**Stewardship: Personal Finance**

**Hook**

Good morning everyone. I’m Mike. And to get us started I want everyone to draw a picture, a sketch of what you think your life will look like in 40 years? Just to let you know, you will be sharing your drawing.

**Transition to Book**

All right let’s share! Now, before you share, state your name. Wow, I loved the pictures and hearing some of your goals, hopes, and dreams! But Scripture has something to say about “our” life our goals, hopes and dreams.

**Text**

Let’s read Psalm 24:1 “The earth is the Lord’s, and everything in it, the world, and all who live in it.” Basically, Scripture says that the ground itself, everything the ground produces, and even our own lives belong to the Lord. That is a huge statement. Let that sink in. That means everything you “own” everything you produce, even your own life belongs to the Lord. So I hate to break it to you but ultimately, there is only one owner and it not me, it’s not you, it’s God. We are his stewards.

So let me ask: What is the difference between an owner and a steward?

[owner: a person who owns something; one who has the legal or rightful title to something]

[steward: one employed in a large household or estate to manage domestic concerns]

If we are stewards of God, then it’s not about we want, but what God wants. We should be managing the resources entrusted to us for the things God is concerned about. Now we have trouble with that because we have these pictures. And if we let God be the owner, then these pictures may not materialize. And that may be true. But God cares for us more than these pictures. He values us more than these pictures. He died for us. But at times, we think he doesn’t want the best for us. I believe that he has a better picture a better plan for us beyond our current thoughts. And he has some principles for us to consider as his stewards.

Today the topic I would like to share with you in the broad topic in stewardship, we are going to focus in on personal finances. For myself, there were some very practical things that I wish that I knew early on even at the age of 5 years old. So, my purpose is to provide you with some information, some things that I’ve learned over the years that you may find helpful as you are a steward before God. As a disclaimer, this is not an extensive course and I am not a financial planner. This is a platform, a jumping board as you will continue to handle more of your own finances and maybe even your parents’ finances as they age.

So, let’s look at some principles.

**BUDGET Proverbs 24:3-4 By wisdom a house is built, and through understanding it is established; through knowledge its rooms are filled with rare and beautiful treasures. (NIV)**

In this case, ignorance is not bliss. It is wisdom and knowledge that is going to establish your home and fill it with pleasantries. At a minimum, you need to **know** where you are allocating/spending money. You need to track your expenses.

One of the apps I love to use to track my expenses is Mint (Mint.com). It links to almost every US financial institution connected to the internet. So, one time I swipe my credit card to fill up my car with gas and in less than a minute the transaction is show up. My paycheck is directly deposited into my bank, it shows up. Now, normally, it takes about a day for it show up. So with all the transactions there, you can separate them out and see how much you are spending on gas, groceries, clothing, restaurants, entertainment… And if you don’t like how the money is currently spent, then you can create a limit, set a budget to change your current spending habits.

Key take away: Make a budget and track your expenses.

**SAVE Proverbs 21:20 The wise store up choice food and olive oil, but fools gulp theirs down.**

Now when Kaori and I got married, we were both working. Double income! Woo-Hoo! We did not track our expenses. We just looked at our credit card bills, said, “We have it covered. Move on.” But one day, after looking at the bill, I noticed that we were spending over 1000 a month on restaurants. And looking at past statements, it wasn’t just one month it was consistent: month after month. My wife and I, were literally eating away our financial future. In other words, even if a person has a huge income but if they spend it all-gulp it down, then there is nothing left for the future. So, here we are instructed to save.

Now, let’s look at a variation of an example by JP Morgan.

Susan, who invests $5,000 per year from ages 25 to 35 (10 years).

Bill, who invests $5,000 per year from ages 35 to 65 (30 years).

Chris, who invests $5,000 per year from ages 25 to 65 (40 years).

Question: Who has the larger account balance when they turn 65 if it grows by 7% per year?

Chris contributes $200,000 and has a balance of 1,068,048 dollars at age 65.

Bill contributes $150,000 and has a balance of 505,365 dollars at age 65

Susan contributes $50,000 and has a balance of 562,683 dollars at age 65

Intuitively, Chris has the most money. He invests the most, he also starts early. And he has basically double of both Bill and Susan. Now it’s interesting that Susan, who only saved for 10 years, has more than Bill who saved for 30 years. That difference is explained by compound interest.

Key take away: Compound interest works best when you have time. So, save as soon as possible!

**DEBT Proverbs 22:7 The rich rule over the poor, and the borrower is slave to the lender.**

Just as we saw the power of compound interest work in your favor for saving, it works against you when you borrow. Now luckily, for the most part we don’t have debtor’s prison. Credit card companies can’t throw you in prison. But you know who can? The government. So pay your taxes.

Now for example, according to wallethub, the average credit card interest rate is 19.24% for new offers and 14.14% for existing accounts.

Example: Let’s just say we have credit card debt of $5,000 at an interest rate of 15% and we can pay 100 dollars per month. How long does it take to pay off the credit card and how much money did the credit card company make off of us?

