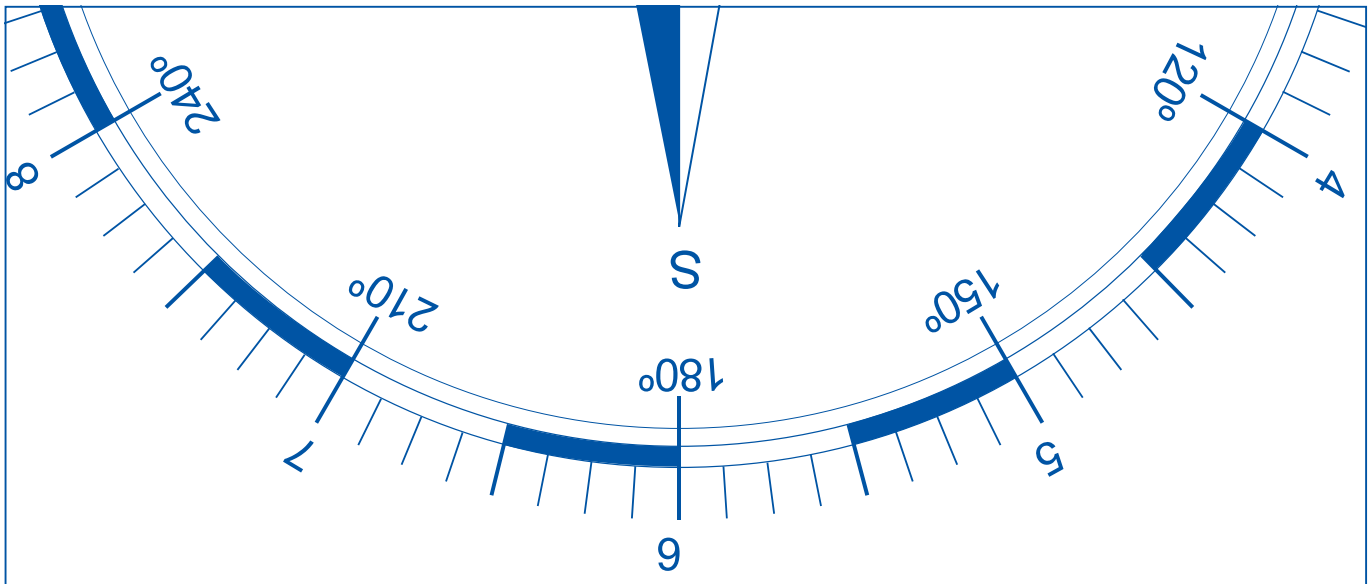


3

DEBT

FACILITATOR GUIDE

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

DEBT

Facilitator Guide for Week 3

Overview: Debt is a struggle for many and is discouraged in the Bible.

Let's Get Practical!

☐ Begin working with the **COMPASS — Finances God's Way Map**™ on pages 64-65.

☐ Complete the **List Your Debts & Snowball 'Em!** on pages 68-69.

☐ Continue **Recording your Income and Spending** on pages 37-38.

Agenda

1. _____ (3 minutes) Greet people and ask them about any answers to prayer.

2. _____ (2 minutes) Open in prayer.

3. _____ (5 minutes) Read memory verse as a group:

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

4._____ (50 minutes) Begin the group discussion.

Day One (Debt)

Complete the COMPASS Map and List Your Debts & Snowball 'Em! on pages 64-69.

1. Do you have any questions about the map or List Your Debts & Snowball 'Em?

2. What did you learn from completing them, and how will you use this knowledge?

Read *Deuteronomy 15:4-6;* Deuteronomy 28:1-2, 12 and Deuteronomy 28:15, 43-45.

"But there will be no poor among you; for the Lord will bless you in the land that the Lord your God is giving you for an inheritance to possess— if only you will strictly obey the voice of the Lord your God, being careful to do all this commandment that I command you today. For the Lord your God will bless you, oas he promised you, and you shall lend to many nations, but you shall not borrow, and you shall rule over many nations, but they shall not rule over you" (Deuteronomy 15:4-6, ESV).

3. According to these passages how was debt viewed in the Old Testament, and what was the reason a person got into debt (became a borrower) or got out of it (became a lender)? [Debt was considered a curse. Being free from debt (being a lender) was a blessing. Disobedience led to debt and obedience led to getting out of debt.]

4. What is your view of debt and how do you feel about your debt situation?

Day Two (Debt)

Read *Romans 13:8* and *Proverbs 22:7.*

1. Is debt encouraged in the Bible? Why?

Romans 13:8— "Owe no one anything, except to love each other, for the one who loves another has fulfilled the law" (ESV). [We are encouraged to stay out of debt.]

Proverbs 22:7— "The rich rules over the poor, and the borrower is the slave of the lender" (ESV). [The debtor is servant to the lender.]

2. How do these verses apply to you personally and to your business, if you have one?

3. If you are in debt, are you committed to get out of it? If you have a plan to eliminate it, please describe the plan.

Day Three (Debt Repayment)

Read *Psalm 37:21* and *Proverbs 3:27-28*.

1. What do these verses say about debt repayment, and why do you think God gave us these principles?

Psalm 37:21— "The wicked borrows but does not pay back, but the righteous is generous and gives" (ESV); [A person who borrows but does not repay debts is called "wicked."]

Proverbs 3:27-28— "Do not withhold good from those to whom it is due, when it is in your power to do it. Do not say to your neighbour, "Go, and come again, tomorrow I will give it"—when you have it with you" (ESV). [Pay debts promptly if you have the resources. Many delay repayment as long as possible, but this is not biblical.]

2. Is this how you repay your debt? If not, what steps will you take to begin?

Day Four (Getting out of debt)

Read *2 Kings 4:1-7*.

"Now the wife of one of the sons of the prophets cried to Elisha, "Your servant my husband is dead, and you know that your servant feared the Lord, but the creditor has come to take my two children to be his slaves." And Elisha said to her, "What shall I do for you? Tell me; what have you in the house?" And she said, "Your servant has nothing in the house except a jar of oil." Then he said, "Go outside, borrow vessels from all your neighbours, empty vessels and not too few. Then go in and shut the door behind yourself and your sons and pour into all these vessels. And when one is full, set it aside." So she went from him and shut the door behind herself and her sons. And as she poured they brought the vessels to her. When the vessels were full, she said to her son, "Bring me another vessel." And he said to her, "There is not another." Then the oil stopped flowing. She came and told the man of God, and he said, "Go, sell the oil and pay your debts, and you and your sons can live on the rest" (ESV).

