

Session 5

# **Practical Steps To Get Out of Debt**



**OBJECTIVE OF THIS SESSION**

To obtain a practical understanding of how to get out of debt.

**KEY BIBLICAL PRINCIPLE**

Because God discourages debt and warns of its dangers, it is God's best desire for Christians to have a plan to become debt free.

**OVERVIEW OF PRACTICAL STEPS TO GET OUT OF DEBT****1. Pray and ask God for his wisdom and his specific direction for your life.**

James 1:5 states, "If any of you lacks wisdom, he should ask God, who gives generously to all without finding fault, and it will be given to him." God promised, "I will instruct you and teach you in the way you should go; I will counsel you and watch over you" (Psalm 32:8).

God will give you his wisdom and his direction in getting out of debt, if you ask him in faith. As a practical matter, it is critical that you spend quality time with the Lord in prayer, reading his Word and listening to God's voice.

Jesus said, "My sheep listen to my voice; I know them, and they follow me" (John 10:27).

**2. Study and meditate on God's Word as it relates to finances and implement God's financial principles in your life.**

With more than 2,000 references in the Bible to money and material things, God has provided us with tremendous wisdom on finances.

The psalmist makes the following comments regarding God's Word: "Your statutes are my delight; they are my counselors" (Psalm 119:24) and "Your word is a lamp to my feet and a light for my path" (Psalm 119:105).

With respect to meditating on his word, God instructs us, "Do not let this Book of the Law depart from your mouth; meditate on it day and night, so that you may be careful to do everything written in it. Then you will be prosperous and successful" (Joshua 1:8).

When an individual or couple gets into financial difficulty, generally it was because of unknowingly violating one or more of God's financial principles. Some examples would include

- having no savings for an emergency (Proverbs 21:20)
- cosigning a loan, a practice for which the Bible uses the term "striking hands in pledge" (Proverbs 17:18; 22:26, 27)
- getting involved in an investment they did not understand (Proverbs 19:2) and that was not biblically diversified (Ecclesiastes 11:1, 2)
- not having a budget (Luke 14:28–30), and as a result making financial decisions based on gut feel and not on the facts of their finances

- taking on too much debt (Proverbs 22:7)

Many times the resulting financial stress could have been avoided by simply following the counsel and wisdom from God's Word, the Bible: "Do not merely listen to the word, and so deceive yourselves. Do what it says" (James 1:22).

### **3. Evaluate your present financial position—assets, liabilities, revenues, and expenses.**

Scripture tells us, "Be sure you know the condition of your flocks. Give careful attention to your herds" (Proverbs 27:23).

Today, most of us do not have "flocks and herds." However, we do have housing expenses, automobile expenses, etc. In order to make wise financial decisions, we need to have a clear understanding of our assets, liabilities, revenues, and especially our expenses.

Most people do not know where their money is being spent, and as a result, they are making financial decisions based upon gut feel and personal desires rather than knowing the facts. If your current personal expenditures absorb all of your current income, then it is disastrous to take on additional debt regardless of the reasons.



### **4. Develop and implement a budget (Luke 14:28–30).**

A properly implemented budget will enable you to spend less than your income each month so that you will have a surplus available to pay down debt. In addition, it is wise to apply a large portion of lump-sum receipts (e.g., income tax refunds, bonuses, etc.) to debt reduction.

There are approximately 40 references in the Bible to planning, and generally they admonish us to plan ahead. For example, in the parable of the tower (Luke 14:28–30), Jesus called a man "a fool" who did not plan ahead. A budget is a practical tool that can be used effectively in planning your finances.

### **5. Ask God to enable you to be content with his provision.**

Often people get into financial trouble through taking on too much debt because of a lack of contentment. This can come in the form of selfishness, covetousness, or greed.

The apostle Paul said, "For I have learned to be content whatever the circumstances. I know what it is to be in need, and I know what it is to have plenty. I have learned the secret of being content in any and every situation, whether well fed or hungry, whether living in plenty or in want. I can do everything through him who gives me strength" (Philippians 4:11–13).

Paul learned to be content, in dependence upon God. It was God who gave him the strength to be content, whatever the circumstances. In other words, Paul's personal relationship with Jesus Christ was the key to learning contentment. God generally teaches us contentment through circumstances, his Holy Spirit, and his Word. In the long run, we will be much happier and less frustrated when we are content with God's provision and God's specific will for our lives: "But godliness with contentment is great gain. For we brought nothing into the world, and we can take nothing out of it, but if we have food and clothing, we will be content with that" (1 Timothy 6:6–8).

**6. With your surplus cash, pay off the most expensive debt and any non-deductible debt first.**

As you implement your budget and develop a surplus of cash each month, first pay down debt with the highest interest rate—generally credit cards. Once that is paid off, then pay down the debt with the next highest interest rate. In addition, it usually makes sense to pay down your "non-deductible debt" first, and shortly thereafter pay down your debt where the interest is tax deductible. It is God's best will that all debts be paid off as soon as practical, whether the interest is deductible or not.

