you buy, the higher is their compensation. Second, if the wife works *outside* the home, there is a high probability that her income will be interrupted — perhaps permanently — within the early years of a marriage for child rearing. If your mortgage payment is based on two incomes and one is unexpectedly terminated, then how will you make up the difference?

I recommend instead that you seek a house which you can comfortably afford with a single income, and that you devote a high percentage of your second income toward an increased down payment or debt reduction.

As an aside, the Bible clearly supports the position that the family's *best* interest is served when a wife with children is in a position of supervision and guidance over her children (Titus 2:5). But the Bible does not prohibit a wife from contributing to the family income. The proper balance is presented as the virtuous woman of Proverbs 31 — a most industrious and business-minded woman, but also *"one who looketh well to the ways of her household"* (verse 27). She earns an income, intimates King Lemuel, but not in the same manner as her husband, who is *"known in the gates, when he sitteth among the elders of the land"* (verse 23). I believe that this virtuous woman works with her children underfoot and that she considers the increase of the family wealth a lesser priority than the shepherding of her children.

Q. Is it okay to use credit cards?

A. Credit cards are not inherently evil. In fact, they are often more convenient and safer than cash and checks. You must exercise discipline in their use, however, to ensure that they do not replace God as the object of your trust and devotion. *The only safe way to use credit cards is to pay the balance in full each month;* to [mis]use them in any other manner leads down a path to almost certain indebtedness. If you tend not be so disciplined as to pay your balances monthly, then I recommend that you avoid the use of credit cards altogether, for you will likely incur heavy debt.

Practically speaking, you should take measures to ensure that you remember your credit card expenditures. Consider treating each credit card purchase just as you would a check purchase, *immediately* recording it in a register. You may also wish to set up a separate spending category for *Credit Card* purchases: if you charge $84.50 for clothes, enter a zero-amount transaction in your *budget* register showing the transfer of $84.50 from your *Clothing* envelope to your *Credit Card* envelope (Figure 5). Then when the bill arrives, issue payment from the *Credit Card* envelope.

Figure 5. Recording Credit Card Transactions

No.	Date	Description	x	Amount	Balance	Clothing 100.00	Credit Card 0.00
	1	Balance Forward	x	0.00	1806.54	100.00	0.00
	8	Transfer from *Clothing* to *Credit Card*	x	0.00	1806.54	(84.50)	84.50
364	28	Credit Card Company/Clothes		(84.50)	1722.04		(84.50)
					1722.04	15.50	0.00

Q. I don't receive a regular paycheck. How can I possibly manage a budget?

A. Maintaining a budget for incomes that vary seasonally (farming) or depend heavily on commissions (sales) requires an extra measure of discipline. In these cases, you base your budget on realistic estimates of average monthly income. Then during the harvest or heavy sales periods, set aside in reserve your budget excesses to draw from as income in the lean months — in effect, you create a spending category from which you later pay yourself. God's Word is certainly no stranger to this type of living: *"consider the ant,"* Proverbs tells us (6:6-8 and 30:25), *"for they are a people not strong, yet they prepare their meat in the summer."*

Q. I'm working two jobs now — and really need a third — to make ends meet. Any recommendations?

A. I believe you need to make some honest evaluations. Are you really working so hard to *make ends meet,* or are you driven by other motivations? Do you find yourself spending in some areas — buying a larger house, a bigger car, more fashionable clothes, club memberships, a new boat — *because* some of your friends or associates are? Such an attitude bespeaks a covetous spirit. Could your attempts to raise your family's standard of living (a worthy pursuit) also be an attempt to circumvent God's level of provision for you? Are your priorities in order (God, family, everything else)?

While I certainly cannot presume to make these judgments for *you*, I can say with conviction that you should seek to balance your desired income level against your family's need for you. Might you awake tomorrow to find a fractured family? Distant, undisciplined or grown children? An alienated spouse? What will be the ultimate *cost* of your *making ends meet?*