1. What principles on getting out of debt can you identify from this passage? [Seek the counsel of godly people, as well as the Lord's help and direction. His supernatural intervention is required whether He answers quickly, as in the case of the widow, or more slowly over time. We should use whatever resources are available—however small—in an effort to get out of debt. Involve the entire family in your effort to get out of debt.]

2. How can you apply them to your current situation?

Day Five (Cosigning/Guarantor)

Read *Proverbs 22:26-27* and *Proverbs 17:18*.

1. What does the Bible say about cosigning (striking hands, surety) and how does this apply to you?

Proverbs 22:26-27— "Be not one of those who give pledges, who put up security for debts. If you have nothing with which to pay, why should your bed be taken from under you" (ESV)? [Do not cosign. It may cause you to lose assets you need.]

Proverbs 17:18— "One who lacks sense gives a pledge and puts up security in the presence of his neighbour" (ESV). [It is poor judgement to cosign.]

Read *Proverbs 6:1-5.*

"My son, if you have put up security for your neighbour, have given your pledge for a stranger, if you are snared in the words of your mouth, caught in the words of your mouth, then do this, my son, and save yourself, for you have come into the hand of your neighbour: go, hasten,1 and plead urgently with your neighbour. Give your eyes no sleep and your eyelids no slumber; save yourself like a gazelle from the hand of the hunter, like a bird from the hand of the fowler" (ESV).

2. If someone has cosigned, what should he or she attempt to do? [If we have cosigned, we are to humbly and diligently seek the release of our obligation.]

Day Six (the Notes)

Read the Debt Notes on pages 47-63.

1. What did you learn about debt that proved to be especially helpful?

2. How will you implement what you learned?

3. I will take the following *action* as a result of this week's study:

* *Facilitator,* you should have approximately **one hour** of class time remaining.

Remaining Agenda

1. _____ (10 minutes) Play the Week 3 segment of the *Navigating Your Finances* DVD.
2. _____ (45 minutes) Note in the Prayer Logs requests and answers to prayer.
3. _____ (5 minutes) End in prayer.

Reminder for Facilitators:

- In order to more consistently recognise God's ownership, encourage your students to continue meditating on *1 Chronicles 29:11-12.*
- Contact each participant this week and note this in the Care Log.
- Remind the students to visit COMPASS' web site at **www.compass1.org.au** and click on "Resources" for more practical assistance in getting out of debt.

DEBT NOTES

Please read *after* completing Day 5 homework.

The amount of debt in our nation has *exploded*—government debt, business debt, and personal debt. We are drowning in an ocean of red ink. More than 1 million individuals a year file bankruptcy. And even more sobering, a Gallup Poll found that a majority of divorces are caused in part by financial tension in the home.

These sorts of financial tensions often result from believing the "Shop till you drop." You've heard it ten thousand times: Buy now and pay later with easy monthly payments. We all know that nothing about those monthly payments is easy. Advertisers fail to tell us the whole truth, leaving out one little word—*Debt*.

WHAT IS DEBT?

The dictionary defines debt as "money that a person is obligated to pay to another." Debt includes bank loans, money borrowed from relatives, the home mortgage, past-due medical bills, and money owed to credit card companies. Bills that come due, such as the monthly electric bill, aren't considered debt if they're paid on time.

WHAT DEBT REALLY COSTS

We need to understand the real cost of debt. Assume you have $5,560 in credit card debt at an 18 percent interest rate. This would cost you $1,000 in interest annually. Check out the chart below.

1. Amount of interest you paid

Year 10	Year 20	Year 30	Year 40
$10,000	$20,000	$30,000	$40,000

2. What you would accumulate on $1,000 invested annually earning 10 percent

Year 10	Year 20	Year 30	Year 40
$17,072	$63,286	$188,386	$527,039

3. How much the lender earns from your interest payment at 18 percent

Year 10	Year 20	Year 30	Year 40
$23,521	$146,628	$790,948	$4,163,213

You can see what lenders have known for a long time: the eye-popping impact of compounding interest working *for* them. If they earn 18 percent, they will accumulate more than $4 million on your $1,000 a year for 40 years! Is it any wonder credit card companies are eager for you to become one of their borrowers?

Now compare the $40,000 you paid in interest over 40 years with the $527,039 you would have accumulated if you had earned 10 percent on $1,000 each year. The monthly income on $527,039 earning 10 percent—without ever touching the principal—is $4,392!

Debt has a much higher cost than many realise. Stop to consider this: When you assume debt of $5,560 and pay $1,000 a year in interest versus earning a 10 percent return on that $1000, it actually costs you $527,039

over 40 years. The next time you find yourself tempted to purchase something with debt, ask yourself if the long-term benefits of staying out of debt outweigh the short-term benefits of the purchase.

THE OTHER COSTS OF DEBT

Debt often increases stress, which contributes to mental, physical, and emotional fatigue. It can stifle creativity and harm relationships. Many people raise their lifestyle through debt, only to discover that its burden then controls their lifestyle.

WHAT THE BIBLE SAYS ABOUT DEBT

While Scripture doesn't specifically call debt a sin, it strongly discourages it.

Remember, God loves us and has given us these principles for our benefit. Read the first portion of Romans 13:8 from several different translations: *"Owe no man anything"* (KJV). *"Let no debt remain outstanding"* (NIV). *"Pay all your debts"* (TLB). *"Owe nothing to anyone"* (NASB). *"Keep out of debt and owe no man anything"* (AMPLIFIED). Any questions about God's view of debt?

Here's why the Lord wants you debt-free.

1. DEBT IS CONSIDERED SLAVERY.

Proverbs 22:7 reads*: "Just as the rich rule the poor, so the borrower is servant to the lender"* (TLB). When we're in debt, we're a servant to the lender. And the deeper we are in debt, the more like servants we become. We don't have the freedom to decide where to spend our income, because it's already obligated to meet our debt payments.

In 1 Corinthians 7:23, Paul writes*, "You were bought with a price; do not become slaves of men."* Our Father made the ultimate sacrifice by giving His Son, the Lord Jesus Christ, to die for us. And He now wants His children free to serve Him rather than lenders.

2. DEBT WAS CONSIDERED A CURSE.

In the Old Testament, being out of debt was one of the promised rewards for obedience.

"If you diligently obey the LORD your God, being careful to do all His commandments which I command you today, the LORD your God will set you high above all the nations of the earth. All these blessings will come upon you.… You shall lend to many nations, ***but you shall not borrow****"* (Deuteronomy 28:1-2, 12, emphasis added).