Just as a word of explanation, in Canada, "deductible debt" is debt that has been incurred for the purpose of earning income from a business or an investment (but not your RRSP), which Canada Revenue Agency allows as a deduction for income tax purposes. Because the interest expense on "deductible debt" is deductible, the after-tax cost of that interest expense is reduced by the income tax saved from the deduction. For example, let's assume that your personal marginal income tax rate is 31 percent and the interest rate on a particular loan is 10 percent, then your after-tax cost on that loan is 6.9 percent. Hence, assuming the interest rates are the same, it is best to pay off "non-deductible debt" before you pay off "deductible debt" as the "deductible debt" has a lower after-tax cost.

Also, *before* paying down debt early (especially your mortgage), determine whether there are any "early payment penalties" under the agreement, and calculate the implications of those penalties. When the penalties are significant (e.g., three months' worth of payments for certain mortgages), often it makes sense to save money until your mortgage comes due and apply those funds against your debt at that time. In future, always negotiate flexible repayment terms on any debt so that any surplus of cash can be used for debt reduction without incurring penalties.

**7. In dependence upon God, follow up and persevere until you are debt free.**

Generally, it takes several years to become debt free. Therefore, it is prudent to depend upon God to enable you to follow up and persevere. If you try to do it in your own strength and with your own wisdom, you will likely have limited success. However, our God is all powerful, all knowing, and present everywhere, and he is able to give us the perseverance, wisdom, and direction that we need to become debt free.

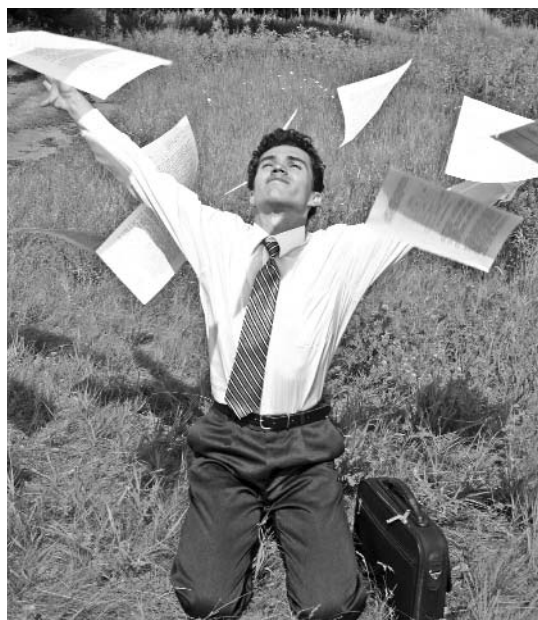
Jesus said, “I am the vine; you are the branches. If a man remains in me and I in him, he will bear much fruit; *apart from me you can do nothing*” (John 15:5, emphasis added).

In scripture God has promised us, “Even to your old age and gray hairs I am he, I am he who will sustain you. I have made you and I will carry you; I will sustain you and I will rescue you” (Isaiah 46:4).

Even if finance is not your area of expertise, God has promised that he will provide what we need. Jesus said, “My grace is sufficient for you, for My strength is made perfect in weakness” (2 Corinthians 12:9, NKJV).

Since 1982, I have had the privilege of helping over 250 individuals and couples who became totally debt free. All things are possible with God (Matthew 19:26).

I strongly encourage you (and your spouse, if you are married) to commit to the practical steps outlined above with the objective of becoming totally debt free. May the good Lord guide you as you look to him for the wisdom, direction, and perseverance you will need.



### MEMORY VERSE

*If you fully obey the LORD your God and carefully follow all his commands I give you today ... The LORD will open the heavens, the storehouse of his bounty, to send rain on your land in season and to bless all the work of your hands. You will lend to many nations but will borrow from none.”*  
(Deuteronomy 28:1, 12)

### CASE STUDIES, RELATED QUESTIONS, AND SUGGESTED SOLUTIONS

#### Case Study #1

Jim and Jennifer are married and earn average incomes. By the end of their first year of marriage, they noticed that their credit card balances had increased. They were unconcerned as they thought this was due to some one-time expenses they had incurred as newlyweds. However, over the next two years, the balances on their credit cards and personal line of credit increased substantially. They did not understand why this was occurring.

As a result, they decided to attend a biblical small-group study at their church. They were amazed at how much God's Word has to say on finances. Jim and Jennifer realized that they had unknowingly been violating a number of biblical principles. Over the next several months, they made it a priority to learn what God has to say on finances in his Word. Next, they recorded all their expenses for two months, which revealed that they were spending

more than they were earning. This explained why their debts had been increasing. Jim and Jennifer developed and implemented a budget to ensure that they were spending less than they were earning. They purposely used the surplus to pay down debt.

Jim and Jennifer first focused on paying off their credit cards, as the interest rates were very high. They destroyed two credit cards and kept just one each. They agreed not to use the credit card unless it was absolutely necessary. Next, they paid down their personal line of credit. In the process, it was necessary to reduce their expenditures. Although this was difficult, they prayed and trusted God to enable them to persevere with their reduced lifestyle and the reduction of their debts.