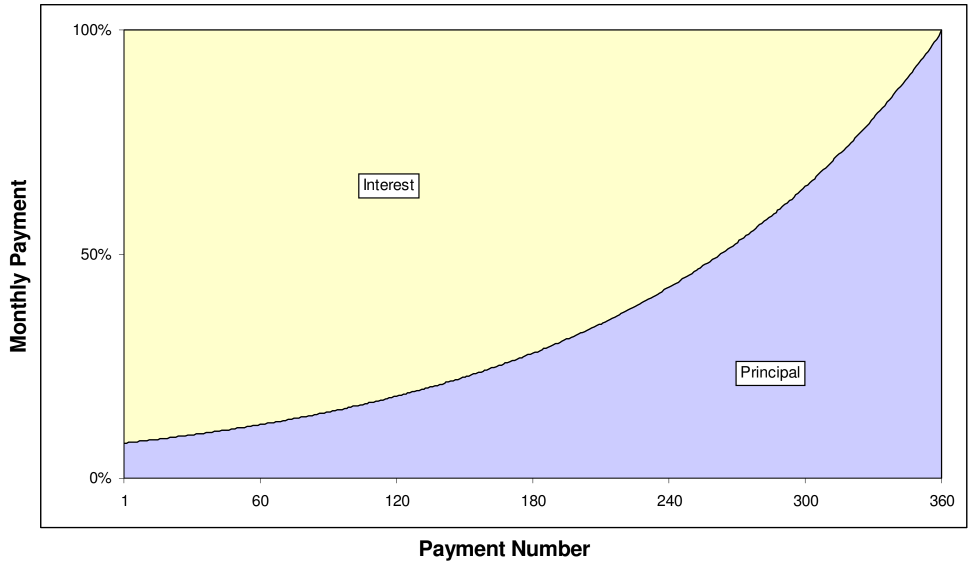
Mortgages

Until the late 1920s, most house purchases in the United States were cash transactions. But around 1929, largely due to America's burgeoning love affair with material wealth, the mortgage was introduced as a means of financing this large purchase over time. For lending institutions, the mortgage meant a steady stream of income; for the home seeker who could not — or would not — save for the purchase, it was a practical means of affording a home. Sadly, the popularity of the mortgage also meant the forfeiture of many homes during the Great Depression.

In those early years, the typical mortgage term was short — what we might even consider below average for a car loan today. But through the years the normal term has grown to thirty years. Alarmingly, this upward trend continues even today: in Japan, for instance, the *Three Generation* mortgage is gaining popularity. This loan spans a term of 99 years, effectively saddling children and grandchildren with a lifetime of debt.

What is a Mortgage? The mortgage is a contract between a borrower and a lender whereby the borrower agrees to repay the borrowed amount (principal) plus interest over a specified length of time, usually in monthly installments. The borrower pledges as collateral the property borrowed for; that is, in the event that he fails to make payments

Figure 6. Conventional 30-Year Mortgage



according to the terms of the contract, the borrower forfeits ownership of the property as satisfaction for the loan.

The amount of each monthly payment is composed of two parts — principal and interest — which vary in relative proportion over the life of the loan (see Figure 6). In the early stages of the loan term, the amount of interest per payment is far greater than the amount of principal. But with each payment, the principal/interest relationship gradually reverses until the majority of the payment goes toward principal reduction. The principal portion of each payment is applied against the outstanding loan amount, thereby reducing the loan balance over the life of the loan.

Consider a $100,000 conventional mortgage at 8.5% over 30 years. Based on these terms, each of the 360 monthly payments calculates to about $769. Figure 7 presents an amortization schedule — a breakdown of principal and interest payments — for the first year of this mortgage. Notice how the amount dedicated to principal reduction increases each month, and that the interest amount decreases. For each payment:

- calculate the *Interest* portion as the product of the *Remaining Balance* from the previous payment and the monthly interest rate,
- calculate the *Principal* amount as the difference between the payment *Amount* and the *Interest* portion, and
- calculate the *Remaining Balance* as the previous payment's *Remaining Balance* less the current payment's *Principal* amount.

In our example, the monthly interest rate is .085 ÷ 12, or 0.0070833. For the first payment, then,

- the interest portion is $100,000 x 0.0070833, or $708.33,
- the principal amount is $768.91 - $708.33, or $60.58, and
- the remaining balance is $100,000 - $60.58, or $99,939.42.

Each successive payment for the life of the loan is calculated in the same manner.

Figure 7. First Year Amortization Schedule

Payment Number	Payment Amount	Interest	Principal	Remaining Balance
0	0.00	0.00	0.00	100,000.00
1	768.91	708.33	60.58	99,939.42
2	768.91	707.90	61.01	99,878.41
3	768.91	707.47	61.44	99,816.97
4	768.91	707.03	61.88	99,755.09
5	768.91	706.60	62.31	99,692.78
6	768.91	706.15	62.76	99,630.02
7	768.91	705.71	63.20	99,566.82
8	768.91	705.26	63.65	99,503.17
9	768.91	704.81	64.10	99,439.07
10	768.91	704.36	64.55	99,374.52
11	768.91	703.90	65.01	99,309.51
12	768.91	703.44	65.47	99,244.04
Totals	9,226.92	8,470.96	755.96	

The Tax Advantage Myth. Most have heard the real estate pundits' claim that a major feature of the mortgage instrument is its tax advantage. While it is almost always advantageous to make mortgage payments as opposed to rent payments, there is no tax advantage inherent with mortgages — it is *far* more advantageous to own your home outright.