On the other hand, debt was listed among the curses for disobedience. *"If you do not obey the LORD your God, to observe to do all His commandments and His statutes with which I charge you today, that all these curses will come upon you and overtake you.… The alien who is among you shall rise above you higher and higher, but you will go down lower and lower. He shall lend to you, but you will not lend to him; he shall be the head, and you will be the tail*" (Deuteronomy 28:15, 43-44).

In God's view, then, being in debt moves you from a head position in life to the tail end!

3. DEBT PRESUMES UPON TOMORROW.

When we get into debt, we're assuming that we will earn enough in the future to repay it. But can we really assume such a thing? We plan for our jobs to continue or our investments to be profitable. The Bible strongly cautions us against such presumption: *"You who say, 'Today or tomorrow, we shall go to such and such a city, and spend a year there and engage in business and make a profit.' Yet you do not know what your life will be like tomorrow.… Instead, you ought to say, 'If the Lord wills, we shall live and also do this or that'"* (James 4:13-15).

4. DEBT MAY DENY GOD AN OPPORTUNITY.

Financial author Ron Blue tells of a young man who wanted to go to Bible college to become a missionary. The young man had no money and thought the only way he could afford Bible college was to secure a student loan. However, this would have left him with about $40,000 of debt by the time he graduated. He knew a missionary's salary would never be able to repay that much debt.

After a great deal of prayer, he decided to enroll without the aid of a loan, trusting the Lord to meet his needs. Several years later, he graduated without borrowing anything. Just as important, he had grown in his faith and in his appreciation for how God could provide his needs. This was the most valuable lesson learned in seminary as he prepared for life on the mission field.

BORROWING

The Bible is silent on when we can owe money. In our opinion, it is permissible to owe money for a home mortgage or for your business or vocation. This "permissible debt," however, should meet three criteria.

- The item purchased should be an asset, with the potential to appreciate or produce an income.
- The value of an item must exceed the amount owed against it.
- The debt should not be so high that repayment puts undue strain on the budget.

As we've seen during the financial and real estate crisis, there are no guarantees that home values will always appreciate or that businesses will always be profitable. So, here's the rule of thumb if you take on permissible debt: *borrow as little as possible and pay it off as quickly as possible!*

HOW TO GET OUT OF DEBT

There are three basic steps for you to become debt-free: (1) pray, (2) increase your monthly surplus, and (3) follow the COMPASS map. Remember, the goal is D-Day—Debtless Day—when you become totally free of debt!

1. HOW TO GET OUT OF DEBT – PRAY!

In 2 Kings 4:1-7, we read about a widow threatened with losing her sons to an aggressive creditor. When she asked the prophet Elisha for help, he told her to borrow many empty jars from her neighbours. Then the Lord multiplied her only possession—a small amount of oil—until all the jars were filled to the brim. She sold the oil and paid her debts to free her children.

The same God who provided supernaturally for the widow is interested in freeing you from debt. And He is every bit as able of meeting your needs as He was the needs of that poor widow. *The first step is to pray.* Seek the Lord's help and guidance in your journey toward Debtless Day. He may act immediately or slowly over time. In either case, prayer is essential. A trend is emerging. As people begin to eliminate debt, even little by little, the Lord blesses their faithfulness. Even if you can afford only a small monthly repayment of your debt, *do it*. The Lord is fully able to multiply your efforts.

2. HOW TO GET OUT OF DEBT – INCREASE MONTHLY SURPLUS

The larger your monthly surplus, the more money you can have available to pay down your debt. How do you increase that surplus? By increasing your income, reducing spending, and selling items you no longer need.

Earn additional income.

Many people hold jobs that simply don't pay enough to allow them to pay off their debts quickly enough. A temporary part-time job—or some creative way to earn more money—can make a huge difference in how fast you can reach D-Day.

Spend less by becoming content with what you have.

Advertisers use powerful methods to get us to buy. Frequently the message is intended to foster discontentment with what we have. An example is the American company that opened a new plant in Central America because the labour was relatively inexpensive. Everything went well until the villagers received their first paycheque; afterward they didn't return to work. Several days later, the manager went down to the village chief to determine the cause of this problem. The chief responded, "Why should we work? We already have everything we need." The plant stood idle until someone came up with the idea of sending a mail-order catalogue to every villager. There hasn't been an employment problem since!

Note these three realities of our consumer-driven economy.

- The more television you watch or surfing the Web you do, the more you spend.
- The more you look at catalogues and magazines, the more you spend.
- The more you shop, the more you spend.

There is an interesting passage in 1 Timothy 6:5-6: *"…Godliness actually is a means of great gain when accompanied by contentment."* When we are content with what we have and wait to buy until we can do it using cash—that is great gain.

Consider a radical change in lifestyle.

A growing number of people have lowered their standard of living significantly to get out of debt more quickly. Some have downsized their homes, rented apartments, or moved in with family members. Many have sold cars with large monthly payments and purchased inexpensive ones for cash. In short, they have temporarily sacrificed their standard of living so they could pay off debt more quickly. Radio host Dave Ramsey says it this way: "If you live like no one else, later you can ***live*** like no one else."

Sell what you're not using.

Evaluate your possessions to determine whether you should sell any of them to help you get out of debt more quickly. What about the clothes you no longer wear? Those fishing rods gathering dust? Is there anything you can sell to help you get out of debt?

3. HOW TO GET OUT OF DEBT – FOLLOW THE COMPASS — finances God's way Map™

The COMPASS map on pages 64-65 will help you determine which debts you ought to pay off first. At Destination 2, you focus on paying off your credit cards, because they usually have the highest interest rate. At Destination 3, you will wipe out your consumer debt: car loans, student loans, home equity loans, medical debts, and so forth. And at Destination 5, you begin to accelerate the payment of your home mortgage.

When the credit card statements arrived, it signalled the beginning of a verbal war between Alex and Nancy Popovich. They carried seven cards between them, and were using cash advances from some to satisfy the minimum monthly payments on others.

The Popoviches aren't alone. The average household with an unpaid balance has more than $9,300 in credit card debt. There has been an explosion in the number of credit cards for only one reason: *The credit card companies make a ton of money charging high interest!* The more you owe, the more interest they receive—and the more likely they can whack you with late fees and over-the-limit penalties.

Following are a few simple suggestions for paying off the plastic.

Snowball the plastic

Snowball your way out of debt. And here's how. In addition to making the minimum payments on *all* your credit cards, focus on paying off the smallest-balance-card first. You'll be encouraged to see its balance go down, down, and finally disappear!

After the first credit card is paid off, apply its payment toward the next-smallest one. After the second card is paid off, apply what you were paying on the first and second toward the third-smallest. That's the snowball in action!

