

FINANCIAL WISDOM EVENING

Common Ground Church InnerCity

By Peter Hodson

Outline:

1. Three disclaimers.
2. My Story.
3. Our attitude to money? – Our partner's attitude? – Bad money habits.
4. What does the Bible say about financial wisdom?
5. Where are we now? – Assets, liabilities, income, expenses, retirement funds,
6. What are our priorities? – the financial house
7. Where do we want to be?
8. How do we get there? The budget, the plan.
9. Healthy Money habits.
10. Questions.

Disclaimer:

- Prosperity ministry is wrong teaching.
- Specific personal financial advice is not being given this evening rather sign posts of how to start and where to go.
- This review is written from the perspective of a Christ follower.

My Story –

- English man successful career U.K., Ireland, Zurich, and Johannesburg – huge ego!
- Lost everything 1997 – own business – 2003 joined became a financial planner
- Power of Positive Thinking-

Luke 18:27 “Jesus replied, "What is impossible with man is possible with God."

Romans 8:31 “ If God is for us, who can be against us?”

Philippians 4:13 “I can do all this through him who gives me strength.”

Jeremiah 29:11 “For I know the plans I have for you," declares the LORD, "plans to prosper you and not to harm you, plans to give you hope and a future”

- Alpha course 2007 – change in my life part of that was a new attitude to money.
- 2007 – Top 20 Consultant, Executive Consultant.
- Life verse - God restores the year of the locust. Joel 2 verse 25 “I will repay you for the years the locusts have eaten— the great locust and the young locust, the other locusts and the locust swarm”

Our attitude to money? – Our partner's attitude? – Bad money habits.

We have beliefs and attitudes about everything of importance to us, we have an attitude towards religion, war, fashion etc. and of Money attitude is your beliefs about money; what does money mean to you, what does it represent? How do you **feel** about money? How much does money influence your non-financial decisions? For some money is a central issue, for others money is just a tool, yet some use money to control things and people.

How do we develop our money attitude? As with many attitudes and behaviours *money attitude is mainly a learned behaviour* how you perceive money will heavily depend on your childhood and the environment you grew up in. Did your parents fight about money? Did a parent control the other with money? Did you have wealthy parents who lent you their credit cards? Your past experience and environment is the biggest factor to you money attitude, the good news is that **money attitude is a learned behaviour and what is learned can be unlearned.**

Some negative attitudes could include;

- **The ostrich - Money avoidance:** Believing that money is bad or that you do not deserve money. For people with this personality, money can evoke feelings of fear, anxiety or disgust; so they just try to ignore it in the hope it will sort itself out.
- **The idolater - Money worship:** Believing that an increase in income or financial windfall will solve all your problems.
- **The Gekko - Money status:** Like the famous line from character, Gordon Gekko, in the film Wall Street "The point is, ladies and gentleman, that greed, for lack of a better word, is good." *Tying your self-worth to your net worth.* Individuals who believe that money is a status symbol
- **The Obsessive - Money vigilance:** Being secretive about finances and overly wary of spending. In other words, the classic miser

Some negative money habits include;

- **Not being in control of the monthly budget.** Not planning your expenses properly each month may result in you buying luxuries at the start of the month, and then not having enough money for necessities..
- **Not talking openly about money.** If you and your spouse have different spending habits, it's important that you both compromise and agree on your monthly financial plan.
- **Not saving** any money.

- **Using credit cards irresponsibly.**
- **Living out of a bond** or on revolving credit.
- Confusing **wants with needs**. Families need to learn to compromise and that they can only have what the family can afford.
- Trying to keep up with the 'Jones's'.

Reflect on the following questions;

Can you relate to any of the negative money attitudes or habits?

Are you a spender or a saver?

Do you often wonder how much money others have?

Are you more likely to choose a career because it pays well or because you love doing the work?

What do you think someone's net worth says about him or her?

What does the Bible say about money?