Within three years, Jim and Jennifer had paid off all their credit cards and their personal line of credit. They both felt like “a hundred pounds was lifted off our back.” They hadn’t realized the burden of their debt load. Today they have developed a new budget where the surplus is being applied against their mortgage. They learned that by paying just \$400 per month extra against their mortgage, they will save about \$50,000 in interest costs and be totally debt free within nine years. Jim and Jennifer regularly thank the Lord for the financial wisdom in his Word and for the way God has enabled them to be content with a reduced lifestyle.

### **Questions**

1. List below the actions that Jim and Jennifer originally took that were *not* consistent with God’s principles. Please provide a reference to scripture for each point.

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- ◆ They did not know where their money was being spent (Proverbs 27:23).
- ◆ Jim and Jennifer were not aware that their spending was greater than their income and therefore they were accumulating debt (Proverbs 22:7).
- ◆ They had not developed and implemented a budget (Luke 14:28–30).
- ◆ They had not been content to live within God’s provision (1 Timothy 6:6–8).
- ◆ Jim and Jennifer had no savings for unexpected expenditures (Proverbs 21:20).
- ◆ They were not aware of what God’s Word says on finances (Psalm 119:105).
- ◆ They did not seek God’s counsel (1 Kings 22:5).

- ◆ They made financial decisions based upon gut feel and personal desires rather than financial facts (Proverbs 24:3).

2. In the space below, list the actions that Jim and Jennifer are now taking that are consistent with biblical principles. Please provide a reference to scripture for each point.

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- ◆ They have studied and implemented God's Word on finances (Joshua 1:8).
- ◆ Jim and Jennifer now understand their financial position (i.e., their debt load, where their money is being spent, etc.) (Proverbs 27:23).
- ◆ They are diligently planning their finances by using a budget (Proverbs 21:5).
- ◆ Jim and Jennifer are making debt reduction a priority (Deuteronomy 28:1, 12).
- ◆ They reduced the temptation of easy credit by destroying two credit cards and using the remaining card only when absolutely necessary (1 Corinthians 10:13).
- ◆ They sacrificed by reducing their lifestyle (Luke 9:24).
- ◆ They learned to be content in dependence upon God (Philippians 4:11–13).
- ◆ They persevered with debt reduction and a moderated lifestyle (James 1:4).
- ◆ They depended on God to enable them to implement his financial principles (John 15:5).
- ◆ Jim and Jennifer regularly thank God for his financial wisdom and for enabling them to be content with a reduced lifestyle (Psalm 118:1).

3. What do you think Jim and Jennifer will experience in their finances when their mortgage is completely paid off?

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- ◆ They will likely feel a real sense of relief and accomplishment. In addition, they should experience freedom, and the flexibility to do other things, including giving more to God's work and saving for retirement. They will likely sense God's blessing upon their lives.

4. Please review the “before and after” schedule of expenses for Jim and Jennifer attached at the end of this session. Please note some of the areas where they reduced their expenses.

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- ◆ Some of the decisions that Jim and Jennifer had to make included the following:
  - sold one of their two automobiles and shared the remaining one
  - substantially reduced their entertainment and recreation expenses
  - purchased their groceries from a discount store
  - became much more careful as to what they purchased in general, asking themselves whether the item was truly a need or just a desire
  - did more of the auto repairs and house maintenance themselves
  - decided not to travel anywhere for a vacation for three years but took only inexpensive day trips from their home during vacation
  - cancelled their memberships at the gym and worked out at home.
  - reduced clothing expense and stopped buying new tools
- ◆ As can be seen in Schedule A at the end of this chapter, Jim and Jennifer originally had a deficit of \$700 per month. After they implemented God’s financial principles, they had a surplus of \$500 per month. They reduced their expenditures by \$1,450 per month and increased their giving by \$250 per month to bring it up to 10 percent.

5. Are there any other expenses that you would suggest that Jim and Jennifer consider reducing?

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- ◆ Reduce heating costs by ensuring that the house is properly insulated.
- ◆ Eliminate long-distance telephone costs by communicating through the Internet where practical.



- ◆ Be conscious of electricity costs by turning out lights, etc.
- ◆ Pay the mortgage weekly instead of monthly, and thus reduce interest costs.
- ◆ To minimize gas and maintenance costs, drive the car only when necessary. Use public transit where practical.
- ◆ There are numerous other ideas. Allow your group to share their ideas and learn from each other!

6. Are there any other ideas that you feel may be of benefit to Jim and Jennifer in reducing their debt load?

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- ◆ Increase their income (if practical) and apply all of it to debt reduction, except for the firstfruits, which should be given to God's work.
- ◆ At the beginning, it would have made sense to obtain a loan at a lower interest rate to pay off their credit cards. But they need to understand that debt restructuring, in and of itself, will not solve their financial problems but only reduce their interest costs. The priority is to ensure that they are spending less than their income and using the surplus to pay down debt.
- ◆ There are numerous other ideas. Allow your group to share their ideas.

7. Discuss the relevance and application of the following verses with regard to Jim and Jennifer's situation. Write your comments below each verse.

*Keep your lives free from the love of money and be content with what you have, because God has said, "Never will I leave you; never will I forsake you." (Hebrews 13:5)*

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- ◆ Although initially Jim and Jennifer were not content with God's provision for their life (as they were spending more than they were earning), once they learned and implemented God's financial principles, God enabled them to be content with a reduced lifestyle—which was God's provision and will for them.