Consider, for instance, the conventional mortgage presented in Figures 6 and 7. The borrower may deduct the $8,471 paid to the lender as interest in year one. This does not mean that he is refunded $8,471, but that he may reduce his taxable income by $8,471. Assuming that the borrower falls within the 28% tax bracket, the bottom line tax benefit for this taxpayer will be roughly 28% of $8,471, or $2,372.

But is this *really* a benefit? Hardly. If our borrower paid $8,471 in interest and recovered only $2,372, then what happened to the other $6,099? It is lost to the lender, never again to be seen by the borrower. Now, what if the borrower in our example owned the home? Obviously, there would be no tax savings, but neither would there be a loss of interest. That is, all other factors being equal, the *free and clear* homeowner is $6,099 better off than the borrower.

Though the government does allow the deduction of the amount of interest paid to the lending institution, only a portion is recoverable. And even the current deduction is subject to change — some of the flat tax proposals now under consideration would eliminate the deduction altogether. There simply is no guarantee that the mortgage interest deduction will be allowed in the future.

Recommendations. My recommendations are simple and straightforward: to borrow for the shortest possible term, and to pay off the loan as quickly as possible.

First, the shorter the loan term, the less interest you will pay. Consider the difference, for instance, between 15- and 30-year terms for the same $100,000 loan introduced earlier. As indicated in Figure 8, the monthly payment is higher for the 15-year loan, but year 16 marks the beginning of a windfall advantage for the shorter-term mortgage. In year 16, the taxpayer of the 30-year note pays over $6500 in interest, yet recovers only about $1800 — a net loss of $4700. The *free and clear* owner, on the other hand, must pay taxes amounting to $1800 on the nondeductible $6500, but is ahead the $4700 difference — income that is free to work for the homeowner. In this illustration, the bottom line is a near $100,000 interest savings for the 15-year term.

Clearly, to move from a 30-year payment of $769 to a 15-year payment of $985 is a huge step for most people. But there are some creative alternatives if you are willing to start in a smaller, less expensive home:

> *A $769 monthly payment will buy an eight-year, $53,400 mortgage at 8.5%. This mortgage will be paid off for a total outlay of $74,000. If the house is then sold and the $53,400 equity applied as a down payment on a $100,000 home, the remaining $46,600 could be financed over six years at 8.5% for about $828 per month (when your income will likely be higher). This second mortgage would be paid off for less than $60,000. Ultimately, the same $100,000 home could be owned debt-free in 14 years for only $134,000 — a savings of nearly $143,000 over the 30-year mortgage option.*

The second recommendation is to accelerate the repayment of a loan where possible. Early payoff results in a clear financial advantage (see *The Tax Advantage Myth,* above), as well as complete home ownership — in the event of an economic downturn or interruption of your income, the lending institution has no claim against your property. One strategy is to prepay principal amounts on future months' payments to avoid the interest charge. Assume that for the first payment in Figure 6-7, the borrower had some discretionary funds available. By making an additional principal-only payment of $122.45 (the principal amounts for scheduled payments two and three), the borrower avoids the interest charges amounting to $1415.37. The next monthly payment represents payment number four in the amortization schedule. Because of the nature of the principal/interest relationship (Figures 6 and 7), this strategy is particularly effective in the loan's early years. *Be certain that your mortgage contract calls for no prepayment penalties, and that you clearly mark your additional payment check as principal-only.*

Figure 8. Mortgage Term Comparison

		15-Year	30-Year
	Monthly Payment	984.74	768.91
In Years 1 - 15…	Principal	100,000.00	21,916.44
	Interest	77,253.20	116,487.36
	Total	**177,253.20**	**138,403.80**
In Years 16 - 30…	Principal	0.00	78,083.56
	Interest	0.00	60,320.24
	Total	**0.00**	**138,403.80**
Over the Life of the Loan…	Principal	100,000.00	100,000.00
	Interest	77,253.20	176,807.60
	Total	**177,253.20**	**276,807.60**

LIFE INSURANCE

Life insurance is an instrument designed to provide income relief in the event of the death of the family provider. But the very existence of this tool has over the years raised a cloud of theological confusion regarding the proper balance between God's provision and the need for insurance. The central issue may thus be stated: is insurance a God-given means of provision, or is it a means of circumventing trust in Him?

Life insurance is amoral — it is *of itself* neither good nor bad. While life insurance is clearly a viable means of income continuance, it is not without hazard. One extreme is over insurance. When one's life perspective becomes tainted with greed or fear of the future, insurance may consume monies that could better be spent elsewhere. But perhaps the greatest danger inherent in insurance is that it can so easily undermine our dependence on God. Solomon teaches (Proverbs 18:11) that our wealth (which includes insurance) too often becomes our fortress: *"The rich man's wealth, he says, is his strong city, and as an high wall in his own conceit."* The word *conceit* is interesting — the Hebrew word is **maskiyth**, which might also be translated *imagination*. Strength found in riches, says Solomon, is imagined, for those who hoard riches never find rest for their souls (Ecclesiastes 5:12-13).

