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# Financial Success From The Start: Personal Finance for New Pastors

Annetta M. Gibson

*Andrews University*, [gibson@andrews.edu](mailto:gibson@andrews.edu)

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# Financial Success From The Start: Personal Finance for New Pastors

1

**PRESENTATION FOR THE  
MID-AMERICA UNION CONFERENCE  
PASTORS CONVENTION  
JULY 31, 2017**

**Ann Gibson, PhD, CPA  
Andrews University**

# Personal Finance Statistics

2

Americans have:

- \$999 billion in credit card debt
- \$2.8 trillion in loans
- \$1.17 trillion in auto loans
  
- 63% have credit card balances
- 17% have student loans

# Personal Finance Statistics

3

Average household debt:	\$136,643
Average mortgage debt:	\$176,222
Average credit card debt:	\$ 16,748
Average auto loan debt	\$ 28,948
Average student loan debt:	\$ 49,905

[www.debt.com/personal-finance-statistics](http://www.debt.com/personal-finance-statistics)

# Personal Finance Statistics

4

19% of Americans have zero savings for emergencies

31% have less than \$500 in emergency savings

# Definitions

5

**Money:** Something generally accepted as a medium of exchange, a measure of value, or a means of payment.

**Wealth:** An abundance of valuable material possessions or resources.

# Financial Framework

6

## **GOD GIVES**

“You may say to yourself, ‘My power and the strength of my hands have produced this wealth for me.’ But remember the Lord your God, for it is he who gives you the ability to produce wealth.”

Deuteronomy 8:17-18

# Financial Framework

7

## **GOD OWNS**

“Everything under heaven belongs to me”

“The whole earth is mine”

“The earth is the Lord’s and everything in it”

“The land is mine”

Job 41:11; Exodus 19:5-6; Psalm 24:1; Leviticus 25:23



# Financial Framework

8

Our responsibility as stewards:

1. Be faithful whether we have a lot or a little.
2. Be faithful with ALL our money.

# Financial Framework

9

“Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment.”

1 Timothy 6:17

# Assumptions

10

1. Regardless of your income, you can make your dollars stretch farther if you practice good financial habits and avoid mistakes.
2. Personal finance involves much more than managing and investing money.
3. Acquiring good financial habits requires practice, not just knowledge.

# Outline

11

Discussion will be with an assessment of your financial situation (5 points)

Credit cards, debit cards, and consumer debt

Organizing your vital records

Basic insurance questions, and dangers to avoid

# Assessing Your Financial Situation

12

1. Measuring your financial health
2. Setting realistic financial goals
3. Identify where things stand at the present time
4. Make a plan
5. Stay flexible

# 1. Measuring Your Financial Health

13

Financial Assets - Financial Liabilities = Net Worth

Financial assets: money in the bank, investments, money in retirement accounts, value of real estate you own that you can sell if you need cash.

# 1. Measuring Your Financial Health

14

Financial liabilities: loans and debts outstanding (e.g., credit card debt, auto loan, student loans).

The difference is your net worth.

## 2. Setting Realistic Financial Goals

15

1. Make the goal a positive one.
2. Set a date for achieving the goal.
3. Write it down.
4. Stay focused.



# 3. Identify Where Things Stand Now

16

1. Add up all your income for the month.
2. Add up all your expenses for the month.

Expenses may be:

fixed (housing, food, clothing, transportation)  
discretionary (entertainment, hobbies)  
out-of-pattern (gifts, car maintenance, home repairs)

# 3. Identify Where Things Stand Now

17

In 2015, the average American household spent:

- 32.9% on housing
- 17% on transportation
- 12.5% on food
- 11.3% on personal insurance
- 7.8% on health care
- 5.1% on entertainment
- 3.3% on apparel
- 3.2% on cash contributions
- 2.3% on education

# 3. Identify Where Things Stand Now

18

Now you will know:

1. You are spending more than you earn.
2. You are spending all that your earn.
3. You are spending less than you earn.

## 4. Make a Plan

19

“A budget is just telling your money where to go, instead of wondering where it went.”

John Maxwell

“A budget is a method by which you make your money behave; it is NOT a method by which you make other people behave.”

Dave Ramsey

# 4. Make a Plan

20

To build a successful budget:

- Involve the entire family
- Stay disciplined—make budgeting part of the daily routine
- Start the new budget at a time when it is easy to stick with the plan

## 4. Make a Plan

21

- Find a budget system that works for you.

List items on paper

List items in an Excel spreadsheet

List items in a computer software package

Recommended: Quicken Starter

## 4. Make a Plan

22

- Distinguish between “wants” and “needs
- Build rewards into the budget
- Avoid using credit cards for every day expenses

## 4. Make a Plan

23

If your expenses exceed your income:

- Eat out frugally
- Buy groceries at a wholesale superstore
- Buy a car you can afford
- Choose a fuel-efficient car
- Service and maintain what you have



## 4. Make a Plan

24

- Cultivate low-cost interests and hobbies
- Pay cash for your vacation
- Buy insurance only for financial catastrophes
- Don't buy stuff just because it seems like the grown-up thing to do
- Be particularly careful of items promoted by the “low” amount of the monthly payment

# 5. Stay Flexible

25

Budgets are unlikely to work the first month you try

Budgets don't work because:

You leave things out

You over complicate your plan

You don't actually live it

## 5. Stay Flexible

26

Adapt the budget for major-life changes.

