

## **Money, Money, Money!**

(appropriate for High-Schoolers and older)

Michael R. Daily 1/26/09 (2 sessions - 45 minutes each)

(reference #1: Ron Blue, *Taming the Money Monster*, Tyndale House Publishers, 1993)

(reference #2: Larry Burkett & Ron Blue, *Your Money After the Big 5-0*, B&H Publishing, 2007)

Over the next two weeks we will be talking about how to handle money. Tonight we will review things from the perspective of the world system and provide some basic history on economics. This will provide the background you need to understand why God says to handle money the way He does (which is what we will study next week).

God's ways are different than the ways of the World system but God's ways are always shown to be right in the long run.

The world system has a set of principles for handling money that are in direct conflict with God's ways. The World system says:

### **What they teach in Business School: [1]**

1. **Borrowed money is always paid back with cheaper dollars in the future.**  
(Inflation causes the value of money to cut in half every 20 years or so).
2. **Inflation is inevitable. Therefore it is always wise to buy now at a lower cost than in the future at a higher price.**
3. **The tax deductibility of interest makes using debt a wise thing to do.**
4. **Leverage is magic. Borrowing and using other people's money for investing increases your profits.**

### **The Reality**

1. **Borrowed money is always paid back with cheaper dollars in the future.**  
For this to work you must borrow at a fixed interest rate and inflation must always exist. Also the interest rate must be less than or equal to the inflation rate. The problem here is that prices fluctuate locally. The nation might be experiencing overall inflation but some markets (ex: housing in California) may be deflating – in other words prices are dropping. I have a friend who moved to Albuquerque from California a few years ago. The housing market in California had dropped for a time and he sold his house for a \$15,000 loss even though overall the US was experiencing inflation. Also, lenders are not stupid – they increase the interest rate to reduce their inflation risk as well as adding transaction and late fees. Because of these other factors you rarely come out ahead in the end. If you did why would people loan you money?
2. **Inflation is inevitable. Therefore it is always wise to buy now at a lower cost than in the future at a higher price.** There are multiple problems with this idea. First, inflation rates can drop. If inflation drops to very low levels what used to be a good deal, now becomes a bad deal. In addition, even if inflation in the overall economy is relatively stable or growing, certain markets will be dropping in price (look at computers, gasoline, housing). In the last 2 months gasoline prices have dropped by 30 to 40%. If you had invested in gasoline 2 months ago you would have lost a lot of money by today. The risks you were taking to earn a return now become losses. The point is that even if inflation in the general economy is going up that is not necessarily true for any one specific investment or purchase. (see article, next page).
3. **The tax deductibility of interest makes using debt a wise thing to do.**  
The problem here is most debt is no longer deductible. In most cases only mortgage debt, within limits, can be deducted. This means that the government will pay 30% of your interest payments on your debt but you must still pay the other 70%. In other words the tax deductibility has essentially reduced your interest rate but has not eliminated it. This is really not buying you anything it is just reducing the cost of the debt slightly. Some people try to refinance their house and use the money to pay off credit cards, car loans, and other payments. This "smart" move has essentially increased the risk that they will now lose their home if an unexpected drop in their income occurs. The bottom line is they have significantly increased the risk they are taking in order to reduce their interest rate slightly.

# Home Prices Drop a Record 18%

## ■ Consumer Confidence Index takes unexpected fall

*The Associated Press*

NEW YORK — Home prices dropped by the sharpest annual rate on record in October, according to a 20-city index released Tuesday.

The Standard & Poor's/Case-Shiller 20-city housing index — which measures the largest cities in 16 states including five cities in California and Florida — fell by a record 18 percent from October last year, the largest drop since its inception in 2000. The company's 10-city index tumbled 19.1 percent, its biggest decline in its 21-year history.

Both indices have recorded year-over-year declines for 22 straight months. Prices are at levels not seen since March

## HOME PRICES SLUMP

U.S. home prices set new records with an annual decline of 18 percent in October compared to a year ago, according to S&P/Case-Shiller home 20-city housing index.



SOURCE: Standard & Poor's

AP

2004. New Mexico is among 34 states that have no cities in the indices.

In another report, the Conference Board's Consumer Confidence Index fell to 38 in

December from a revised 44.7 in November. Economists surveyed by Thomson Reuters had expected the index to rise incrementally to 45.

And the Present Situation index, which measures how respondents feel about business conditions and employment prospects, fell to 29.4 in December from 42.3 in November. It is now close to levels last seen after the 1990-1991 recession.

"Deepening job insecurity and falling asset prices are outweighing any optimism consumers may have derived from falling gas prices," said Dana Saporta, U.S. economist at investment bank Dresdner Kleinwort.

