A MIDWEEK CONNECTION SERIES • SUMMER 2015

Financial STEWARDSHIP

MANAGING OUR MASTER'S MONEY

Lesson 4: THE STEWARD'S RELATIONSHIP TO DEBT (Keith Lewis)

INTRODUCTION

Debt statistics:[1]

- The U.S. consumer debt, which doesn't include mortgages, was at $2.4 trillion in 2010, but currently stands at $3.4 trillion in 2015. That averages out to $10,600/person.
- 26% of that debt is "revolving debt/credit" (i.e., credit cards), which is (somewhat deceptively) credit that is repeatedly available as periodic repayments are made to lenders.
- Homeowners spend around 15% of their disposable income just to own their homes and cars.
- In 2015, the average American household has a credit card debt of $7,697. In 2009, 156 million credit card holders own 1.2 billion credit cards, an average of 8 credit cards per user. Americans charged approximately $1.9 trillion to their credit cards in 2009, which is just over $12,500 in charges per cardholder. In total on those cards, Americans carried approximately $886 billion of debt, which works out to over $5,700 in debt per cardholder (not household).
- More than 40 million Americans hold student debt, and on average, borrowers carry four student loans each. In 2013, the average school debt both nationally and in Indiana was a bit under $30,000.
- According to 2002 statistics, roughly 2.0 to 2.5 million Americans seek the help of a credit counselor each year, mostly to avoid bankruptcy. From 1990 to 2000, the number of Americans seeking the help of a credit counselor doubled. The average person seeking a credit counselor carries a balance on two credit cards and has $43,000 in debt, of which $20,000 is consumer debt and $8,500 is revolving debt.
- Almost 1 million Americans filed for bankruptcy in 2013.

Ellen Goodman said, "Normal is getting dressed in clothes that you buy for work and driving through traffic in a car that you are still paying for, in order to get to the job you need to pay for the clothes and the car and the house you leave vacant all day so you can afford to live in it."

Debt defined:

- Generally — *debt*: "something owed by one party, the borrower or debtor, to a second party, the lender or creditor"; *being in debt*: "the condition of being under such an obligation"
- Narrowly — "the inability to meet agreed upon obligations"

Debt in the Bible:

- The Bible uses "debt" literally (i.e., financial [2 Kings 4:7; Philemon 18]) and metaphorically (i.e., moral [Matthew 6:12; 7:41-43; Colossians 2:14]), and almost always with a negative connotation. The exception is when Paul uses the word to speak of the spiritual responsibilities we owe to the Lord (Romans 8:12; 13:8; 15:27).
- The Bible is not opposed to borrowing money (Exodus 22:25; Deuteronomy 23:19-20; Psalm 112:5; Luke 6:34-35—however, each passages addresses the lender rather than the borrower; rather than encouraging borrowing, they exhort the lender), but it doesn't encourage it either (Romans 13:8).

Are you in debt?[2]

- Do you have a bill or loan payment that's past due?
- Do you carry a balance on your credit card?
- Do you ever get nervous about your financial situation and wonder how you'll ever be able to pay what you owe?
- Do you ever try to disguise your voice when you answer the phone, just in case it's a collection agent calling?
- Have you ever considered panhandling as a second career?
- Do you have a bumper sticker on your car that reads, "I owe, I owe, so off to work I go"?

[3]GETTING INTO DEBT — ITS ENTRANCE[4]

"Debt is like any other trap. It is easy enough to get into, but hard enough to get out of" (Josh Billings).

1. Making the wrong long-term commitments

- *Buying too much house (or school)* — lots of amenities, little down payment. Good goals:
    - 20% down payment
    - No more than 38% of net spendable income toward monthly housing costs
- *Presuming upon the future* — more income.
- *Investing in a vehicle* — loses value. Remember:
    - Practically, there is no such thing as investing in a vehicle. Automobiles are money-pits.
        - Depreciation — A new car loses 20% when it leaves the lot. After that, cars lose 15-20%/year.
        - Deterioration — Cars break!
    - So, with few exceptions, buy used not new.
    - Patiently shop around.
    - If possible, avoid financing.

2. Buying when you shouldn't

- *Credit cards*—Error: "Maxing them out is okay as long as you don't miss a monthly minimum payment." Error: Using credit cards to finance your lifestyle (e.g., consumables like clothes, electronics, etc.)
- *Housing*—Error: "Buying a house is always better than renting." Not if you can't afford to buy!
- *Purchases*—Error: "Buy now, pay later! I've gotta have it." "Later" usually arrives sooner than expected. Then *when* of buying is as important as the *what*—budget for items, don't splurge/indulge.
- *Sales*—Error: "Buy now! It's on sale, and the price will only go up!"

