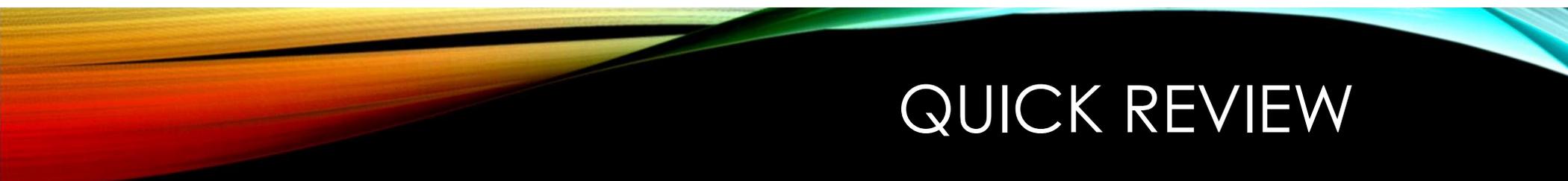


FINANCIAL PEACE

A biblical step-by-step approach to success with money & personal finances.

Lesson #3

- 
- If you have questions:
 - Please do not interrupt class time.
 - Write them down on paper and give them to me.
 - Ask me personally after the AM service.
 - Send them to me via e-mail: omaramike@juno.com
 - For Sept & Oct – my wife and I will be here at 5 PM every Sunday night to offer help.



QUICK REVIEW

- Your financial life is important to God.
- Most Americans have a spending and/or debt problem. If you do – you must STOP! This is robbing you of peace.
- Why? Because God says to work hard, earn money, spend less than you make, stay out of debt, and be a giver.
- Credit Cards only help you add debt. Unless you can follow the 5 rules presented in Lesson #2, you should cut up your cards. A Debit Card has all the conveniences and none of the risk.
- You need to have an emergency fund (in cash) of 3 - 6 months of expenses.



QUICK REVIEW

How do you do that in practice?

- Step #1 - Save \$1,000 to start an emergency fund.
- Step #1b – Create a detailed budget and begin to use it.
- Step #2 – Pay off your debt (except your mortgage) as quickly as possible using the Debt Snowball method.
- Step #3 – Finish saving 3 – 6 months of expenses in your Emergency Fund.

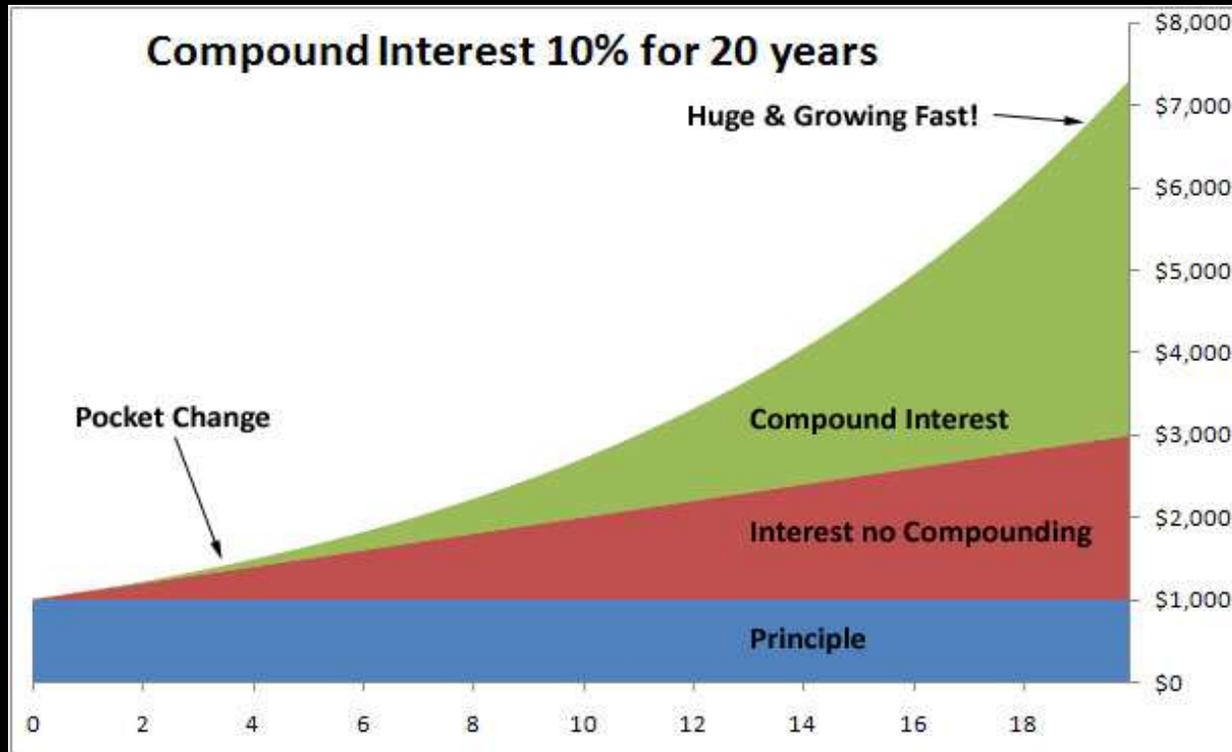
WHAT'S NEXT?