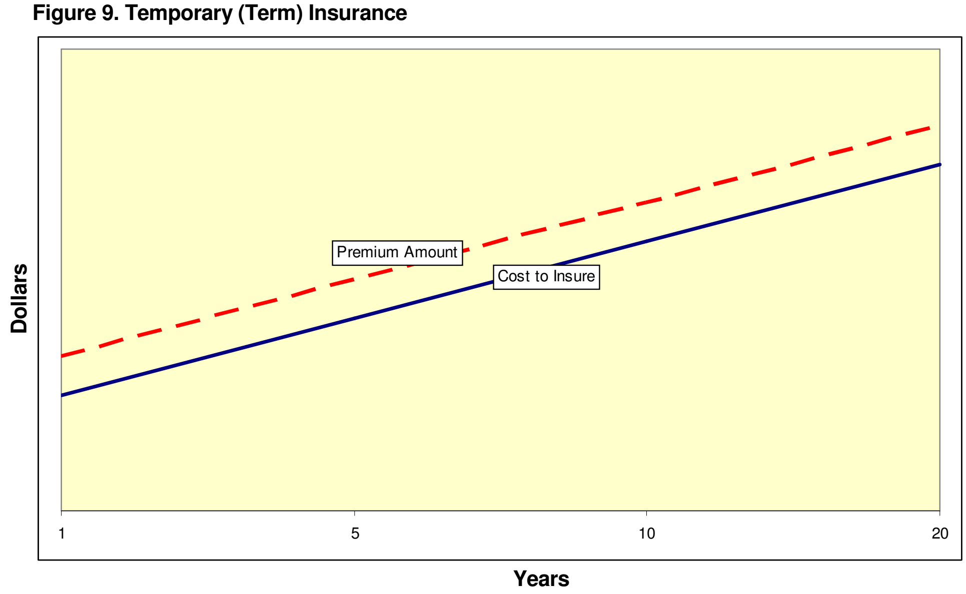
The opposite — but equally unbalanced — extreme is the notion that we should have no insurance at all. The concept of insurance, so far as I can discern, is not broached within the pages of God's Word, but the concept of provision for the future *unquestionably* is (see Proverbs 13:22, 27:12, 29:18, 30:25, 2 Corinthians 12:14). While some individuals, as a matter of personal conscience, choose to live without insurance, my own suspicion is that a lack of insurance more often reflects slothfulness and poor planning than it does super-faith.

A properly balanced perspective comes from the full realization that Jesus' disciples should not insure and accumulate *with the same motives* that the world espouses. Insurance should be used as a means of provision, not as a means of getting rich or avoiding taxation. To completely rely upon God — to pin all our hope and confidence on Him alone — is the single greatest stabilizer against the emotions of greed and fear that corrupt our insurance and investment decisions. David wrote in the Psalms (91:2) that *"...He is my refuge and my fortress: my God; in him will I trust."* As you attempt to balance your own planning, always consider where your Fortress is.

Flags have been raised, but the practical issues remain. Who provides for the needs of my family after I die — do I, or does God? Should I buy life insurance? If so, then how much and what kind? Exactly where is the balance between God's provision and my planning? These questions are intensely personal — I counsel you to seek the Lord's guidance and to carefully consider your spouse's input. The purpose of this section is only to assist your making informed, balanced insurance-planning decisions by presenting some of the basics of life insurance.

Temporary v Permanent Insurance. There are two basic types of life insurance coverage. The first, known as *temporary*, or *term* insurance, is designed to cover an individual for a specified period of time (typically ranging from one to 20 years), and to pay

Figure 9. Temporary (Term) Insurance



a benefit only if the insured person dies during that term. When the coverage period ends, the policy must be renewed to continue coverage. Temporary insurance is pure insurance: that is, premium amounts are directly related to the probability of death. Assume, for instance, the statistical probability that of 1000 healthy 40-year-old males, two will die prior to their reaching age 41. If each of these 1000 males is insured for $100,000, then the insurance company can expect to pay a total of $200,000 for the two claims during the next year. This $200,000 payout is garnered in the form of $200 annual premiums from each of the insured persons (1000 x $200 = $200,000). Temporary insurance provides the greatest amount of protection for your dollar at a younger age when the need for insurance is generally higher.

Figure 9 depicts the relationship between the cost of insurance and cost of term insurance premiums. As the statistical probability of death increases over time (with age), the cost of insurance (and therefore the cost of premiums to the purchaser) rises. Thus, a one-year policy purchased at age 40 will cost the consumer substantially less than the same policy purchased at age 70.

Profit-making for temporary insurance is similar to common retail pricing — there is a markup associated with each product sold to cover administrative expenses, commissions and profit. An insurer may charge $250, for instance, for the term insurance premium which requires only $200 to generate claims. This is why the premium amounts shown in Figure 9 are slightly higher than the cost to insure.