3. Trusting an incomplete budget

- **Illustration**: "Trusting an incomplete budget each month is like walking across a raging river on a rotting suspension bridge. You may make it across once, maybe a couple of times, with no problems. But the more you keep trying it, the more likely you are to hit a weak spot, one that can't hold you up" (Burkett).
- Budget known expenses (e.g., mortgage, car payment, insurance, utilities, gas, groceries, etc.), unknown expenses (e.g., auto/home maintenance, medical bills, etc.), and unforeseen expenses (e.g., emergency fund).

BEING IN DEBT — ITS EFFECTS

"In ancient times, [debt] might have meant a stretch in prison for you—or at least a future as a servant to your creditor. In those days, people didn't fool around when it came to money. One way or another, debtors paid what they owed. Creditors today prefer a different method of imprisonment. What they'll do is offer you credit opportunity after credit opportunity until they've got your financial future locked up tight. It's not quite as dramatic as life behind bars, but it's just as effective. Anyone who's ever fallen into the easy credit trap can tell you that being surrounded by walls of debt *does* feel like a prison" (Burkett).

Proverbs 22:7 — "The borrower is the slave of the lender."

1. Economically

- *Internationally*, America's debt may make us vulnerable to our creditors.
- *Nationally*, America's collective debt may contribute to an economic collapse, as it did during the Great Depression.
- *Individually*, debt brings with it several financial dangers:
    - *Revolving debt* — While compound interest works for the saver, it works against the debtor. Revolving debt soon begins to spiral in the wrong direction, downward.
    - *Mortgaging the future* — Unforeseen life events (e.g., loss of job, business failure, illness, home repairs, etc.), can cause a household to change from indebtedness into over-indebtedness.

- *Limiting opportunities* — Debt repayment becomes a priority over giving, living, and saving; temptation arises to put it before tithing and taxing.

2. Psychologically

- "Over-indebtedness has severe social consequences, such as financial hardship, poor physical and mental health, family stress, stigma, difficulty obtaining employment, exclusion from basic financial services (European Commission, 2009), work accidents and industrial disease, a strain on social relations (Carpentier and Van den Bosch, 2008), absenteeism at work and lack of organizational commitment (Kim *et al.*, 2003), feeling of insecurity, and relational tensions" (http://bit.ly/1IKCURJ).

3. Spiritually

- *The indebted Christian has presumed upon the future (Luke 14:28; James 4:13-17).* — You may not get a raise, be able to pay it off, etc.
- *The indebted Christian has denied God an opportunity to work (Matthew 6:25-34; Philippians 4:6-7, 19).* — Rather than waiting upon God to meet your needs as He promised (Matthew 6:25-34) and even to provide you with "good things" as He declared (Matthew 7:11), the debtor impatiently splurges and indulges. He/she doesn't prayerfully wait for God to teach, direct, purge, and provide.
- *The indebted Christian may invite stress and temptation (Proverbs 30:8; Philippians 4:6-7; 1 Timothy 6:6-10).* — Desiring the wealth of a living standard above what one can afford betrays a heart of materialism, discontentment, and un-godliness. This is a dangerous path.
- *The indebted Christian may hurt the effectiveness of his witness (Psalm 37:21; Luke 16:1-13).* — As good financial stewardship can be used to expand Christ's mission, poor financial handling can bring shame to the cause of Christ (e.g., Tri-City Baptist Church).

Transition: At this point you may be saying, "Pastor Keith, I know all this, okay? This is my life—I know why I'm in debt, and I know how it's hurt me. Help me get out of it!" "Good point. Knowing what causes debt is like knowing who passed you a cold virus. It may satisfy your morbid curiosity, but the information is not terribly useful in the here and now. What you really need is some helpful advice or 'medicine' to make the problem go away" (Burkett).

GETTING OUT OF DEBT — ITS ESCAPE

1. Confess — If necessary, confess your sin of irresponsible stewardship (e.g., expressed in overspending, materialism, impulse buying, etc.) to the Lord (cf. Proverbs 28:13; 1 John 1:9).

2. Depend

- *Upon God* — Prayerfully ask God for help to become a better steward and to provide wisdom for getting out of debt (cf. James 4:6-10; Philippians 4:6-9, 19). "Very few things motivate us to give God our undivided attention like being faced with the negative consequences of our decisions" (Charles Stanley).
- *Upon counselors* — Get some expert advice (cf. Proverbs 4:1-13; 15:22); there are lots of options at Colonial. He/she will be able to interactively and objectively offer constructive criticism, financial understanding, and customized strategies (e.g., lifestyle changes, loan consolidation, CCCS, etc.) to help you get out of debt.

3. Determine — Determine to patiently and perseveringly strive for better financial stewardship and eradication of debt (cf. Proverbs 24:16). "Success is going from failure to failure without loss of enthusiasm" (Winston Churchill). The Christian who has failed can fan his enthusiastic determination by remembering God's patient mercy (not giving us what we deserve; Psalm 103:10) and repeating grace (giving us what we don't deserve; Philippians 4:19), and by rehearsing his missional stewardship obligation before God (Psalm 8:6-8; Matthew 25:14-30; 1 Corinthians 4:1-2). Bankruptcy is generally not an option for a follower of Jesus (Proverbs 37:21).