The unemployment rate hit a 15-year high of 6.7 percent in November and economists expect additional job losses in the first half of 2009.

Albuquerque Journal, December 31, 2008

- 4. Leverage is magic. Borrowing and using other people's money for investing increases your profits.** This works great as long as the value of the investment goes up faster than the interest rate you are paying on the loan plus the taxes you have to pay on the profits. This means you are taking a high risk. If the value of the investment drops you will have to come up with another source of money to pay the loan back. In the 1920's large numbers of people used leverage to buy stocks on "margin". In other words they borrowed money against stocks they owned to buy more stocks. As long as the stocks kept increasing in value their return on investment was very large. When the stock market dropped they lost their investments and still had to come up with money to pay off the loans. Some of people who were heavily leveraged decided to jump out of high rise windows and kill themselves instead of spending the rest of their lives working to pay back the loans while living in poverty.

When you look at these things intellectually it becomes obvious that following this worldly strategy is essentially taking large risks to earn a moderate return but often results in large losses. So, why do people do it?

The problem is emotion. Its very difficult to stand by while everyone else seems to make money with little or no effort and not participate. Remember, this can go on for years. How are you going to feel if when year after year people seem to be getting ahead earning twice the return you do, doing things God's way? People are going to laugh at you for being so conservative. If you work in business your performance is going to be measured every 3 months – if everyone else is getting higher returns than you your boss may reprove you because of it. After ten years of this how are you going to feel? You're going to feel stupid. Eventually, most people decide that perhaps they were wrong, maybe this time is different, I guess this is the best way to do things, it will go on like this forever. And so they start handling money the world's way. After enough time has passed "everyone" eventually buys in and handles money the world's way – leveraging everything with large amounts of debt. But history shows that economic growth does not go on forever. In fact markets go through regular cycles of growth and contraction. This is why the principles of the world system always fail at some point.

*Key Point: Each of these worldly principles is based on a set of assumptions that are not true. What makes them deceptive is that these assumptions will often hold true long enough for people to come to believe emotionally that they will always be true. People then make decisions as if these things will always be true. When the market finally changes and the assumptions are no longer true disaster results but its too late.*

## **Economic Cycles**

Lots of different types of economic cycles have been studied throughout history but two types of cycles appear to be indirectly mentioned in the Bible so we will discuss them. One cycle is called the Juglar Cycle, named after Clement Juglar (a French physician and statistician), who in 1860 identified an economic cycle that seems to repeat every 8 to 12 years or so.

### ***8 to 12 Year Economic Cycles***

Today this cycle is just called “the business cycle”. In an efficient free market, economic activity is constantly searching for a stable point where supply equals demand. The reason that the economy expands and contracts is that there are forces at work that constantly perturb (introduce change to) the system in unexpected ways.

### **Innovation**

One of the largest sources of perturbations in a free market is something called “innovation”. You all don’t know this but I lead a secret life. During the day while you are at school I spend the whole day at work – so do hundreds of millions of other Americans. And what are we doing all day at work? We are delivering value to our customers. Our customers think that what we do for them is so valuable they are willing to give us money for it. In fact, they are happy to give us money because what we do for them is more valuable to them than the money they give us.

But as time goes on my customers say things like, “I really like what you are doing for me but if you could figure out a way to do it faster I would pay extra money for that”. Extra money? I like extra money. I’m a smart guy – I bet I could figure out a way to do it faster. Other customers will say, “I like what you do for me but if you could increase the quality of this part I would pay extra money for that”. Extra money? I like extra money. I bet I could figure out a way to improve the quality of that part. And so every day people are figuring out ways to increase their productivity and efficiency. They are constantly figuring out ways to deliver more value to their customers so that their customers will give them more money - they are innovating.

Other people are inventing things that no one knew they needed until after they were invented. What’s an invention that no one knew they needed ahead of time? IPOD! Until those silhouettes started dancing on the TV commercials no one knew they needed an IPOD – today everyone has to have one. Another example is an innovation called, “Coca-Cola”. Until Coca-Cola was invented no one knew they needed one. Now, everybody has to have one. Everyday people are making innovations, some large, some small.

### **Creative Destruction**

These innovations cause new businesses to grow and others to go out of business. In 1939 Joseph Schumpeter referred to this as the process of "creative destruction." For example, as the automotive industry grew, the buggy and buggy whip businesses were destroyed. As the popularity of cell phones increases it becomes harder to find a pay phone that has not been uninstalled, etc. If you worked in the buggy business or the pay phone business you lost your job - if you invested in those businesses you lost your money.

Schumpeter also recognized that innovations feed off of one another and therefore tend to be bunched together. Ebay was an innovation that came about shortly after the innovation of the internet, for example. In fact a whole slug of innovations occurred shortly after the invention of the internet. Most of these new ideas failed (this was called the dot.com bubble) but many survived and flourished.