When you're on a roll like this, it starts getting exciting. Those "impossible" balances that have worried you and robbed you of your peace will begin diminishing before your very eyes. So…where do you start? Prioritise your debts on the Debt List on pages 68-69. And every time you pay one of those cards off, use it as an occasion to celebrate and thank the Lord!

Perform plastic surgery

When people use credit cards rather than cash, they spend about one-third more. Why? Because it just doesn't feel like "real money"; it's just plastic. As one shopper said to another, "I like credit cards more than money because they go so much further!" If you don't pay the entire credit card balance at the end of each month, you may need to perform some plastic surgery—any good pair of scissors will do!

Bev and I started with nine credit cards. Today we carry two that we pay in full each month. To limit the temptations of additional cards, we opted out of receiving credit card offers by mail and telemarketing calls.

Lower the interest rate

There is a lot of competition among credit card companies for your business—and especially if you have a solid credit rating. If your company is charging a high interest rate, phone and ask them to drop it. You may have to call several times, but 75 percent of the time, they'll lower the rate.

Another alternative is to transfer the balance to a card that charges *less* interest. Before switching to a lower-rate card, however, confirm that the new card has no transfer fee, no annual fee, and that the interest rate on transferred balances is not higher than the advertised rate. But remember, if you miss a payment or make a payment late, your interest rate will automatically skyrocket in most cases.

At Destination 3, you'll focus on paying off consumer loans, and one of the most common is car debt. Seventy percent of all cars are financed, and many people never get out of car debt. It's one of the biggest obstacles for most people on their journey of financial faithfulness. Fortunately, there's a way to get out of car debt for good by following these three steps.

- Decide to keep your car at least three years longer than your car loan—and then pay off the loan.
- After your last payment, keep making the same payment, but pay it to *yourself*. Put it into an account that you will use to buy your next car.
- When you're ready to replace your car, the cash you have saved plus your car's trade-in value should be sufficient to buy a car without credit. It may not be a new car, but a low-kilometre used car is a better value anyway.

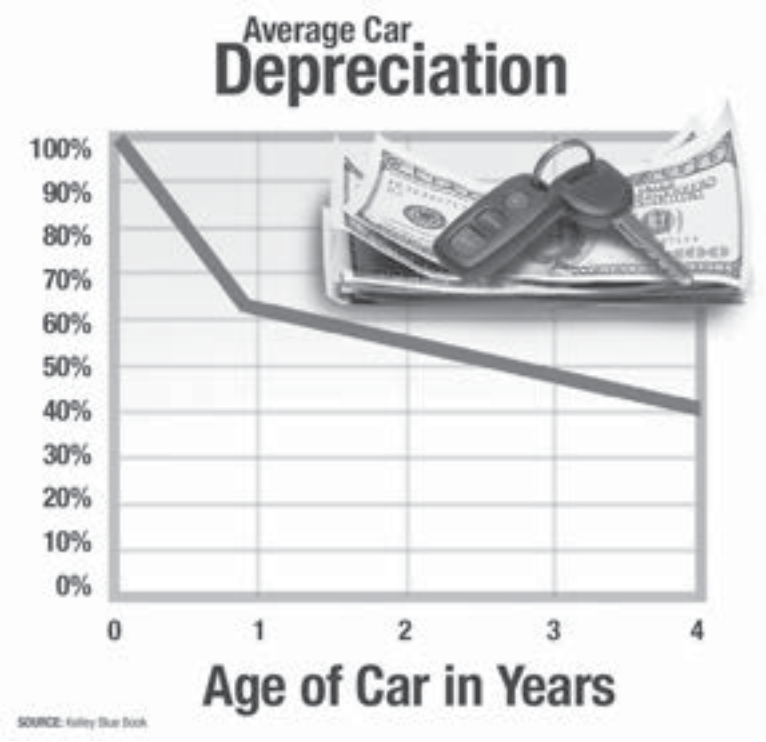
Upside down

You've probably heard it said again and again: The moment you drive a car off the lot it's worth less than you paid for it. It's so true. That "new car smell" may be pleasant, but it's also incredibly expensive. Rapid depreciation is why so many new car buyers find themselves upside down on their motor vehicle loans—owing more than the car is worth. Look at the graph to see how quickly cars lose value.

Can you believe it! The average car loses a whopping 40 percent of its value the first year—and 60 percent by year four. In other words, a new $28,000 car will lose about $17,000 of value in the first four years you own it. To get the same result, you could toss a $100 bill out the car window once a week!

For this reason, early in our marriage, Bev and I decided to buy only reliable **used** cars for cash—and drive them until the wheels fall off! Bev drove the same car for seventeen years.

I once bought a truck that cost only a hundred dollars—and it looked it! A sympathetic neighbour borrowed it and brought it back, painted. (Suddenly it looked like a two hundred dollar truck!) While driving the truck one morning, I was enjoying a time of special worship and remembered Psalm 16:11: *"In the presence of the LORD is fullness of joy."*



You know what? In that moment, it didn't matter whether I was driving my hundred-dollar clunker or the most expensive car on the market; I could experience fullness of joy because of my relationship with Jesus Christ.

Advertisers have led us to believe that our deepest needs can be satisfied only by purchasing the newest and the best. Nothing could be further from the truth.

It's hard to overestimate the financial impact of driving debt-free cars. The average monthly new car payment is $375. If a 21-year-old drives debt-free cars and saves the $375 a month, earning an average return, he or she will accumulate about $4 million by age 65! Short-term spending sacrifices translate into enormous long-term benefits.

My advice: keep your cars as long as they are safe to drive, and buy low-kilometre used cars to avoid new car depreciation.

Snowball consumer debt

After you have paid off your motor vehicle loans, focus on paying off your consumer debts in exactly the same way as you wiped out your plastic—snowball 'em. Make the minimum payments on all your consumer debts,

but focus on accelerating the payment of your smallest consumer debt first. Then, after you pay off the first consumer debt, apply its payment toward the next-smallest one. After the second one is paid off, apply what you were paying on the first and second to pay off the third, and so forth.

At Destination 5, you will begin paying off your home mortgage. If you haven't yet purchased a home and want to, there are two rules of thumb for buying an affordable home:

First, put a minimum of 20 percent deposit. This will eliminate the need for expensive mortgage insurance, which doesn't benefit you at all. If you don't yet have enough saved for a 20 percent deposit, renting usually is much cheaper than owning. So rent—and save like crazy.

Second, no more than 40 percent of your income should be spent for all housing expenses, including mortgage payments, insurance, real estate taxes, utilities, and maintenance. If housing costs exceed 40 percent, you'll find yourself continually robbing money from other spending categories to balance your budget.