*Your statutes are my delight; they are my counselors. (Psalm 119:24)*

*Your word is a lamp to my feet and a light for my path. (Psalm 119:105)*

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- ◆ **Jim and Jennifer followed God's counsel and God's directives in his Word with respect to finances and were blessed accordingly.**

*Be sure you know the condition of your flocks. Give careful attention to your herds. (Proverbs 27:23)*

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- ◆ **Once Jim and Jennifer tracked their expenses and developed and implemented a budget, then they understood their financial condition and there was no need to make financial decisions based on gut feel. Rather they could make financial decisions based upon the facts of their finances.**

### **Case Study #2**

Ron is a single man who recently became a Christian. A friend introduced him to the Ministry of Christian Financial Concepts, headed by Larry Burkett. Ron listened to some of Burkett's tapes many times and read several of his books. Ron was absolutely astonished when he realized that God's Word, the Bible, contains so much wisdom on finances.

Even though Ron was a new Christian, he really sensed that God was directing him to start his own business. It was somewhat frightening, because Ron had almost no customers, and he owed a lot of money. Nevertheless, he obeyed God's directive for his life and started his own business.

As he worked at his business, Ron diligently studied God's Word on finances. In prayer, he asked God several times to help him implement biblical principles in both his personal and

business finances. He came to understand that God clearly discourages debt and that it is God’s best for his children to have no debt. Ron committed to pay off all his debts as quickly as possible. However, Ron also learned that God wants his children to give to his work and that the minimum amount mentioned anywhere in scripture is 10 percent.

As Ron continued to study God’s Word with respect to finances, he realized that as a Christian he had a “dual responsibility”—he had a responsibility to pay all of his debts *and* to give God the firstfruits.

Initially, Ron felt he could not afford to give to God’s work because of his debt load. Nevertheless, for a few months, Ron meditated on several scriptures that related to giving and debt. As a result, in faith, he started to give 10 percent to his church. At this point, it was really difficult because his income was very modest and the cash flow in the business was very tight. Notwithstanding, God honoured Ron’s sacrifice and his faith by blessing Ron’s business way beyond his imagination.

Within three years, God had given Ron a business that would normally take about 20 years for the average entrepreneur to build! Customers came from sources that Ron never imagined and in ways that clearly indicated that they were a blessing from God, not as a result of Ron’s hard work.

Also, within three years, Ron was totally debt free. Ron frequently thanks God for his wisdom in the area of personal and business finances. Today Ron and his wife regularly study and diligently apply God’s financial principles. They both enjoy the freedom of being debt free as well as the joy of being able to give generously—way beyond 10 percent.

### Questions

1. What do you think had the biggest impact on Ron in changing his thinking with respect to debt, giving, and managing money in general?

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- ◆ Listening to Larry Burkett’s tapes *many times* and reading several of his books had the biggest impact on Ron. In short, as Ron studied God’s Word on finances (with the help of Larry’s tapes and books), God changed Ron’s thinking with respect to finances (Romans 12:2; Joshua 1:8).
- ◆ Ron’s testimony is an example of God accomplishing what he desires through his

**Word.** “So is my word that goes out from my mouth: It will not return to me empty, but will accomplish what I desire and achieve the purpose for which I sent it (Isaiah 55:11).

2. When Christians are in debt, do you think they should focus on paying off debt and defer giving to God’s work until they are debt free? Or is it important to give regularly to God’s work even when you are in debt? Please explain your answer.

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- ◆ Giving God the firstfruits demonstrates your faith and trust in God (Proverbs 3:5, 6, 9, 10). As outlined in Session 4, God clearly discourages debt (Proverbs 22:7) and because it is God’s best will for a Christian to be debt free (Deuteronomy 28:1–12), a Christian should make debt reduction a priority, but not at the expense of “robbing God” (Malachi 3:8–10). In summary, a Christian has a *dual responsibility*—to give to God’s work *and* pay down debt as quickly as possible. It’s not one or the other.

3. God is all powerful, all knowing, and present everywhere. Often in scripture God demonstrated his awesome power. List below some examples in scripture where God provided in a financial or material way.

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- ◆ There are many examples in scriptures. Here are a few:
  - In 1 Chronicles 29, God provided all of the materials needed for the building of the temple. Of interest, there is no indication that any debt was incurred. God blessed miraculously, and David praised the Lord in the presence of the assembly, acknowledging that it all came from God’s hand (verses 11–14).
  - God used Elisha to miraculously provide a surplus of oil to the widow so that she could pay her debts (2 Kings 4:1–7).
  - Jesus Christ miraculously fed 5,000 people with five loaves of bread and two fish (Mark 6:37–44).
  - God provided the Israelites with food (Manna) every day (Exodus 16).

4. In light of God’s awesome power as demonstrated by the miracles God did in scripture, is it unrealistic for a Christian who has a lot of debt to give generously to God’s work at the same time as paying down debts? Why or why not?

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◆ **No, God can and will bless the Christian who gives generously (2 Corinthians 9:6, 7).**

5. Discuss the relevance and application of the following verses with regard to Ron’s situation. Write your comments below each verse.