Because of this bunching of innovation large changes get injected into the economic system and the system searches for a new equilibrium point – resulting in the business cycle. Innovation also results in the market being unpredictable – no one knows what all the innovations are that are occurring or what their end result will actually be. They can guess but no one really knows until after it happens.

## Survival of the fittest

Some companies aren't feeling the economic hurt as much

By ELLEN SIMON  
The Associated Press

**N**EW YORK — Economic cycles are Darwinian, picking off weak companies and leaving survivors stronger.

More than a year into the recession, solid retailers have their pick of mall space. Respected banks are getting an influx of deposits. Tech companies with money to spend are having an easier time hiring.

Retailer Bed Bath & Beyond Inc. won't have to contend with Linens 'N' Things, which is in liquidation. Best Buy Co. may not be fighting price wars with Circuit City Stores Inc., which is reorganizing in Chapter 11 bankruptcy. FedEx Corp. won't scrap for market share against DHL Express, a German-owned company that is leaving the U.S.

Companies best positioned when the economy eventually improves may include the following:

- Kohl's Corp. and Forever 21 are expanding. The Bombay Co., Sharper Image Corp. have closed all their stores in the past year, leaving empty space at malls nationwide; meanwhile, Mervyn's is in the process of liquidating. Kohl's and Forever 21 jointly bid a bargain price of \$8.25 million for the leases of 46 locations from Mervyn's stores.
- The one clear retail winner of the recession has been Wal-Mart Stores Inc. Sales rose 3.4 percent in November. And while other retail companies have been scrambling to cut costs, Wal-Mart has always pinched pennies, furnishing its managers' offices with cast-off card tables and rejected lawn chairs. It already has the cost structure competitors are trying to mimic.
- Another winner is McDonald's Corp. The fast food company's sales rose nearly 8 percent in November. The chain added healthy items to its menu and improved its food before the recession.
- Wells Fargo & Co. could leave the recession as the nation's dominant bank, but its path through the next few years won't be painless.
- Delta Air Lines Inc. became the largest airline in the world when it merged with Northwest in October. The company says it will make a profit next year, thanks to capacity cuts, lower fuel costs and new fees it charges customers.
- Likewise, Google Inc. remains the champion search engine. Even though it is trim-

ming costs, offering its employees two entrees at its daily free meals instead of three, the company is in a great position to snap up the most talented engineers.

■ Similarly, AT&T Inc. and Verizon Communications Inc. are the top wireless carriers at a time when tough creditors favor the largest players with the most cash coming in.

■ Because new gear and software is a way to improve productivity, Adobe Systems Inc.'s latest Creative Suite software is a "must have" for companies, even if it's not "must have now," wrote Kaufman Brothers analyst Barbara Coffey.

■ Cisco Systems Inc. has said it will invest through the recession, bragging that it came of previous downturns stronger. Its competitors are sickly and, like Google, it has a pile of cash.

Albuquerque Journal, January 1, 2009

### Year of Remission

God knew about the Juglar cycle thousands of years before Juglar identified it and had a method for addressing it – the Year of Remission.

### Deuteronomy 15:1-9

"At the end of every seven years you shall grant a remission of debts. 2" This is the manner of remission: every creditor shall release what he has loaned to his neighbor; he shall not exact it of his neighbor and his brother, because the LORD'S remission has been proclaimed. 3" From a foreigner you may exact it, but your hand shall release whatever of yours is with your brother. 4" However, there will be no poor among you, since the LORD will surely bless you in the land which the LORD your God is giving you as an inheritance to possess, 5 if only you listen obediently to the voice of the LORD your God, to observe carefully all this commandment which I am commanding you today. 6" For the LORD your God will bless you as He has promised you, and you will lend to many nations, but you will not borrow; and you will rule over many nations, but they will not rule over you. 7" If there is a poor man with you, one of your brothers, in any of your towns in your land which the LORD your God is giving you, you shall not harden your heart, nor close your hand from your poor brother; 8 but you shall freely open your hand to him, and shall generously lend him sufficient for his need in whatever he lacks. 9" Beware that there is no base thought in your heart, saying, 'The seventh year, the year of remission, is near,' and your eye is hostile toward your poor brother, and you give him nothing; then he may cry to the LORD against you, and it will be a sin in you.

God instituted the Year of Remission every 7 years to mitigate this business cycle. It provided a natural limiter on the amount of debt people could accumulate by moving a large amount of risk to the lender. In effect the lender could easily become a donor and would have a natural incentive to make sure he only loaned money that he could afford to lose by its becoming a donation. Notice that the only exception to this rule was for foreigners. It was OK to keep foreigners in debt since Israel was to rule over them. People could continue to innovate but the year of remission discouraged people from using debt to invest in innovations or other things they could not afford.