79 months and we paid the credit card company $2896 in interest. In other words, you have over SIX and HALF years of having to pay this debt month after month. Fortunately, I didn’t have high interest debt coming out of college. It was just my student loans. And while it took me some years to pay it off, it was such a relief to not have to pay that monthly payment over my head and around my neck. And paying that off, it freed me to use those dollars for other purposes.

I’ve read this description of debt and I liked it, so I’ll pass it on to you: Debt is borrowing against your future. Think about it. While you are getting something you want now, you are taking away your future options.

While some things can be worth taking a loan for, like education or a house, most things aren’t. Most things we purchase lose value over time, like a car, furniture, iPhone, last night’s dinner…

Key take away: Don’t go into consumer debt.

**Wise and Diversified Counsel Proverbs 15:22 Without counsel purposes are disappointed: but in the multitude of counselors they are established.**

One person as a counselor can have a limited perspective and as a result they can unwittingly steer you wrong. So, just don’t listen to me. Verify what I’m saying. Check it out with other people. I don’t have a monopoly on this subject.

So let’s look at the advice of one of the richest people in the world, Warren Buffett. He is currently worth around 85 billion dollars the fourth richest person in the world (but if he had not donated his over 27 billion to charities, he probably would have kept his number 1 spot). Upon his passing, he instructed his trustee to put 90% of his wife’s inheritance into a very low-fee stock index fund, like the S&P 500 and 10% into short-term government bonds. This asset allocation is not for everyone. But let’s look at his reasons.

And the reason why?

* While after his death, he could have his wife’s money invested into 1 company, his own, he knows that is risky. And just like you don’t want to listen to 1 counselor, you just don’t want to invest into 1 company as things can go horribly wrong: Enron, Lehman Brothers they went bankrupt. According to INC.com, in 1965 the average tenure of companies on the S&P 500 was 33 years. By 1990, it was 20 years. It’s forecast to shrink to 14 years by 2026. So what you want to do is to diversify. Own many companies to reduce the amount of risk.
* Over 10 years, 90% of active managers cannot beat the S&P 500 (The top 500 US companies). So people who are in finance, whose full time job is who watch the markets and specific companies and make money for their clients. Most of them cannot beat the average gains of the market.
* Jack Bogle, the founder of Vanguard saw this all the way back in 1974.
* Fees. If a fund is actively managed, you have to pay for that service. Most actively managed mutual funds have fees around 1%. It does not sound that bad right? But it’s 1%, every year for what 30 to 40 years. Let’s look at an example.
	+ Let’s say you are able to put 5,000 a year for 40 years at 7% returns, we end up with $1,068,048. Now, if you have to pay a fee of 1% your balance is now $820,238. Those 1% fees amount to 23.2% reduction in your balance or $247,810. I don’t know about you, but I think that those financial resources could have a huge impact for you and how you want to impact God’s kingdom.

Key Take Away. Diversify and lower your fees.

**CAUTION: “For where your treasure is, there your heat will be also.” Luke 12:34 (NIV)**

If God allows us to accrue wealth, it can be hard to not treasure it.

What are some ways we can guard against treasuring wealth?

* Thank God
* Remember we are stewards, not owners
* Set boundaries
* Actively utilize God’s resources

Key take away: Guard against treasuring wealth. Remember God owns everything, even our own lives.

**Conclusion**

With all this information, Where do we begin? I don’t know where each of you are at in your journey and what God has planned for you. That said, I really like the money map by, Crown.org. It lays out several financial steps for most people to follow.

1. Build Emergency Savings of $1,000
2. Pay Off Credit Card Debt
3. Pay Off Any Other Consumer Debt (School loans, Car, Iphone) and Save 3 months’ Living Expenses
4. Save for Large Purchases and Begin to Save for Retirement
5. Buy Home, Save for Retirement, Create College Funds for children
6. Pay off Home Mortgage, Save for Retirement
7. Financial Freedom

**Other**

**Now who wants some free money?**

I do too! But unfortunately I don’t work for a company who gives me a company match. Now most large companies have retirement accounts set up as a benefit for you. It’s an account where you can put away money for retirement. And many of them offer a matching contribution. Now what that means is that if you put some money in, they will match some percentage of it. So for example, let’s say your company matches you 100% or dollar for dollar. So you put in 200 dollars a month and they match your 200 dollars and give you 200 dollars. Free money! If you are not contributing up to the max your company offers you, then you are passing up free money.

Now some of us may not be working for a company that offers retirement accounts as a benefit, in fact, all you are just working part time. Did you know that the US Government will pay you to save? It’s called the Tax Savers Credit. Now there are some pretty tough conditions:

You’re eligible for the saver’s credit if you are 18 or older, not a full-time student and not claimed as a dependent on another person’s tax return. Unfortunately, I don’t qualify, but some of you might, especially if you are in college. So check it out!

**Useful Websites/Apps:**

Budgets

Familybudgets.org

Epi.org/resources/budgets

Financial Blogs

 Mrmoneymustache.com (lower budget)

 Financialsamurai.com (increase income)

Resources

 Mint

 Personal Capital

Accounts

 Vanguard

 Fidelity

 Ameritrade

Debt Repayment Calculator

Creditkarma.com/calculator/debt\_repayment