PAYING OFF THE HOME MORTGAGE

When Bev and I learned God's financial truths, we became convinced that the Lord wanted us entirely out of debt, even our home. We understood this to be a *really* long-term goal because of the size of our mortgage. But we also realised that if we could pay it off, it would free up a big chunk of our income, so that we could give more generously *and* save more aggressively.

We didn't start prepaying the mortgage until we wiped out all our credit card and consumer debt. Then we focussed on the home by paying an extra amount each month to reduce the principal more quickly. The longer we did it, the more excited we became. Finally, we also started applying work bonuses and income tax refunds to our mortgage.

Prepaying your mortgage can save you *tons* of interest. Log on to www.compass1.org.au and click on "Resources" to learn how much interest you can save by paying extra toward principal each month. If you've never looked at a chart like this before, it will knock your socks off.

Once you have decided to pay off your home, let your lender know, so they can tell you how to get proper credit for your prepayment.

As Bev and I discovered, paying off our home mortgage was a key step on the journey to financial faithfulness.

INVESTMENT DEBT

Should you borrow money to make an investment? In our opinion, it is permissible to borrow for an investment, but only if the investment (along with your deposit) is the sole collateral for the debt. This agrees with the biblical admonition to repay our debts. But let's explore this further.

Suppose you wanted to purchase a rental property with a reasonable deposit, making sure that the house would be the sole security for the debt. You would explain to potential lenders that at your option, you would repay the loan in one of two ways: First, by giving the lender cash—making the payments. Or second, by giving the lender the property plus the deposit and any other money you had invested in the house.

Given those options, the lender must make a decision. Is the deposit sufficient? Is the rental property of adequate value?

Because of the possibility of difficult financial events over which you have no control, be sure to limit your potential loss to the cash you invest and the asset itself. It's painful to lose your investment, but it's much more serious to jeopardise your family's needs by risking all your personal assets, such as the family home, on investment debt.

Some investors don't want to prepay the investment mortgage and decrease the interest payments, reasoning that interest is one of their biggest tax deductions. But this tax advantage is overrated. If you are in the 32.5 percent tax bracket, for each $1,000 you pay in home interest, you save only $325 in taxes—32.5 percent of the $1,000 interest paid. So while there is a tax benefit, it's not as much as many think. Paying $1,000 to save $325 is not *that* great a deal.

BUSINESS DEBT

We also want to encourage you to pray about becoming debt-free in your business. Many business owners are recognising the competitive advantage and increased stability they enjoy when they eliminate business debt.

Here is our rule of thumb on business debt: Use as *little* as possible and pay it off as *quickly* as possible.

CHURCH DEBT

The Bible doesn't specifically address whether a church may borrow money to build or expand its facility. In our opinion, such debt is permissible if the church leadership clearly senses the Lord's leading to do so. If a church borrows, we recommend that it raise as much money as possible for the deposit and establish a plan to pay off the debt as rapidly as possible. A growing number of churches have chosen to build without the use of any debt. For many of these churches, the members' faith has increased as they have observed the Lord providing the necessary funds, and they have been encouraged to become debt free themselves.

DEBT REPAYMENT RESPONSIBILITIES

Prompt payment

Many people delay paying creditors until payments are past due, even when they have the money. On this practice, however, the Bible is crystal clear. In Proverbs 3:27-28 we read: *"Do not withhold good from those to whom it is due, when it is in your power to do it. Do not say to your neighbour, 'Go, and come back, and tomorrow I will give it,' when you have it with you."*

Godly people should pay their debts and bills as promptly as they can. Some try to pay each bill the same day they receive it, to demonstrate to others that knowing Jesus Christ has made them financially responsible.

Using your savings

In our opinion, it's not smart to use *all* your savings to pay off debt. Follow the COMPASS map, and keep three months' living expenses set aside for emergencies.

Bankruptcy

A court can declare people bankrupt and unable to pay their debts. Depending on the type of bankruptcy, the court will either allow them to develop a plan to repay their creditors or it will distribute their property among the creditors as payment.

Should a godly person declare bankruptcy? Generally, no. Psalm 37:21 tells us, *"The wicked borrows and does not pay back."*

However, in our opinion, bankruptcy is permissible under two circumstances:

- *When a creditor or circumstances force a person into bankruptcy.* There are occasions when bankruptcy is the only viable option when the financial challenges become too extreme to reverse. That option needs to be exercised only after all others have been explored.

- *When the emotional health of the borrower is at stake.* If the debtor's emotional health is at risk because of inability to cope with the pressure of aggressive creditors, bankruptcy can be an option.

Declaring bankruptcy should never be a cavalier decision, because it remains on a credit report for *five* years, and often impairs one's ability to obtain future credit at reasonable interest rates. Potential employers and landlords are also likely to learn of a past bankruptcy. It can haunt people for years, and although it provides relief, it's not exactly the fresh start that some advertise.

After a person goes through bankruptcy, he should seek counsel from an solicitor to determine if it's legally permissible to repay the debt, even though he is not obligated to do so. If it's allowable, every effort should be made to repay the debt. For a large debt, this may be a long-term goal that is largely dependent upon the Lord supernaturally providing the resources.

COSIGNING/GUARANTOR

Cosigning relates to debt. *Anytime you cosign, you become legally responsible for the debt of another.* It's just as if you went to the bank, borrowed the money, and gave it to your friend or relative who is asking you to cosign. In effect, *you* promise to pay back the entire amount if the borrower does not.

A Federal Trade Commission study found that 50 percent of those who cosigned for bank loans ended up making the payments. And 75 percent of those who cosigned for finance company loans ended up making the payments! Those are pretty good odds that if you cosign, you'll pay. The casualty rate is so high because the professional lender knows the loan is a bad risk, and told himself, *I won't touch this loan with a ten-foot pole unless I can get someone who is financially responsible to guarantee its repayment.*

Fortunately, the Bible gives us clear direction about cosigning. Proverbs 17:18 says, *"It is poor judgement to countersign another's note, to become responsible for his debts"* (NLT). The words "poor judgement" are literally translated "destitute of mind"!

A parent often cosigns for his or her child's first motor vehicle. We decided not to do this. We wanted to model for our children the importance of not cosigning, and to discourage them from using debt. Instead, we encouraged them to think ahead and save for the purchase of their first cars.

Already cosigned?

If you have already cosigned for a loan, the Scripture has counsel for you, too. Get out of it as fast as you can!