The year of remission made it impossible for people to accumulate large amounts of debt. No one is going to give you a 30 year loan for a house because at year 7 they would lose all their money. As a result loans were small and very short term and were only given to trustworthy people. In other words debt was treated as the dangerous thing that it is and kept to an absolute minimum. This also had the effect of smoothing out the business cycle.

### 50 to 60 Year Economic Cycles

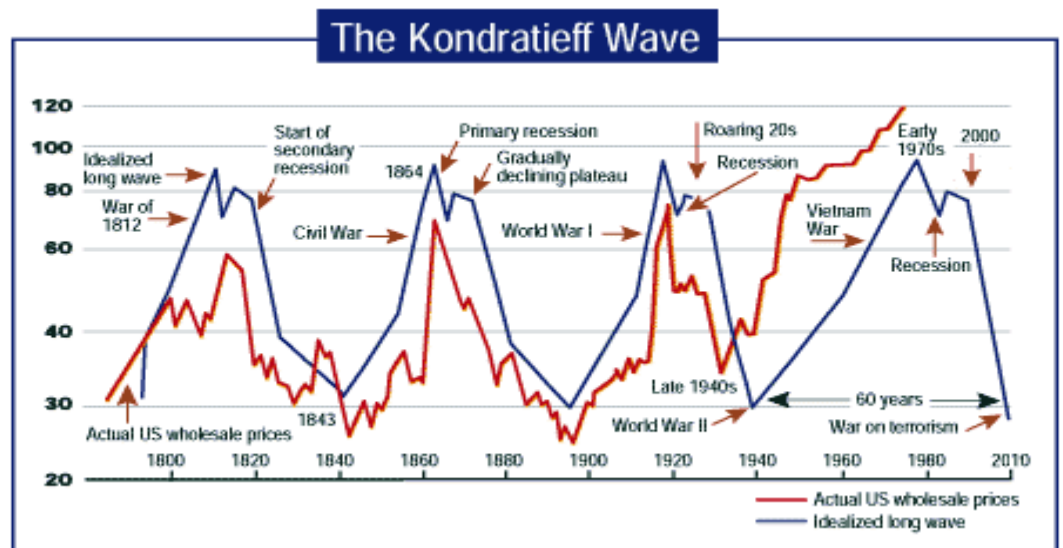
The Kondratieff long wave cycle (K-wave) was identified by Nikolai Kondratieff, a Russian economist (1892-1938). Kondratieff's major premise was that capitalist economies displayed long wave cycles of boom and bust occurring every 50 to 60 years or so. Kondratieff's study covered the period 1789 to 1926.

The driver behind these longer cycles appears to be related to the average lifespan of people. People who have lived through an economic depression are forever affected by the pain they experienced during this time of hardship. As a result, once the depression has ended they continue to be very careful in their use of money and debt. They become extremely conservative because they have seen and experienced what can happen if you are not conservative and they never want to experience it again. Lenders who experienced the depression also become conservative in deciding who they will lend money to. Credit is tight and loans are made only if considered completely safe. Investors invest only in conservative investments. In other words people in general are handling money the way God intended even if they don't realize it.

But as time goes on more and more people from the depression era die off and there are fewer people around who remember the hard times they and the country went through during the depression. New leaders come along to run the political and business institutions who themselves never experienced the depression but these are the people who now make the economic decisions.

As time goes on the people getting ahead are the ones who are taking more and more financial risks. Everyone else begins to feel that they are missing opportunities to make money and be successful too so they all start taking more and more risks, and why not? This time will be different, we are smarter than people 50 years ago were, we have newer technology and more sophisticated methods of manipulating the economy. Only silly old people worry about depressions. Everything becomes leveraged with debt and speculation.

Then the cycle repeats.



It's important to understand that these cycles are not predictable in the sense that you can't make investment decisions with them. It is possible for new ways of manipulating the economy to be developed that can delay these cycles. In other words these cycles may vary by 20 or 30 years. On the other hand if you look at the long term data there does seem to be a cycle that occurs – things don't go up forever even if it feels like they do. But if you delay the cycle by using debt what is also likely to occur? By delaying it it may be worse when it finally happens.

It's kind of like riding on the back of a tiger. You don't feel comfortable getting off the tiger. On the other hand the longer you ride the tiger the hungrier the tiger is getting.

### Jubilee Year

God's method of dealing with the Kondratieff Cycle is referred to below.