- At this point you have no debt (except maybe a mortgage)
- You have 3 – 6 months of living expenses in cash set aside.
- You can now budget & spend your income as you wish...but please follow the Lord's direction.
- Wise & prudent things to do:
 - Steps 4, 5 & 6 are done concurrently:
 - Step 4 – Invest 15% of income for retirement
 - Step 5 – Save for kid's college (optional)
 - Step 6 – Pay off your mortgage early

STEP 4: INVEST 15% FOR RETIREMENT

- “You cannot SAVE your way to retirement. You must INVEST.”
 - Make your money work for you...it must earn / grow in value



STEP 4: INVEST 15% FOR RETIREMENT

- \$40,000 annual income is \$3,333/mo. 15% of that is \$500/mo.
- \$500/mo. invested at 10% average annual return becomes:
 - \$102,422 in 10 years (you only invested \$60,000)
 - \$379,684 in 20 years (you only invested \$120,000)
 - \$663,417 in 25 years (you only invested \$150,000)
 - \$1,130,244 in 30 years (you only invested \$180,000)
- Over the last century, the average stock market return has been 10% annually.
- You can achieve these returns by investing in growth stock mutual funds.

STEP 4: INVEST 15% FOR RETIREMENT

- Tax advantaged accounts are the way to invest for retirement.
 - **401(k) Plan** (thru employer, if not a tax-exempt organization)
 - Money taken out of your paycheck (pre-tax or post tax **Roth**)
 - Some companies match what you put in (up to a certain %)
 - You direct the investments into mutual funds
 - **403(b) Plan** (for public education employees, tax exempt org, self-employed ministers)
 - Like 401(k), invested in mutual funds or tax sheltered annuities
 - **Thrift Savings Plan (TSP)** – federal / military

STEP 4: INVEST 15% FOR RETIREMENT

- Tax advantaged accounts are the way to invest for retirement.
- Non-employer sponsored programs:
 - **Simple IRA** (self-employed w/o access to other plans)
 - **Roth IRA** (individual saving in tax advantaged account)
 - you put in money after-tax, but all of it (contributions & growth is tax free on withdrawal)
 - **Traditional IRA**
 - you put in pre-tax money, all of it is taxable on withdrawal



STEP 4: INVEST 15% FOR RETIREMENT

- Money should be invested in Mutual Funds of your choice:
 - 25% Growth & Income Stock Funds (Large Co – stable)
 - 25% Growth Stock Funds (Medium Sized Co – stable & growing)
 - 25% Aggressive Growth Stock Funds (Small Co – more risk)
 - 25% International Stock Funds (Foreign Co – for diversification)
- Get help with this if you don't understand it.
 - Never invest in what you don't understand!
 - Go to: daveramsey.com click on 'smartvestor'