Don't keep spending at the same level after a major-life change occurs.

Remember: The purpose of the budget is to “cut spending by accident.”

# Credit Cards/Consumer Debt

27

In 1970 only 15% of Americans had a credit card.

In 2017, 77% of Americans have at least one card.

The average cardholder has **seven** cards.

# Credit Cards/Consumer Debt

28

“The rich rule over the poor, and the borrower is servant to the lender.”

Proverbs 22:7

# Credit Cards/Consumer Debt

29

The advantages of credit cards:

1. Free use of the bank's money until the bill is due
2. Convenience. No need to carry as much cash
3. Essential for some transactions such as renting a car and purchasing items on-line

# Credit Cards/Consumer Debt

30

**BUT:**

Credit cards encourage spending money you don't have by making it easy and tempting.

Don't forget to pay off the credit card in full each month. Minimum payments results in a high interest way to live beyond your means.

# Credit Cards/Consumer Debt

31

Resist the credit temptation:

1. Reduce your credit limit on your credit cards.
2. Replace your credit card with a charge card that **MUST** be paid off every month.
3. Never buy anything on credit that depreciates in value.



# Credit Cards/Consumer Debt

32

4. Think in terms of total cost, not monthly payments.
5. Stop the junk mail which encourages spending.
6. Go shopping with cash, not plastic or checks.

[www.debtoranonymous.org](http://www.debtoranonymous.org)

800-421-2383

# Debit Cards

33

Keep you from spending money you don't have.

Reconcile your checking account regularly because of the danger of overdrawing your account.

# Credit Scores

34

A three-digit score based on your credit report.

Scores range from 300-850.

Average scores for mortgage applicants: 755

Average scores for FHA loan applicants: 689

Average scores for new car loans: 714

Average scores for used car loans: 643

# Credit Scores

35

To see your score:

[www.annualcreditreport.com](http://www.annualcreditreport.com)

Or call: 877-322-8228

# Credit Scores

36

Three credit bureaus:

Equifax:	Equifax.com	800-685-1111
Experian:	Experian.com	888-397-3742
TransUnion:	TransUnion.com	800-888-4213

Federal law entitles you to a free copy of your credit report annually from each of the three credit bureaus.

# Credit Scores

37

To raise your score:

- Pay your bills on time
- Put more than the minimum amount toward your credit cards and other loans
- Limit your debt accounts; too many loans and high balances lowers your score
- Keep your old accounts; don't open numerous new ones

# Getting Organized

38

Keep vital documents in a home safe or in a bank safe-deposit box.

For the home safe, put documents you need quickly and can replace in the event of a catastrophe.

**Examples:** passports, insurance policies, emergency cash, a copy of your will.

# Getting Organized

39

Put documents you rarely need in a safe-deposit box:

**Examples:** titles to assets; deeds; birth, marriage, and death certificates; military papers; stock certificates; list of bank and brokerage accounts; a copy of your will; an inventory of your valuables



# Getting Organized

40

What do you really need to save?

**One month:** credit card and ATM receipts (until you get your monthly statement); receipts for items you might wish to return in the next 30 days.

**One year:** paid utility bills; monthly and quarterly bank, brokerage, and credit-card statements; pay stubs until you get your W-2.

# Getting Organized

41

**Seven years:** Tax returns, receipts for major purchases and year-end credit card, bank, and brokerage statements.

**Indefinitely:** Medical records; receipts for home improvements; mortgage documents; current insurance policies; warranties until they expire.

# Insurance Questions

42

1. Do you understand the individual coverages, protection types, and amounts of each insurance policy you have?
2. Does your current insurance protection make sense given your current financial situation?
3. If you wouldn't be able to make it financially without your income, do you have adequate long-term disability insurance coverage?

# Insurance Questions

43

4. If you have family members who are dependent on your continued income, do you have adequate life insurance coverage to replace your income if you die?
5. Do you carry enough liability insurance on your home and car to protect all your assets?
6. Do you whether your insurance companies have good track records when it comes to paying claims?

# Dangers to Avoid

44

## **Dangers to Avoid:**

1. Not setting financial goals.
2. Not knowing where your money goes.
3. Carrying a balance on your credit card.
4. Delaying saving for retirement.
5. Falling for frauds, either in investment opportunities or fraudulent financial advisors.

# Dangers to Avoid

45

6. Making financial decisions based on emotion, especially when experiencing a major life change.
7. Exposing yourself to catastrophic risk.
8. Forgetting that health, relationships with family and friends, and career satisfaction is more important than money.

# Best Investments

46

## **Best Investments:**

1. Pay off consumer debt—all those credit cards with high interest rates.
2. Invest in your health. Eat healthy, exercise, and relax.
3. Invest time and effort in family and friends.
4. Invest in personal and career development.

# Helpful Websites

47

<http://www.choosetosave.org>

An aggregation of resources for saving, including on-line calculators and budgeting tools.

<http://www.feedthepig.org>

Sponsored by the AICPA; provides weekly savings tips.



# Helpful Websites

48

<https://www.smartaboutmoney.org>

Includes courses about spending and saving, credit and debt, insurance, investing, and employment.

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