### Leviticus 25:10-17

**'You shall thus consecrate the fiftieth year and proclaim a release through the land to all its inhabitants. It shall be a jubilee for you, and each of you shall return to his own property, and each of you shall return to his family. 11'You shall have the fiftieth year as a jubilee; you shall not sow, nor reap its aftergrowth, nor gather in from its untrimmed vines. 12'For it is a jubilee; it shall be holy to you. You shall eat its crops out of the field. 13'On this year of jubilee each of you shall return to his own property. 14'If you make a sale, moreover, to your friend or buy from your friend's hand, you shall not wrong one another. 15'Corresponding to the number of years after the jubilee, you shall buy from your friend; he is to sell to you according to the number of years of crops. 16'In proportion to the extent of the years you shall increase its price, and in proportion to the fewness of the years you shall diminish its price, for it is a number of crops he is selling to you. 17'So you shall not wrong one another, but you shall fear your God; for I am the LORD your God.**

### Leviticus 25:23-28

**23'The land, moreover, shall not be sold permanently, for the land is Mine; for you are but aliens and sojourners with Me. 24'Thus for every piece of your property, you are to provide for the redemption of the land. 25'If a fellow countryman of yours becomes so poor he has to sell part of his property, then his nearest kinsman is to come and buy back what his relative has sold. 26'Or in case a man has no kinsman, but so recovers his means as to find sufficient for its redemption, 27then he shall calculate the years since its sale and refund the balance to the man to whom he sold it, and so return to his property. 28'But if he has not found sufficient means to get it back for himself, then what he has sold shall remain in the hands of its purchaser until the year of jubilee; but at the jubilee it shall revert, that he may return to his property.**

God used the Jubilee Year to have property returned to its original owners or their descendants every 50 years. This mitigated people's desire to take risks to gain investment return as the 50<sup>th</sup> year approached since most of the investments were in real property which would have to be given back. This provided a natural brake against the Kondratieff Cycle. In effect purchasers of real property would act like actual owners immediately after the Jubilee Year but as time got closer to the Jubilee Year purchasers would act more like renters. No point in taking large risks or using debt to purchase investments (property) since you have to give it back soon anyway.

*Key Point: Without the Year of Remission and the Jubilee Year we can expect economic fluctuations to occur all the time and in unexpected ways, any one of which can catch you in a downturn.*

### “Past Performance Does Not Necessarily Indicate Future Returns”

This has been proven to be true. Years ago people thought that stock market charts could be viewed as a signal and that methods used by scientists to develop predictive mathematical models of signals generated in nature might be used to predict future movements of the stock market. If this could be done you could make a fortune in the stock market using your mathematical model. So, firms hired theoretical physicists and had them make mathematical models based on past performance data of the market. These models had some initial success but quickly lost their predictive ability. The reason was the investment behaviors caused by the

models perturbed the markets such that the models were no longer accurate. In other words the models were innovations that changed the very system they were trying to model!

The moral of the story is, free economic markets are unpredictable because innovations are constantly occurring (including innovations to predict market performance) in ways that no one fully understands. In addition people are making economic decisions based on their emotions and personal experiences which introduce additional unpredictability.

You may think you have an investment that is a “can’t miss” or a “sure thing” but it is not possible to know that for sure – the market is unpredictable.

*Key Point: You cannot predict the future behavior of economic systems in terms of specific investments or specific timing although general expansion and contraction trends with imprecise cycle times can be expected.*

## **END OF PART 1**

### **What Does the Bible Say? (the following verses not in bold are not read in class due to time limitations)**

#### **Deuteronomy 8:18**

"But you shall remember the LORD your God, for it is He who is giving you power to make wealth, that He may confirm His covenant which He swore to your fathers, as it is this day.

Tonight we are going to look up what the Bible has to say about handling money and compare it to the World's way.

Make two columns on the board, one labeled God's Way and one the World's Way.

#### **1. Get Rich or Be Content?**

What is the world trying to do when they invest money? They are trying to Get Rich. Sometimes this is presented more subtly as getting a higher return but the idea is the same. Invest money to make more money. (write Get Rich on the board under World' Way).

#### **I Timothy 6:7-11**

**For we have brought nothing into the world, so we cannot take anything out of it either. 8If we have food and covering, with these we shall be content. 9But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction. 10For the love of money is a root of all sorts of evil, and some by longing for it have wandered away from the faith and pierced themselves with many griefs. 11But flee from these things, you man of God, and pursue righteousness, godliness, faith, love, perseverance and gentleness.**

What does this verse say? Be content. The World says to Get Rich. God says to Be Content with what you have. (write Be Content on the board). In fact God says that those who want to get rich fall into destruction.

What is your overall attitude towards money? Are you content or are you trying to get rich?