Proverbs 6:1-5 says, *"Son, if you endorse a note for someone you hardly know, guaranteeing his debt, you are in serious trouble. You may have trapped yourself by your agreement. Quick! Get out of it if you possibly can! Swallow your pride; don't let embarrassment stand in the way. Go and beg to have your name erased. Don't put it off….. If you can get out of this trap you have saved yourself like a deer that escapes from a hunter, or a bird from the net."*

Please use sound judgement and never cosign.

Destination 4 is exciting because you've turned the corner by paying off all your plastic, car debt and other consumer debts. All that money that was going to debt payments is now available for saving for major purchases. The biggest major purchases are home, education for the kids, funding for retirement and money to start a business.

Here's what to do. As a couple, estimate how much you can save each month for major purchases; then, prioritise them by deciding what percentage of your savings will be applied to each purchase. For example, you might apply 50 percent for the purchase of your home; 25 percent for retirement, and so forth.

I want to make a strong recommendation about your retirement saving. If your employer matches your Superannuation contributions, contribute up to the maximum of the match. If your employer matches three percent, then contribute three percent because it's free money. But don't contribute one dollar more than your employer matches in your Superannuation.

CREDIT REPORT AND RATING

Your credit rating determines whether you can get credit. And your rating may be high enough to get credit but not high enough to get a decent interest rate—whether you're looking for a mortgage, a car loan, or some other type of credit. Without a good rating, your application to rent an apartment may be turned down. Your rating can affect your car insurance premiums and even getting a job.

Both the wife and husband have their own separate credit rating. Often, only husbands have credit in their names, with the result that wives don't have the opportunity to establish good credit on their own. This is a mistake! If a husband dies before his wife, she won't have a solid credit rating—at the very time when she may need it most. Bev and I solved this problem by each securing a credit card in our name that we pay on time and in full every month. When we receive the credit card statements, we meet to review them so our communication remains intact.

A credit rating is a number designed to help lenders and others measure your likelihood of making payments on time. Credit ratings range from 0-1200, with the average rating around 680. Higher ratings are better. Ratings above 700 indicate a good credit risk, while ratings below 600 indicate a poor risk.

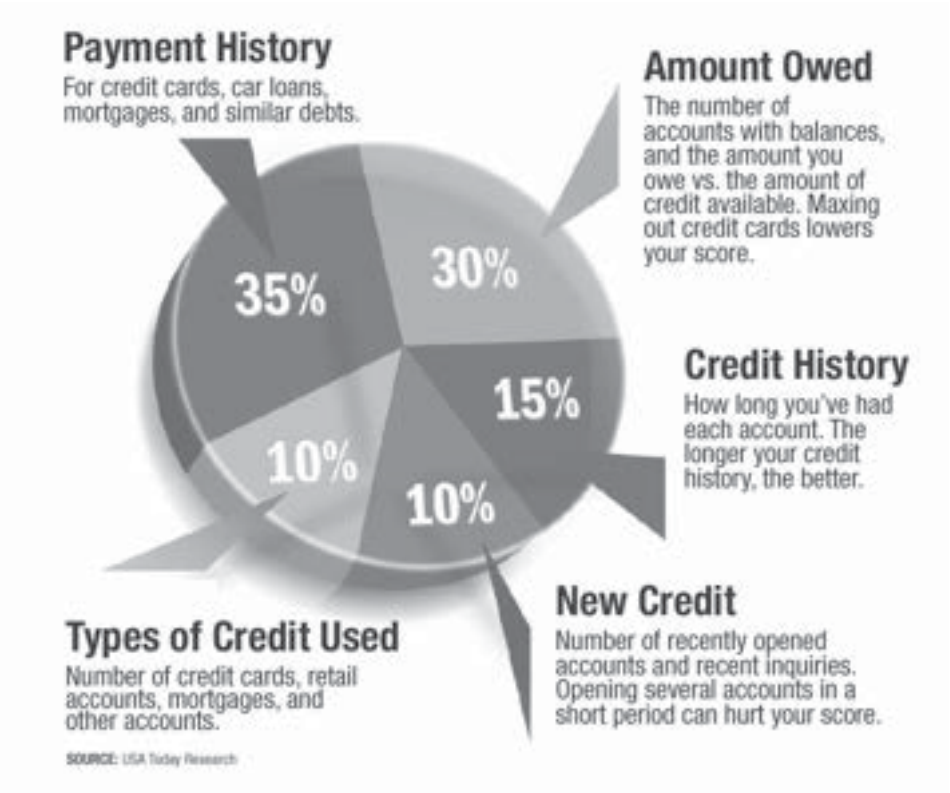
A low rating can lead to much higher interest rates. For example, if you apply for a 30-year home mortgage and your credit rating is too low, you could pay as much as three percent more. On a $200,000 mortgage, that three percent difference will cost you $400 per month. Over the life of the loan it adds up to $144,000!

The primary things that will harm your credit rating are late payments or non-payments of bills or debts, bankruptcy, foreclosure, repossession, and bills or loans sent to collection. To improve your rating, the two most important actions you can take are to pay your bills on time and reduce your total debt. Once you start doing this, your rating will begin to improve in about three months. Look at the factors affecting your score.

Late or missed payments, foreclosures or repossessions, or bankruptcy remain part of your credit report for five years. Even though these remain on your credit report, over time they have less impact if you pay your bills on time and reduce your debt.

Credit Report

Everyone can get a copy of their credit report once a year from the major credit reporting agency Veda. You can order a free copy of your credit report by logging on to http://www.veda.com.au/. Review it to make sure there are no mistakes or that you haven't been the victim of identity theft.



DON'T GIVE UP!

On 29 October, 1941, Winston Churchill, Prime Minister of England, gave a school commencement address. World War II was devastating Europe, and England's very fate as a nation was in doubt. Churchill stood and said:

> "Never give in. Never give in. Never, never, never—in nothing, great or small, large or petty—never give in except to convictions of honour and good sense."

So I want to encourage you to *never* give up in your effort to get out of debt. It may require hard work and sacrifice, but the freedom is worth the struggle. Remember, it is on God's heart for you to become debt free.

RECOMMENDED RESOURCES

For hints on how to accumulate Emergency Saving log on to **www.compass1.org.au** and click on Resources

Dave Ramsey's *Financial Peace University*

Free and Clear: God's Roadmap to Debt Free Living, by Howard Dayton, Moody Publishers

COMPASS — *finances God's way* Map™

The COMPASS map is easy to understand and follow, and is a proven, step-by-step guide that works for *everyone*, regardless of your financial situation. The map answers the three big questions—financially where am I, where do I want to go, and what do I do next? The first step is to find out where you are.