Jesus said more about how we handle our money and possessions than about any other topic.

Martin Luther said *"There are three conversions necessary in the Christian Life; the conversion of the heart, the mind and the purse"*

God is the owner of everything;

Psalm 24:1 "The earth is the Lord's and everything in it, the world, and all who live in it."

(Deuteronomy 10:14 ; Job 41:11 ;1 Chronicles 29:11-12;)

We need to consider the implications if all our wealth is actually owned by God?

How does this make you feel? How does it change the way we should think about money?

We are stewards of God's resources

Matthew 25:14-30 the parable of the talents; teaches us that we're each entrusted by God with different financial assets, gifts and opportunities and we will be held accountable for how we use them.

(Luke 19:11-27 :Genesis 2:15)

Use money don't serve it

Money makes a terrible master yet it makes a good servant; to those who have the right master – God.

Luke 12:18-21 "A person is a fool to store up earthly wealth but not have a rich relationship with God."

1 Timothy 6:10 "The love of money is the root of all kinds of evil" money isn't evil; money love is evil."

John D. Rockefeller was one of the wealthiest men who ever lived. After he died, someone asked his accountant "How much money did John D. Leave?" The classic reply was "He left ...all of it"

Be really careful about borrowing money;

Proverbs 22:7 "Just as the rich rule the poor, so the borrower is servant to the lender"

(1Corinthians 7:23) We live in a culture of instant gratification, we are bombarded every day with advertising that tells us we don't have to wait; credit is freely available. What the adverts don't say is that if we buy on credit we end up paying far more for our purchase than if we pay cash. The adverts also don't point out is that the bank that lends you the money to purchase a house, car or any other item effectively control that asset until it is paid for in full. If you lose your job and cannot pay your bond the bank can take back your house!

Look after your investments;

Proverbs 27:23-24 "Be sure you know the condition of your flocks, give careful attention to your herds; for riches do not endure forever."

Not knowing what is going on with your finances is not being spiritual – it's being irresponsible. Honour God with your finances, and start by knowing what is going on.

Be mindful of the future;

Proverbs 22:3 “A prudent person foresees danger and takes precautions. The simpleton goes blindly on and suffers the consequences.”

(Proverbs 21:20 ;Proverbs 6:6-8)

Seek wise council:

James 1:5 “If any of you lacks wisdom, you should ask God, who gives generously to all without finding fault, and it will be given to you.”

(Ecclesiastes 9:17)

Inheritance

Proverbs 13:22 “A good man leaves an inheritance for his children’s children.”

(Proverbs 20:21)

Passing on the baton of good stewardship:

Proverbs 22:6 “Direct your children onto the right path, and when they are older, they will not leave it.”

(Proverbs 22:6)

Giving

Matthew 23:23 “Woe to you, teachers of the law and Pharisees, you hypocrites! You give a tenth of your spices--mint, dill and cumin. But you have neglected the more important matters of the law--justice, mercy and faithfulness. You should have practiced the latter, **without neglecting the former.**”

Malachi 3:8-10 “Will a man rob God? Yet you are robbing me! But you say, ‘How have we robbed you?’ In tithes and offerings. “You are cursed with a curse, for you are robbing Me, the whole nation of you! “Bring the whole tithe into the storehouse, so that there may be food in My house, and test Me now in this,” says the LORD of hosts, “if I will not open for you the windows of heaven and pour out for you a blessing until it overflows”.

Where are we now? – Assets, liabilities, income, expenses, retirement funds.