#### **Proverbs 28:19-20**

**He who tills his land will have plenty of food, But he who follows empty pursuits will have poverty in plenty. 20A faithful man will abound with blessings, But he who makes haste to be rich will not go unpunished.**

According to this verse how is a person to get money? By working. (put on board under God's Way). God expects us to get money by working, not through empty pursuits. Notice the promise here – those who try to get rich quick will be punished (write on board under World)

### Proverbs 23:4-5

Do not weary yourself to gain wealth, Cease from your consideration of it. 5When you set your eyes on it, it is gone. For wealth certainly makes itself wings Like an eagle that flies toward the heavens.

### Proverbs 11:28

He who trusts in his riches will fall, But the righteous will flourish like the green leaf.

### 1 Timothy 3:1-3

It is a trustworthy statement: if any man aspires to the office of overseer, it is a fine work he desires to do. 2An overseer, then, must be above reproach, the husband of one wife, temperate, prudent, respectable, hospitable, able to teach, 3not addicted to wine or pugnacious, but gentle, peaceable, free from the love of money.

### Hebrews 13:5-6

Make sure that your character is free from the love of money, being content with what you have; for He Himself has said, "I WILL NEVER DESERT YOU, NOR WILL I EVER FORSAKE YOU," 6so that we confidently say, "THE LORD IS MY HELPER, I WILL NOT BE AFRAID. WHAT WILL MAN DO TO ME?"

### Luke 16:10-13

"He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much. 11"Therefore if you have not been faithful in the use of unrighteous wealth, who will entrust the true riches to you? 12"And if you have not been faithful in the use of that which is another's, who will give you that which is your own? 13"No servant can serve two masters; for either he will hate the one and love the other, or else he will be devoted to one and despise the other You cannot serve God and wealth."

## **2. Preserve the Money you Earned by Working**

### **Ecclesiastes 11:2**

**Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth.**

What is this strategy called? Diversification. The idea here is to not put all your eggs in one basket. Why does God want us to do this? Because it minimizes risk. We don't know the future and have no way of knowing what calamity may occur on the earth so spread your money out over 7 or 8 unrelated investments. This strategy minimizes risk and increases the probability that the money you earned will be preserved and not lost.

Is this a good strategy for getting rich? No. Because it lowers your return in addition to your risk. Low risk goes with low return, high risk with high return. So, God makes it clear – we are to be conservative investors whose goal is not a higher return, our goal is to preserve what we have earned through work.

## **3. Money is for Investing in Eternity**

### Proverbs 3:9-10

Honor the LORD from your wealth And from the first of all your produce; 10So your barns will be filled with plenty And your vats will overflow with new wine.

### **Matthew 6:19-21**

**"Do not store up for yourselves treasures on earth, where moth and rust destroy, and where thieves break in and steal. 20"But store up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in or steal; 21for where your treasure is, there your heart will be also.**

Supporting God's work is the best investment you can make.

#### **4. Money is for Meeting the Needs of our Family.**

##### **Ecclesiastes 5:10-14**

He who loves money will not be satisfied with money, nor he who loves abundance with its income. This too is vanity. 11When good things increase, those who consume them increase. So what is the advantage to their owners except to look on? 12The sleep of the working man is pleasant, whether he eats little or much; but the full stomach of the rich man does not allow him to sleep. **13There is a grievous evil which I have seen under the sun: riches being hoarded by their owner to his hurt. 14When those riches were lost through a bad investment and he had fathered a son, then there was nothing to support him.**

This is an example of someone who saved their money in order to invest it in a high return (high risk) investment – they were trying to get rich. When the investment went bad they lost the money and could not take care of their family. Another purpose of money is to meet family needs. This man sacrificed his family for the chance to get rich and he was punished.

##### **I Timothy 5:8**

**But if anyone does not provide for his own, and especially for those of his household, he has denied the faith and is worse than an unbeliever.**

#### **5. Money is for Paying Taxes**

##### **Matthew 22:15-22**

Then the Pharisees went and plotted together how they might trap Him in what He said. 16And they sent their disciples to Him, along with the Herodians, saying, "Teacher, we know that You are truthful and teach the way of God in truth, and defer to no one; for You are not partial to any. 17"Tell us then, what do You think? Is it lawful to give a poll-tax to Caesar, or not?" 18But Jesus perceived their malice, and said, "Why are you testing Me, you hypocrites? 19"Show Me the coin used for the poll-tax." And they brought Him a denarius. 20And He said to them, "Whose likeness and inscription is this?" 21They said to Him, "Caesar's." Then He said to them, "Then render to Caesar the things that are Caesar's; and to God the things that are God's." 22And hearing this, they were amazed, and leaving Him, they went away.