*Honor the LORD with your wealth, with the firstfruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine. (Proverbs 3:9, 10)*

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◆ **Ron did honour the Lord with his wealth by giving the first 10 percent to God’s work, notwithstanding that he had a lot of debt and (at the beginning) a very small business with tight cash flow.**

*If you fully obey the LORD your God and carefully follow all his commands I give you today,... The LORD will open the heavens, the storehouse of his bounty, to send rain on your land in season and to bless all the work of your hands. You will lend to many nations but will borrow from none. (Deuteronomy 28:1, 12)*

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◆ **Ron fully obeyed God by implementing God’s financial principles in both his business and in his personal life. As a result, God did indeed “open the heavens, the storehouse of his bounty” and bless the work of Ron’s hands with a substantial business and enabling him to become debt free within three years.**

*“A tithe of everything from the land, whether grain from the soil or fruit from the trees, belongs to the LORD; it is holy to the LORD.” (Leviticus 27:30)*

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- ◆ **Ron followed this principle by giving the first 10 percent to God’s work, even when his cash flow was tight and even when he had a lot of debt.**

*Trust in the LORD with all your heart, And lean not on your own understanding; In all your ways acknowledge Him, And He shall direct your paths.”(Proverbs 3:5, 6 NKJV)*

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- ◆ **Ron learned and implemented God’s financial principles and followed God’s will, even when it did not make sense humanly. Ron trusted God for the results.**

*Do not let this Book of the Law depart from your mouth; meditate on it day and night, so that you may be careful to do everything written in it. Then you will be prosperous and successful. (Joshua 1:8)*

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- ◆ **Ron meditated upon God’s Word, applied it in his personal and business life, and as a result, God made him prosperous.**

### **Case Study #3**

Ken and Shirley are married with two children. They own a successful business, and they both have above-average incomes. With their high incomes, they never had any problems obtaining credit, as the bank was more than willing to lend them large sums of money. They never worried about their debt load because in the past they had always had sufficient income in order to service the debt.

Unfortunately, the economy entered a very severe recession, which caused the sales and profitability of their company to decrease substantially. The company’s bank forced them to substantially reduce their salaries, and as a result they were unable to meet their mortgage payments.

The financial institution that held the mortgage foreclosed on their home and sold it at the worst possible time—in the middle of a bad recession. Among other things, they couldn't understand why God would allow this to happen to them.

For the first time in a long time, Ken and Shirley spent some quality time with the Lord each day in prayer. Among other things, they prayed that the bank would not put their business into bankruptcy. They asked God to direct them to someone who could help them. In a very unusual way, God directed them to an accountant who understood God's financial principles and how to apply them to both business and personal finances.

The accountant recommended that they read certain books written by Larry Burkett, Ron Blue, and Howard Dayton as well as meditate upon certain scriptures. As a result, Ken and Shirley grew spiritually. In addition, the memorization of scriptures significantly changed their thinking regarding finances. Over several years, the accountant counselled and assisted them in applying biblical principles to their business and personal finances. They developed and implemented both personal and corporate budgets. They moderated their personal lifestyle. Even though they had been Christians for many years, for the first time in their lives, they started to give at least 10 percent to God's work regularly. God sustained Ken and Shirley and their business through the long recession.

After the recession was over, Ken and Shirley were both determined to become debt free and to manage their finances God's way. As a result, God blessed their business and within six years they were totally debt free, both personally and corporately.

Approximately 10 years later, as a result of applying God's principles to their investments and all aspects of their personal and corporate finances, they were able to retire with a comfortable standard of living. Ken and Shirley saw this as a blessing from God because during the recession, they had believed they would never have sufficient assets to retire. Today, they are serving the Lord in several ministries on a volunteer basis.

### **Questions**

1. At the beginning, what biblical principles did Ken and Shirley violate? Please provide a reference to scripture for each point.

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- ◆ They spent all of their income and did not save for future needs or emergencies (Proverbs 21:20).
- ◆ They did not follow God's directive for minimal debt (Deuteronomy 28:1–44; Proverbs 22:7).
- ◆ They did not honour God by giving the firstfruits to his work (Proverbs 3:9, 10).
- ◆ They trusted in their business, rather than trusting in God, to meet all their needs (Philippians 4:19).
- ◆ They did not habitually spend quality time with the Lord in prayer, and they were trying to do things on their own (John 15:5).
- ◆ They had no personal or corporate budget (Luke 14:28–30).
- ◆ They did not seek the counsel of the Lord (1 Kings 22:5).
- ◆ They did not acknowledge God's ownership of their possessions (Haggai 2:8).

2. What erroneous assumption did Ken and Shirley make at the beginning?

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- ◆ They assumed that that their above-average incomes, from their successful business, would always continue. This is not consistent with scripture. One's level of income and business success is dependent upon God's will (James 4:13–15; Proverbs 27:1).

3. In what ways, did Ken and Shirley experience the truth of Proverbs 22:7, which says that “the borrower is a servant to lender”?

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- ◆ The bank foreclosed on their home and sold it at the worst possible time—in the middle of a bad recession (Proverbs 22:26, 27). Hence, Ken and Shirley's excessive debt resulted in the loss of their home.