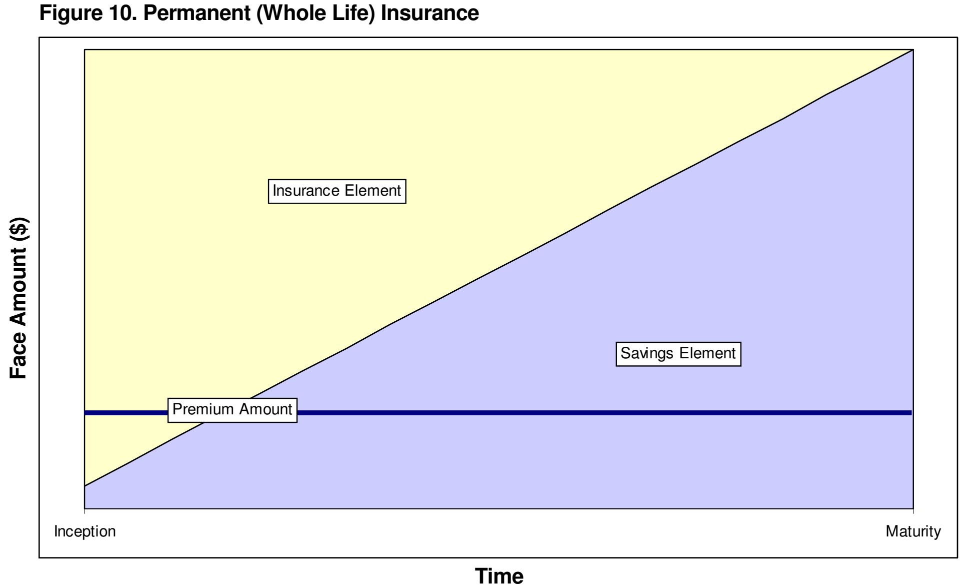
The second basic type of life insurance is known as *permanent* insurance. As its name implies, this product is designed to insure the remaining life of an individual. While temporary insurance *may* pay a claim (you *may* expire during the term), permanent life insurance will pay a claim (you *will* die, barring the return of Jesus). Permanent insurance finances its inevitable claim by combining pure (term) insurance with an accumulating fund, known as the policy's *cash value* — over time the risk gradually becomes self-insured as this fund grows.

A $100,000 permanent life policy purchased at age 40 will eventually pay a $100,000 claim. The annual premiums — initially higher than for an equivalent amount of temporary insurance, but typically level for the life of the policy — might be $1,200. Each year the cash value grows and the pure insurance amount decreases so that the combined value of the two always equals the policy's face amount. The policy may be held until death (at which time the $100,000 face value is paid to the beneficiaries), or it may be prematurely surrendered for its accumulated cash value.

Figure 10 portrays the permanent policy's components. Note that both the face amount and the premium amount remain constant over the life of the policy and that the increasing cash amount (savings element) and decreasing term amount (insurance element) always sum to the policy's face value. It is through this savings growth that the permanent policy is said to be *self-insuring*.

Permanent insurance profit-making is akin to the banking industry. You in effect loan the insurance company your premiums, which they invest to earn interest. And in consideration of your loan, you are paid a portion of their interest earned. For the sake of simple illustration, assume that of our sample policy's $1200 annual premium, $200 will be applied to cover the risk and $1,000 will accumulate. After ten years, the policy's cash value

Figure 10. Permanent (Whole Life) Insurance



will have grown to $10,000 and the pure insurance level will have decreased to $90,000. The company will in the eleventh year earn your $1200 premium *plus* earnings on the $10,000 earlier invested.

If you are a young family pondering a permanent life purchase, then you might consider instead buying a temporary life policy and investing the premiums cost savings yourself. For most young families, term life is the more cost-effective life insurance choice at a time when the highest amount of protection is needed. If, however, you are undisciplined and have difficulty saving money — and in all fairness, studies show that this is most often the case — a permanent policy may be the appropriate option for you.

Figure 11 summarizes the relative merits of both types of policies. *This discussion has been admittedly oversimplified and makes some broad generalizations. For more information on specific life insurance policies, please refer to* Appendix B *(More on Life Insurance).*

Permanent Life as an Investment. Because of its savings component, permanent life insurance is frequently marketed as an investment — a means to force the undisciplined to save for college, retirement, or other long-term goals. It should be evaluated in the same light.

There are a couple of economic handicaps. First, the high transaction cost (commissions borne by the insured) associated with permanent insurance makes its expense load — a *dirty word* to investors — among the highest of all common financial instruments. For this reason, permanent life insurance should *never* be considered a *short-term* investment. Second, traditional permanent life policies (Whole Life, for instance) promise a relatively low rate of return. As insurance companies tend to invest high percentages of investor funds in low- to moderate-return instruments, the insurance investor makes a long-term commitment to a bond-type rate of return. In all fairness, insurance companies now offer a range of products which, *though riskier than the traditional whole life policy,* offer considerably more investment flexibility (see Appendix B).