##### **Romans 13:5-8**

**Therefore it is necessary to be in subjection, not only because of wrath, but also for conscience' sake. 6For because of this you also pay taxes, for rulers are servants of God, devoting themselves to this very thing. 7Render to all what is due them: tax to whom tax is due; custom to whom custom; fear to whom fear; honor to whom honor. 8Owe nothing to anyone except to love one another; for he who loves his neighbor has fulfilled the law.**

#### **6. If You Lend Money Do Not Expect to be Repaid**

##### **Exodus 22:25-27**

"If you lend money to My people, to the poor among you, you are not to act as a creditor to him; you shall not charge him interest. 26"If you ever take your neighbor's cloak as a pledge, you are to return it to him before the sun sets, 27for that is his only covering; it is his cloak for his body. What else shall he sleep in? And it shall come about that when he cries out to Me, I will hear him, for I am gracious.

##### **Deuteronomy 23:19-20**

"You shall not charge interest to your countrymen: interest on money, food, or anything that may be loaned at interest. 20" You may charge interest to a foreigner, but to your countrymen you shall not charge interest, so that the LORD your God may bless you in all that you undertake in the land which you are about to enter to possess.

### Proverbs 28:8

He who increases his wealth by interest and usury Gathers it for him who is gracious to the poor.

### Luke 6:33-35

"If you do good to those who do good to you, what credit is that to you? For even sinners do the same. 34" If you lend to those from whom you expect to receive, what credit is that to you? Even sinners lend to sinners in order to receive back the same amount. 35" But love your enemies, and do good, and lend, expecting nothing in return; and your reward will be great, and you will be sons of the Most High; for He Himself is kind to ungrateful and evil men.

## **7. Borrowing & Lending Money Changes the Relationship to Master / Slave**

### Proverbs 22:7

**The rich rules over the poor, And the borrower becomes the lender's slave.**

### Jeremiah 15:10

Woe to me, my mother, that you have borne me As a man of strife and a man of contention to all the land! I have not lent, nor have men lent money to me, Yet everyone curses me.

## **8. Pay Back Any Money You Have Borrowed Regardless of Your Legal Protections**

**Psalm 37:21- The wicked borrows and does not pay back, But the righteous is gracious and gives.**

Even if the World says that you are protected by "Chapter 11" or some other protection God still expects you to pack back all of your debt.

## **9. It is Foolish to Co-Sign Someone Else's Loan**

### Proverbs 22:26-27

Do not be among those who give pledges, Among those who become guarantors for debts. **27** If you have nothing with which to pay, Why should he take your bed from under you?

### Proverbs 27:13

Take his garment when he becomes surety for a stranger; And for an adulterous woman hold him in pledge.

*Key Point: When taken as a whole it is clear that God wants us to be conservative investors with surplus funds and that borrowing money or using debt should be kept to a minimum because of its destructive power.*

## **The Use of Debt**

The problem with debt is that when you borrow money you are gambling that you know what the future holds. As we have already seen economic markets are virtually impossible to predict so this is a bad gamble. It's clear from God's use of the Year of Remission and the Jubilee Year that keeping debt to an absolute minimum is a good way to minimize risk from changes in the future. God does not say we can never borrow money but it needs to be understood for the danger it carries with it.

Ron Blue in his book [1] mentions 4 things to evaluate when deciding to use debt or not. I'll discuss the first two here.

1. The economic return from what the loan purchases must be greater than the loan's economic cost.
2. You must have a guaranteed way to repay regardless of what happens in the market.

### ***Economic Return***

The first point means that whatever is purchased with the loan has to have a very high probability of creating an economic return that exceeds the interest rate you are paying. This eliminates most things bought with debt from a credit card since the interest rates here are very high compared to any conservative investment. In addition most installment debt such as for a car or furniture would not meet this criteria since it generates no economic return and drops in value as time goes on. In some cases mortgage debt does meet this criteria since often the value of houses goes up (but not always). Investment debt can also sometimes meet this criteria but the risk is often very high – which leads to the second point.

### ***Guaranteed Way to Repay***

If some calamity happens, the market drops, you lose your job, whatever, you need to have a guaranteed way to repay the loan. Perhaps you have some asset that, even in a falling market, could be sold and the proceeds used to pay the loan. Perhaps you have a Certificate of Deposit or a 401K that can be cashed (with penalty) and used to repay. Another option is an exculpatory clause in the loan contract that says that at any time, you can give the lender whatever it was you bought with the loan and the loan would be considered repaid (this clause is not granted very often). One of the reasons people recommend that you put at least a 20% down payment on a home is because housing prices rarely drop but when they do it is extremely rare for them to drop more than 20%. If you put 20% down on the house and you lose your job you can resell the house and get enough money to at least pay off the loan. The more equity you have in your house the less risk to price drops you have. Investment debt is even more serious. If you borrowed money to invest, your exposure is very high. If the investment loses value you still have to repay the loan so a separate source of funds has to be available in case this happens. It is poor practice to borrow money to invest but if you do you need to have the funds available to pay off the loan from some other source ready to go or you should not even consider investing this way.