4. ***Plan*** — Using good financial thinking (Luke 14:28-30), determine a "Debt Retirement Plan." A failure to plan is what created the mess (Proverbs 27:12).
    - *List out all your creditors and the amount owed.* "Creditors are a superstitious sect, great observers of set days and times" (Benjamin Franklin).
    - *Target the high-interest debts.*
    - *Commit to a personal budget that will allow you to allocate 20% of your net income to paying off debt.*

5. ***Learn (cf. Luke 3:14; 12:15; Philippians 4:11-13, 19; 1 Timothy 6:6-8; 1 John 2:16)***
    - *Learn the difference between needs (i.e., can't live without) and wants.*
    - *Learn to be content with whatever God allots.*

6. ***Deny*** — Stop borrowing money; stop purchasing on credit (**Illustration**: like turning off the faucet in your flooded house before you started bailed out water). Many financial advisors wisely suggest you lock away or destroy your credit cards (**Illustration**: Burkett: "Preheat your oven to 425 degrees. Grease a cookie pan. Place your credit cards on the pan. Bake for ten minutes.). Use cash, checks, or a debit card to pay for budgeted items; avoid additional spending. You can get out of debt, but it will require tough choices and hard work (cf. Titus 2:11-14).

STAYING OUT DEBT — ITS EVASION

Illustration: "Think of that character in every horror movie who looks at the monster lying motionless on the ground and says, 'Whew, I'm glad that's over.' You know that's the cue for the beast to spring to life and start rampaging again" (Burkett). If you want the monster of debt to stay dead, you will have to take the necessary measures:

1. ***Get accountability (Ecclesiastes 4:9-12; 1 Timothy 6:2b-10, 17-19; Hebrews 3:13).*** Think through what temptations, habits, attitudes got you into your financial imprisonment. Share that with someone who will disciple you in this area.

2. ***Question your spending (Proverbs 27:12; 1 John 2:15-17).***
    - For an unbudgeted purchase, think about it for 48 hours.
    - Ask yourself:[5]
        - Why do I want this?
        - How much use will I get out of it?
        - Is this the best price I can get for it?
        - Considering my financial situation, is it a good idea for me to buy this?

3. ***Use cash instead of credit.*** If you do chose to use a credit card (because of, for example, the promotions), set some guidelines for yourself.
    - Don't use your credit card to purchase items not in your budget. Budget for them and then wait.
    - Pay off your credit card balance each month.
    - If you can't pay off your credit card, stop using it.

4. ***Don't give what you do not have (2 Corinthians 8:12-14).***

5. ***Avoid get-rich-quick schemes (Proverbs 13:11; 28:22).***

6. ***Never co-sign for anyone (Proverbs 6:1-5; 11:15; 17:18).*** If the loan defaults, you'll become responsible for it. This happens more often than not, according to some statistics. It can adversely affect your credit rating.

CONCLUSION

If you are in debt, Christian, take encouragement in knowing that your Savior loves to pay the debts of His people (Matthew 6:12; Romans 4; 6:23; Colossians 2:14)—in fact, Jesus never had any debts, He paid our debt, and He forgave our indebtedness. The gospel offers you a merciful and gracious Savior who can shepherd you through your sins and their consequences. Since He eternally rescued you from spiritual indebtedness, run to Christ for deliverance from financial bondage.

ENDNOTES

[1] Sources: http://bit.ly/1EmKLmO; http://bit.ly/1N2Icy8; http://nerd.me/1bSe3jj; http://bit.ly/1N2K5en; http://bit.ly/1NpY36Z; http://read.bi/1EmLog7; http://cnnmon.ie/1EmPd50; http://bit.ly/1f7tJ5t. Additional statistics about credit cards and young adults (2002, http://bit.ly/1N2Icy8):

- College students carried an average of $552 in credit card debt, while young adults in the same age brackets carried an average balance of $1,465.
- The average amount of credit extended to students was $1,395, which was considerably less than the $3,581 in credit obtained by young adults (non-students) of the same age. The average adult was able to obtain nearly $7,500 in credit.
- College students are more likely to pay off their credit card balance than any other demographic group studied.
- While students are much more likely to pay off their balances, they tend to pay late and exceed their credit limits more frequently than other groups, and therefore incur more fees.

[2] These questions taken from Larry Burkett, *The World's Easiest Guide to Finances* (Chicago: Northfield Publishing, 2000).

[3] Outline is adapted from "The Christian and Debt," a lesson by Dr. Charles Phelps.

[4] These subpoints are taken from Burkett.

[5] These questions are taken from Burkett. Also, John Wesley encouraged the asking of these four questions: (1) "In spending this money, am I acting as if I owned it, or am I acting as the Lord's trustee?" (2) "What Scripture passage requires me to spend this money in this way?" (3) "Can I offer up this purchase as a sacrifice to the Lord?" (4) "Will God reward me for this expenditure at the resurrection of the just?"