4. In the latter part of their business life, what biblical principles did Ken and Shirley follow? Please provide a reference to scripture for each point.

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- ◆ They spent quality time with the Lord each day in prayer (2 Chronicles 7:14).
- ◆ They asked God for his wisdom (James 1:5) and his direction (Psalm 32:8).
- ◆ They developed and implemented a budget to ensure that they were spending less than they were earning and used the surplus to pay down debt (Proverbs 27:23).
- ◆ They made God a priority in their finances by tithing (Malachi 3:8–10).
- ◆ They sought the counsel of the Lord in prayer (2 Chronicles 18:14).
- ◆ They followed biblical counsel from their accountant (1 Corinthians 2:14, 15).
- ◆ They meditated upon and implemented God's Word on finances (Joshua 1:8).
- ◆ They learned to live with a more moderate lifestyle (Philippians 4:11–13).
- ◆ They made debt reduction a priority (Proverbs 22:7).
- ◆ Ken and Shirley trusted God to sustain them, and their business, through the difficult recession (Isaiah 46:4).
- ◆ They renewed their minds (Romans 12:2) in God's Word (Psalm 119:105).

5. Why does God allow his children to encounter financial difficulties? What greater purpose could God have in mind?

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- ◆ God has a plan and purpose in every trial his children encounter (Romans 8:28, 29). His purposes could include the following:
  - to “prune” us (i.e., remove unfruitful ways of thinking and acting), so that we will bear more “fruit” (John 15:1–8)
  - to cause us to draw closer to the Lord (Matthew 11:28–30)
  - to learn to be dependent upon God and remain connected to him (John 15:5)
  - to develop perseverance and spiritual maturity (James 1:3, 4)
  - to develop our faith and trust in the Lord (Proverbs 3:5, 6)

6. What are the benefits of memorizing and meditating upon God’s Word?

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- ◆ to change the way you think (Romans 12:1, 2)
- ◆ to learn God’s wisdom on finances in his Word (2 Timothy 3:16, 17)
- ◆ to think in a godly fashion, not a worldly one (1 Corinthians 2:16)
- ◆ to follow God’s will, not your own (Psalm 119:105)
- ◆ to understand Satan’s deceptions in this world (John 8:31, 32)

7. Discuss the relevance and application of the following verses with regard to Ken and Shirley’s situation. Write your comments below each verse.

*Now listen, you who say, “Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money.” Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead, you ought to say, “If it is the Lord’s will, we will live and do this or that.” (James 4:13–15)*

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- ◆ **Ken and Shirley assumed that their business would always be successful and provide them with above-average incomes. In the early part of their business life, they did not acknowledge that the success of their business depended on God's blessing upon them. I imagine they felt that they had everything under control, while the biblical truth is that only God is in control (Psalm 103:19).**

*Sacrifice thank offerings to God, fulfill your vows to the Most High, and call upon me in the day of trouble; I will deliver you, and you will honor me. (Psalm 50:14, 15)*

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- ◆ **After Ken and Shirley lost their home, they daily called upon the Lord in prayer. God answered their prayers and sustained their business through the long recession (i.e., their business did not go bankrupt, which was very much a possibility).**

*Do not conform any longer to the pattern of this world, but be transformed by the renewing of your mind. Then you will be able to test and approve what God's will is—his good, pleasing and perfect will. (Romans 12:2)*

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- ◆ **Ken and Shirley meditated upon and memorized God's Word on finances. In this way, they "renewed their minds" with God's Word so that they began to think in a godly fashion, and as a result they started to make godly financial decisions. For example, they developed and implemented personal and corporate budgets to ensure that they were spending less than they earned and using the surplus to pay down debt and save for retirement. And they made giving to God's work a priority.**

*Even to your old age and gray hairs I am he, I am he who will sustain you. I have made you and I will carry you; I will sustain you and I will rescue you. (Isaiah 46:4)*

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◆ **God sustained Ken and Shirley through the long and severe recession.**

If you are in financial difficulty, I encourage you to meditate upon Isaiah 46:4 and trust God to sustain you through this difficult time.

God does have a plan and a purpose in any trial that he allows in the lives of his children. The truth is that God is in control of every circumstance: “The LORD has established His throne in the heavens, And His sovereignty rules over all” (Psalm 103:19 NASB).

Sometimes God’s purpose is to teach us something—perhaps a biblical financial principle—or to develop patience and perseverance in us (James 1:2–4), or perhaps to simply draw us closer to him and depend more upon him (John 15). Frequently, God’s children will experience spiritual growth during difficult times.

**Case Study #4**

This case study consists of two hypothetical individuals, Mr. Borrower and Mr. Saver, both of whom I have seen on numerous occasions over the past 30 years. Unfortunately, a lot more people in North America fall into Mr. Borrower’s category than Mr. Saver’s.

***Saving versus borrowing***

**(1) Car Loans**

Every five years Mr. Borrower and Mr. Saver each buy a new car that costs \$30,000 (all inclusive).

For the first five-year period, Mr. Saver drove a used car that has no debt. He purposely spends less than he earns each month, creating a surplus to save for his cars over a five-year period.