<u>Assets</u>	<u>Current value if sold in a normal market.</u>
<u>Primary Residence</u>	
<u>Other property</u>	
<u>Unit Trusts</u>	
<u>Stocks & Bonds</u>	
<u>Cash deposits</u>	
<u>Term deposits</u>	
<u>Car(s)</u>	

Total

<u>Liabilities</u>	<u>Total owing if settled in full today</u>	<u>Interest rate being charged</u>	<u>Minimum monthly amount due.</u>
<u>Bond</u>			
<u>Car loan</u>			
<u>Personal loan</u>			
<u>Over draft</u>			
<u>Credit card(s)</u>			
<u>Store card(s)</u>			
<u>Study loan(s)</u>			

Total

<i>Income Source</i>	<i>Monthly amount</i>
<i>Salary</i>	
<i>Commission</i>	
<i>Overtime</i>	
<i>Annuity income (e.g. pension)</i>	
<i>Dividends</i>	
<i>Rental income</i>	
<i>Interest</i>	

Total

<i>Expenses each month</i>	<i>Rand amount monthly</i>
<i>Rent /Bond repayment</i>	
<i>Car payment</i>	
<i>Food</i>	
<i>Cell phone/telephone</i>	
<i>Petrol</i>	
<i>Rates & Taxes</i>	
<i>Levies</i>	
<i>School/university fees</i>	