On the other hand, permanent insurance does offer a couple of investment plusses. First, the cash value accrues on a tax-deferred basis — only if the policy is prematurely surrendered is the policyholder liable for taxes. If the policy is held until death, the benefit becomes tax-free as life insurance proceeds (this is true for all life insurance benefits). Second, mutual insurance companies may pay dividends to their whole life policyholders. These dividends — which are based on company performance and are not guaranteed — may be withdrawn, used to reduce premiums, or used to increase the policy's face amount.

Purely from an investment perspective, the traditional permanent life policy is a poor performer. If, however, your financial planning includes both insurance and investment needs, then a permanent life policy could very well complete your investment portfolio with a stable, relatively low-return product.

How Much Is Enough? There are several basic factors to consider in determining the amount of insurance you need. I again commend you, however, to God's leadership and to the counsel of your spouse. Above all, be mindful that *you never need insure against the death of God!* God is in complete control and has promised to always provide for His children. He has committed Himself, in fact, to special provision for the fatherless and widows (Deuteronomy 10:17-18, 24:19-21, Ruth 1-4, Proverbs 15:25). Consider the following as *general guidelines* that you should adapt to your specific needs.

First, set some realistic expectations regarding lifestyle changes following the death of the provider. So long as there is no major debt drain on the family finances, a family with a high income today can survive at a much more modest level. The plain practicality, though it may seem morbid to consider, is that there will be one less mouth to feed, one less back to clothe, one less car to maintain, and so on.

Figure 11. Temporary versus Permanent Insurance

Policy Type	Advantages	Disadvantages
Temporary	• Premiums initially lower than for permanent, allowing the purchase of higher amounts of coverage at a younger age when the need for insurance typically is greatest. • Good for covering specific needs that disappear over time (mortgages, car loans, etc.).	• Premiums increase over time. • Coverage terminates at the end of the term, often with no guaranteed renewal. • Reasonable insurance amounts may become too expensive to continue coverage. • Policy has no value except in the event of death of the insured.
Permanent	• The policy will pay a claim so long as premiums are paid. • Premium costs are typically level. • Accumulated cash value may be surrendered, borrowed against, or converted to other instruments.	• Higher initial premium levels may make it difficult for young families to purchase desired levels of insurance. • More costly than temporary insurance if held for only a short time.

Second, use statistical probability to your advantage, strategically balancing the probability of your death against the probability of economic downturn. Assume, for instance, that there is a 3% statistical probability that you will die within the next five years (actuarial data should be readily available at your local library). Balance that against your best estimate of the probability of economic downturn or other disruption of your income (recession, disability, layoff, etc.). How might your resources best be used? In our example, there is a 97% probability that you will see no return from your insurance premiums. In this specific case, I would recommend diverting most — if not all — of the monies earmarked for insurance to savings and debt reduction so that you will be prepared for the more likely economic distress: if the disaster never strikes, then you're gradually becoming self-insured through your savings.

Next, set some basic objectives. What do you wish to accomplish with a life insurance policy? There are a number of factors to consider when determining how much protection you need. These include:

- immediate cash needs at the time of death, such as mortgage and debt elimination, final illness expenses, burial costs and estate taxes,
- funds for a readjustment period, to finance a move or to provide for a reasonable emergency fund, and
- ongoing financial needs (income continuance), for continuing expenses, college tuition or retirement.

Remember in your planning that God — not your insurance company — is your Fortress. Remain reasonably frugal — each 10% reduction in coverage translates to a 10% reduction in premiums.

And finally, consider your current insurance levels. This includes such assets as savings, employer-provided life insurance, the survivor's income-potential and Social Security (SS) Survivor benefits.

Consider a family of four — two adults and two young children, aged nine and seven — where the husband earns $50,000 annually. Figure 12 demonstrates the calculation of the insurance requirement as the difference between one-time cash needs and current insurance levels. The bottom-line for this family is $75,000, but it would not be unreasonable to round this figure to an even $100,000 of coverage.

Figure 12. Calculating Insurance Requirement

One-time Needs		
Mortgage Payoff	100,000	
Other Debt Retirement	10,000	
Funeral Expenses	5,000	
Emergency Reserve	20,000	135,000
Less: Current Insurance Levels		
Employer-provided Life Insurance	50,000	
Family Savings	10,000	
Retirement Savings	0	
Other	0	(60,000)
Insurance Requirements		75,000

The next step is to consider the ongoing needs of the family. Remember, the income needs will be substantially less than before the provider's death, as there is one less family member and no remaining debt. This is where SS Survivor benefits come into play. Assuming that certain minimum requirements are met — the insured must have contributed to the SS fund in at least six of the previous thirteen quarters, for instance — the surviving family members are eligible to receive substantial benefits. This is not government welfare, but a valid social insurance program into which the insured made substantial contributions.