Mr. Borrower does not concern himself with saving; he just buys and borrows, paying off the loan over five years. In the calculations below, it is assumed that during the 50 years of car use in a lifetime, Mr. Borrower paid, on average, 8 percent per annum on his car loan and Mr. Saver earned 5 percent per annum on his bond fund.

*Cost every 5 years:*

A) Mr. Borrower pays \$608/monthly and \$36,480 in total over five years.

B) While driving his debt-free used car, Mr. Saver puts aside \$433/month for 60 months and invests the money in order to accumulate to \$30,000 at the end of five years. His out-of-pocket costs are \$433/month, or \$25,980 over the 60 months. The difference between \$25,980 and \$30,000 is the income earned in the bond fund over the five years. This enables him to buy his new car debt free and continue his saving practice.

Therefore the same car costs Mr. Borrower \$10,500 (i.e., 40 percent) more than Mr. Saver. This was calculated as \$36,480 less \$25,980. If we assumed 50 years of car use, then the total cost in a lifetime would be about \$105,000 more to Mr. Borrower. Remember, except for the

first five years when Mr. Saver drove a used car with no debt, Mr. Saver drove a car of the exact same value as Mr. Borrower!

## (2) Mortgages

Both Mr. Borrower and Mr. Saver borrow \$100,000 to buy a home. Interest rate is 6 percent, and normal monthly mortgage payment is \$644.30.

Mr. Saver controls and reduces his personal expenditures and pays an extra \$360/month on his mortgage. The following is the comparison of interest costs, total payments, and number of years of payments between Mr. Borrower and Mr. Saver under both scenarios.

<b>Mortgage of \$100,000</b>	<b>Mr. Borrower</b>	<b>Mr. Saver</b>
Monthly mortgage payment	\$644.30	\$1,004.30
Number of years of payments	25 years	11.58 years
Total payments	\$193,291	\$138,713

Therefore, Mr. Saver saves \$54,578 in interest costs and 13.42 years of payment. If Mr. Saver takes \$1,004.30 per month and invests it in equities and earns 10 percent then at the end of another 13.42 years, Mr. Saver has \$341,772 for retirement, and Mr. Borrower has nothing but is finally debt free.

Either way, by sacrificing a little today and exercising patience and self-discipline, Mr. Saver is tremendously better off than Mr. Borrower. This is because Mr. Saver has compound interest working in his favour while Mr. Borrower has compound interest working against him.

### Questions

1. Did you find it surprising that Mr. Saver was so much better off over the long term compared to Mr. Borrower? Please explain your view.

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- ◆ Although the answers to this question are somewhat a matter of personal impressions, in my experience, most people would have anticipated Mr. Saver to be



*The wise man saves for the future but the foolish man spends whatever he gets. (Proverbs 21:20 TLB)*

**just a little better off than Mr. Borrower, but not as much as 40 percent! In addition, over a lifetime, it is amazing how much interest an individual will pay by using debt habitually. Clearly, in the long run, Mr. Saver is much better off than Mr. Borrower.**

2. When you calculate the above numbers, is it any wonder God strongly discourages debt! What do you think?

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◆ **It is foolish to habitually borrow, and it is simply bad stewardship.**

3. Do you believe that reviewing the above numbers from time to time would help encourage most people to save more and borrow less? Does it encourage you to save more and borrow less? Please explain why or why not.

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◆ **Yes, I believe that reviewing long-term costs of debt, would help encourage most people to save for future needs rather than borrowing and incurring the interest costs. It is even logical to a non-believer. But a Christian would understand the bad stewardship aspect of wasting God's money.**

4. Do you think that Mr. Saver would save a lot more money if he simply continued to purchase a used car every five years? Please explain your view.

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◆ **Yes, because statistics reveal that the greatest amount of depreciation in the value of a new car occurs in the first three years of ownership. Often an individual could purchase a three-year-old used automobile at about half the cost of a new car and still**

**have about 75 percent to 80 percent of the useful life (measured in terms of mileage) available.**

5. Discuss the relevance and application of the following verses with regard to Mr. Saver and Mr. Borrower's situations. Write your comments below each verse.

*A prudent man sees danger and takes refuge, but the simple keep going and suffer for it. (Proverbs 22:3)*

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- ◆ **Mr. Saver is prudent, because he understands the high cost of borrowing, and therefore he saves for his future needs. Mr. Borrower, on the other hand, is simple, because he does what most people do—borrow and buy without considering the long-term implications. Mr. Saver has compound interest working for his benefit, while Mr. Borrower has compound interest working against him.**

*Disonest money dwindles away, but he who gathers money little by little makes it grow. (Proverbs 13:11)*

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- ◆ **Mr. Saver saves a little each month, which accumulates to a significant benefit over a long period of time. As demonstrated here, the emphasis in scripture is to “gather” or save money a little at a time, over a long period of time. Saving should be a habit.**

## Conclusion

If I had the space, I could tell you many stories of God's people who studied and implemented God's financial principles and, as a result, became totally debt free. Over the past 30 years, I have personally had the privilege of working with over 250 individuals and couples who became totally debt free. God will give you the wisdom, direction, and perseverance that you need, if you ask him in faith and then “yoke” with him to complete the task of becoming debt free. Jesus said:

Come to me, all you who are weary and burdened, and I will give you rest. Take my yoke upon you and learn from me, for I am gentle and humble in heart, and you will find rest for your souls. For my yoke is easy and my burden is light. (Matthew 11:28–30)

Are you willing to “yoke” yourself with God and then trust God to enable you to become debt free?