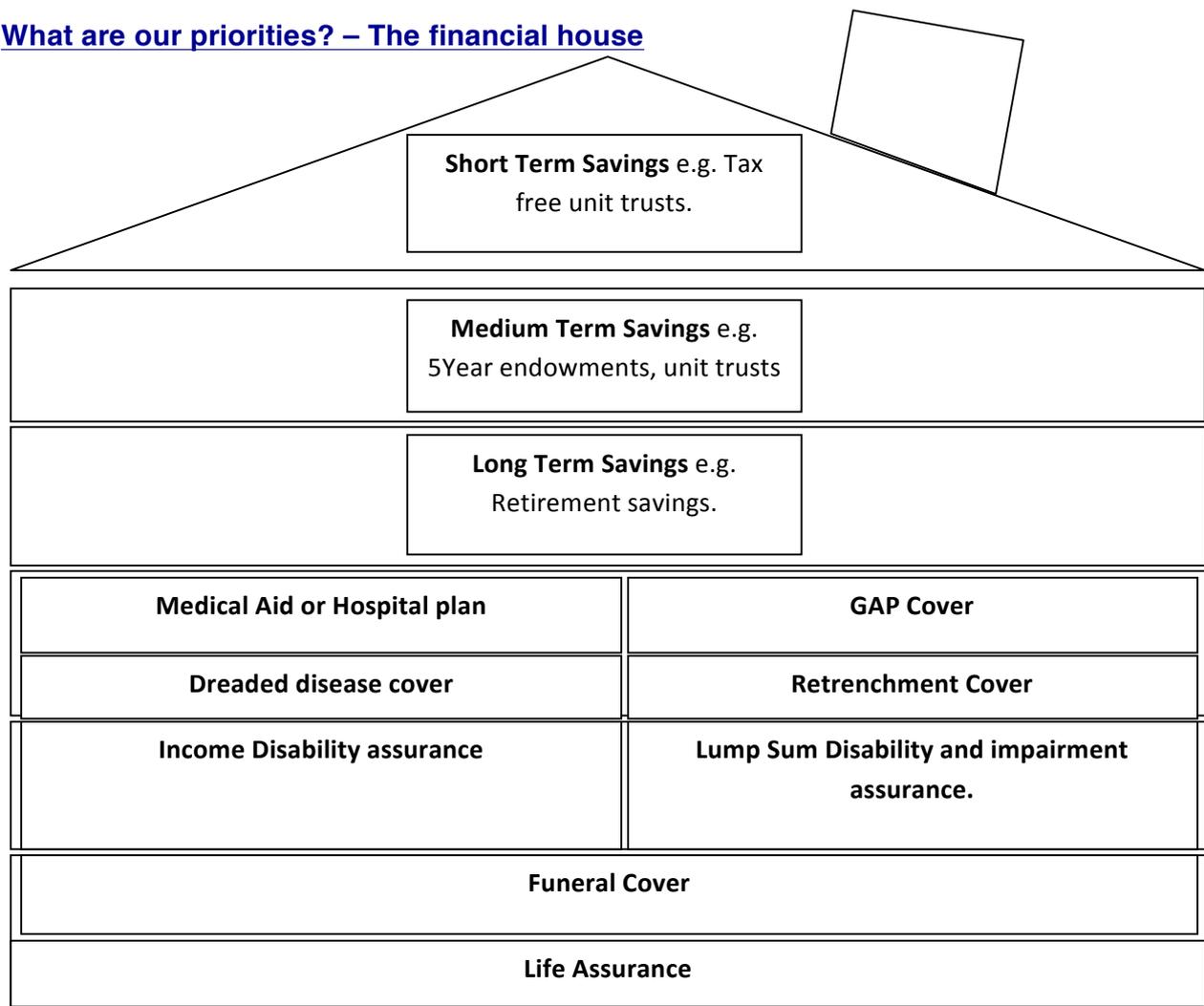
Total

Retirement funds; Note; current value, monthly contribution and date the funds become available.

SUMMARY

<u>Assets</u>	
<u>Liabilities</u>	
<u>Assets less Liabilities equals net worth</u>	
<u>Monthly Income</u>	
<u>Expenses each month</u>	
<u>Monthly income each month</u>	
<u>Monthly income less expenses if a positive figure shows funds available to save or reduce debt.</u>	

What are our priorities? – The financial house



Where do we want to be?

Summary to date;

- We have now established the principals on which our financial plan should be based.
- We have established our assets and liabilities and therefore our net worth (or negative net worth)
- We have established our monthly income and expenses and so know our capacity to save or need to either cut expenses or increase income.
- We have reviewed the big picture needs short medium and long term savings, risk assurance medical aid etc

Now we need to set ourselves achievable short, medium and long term goals and then 'budget' to achieve them. Remember a goal without a plan is just a dream!

How do we get there? The budget, the plan.

Plan 12 months income, expenses, liabilities and assets. Review the plan on a monthly basis.

<i>INCOME</i>	JAN	FEB	MAR
SALARY			
COMMISSION			
RENTAL INCOME			
ANNUITY INCOME			
DIVIDENDS			
TOTAL	0	0	0

<i>EXPENSES</i>			
TITHE			
BOND			
LEVIES			
RATES			
BANK FEES			
BANK INTEREST			
SCHOOL FEES			
CAR REPAYMENT			
PETROL			
MNET			
MEDICAL AID			
GAP COVER			
LIFE ASSURANCE			
HOME & CAR INSURANCE			
CELL PHONE			
TELEPHONE			
TRAVEL			
RA			
ENTERTAINMENT			
PARKING			
HAIR CUT & PERSONAL GROOMING			

ELECTRICITY			
DISCRETIONERY			
Birthday presents			
HOUSE REPAIRS			
CREDIT CARD			
STORE CARD			
CLOTHING & FOOTWEAR			
<i>TOTAL EXPENSES</i>	0	0	0

SAVINGS/(LOSS)	0	0	0
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<i>LIABILITIES</i>	JAN	FEB	MAR
BOND			
OVER DRAFT			
STORE CARD			
CREDIT CARD			
PERSONAL LOAN			
CAR LOAN			
REVOLVING CREDIT			
TOTAL LIABILITIES	0	0	0

<i>ASSETS</i>			
PRIMARY RESIDENCE			
CASH ON HAND			
DEPOSIT ACCOUNT			
UNIT TRUSTS			
RETIREMENT ANNUITY			
BONDS			
CAR			
TOTAL ASSETS	0	0	0

<i>NETT ASSETS</i>	0	0	0
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Healthy Money Habits:

Stephen Covey, author of the wildly successful book *7 Habits of Highly Effective People*, wrote, “Depending on what they are, our habits will either make us or break us. We become what we repeatedly do.”

It’s true. Habits—the healthy and consistent ones, that is—can make all the difference in helping us go from good to great in any area of life, especially our finances. (Bad habits can be just as powerful...in the opposite direction.)