Within certain qualifications, the SS Survivor benefit is based on the insured's average monthly earnings (AME) during his primary earning years (generally beginning at age 22). The Primary Insurance Amount (PIA), derived from the insured's AME, serves as the basis for the determination of benefits which are limited by a monthly family maximum. Figure 13 presents the approximate monthly Survivor benefits available based on 2007 Social Security Administration formulae. *These approximations should be considered guidelines only; actual benefits depend on a number of factors, including the number of years the deceased paid taxes into the system, the surviving spouse's age, the ages of surviving children, etc. Contact the Social Security Administration for more information.*

Assuming in our example that the husband earned a $3000 AME during his working years, the maximum monthly benefit is approximately $2487. The total monthly benefit is divided equally among the surviving family members and each is issued a check. The spouse's benefit terminates when the youngest child reaches age sixteen. Each child's benefit ends when that child reaches age eighteen. Survivor benefits cover the most important child-rearing years. For our young family, the benefits could total over $300,000 before they end. This amount, plus the $100,000 personal policy and $50,000 employer-provided policy effectively provide over $450,000 in insurance coverage.

Figure 13. Social Security Survivor Benefits

Based on 2007 data. Assumes surviving spouse has dependent children under age sixteen.

Average Monthly Earnings (AME)	Primary Insurance Amount (PIA)	MONTHLY BENEFIT 75% of PIA per surviving family member to monthly family maximum			
		Family Maximum	One child only	Spouse + 1 child	Spouse + 2 children
1,000	714	1,071	535	1,070	1,071
2,000	1,034	1,753	775	1,550	1,753
3,000	1,354	2,487	1,015	2,030	2,487
4,000	1,674	2,932	1,255	2,511	2,932
5,000	1,841	3,224	1,380	2,760	3,224

If the Social Security benefits are insufficient to meet your family's ongoing income requirements, then you will need to adjust your amount of life insurance upward and direct the family to invest the proceeds to provide the necessary income.

Especially for Singles. Single people without dependents probably need no insurance (remember, the purpose of insurance is to continue providing for your dependents after your death). On the other hand, your employer will probably provide some level of life insurance, and may provide some type of retirement or other savings vehicle(s). You will be asked, for any of these instruments, to name a beneficiary to receive proceeds in the event of your death. Since you are without dependents, consider naming your church or other favorite ministry — what a wonderful boon your gift could be!

Some have advised singles to buy a whole life policy and name their church as a beneficiary under the guise of satisfying the obligation of Christian giving. If you need the insurance, that's one thing. But if your good intentions in buying a policy for this reason cause the deferral of your Christian giving, then you are robbing God (through insurance company profits) and skirting your charge to be a responsible steward on a moment-by-moment basis (1 Corinthians 16:2). Direct your firstfruits to the Lord rather than to your insurance company.

TEACHING YOUR CHILDREN

Train up a child in the way he should go: and when he is old, he will not depart from it.
— Proverbs 22:6

The godly parent views each progressive step in a child's development with the awesome realization that rearing children is a true stewardship — that each child is a gift from God and belongs to God. David well understood this truth, for he wrote (Psalm 127:3) that *"...children are an heritage of the LORD: and the fruit of the womb is his reward."* Hannah, who literally consecrated her son Samuel to God's service, perhaps best epitomizes this awareness — surely every lesson she taught Samuel and every story she told him was tendered with his preparation for this vocation in sharp focus.

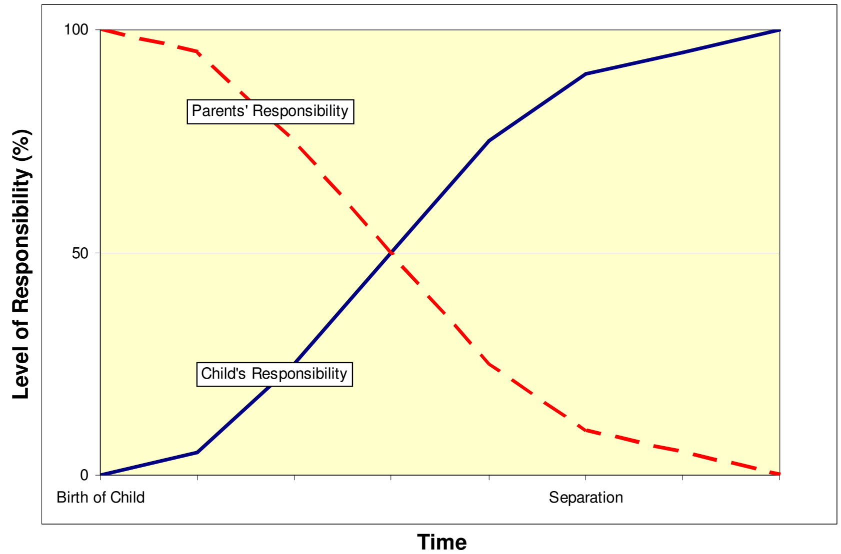
A primary goal of parenting, as illustrated in Figure 14, is to prepare the child for the moment you will release him from your care — to train him in the way he should go. While he is under your care, the levels of parental and child responsibilities undergo constant change. When the child is born, he is utterly helpless — completely dependent upon his parents for everything. At this early stage in his development, the parents assume full responsibility for his care. As the child matures, the parents transfer to him more and more responsibility — they teach him to walk, to feed and dress himself, to clean up his toys when finished playing, and to make his bed. Later he learns to help Mom with the groceries and to clean the dishes after a meal, and to help Dad mow the lawn and *fix* things. And while his level of responsibility is increasing, Mom's and Dad's levels are waning. This shifting of responsibility is part of the maturing process.