**PRAYER**

Review the prayer logs at the back, and pray for each other. Also list any new prayer requests and answers to prayer, and feel free to share them at the next meeting.

**DEVELOPING A BUDGET**

Continue recording your personal expenditures and developing your budget each week.



**SCHEDULE A**  
**JIM AND JENNIFER'S FINANCIAL SITUATION**  
**BEFORE IMPLEMENTING GOD'S FINANCIAL PRINCIPLES**

<b>1 DONATIONS</b>	<u>\$250</u>	<b>6 ENTERTAINMENT &amp; RECREATION</b>	
<b>2 HOUSING</b>		Eating out	<u>\$250</u>
Mortgage/rent	<u>\$1000</u>	Vacation	<u>\$150</u>
Property Taxes	<u>\$250</u>	Sports/Gym	<u>\$1000</u>
Electricity	<u>\$250</u>	Total Ent./Rec.:	<u>\$500</u>
Gas	<u>\$200</u>	<b>7 CLOTHING</b>	<u>\$350</u>
Water	<u>\$50</u>	<b>8 INVESTMENTS (e.g., RRSP, RESP)</b>	<u>\$0</u>
Telephone	<u>\$100</u>	<b>9 HEALTH CARE</b>	<u>\$75</u>
Maintenance	<u>\$150</u>	<b>10 INSURANCE—life &amp; disability</b>	<u>\$100</u>
Insurance	<u>\$50</u>	<b>11 MISCELLANEOUS</b>	
Total Housing	<u>\$2,050</u>	Education	<u>      </u>
<b>3 FOOD</b>	<u>\$700</u>	Gifts	<u>\$125</u>
<b>4 AUTOMOBILE</b>		Other*	<u>\$250</u>
Replacement	<u>0</u>	Total Miscellaneous	<u>\$375</u>
Gas & Oil	<u>\$400</u>	TOTAL EXPENSES:	<u>\$5,700</u>
Insurance	<u>\$250</u>	TOTAL REVENUES (FORM 2):	<u>\$5,000</u>
Maintenance	<u>\$150</u>	MONTHLY SURPLUS (DEFICIT):	<u>(\$700)</u>
Total Auto Expenses:	<u>\$800</u>		
<b>5 DEBTS</b>			
Credit cards	<u>\$400</u> min payment		
Loans—plc	<u>\$100</u> min payment		
Other			
Total Debt Service:	<u>\$500</u>		

\* Miscellaneous—Other includes expenses that do not fit elsewhere, such as transit, allowances, toiletries, cosmetics, etc..

**SCHEDULE B**  
**JIM AND JENNIFER'S FINANCIAL SITUATION**  
**AFTER IMPLEMENTING GOD'S FINANCIAL PRINCIPLES**

<b>1 DONATIONS</b>	<u>\$500</u>	<b>6 ENTERTAINMENT &amp; RECREATION</b>	
<b>2 HOUSING</b>		Eating out	<u>\$50</u>
Mortgage/rent	<u>\$1000</u>	Vacation	<u>\$50</u>
Property Taxes	<u>\$250</u>	Sports/Gym	<u>0</u>
Electricity	<u>\$250</u>	Total Ent./Rec.:	<u>\$100</u>
Gas	<u>\$200</u>	<b>7 CLOTHING</b>	<u>\$100</u>
Water	<u>\$50</u>	<b>8 INVESTMENTS (e.g., RRSP, RESP)</b>	<u>\$0</u>
Telephone	<u>\$100</u>	<b>9 HEALTH CARE</b>	<u>\$75</u>
Maintenance	<u>\$50</u>	<b>10 INSURANCE—life &amp; disability</b>	<u>\$100</u>
Insurance	<u>\$50</u>	<b>11 MISCELLANEOUS</b>	
Total Housing	<u>\$1,950</u>	Education	<u>          </u>
<b>3 FOOD</b>	<u>\$500</u>	Gifts	<u>\$75</u>
<b>4 AUTOMOBILE</b>		Other*	<u>\$150</u>
Replacement	<u>0</u>	Total Miscellaneous	<u>\$225</u>
Gas & Oil	<u>\$250</u>	TOTAL EXPENSES:	<u><u>\$4,500</u></u>
Insurance	<u>\$125</u>	TOTAL REVENUES (FORM 2):	<u><u>\$5,000</u></u>
Maintenance	<u>\$75</u>	MONTHLY SURPLUS (DEFICIT):	<u><u>\$500</u></u>
Total Auto Expenses:	<u>\$450</u>		
<b>5 DEBTS</b>			
Credit cards	<u>\$400</u> min payment		
Loans—plc	<u>\$100</u> min payment		
Other			
Total Debt Service:	<u>\$500</u>		

\* Miscellaneous—Other includes expenses that do not fit elsewhere, such as transit, allowances, toiletries, cosmetics, etc..