STEP 5: SAVE FOR COLLEGE

- Young people – No one owes you a college education
- Don't go into debt for College
 - If you go to college, choose one you can afford.
 - CUNY / SUNY schools cost ~ \$4,100 per semester (\$8,200 per year) **MAYBE (I'll explain in a minute)**
 - Work and save toward that goal.
 - Keep working while in school.
 - $\$10/\text{hr} \times 20 \text{ hrs}/\text{wk} \times 50 \text{ wks}/\text{yr} = \$10,000/\text{yr}$
 - Apply for as many scholarships as you can. (over 9,000 available)

STEP 5: SAVE FOR COLLEGE

- Parents - If you want to save to help pay for your children's college, use tax advantaged investments.
 - Education Saving Accounts (ESA or Coverdell)
 - Contributions not tax deductible, but withdrawals are not taxed as long as used for higher education expenses.
 - That means earnings over time are tax free.
 - 529 Plans (work the same way, but are state sponsored savings plan for college)



STEP 5: SAVE FOR COLLEGE

- In NYS, tuition at CUNY/SUNY schools is FREE (Excelsior Scholarship)
 - Qualify if you and your parents make less than \$125,000/year
 - Must stay in NYS for the same duration of time you participate
 - Doesn't pay for room, board, or books.

STEP 6: PAY OFF YOUR MORTGAGE EARLY



- This is pretty self-explanatory.
- Once you're investing 15% for retirement, and you are saving for children's college (if you want to), apply all extra money to pay off your mortgage as fast as you can.
- Typical time to pay-off 15-year mortgage this way is 7 – 10 years.

**Now you are
TOTALLY DEBT FREE!!**

STEP 7: BUILD WEALTH & GIVE GENEROUSLY



- You have no debt, you have no payments (including mortgage)
- You're saving for retirement & maybe kid's college.
- Now all that's left to do is build wealth and give generously.
- Don't build wealth just so you can consume it on your own fleshly desires. I doubt God will bless that effort, based on James 4:3.
- Build wealth to help others, including your descendants.
- Never forget God owns it all – you are just His steward.

SO, HOW DO I BUILD WEALTH? **Slowly!!**

Proverbs 28:20, 22

- 79% of Millionaires inherited \$0. (So that's not it.)
- Now, realize that you have been building wealth since you started Step #3:
 - Step #3 you fully funded your emergency fund.
(thousands of dollars)
 - Step #4 you started investing 15% for retirement.
(More time = more wealth)
 - Step #5 you started investing for Kid's College.
(optional)
 - Step #6 you took ownership of your home away from the mortgage co.

SO, HOW DO I BUILD WEALTH?

- Next, you need to decide your priorities. Money is only good for 4 things:
 - Buying things you need (you always need to do this – keep budgeting)
 - Enjoying things you want (do that, but be careful it doesn't take over - covetousness)
 - Giving to help further the gospel & help others
 - Investing (to make the money grow / build more wealth – so you can give even more)
- **What percentage of your income do you want to go toward each?**

SO, HOW DO I BUILD WEALTH?

You make your own decision on that!

- Here's what my wife and I planned/budgeted in '19 for '20:
- Buy things we need 27.4%
- Enjoy things we want (incl trip to PNG) 17.8%
- Give (tithes, offerings, alms) 29.3%
- Invest (15% for retirement) 15.0%
- So, we have 10.5% to build with. 89.5%
- This is what is called goal setting.
- You must decide this, so you know what you have to work with.

WHAT ARE MY OPTIONS FOR THE 10.5%?

- Mutual Funds (this is the most passive)
 - I don't recommend buying individual stocks
 - Growth Stock Mutual Funds that outperform the S&P 500 Index.
- Real Estate (this takes effort and cash)
 - Buy rental property
 - Buy – Renovate – Sell (Flip) Properties
- Business (this takes the most work & daily effort)
 - Start one or Buy existing one?

Less Risk



More Risk

NEXT WEEK

- We'll talk about the importance of insurance to your finances:
 - Health
 - Auto
 - Home-owner or Rental
 - Life
 - Disability
 - Umbrella
 - Long Term Care



See You
next week

And Have A Blessed Day

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