Somewhere during the teenage years — and it varies by child — the child's level of responsibility surpasses the parents' as still more responsibilities are swapped, until finally the child is ready to leave the nest a fully responsible young adult. For some children, this separation may occur at around age eighteen; others may not be fully prepared to leave the nest for several more years. Regardless of the child's age when he leaves home, the parents take a lesser role in the life of the child from that point forward — they still are available for counsel, and still are deserving of honor and respect, but they no longer assume an authoritative presence in the child's life.

As Solomon indicates, the values conveyed to children during their impressionable youth will remain with them for a lifetime. This principle is especially true for money matters — parents who communicate God's wisdom regarding the proper use of money equip their children with invaluable life skills. The time that children reside in the parents' home is a time rife with opportunity for instilling in them many lessons about money: consider three practical suggestions.

First, model biblical attitudes and practices regarding money. Much of the behavior that a child carries into adulthood is behavior that has

Figure 14. A Parenting Goal



been displayed by a parent; that is, the child learns by example and sets into practice that patterned before him. By all means, then — and from their very early age — you should exhibit for your children generosity and sound money management principles.

Second, teach your children to return a portion of their income (whatever its source) to the Lord Who gave it. This instruction will be habit-forming (like good oral hygiene) — but it is undoubtedly a good habit to develop. If a child is taught to give regularly and systematically, then his giving as an adult will become second nature. Take care to avoid the all-to-common technique of fishing for a coin for your child to drop into the collection plate: this teaches only that it is acceptable to treat firstfruits giving as an afterthought.

Finally, exercise your children in sound money management practices. Specifically, develop in them the skills required to manage a budget. Start simply — perhaps with a single budget category — and with considerable guidance. Then as the child matures, release more budgetary responsibility to him. Let's say, for instance, that you normally provide clothing for your child, but you feel that your ten-year-old is mature enough to begin assuming some of the responsibility. After first discussing a spending limit and some reasonable goals, take him on a shopping trip, helping him to make some wise, pragmatic clothing choices. Perhaps by age twelve he is making some mature choices, so you transfer more responsibility to him. Soon he is able to make most clothing decisions and purchases well within budgetary constraints. Will he make all the right choices? No — in a moment of temptation he may forget, for instance, that the same $100 will buy a single pair of designer jeans or four pairs of Levi's®. Be willing for him to make financial mistakes (within reason, of course) and to suffer the consequences — perhaps he wears his worn-thin designer jeans a bit longer than he might desire. As the parent, you have the authority to exercise mercy in these situations, but use the opportunity to ensure that the lesson is sealed in your child's memory. As hard as some lessons will be for him to learn (and for you to endure), it is far better for him to learn them as a teenager than at age 30.

I trust that these brief discussions have somehow helped to sharpen your focus as you seek to make practical application of what God's Word says about money. Remember, though, that they are intended as guidelines only — seek God's guidance and the counsel of your spouse as you examine your finances and implement changes. Above all, be honest in your evaluation.

If you find difficulty identifying problem areas or committing to change, then consider opening your finances to an accountability partner. Choose from among your congregation one who exhibits fruit of a godly life — one walking in the Spirit — and *ask for help*. There are many who already have faced the same struggles, the same questions, the same issues that you face, and who will very gladly *"spend and be spent for you"* (2 Corinthians 12:15). As members of the same body, they are concerned with your health, for your well-being works to the benefit of the entire body. Humbly submit yourselves to the guidance of the older members (1 Peter 5:5, Titus 2:3-8) and yield to their godly counsel.

I so desire to please You,
Father, and to pattern
my being after Yours.
Help me to see practical ways
to apply wisdom from Your Word
to my life so that I might be
more like You. And help me
always to love You more.
Amen.