### **Why Doesn't God Just Come Out And Say That Borrowing Money is a Sin?**

Because its not. Debt is very risky and should be minimized because of its destructive power but there are times when we may elect to take the risk. For example, if my child needed urgent medical attention or they would die and the only way I could get it is to borrow the money for it I would do that. I would be willing to accept the risk of the debt because it is still less than the risk to my child. This is quite different from going into debt to buy entertainment for myself.

### **The Use of Credit**

Credit is the right to borrow money but it is not the same as actually borrowing money. For example, if you use a credit card and pay it off every month so that there are no interest charges or late fees you are using credit but you are not taking on debt. If you don't pay the credit card off every month and are charged with interest then you have not only used credit you have also borrowed the money and gone into debt.

The problem with credit cards is that it has been shown that putting a credit card in someone's hand will, on average, increase their spending by 34%! There is something about credit cards that makes it easy for people to overspend which means a large percentage of them will go into debt on the cards.

How many of you are already getting credit cards in the mail? By the time you are a freshman in college you will get buried by people sending you credit cards. Why are they doing that? Its not because they think you are grown up or that you are a good credit risk. They are doing it because they are trying to get you hooked as early as possible on overspending. They want you making those 20% interest payments – they want to own you. That is why they are sending you those cards.

### Here's some guidelines related to credit cards and debt:

1. If you don't have an income, you don't need a credit card.
2. Getting a credit card does not signify anything – they send them to everyone. The 5% loss rate is more than made up by the high interest rates and the 34% increase in spending that occurs.
3. Credit cards are not necessary to develop good credit. Just have a bank account & pay your bills on time.
4. Being “able to afford” something means you can buy it with cash. It does not mean you have the cash flow to make the monthly payment – what happens if your cash flow drops?
5. Pay the credit card off each month so that you don't go into debt.
6. Any advertising that associates a financial matter with the word “Easy” (as in easy payments) is a red flag – they are usually trying to get you to borrow money.

### **How to Save[2]**

Spend less than you earn and do it for a long time

Avoid the use of debt

Maintain liquidity (stocks and mortgages are not liquid)

Set long term goals for saving (see below)

### **Goals for Saving (in sequential order)[2]**

1. Eliminate all high interest and short term debt (credit cards, cars, furniture, etc.)
2. Create an emergency fund (3 to 6 months of living expenses in case you lose your job)
3. Save for major purchases using conservative investments (Certificate of Deposit, Money Market, etc.)
4. Diversify to meet long term goals (preserve additional savings, you are not trying to get rich)
5. Invest in higher risk investments (optional, only do this if you have done the first 4 things and you still have a surplus)

### **Conclusion**

God's approach to handling money is to be conservative, like the person who experienced a depression. One of those people, Will Rogers, summed up the strategy by saying, “When it comes to investing I'm not as concerned about the return on my money as I am the return of my money”.

**QUIET TIMES ALONE WITH GOD**

*JEREMIAH 15:16*

**THEME: *Money, Money, Money***

**PASSAGE FOR MEDITATION: *Deuteronomy 15:1-9***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Leviticus 25:10-17, 23-28***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Deuteronomy 8:18, I Timothy 6:7-11, Proverbs 28:19-20***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**QUIET TIMES ALONE WITH GOD**

*JEREMIAH 15:16*

**THEME: *Money, Money, Money***

**PASSAGE FOR MEDITATION: *Proverbs 23:4-5, Proverbs 11:28, I Timothy 3:1-3, Hebrews 13:5-6***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Luke 16:10-13, Ecclesiastes 11:2***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Proverbs 3:9-10, Matthew 6:19-21***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**QUIET TIMES ALONE WITH GOD**

***JEREMIAH 15:16***

**THEME: *Money, Money, Money***

**PASSAGE FOR MEDITATION: *Ecclesiastes 5:10-14, I Timothy 5:8***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Matthew 22:15-22, Romans 13:5-8***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Exodus 22:25-27, Deuteronomy 23:19-20, Proverbs 28:8, Luke 6:33-35***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**QUIET TIMES ALONE WITH GOD**

***JEREMIAH 15:16***

**THEME: *Money, Money, Money***

**PASSAGE FOR MEDITATION: *Proverbs 22:7, Jeremiah 15:10***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Psalms 37:21***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**

**PASSAGE FOR MEDITATION: *Proverbs 22:26-27, Proverbs 27:13***

**How does this passage relate to the theme?**

**When I reflect on this passage, does it primarily convict, encourage or challenge me? Explain why:**

**How will I apply this passage to my life in the coming week and is there anything I can do today to make this passage a part of my Christian life?**