Look at the map on pages 64-65. There are seven destinations on the journey. Take a few minutes and review each destination. Tick off the boxes that you've already accomplished. After you have reviewed the seven destinations and tick off the boxes you have already completed, you know where you are on your journey. The next step is to determine what to do next.

The next step is simply to focus on accomplishing the *first destination you have not yet finished*.

LIST YOUR DEBTS & SNOWBALL 'EM!

Listing your debts will assist you in compiling your debts and prioritising repayment so you can snowball 'em! The columns are as follows:

- **Creditor** - The one to whom the debt is owed.
- **Balance Due** - The amount of the current debt.
- **Monthly Payment** - The amount of the monthly payment. If payment is due more or less often than monthly, calculate the average amount paid each month.
- **Interest Rate** - The rate of interest charged for the debt.
- **Scheduled pay-off date** - The date by which the debt will be fully paid.
- **Snowball Priority** – Number the debts in the order you are going to pay them off.

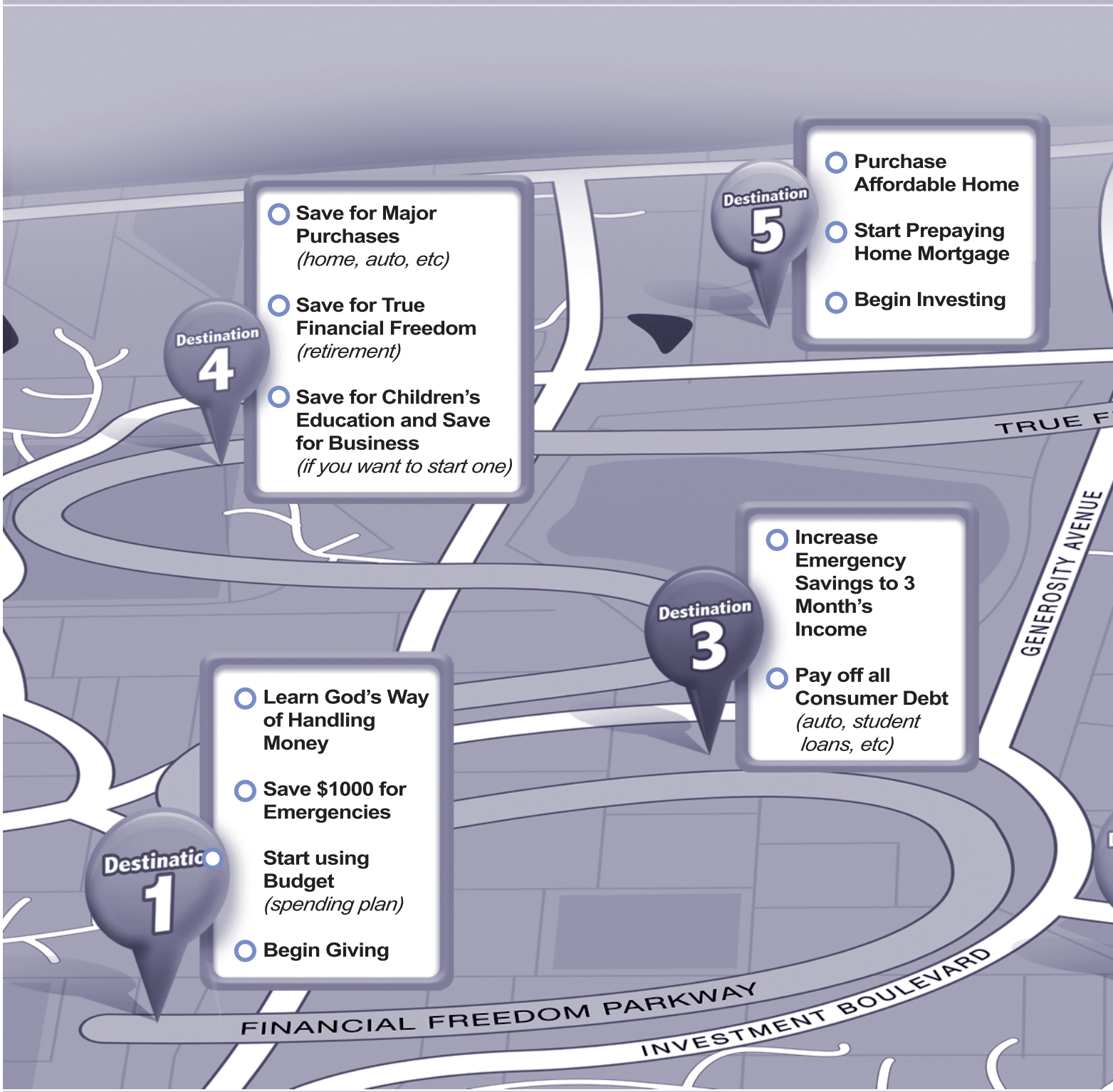
After entering each debt, add and total the monthly payment and the balance due columns.