Pay yourself first

Set a percentage of your income that you will save and make sure this is the first money that you allocate (after your tithe) the standard savings rule of thumb that says to save not less than 15% of every pay cheque. If you’re not there, start with what you can. How should I save? Where should I start? If I don’t even know how to start saving – how do I go about starting to think about this?

Have a safety net

Aim to have 3 months living expenses set aside so that you are never ‘broke.’ If a tough period happens that gives you three months to restore your income or slash your expenses. It also means that you can make every day financial decisions without a ‘gun at your head’.

Have a plan and stick to it

The old adage goes “fail to plan – plan to fail”

Setting up a savings and payment system is one habit highly successful people practice to keep their financial house in order. They automate their expense payments and money transfers.

But they don’t turn a blind eye once they set up the system. They know it’s important to still maintain awareness of where their money’s going.

One of the biggest tips I can share with people is to do a regular money date...a time where you check in with your money and your partner. You’re reviewing your spending and your budget. It just brings this whole new level of awareness. A set meeting once a month in a neutral venue like a coffee bar allows couples to review and agree on their finances once per month and so avoid constant ‘bickering’.

The Envelop system –

The set monthly expenses like your bond or rent are easy to automate and control. The harder area is the variable expenses. The envelop system is a great way to monitor where you are on your variable expenses against your budget.

Goodbudget is a phone ap. that helps with this. Remember controlling spending is more important than what you earn! A person earning R10, 000 a month who saves 15% will be a lot better off in the long term than a person earning R100, 000 a month who saves nothing!

Be generous.

Christian billionaire John Templeton once said that people in life are taught to be go-getters, but instead should be “go-givers.”

Make your money work for you

The first rule in the bestselling book “Rich Dad – Poor Dad’ the rich dad says “Money works for me” – not the other way around. Build multiple streams of income.

According to the rich dad, fear is the primary emotion when the subject of money is discussed. It keeps most people to stay in their job because they fear of not being able to pay the bills or not having enough money. Greed is the second; if you offer more money, they also increase spending. If you don’t want to become slave to your money, you have to think about it logically, not through emotions.

For example; If you invest the current maximum 27.5% or R350,000 (whichever is the lesser) into a retirement vehicle you save the income tax you would otherwise have paid on the contribution e.g. a 41% tax payer saves R410 in tax for every R1,000 invested in a retirement vehicle.

The power of compound interest – at a 15% return your investment doubles every 5 years.

Mind Your own Business

Your profession and your business are different from each other. You should not rely on your job to become financially secure; instead, focus on your own business and develop your assets. As Kiyosaki puts it, “financial struggle is often directly the result of people working all their life for someone else. Many people will have nothing at the end of their working days.” Acquire assets and use them to purchase income-generating, real assets. The rich dad further noted that real assets are anything with value – stocks, bonds, unit trusts, income-producing property, royalties from intellectual property, annuity income etc.

Understand the tax system and plan to minimise your tax bill.

Understand how to protect and enhance your assets and minimise your tax bill - If necessary pay for expert advice. Income tax, Capital gains tax, Estate Duty etc can all be reduced with planning.

IN SUMMARY:

We have looked at :

1. Our attitude to money? – Our partner's attitude? – Bad money habits. The dangers of uncontrollable debt; like just putting money on credit cards and not knowing how you are going to pay it off; controlling your appetites.
2. What does the Bible say about financial wisdom?
3. Where are we now? – Assets, liabilities, income, expenses, retirement funds, The big idea is: 1) Know your position and 2) You may think you have money but if you're liabilities outweigh your assets you're not as wealthy as you think you ARE!
4. What are our priorities? – the financial house
5. Where do we want to be?
6. How do we get there? The budget, the plan. Healthy Money habits. It is counter cultural but totally biblical that we should aim to live within our means: Our lifestyles have to be within the financial resources that God has given us.

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