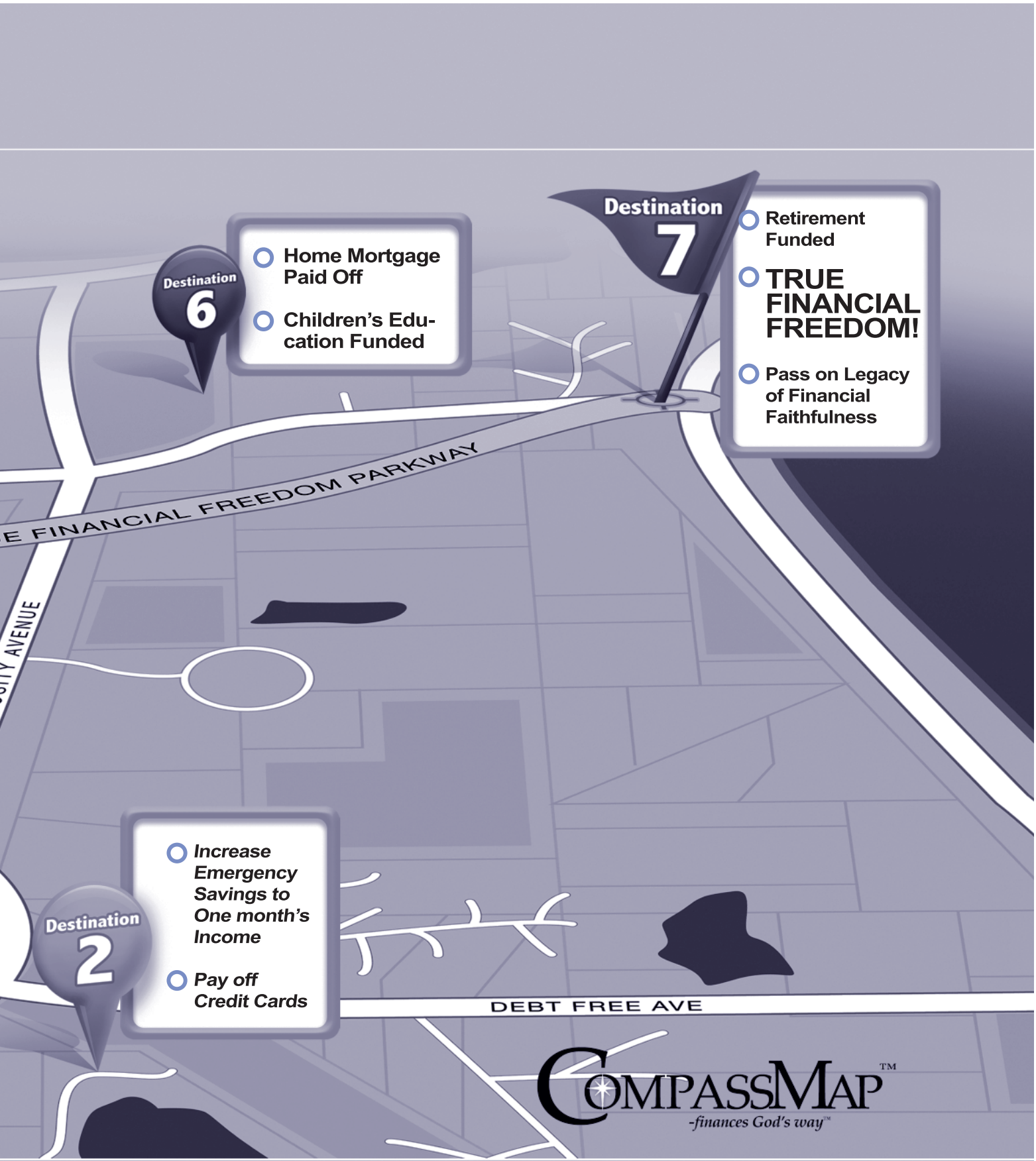
Snowball debt

Remember how to snowball your debt as you prioritise paying them off. Make the minimum payments on all your debts, but focus on accelerating the payment of your smallest credit card debt first. Then, after you pay off the first one, apply its payment toward the next-smallest one. After the second one is paid off, apply what you were paying on the first and second to pay off the third, and so forth.

After you pay off all your plastic debt, snowball your other debts in exactly the same way.

Your Money Map




Destination 6
Home Mortgage Paid Off
Children's Education Funded
Destination 7
Retirement Funded
TRUE FINANCIAL FREEDOM!
Pass on Legacy of Financial Faithfulness
E FINANCIAL FREEDOM PARKWAY
ITY AVENUE
Destination 2
Increase Emergency Savings to One month's Income
Pay off Credit Cards
DEBT FREE AVE
COMPASSMAP™
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LIST YOUR DEBTS & SNOWBALL 'EM!

Creditor	Balance Due	Monthly Payment	Interest Rate	Scheduled Pay-Off Date	Snowball Priority
Credit Card Debt					
Visa	$350	$20	12	1/2012	1
Master Card	$4,250	$80	9	8/2016	3
Sears	$2,400	$55	18	11/2014	2
Car Loans					
Crazy Lou's Car	$5,500	$125	10	12/2012	5
Home Mortgages					
2nd Nat'l Bank	$135,000	$850	5	7/2028	7
Medical Bills					
Bank Loans					
Last Nat'l Bank	$1,000	$50	12	1/2012	4

SAMPLE

DEBT

Education Debt

Insecurity Bank	$15,000	$85	5	7/2020	6

Debt Family/Friends

Business/Investment Debt

Life Insurance Loans

TOTAL DEBT $163,500 $1,265

Cosigned/Guarantor Loans (Contingent Debt)

Uncle Charlie	$3,500				

SAMPLE

LIST YOUR DEBTS & SNOWBALL 'EM!

Creditor	Balance Due	Monthly Payment	Interest Rate	Scheduled Pay-Off Date	Snowball Priority
Credit Card Debt					
Car Loans					
Home Mortgages					
Medical Bills					
Bank Loans					

Education Debt

_____ _____ _____ _____ _____ _____

_____ _____ _____ _____ _____ _____

_____ _____ _____ _____ _____ _____

Debt Family/Friends

_____ _____ _____ _____ _____ _____

_____ _____ _____ _____ _____ _____

Business/Investment Debt

_____ _____ _____ _____ _____ _____

_____ _____ _____ _____ _____ _____

Life Insurance Loans

_____ _____ _____ _____ _____ _____

_____ _____ _____ _____ _____ _____

TOTAL DEBT _____ _____

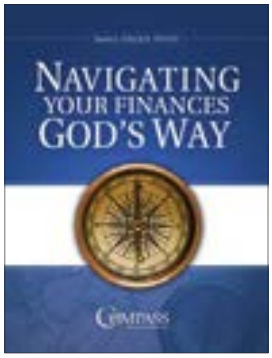
Cosigned/Guarantor Loans (Contingent Debt)

_____ _____ _____ _____ _____ _____

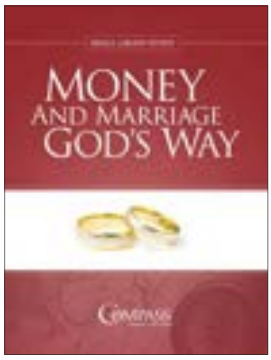
_____ _____ _____ _____ _____ _____

COMPASS
finances God's way™

Compass Small Group Studies

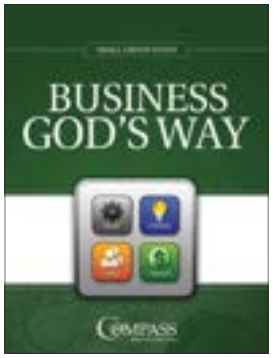


Navigating Your Finances God's Way is a nine-week study that hundreds of thousands have benefitted from taking. You'll learn what God wants you to know about earning money, spending, giving, getting out of debt, saving, investing, training children and much more.



Money and Marriage God's Way is a six-week study that will improve your marriage and your finances because you will be learning what God's word says about them both. You will discover how to communicate effectively, resolve conflict and achieve financial unity.

Set Your House in Order is a five-week study that is specifically designed to enable you to assemble and organise your important financial information in just one place. It is also an outstanding tool to help you plan your estate and manage your current finances.



Business God's Way is a powerful and practical six-week study designed to help people learn God's way of operating a business. This thought-provoking study has helped many succeed in the business world—God's way.