



## Lesson 5: THE STEWARD'S TOOL OF A BUDGET (Ryon Reasen)

### INTRODUCTION

Well, we've made it to week 5 of our Financial Stewardship series. Our topic today is one we've built up to because you really need a lot of other information and motivation prior to going into this topic. We've spoken about the spiritual necessity of financial stewardship, saving, giving, debt and a few other topics mixed in. I last spoke on GIVING about a 3-4 weeks ago and as I ended that session I mentioned that we would be talking about personal budgeting and I mentioned that it is a tool that can be used to help you properly steward what you've been given and what God has called you to manage.

As Christians, we are stewards of the Good News (1 Corinthians 4:1) — He expects and has charged us to *go* and *tell*. We are also stewards of the talents and resources that God gives us — a concept we have stated over and over and by now that should be clear in your own mind. You have stewardship responsibility.

We've already looked at 1 Chronicles 29:10-16 more than once where we see God as the creator, giver and owner of everything that He puts in our hands (*we are not owners!*). We've also noted that he doesn't put money or possessions into our hands just so that "*every man can do that which is right in his own eyes*" (Judges 21:25). God's word sets expectations of *how* we engage in stewardship and yes it sets expectations of *how* we engage in financial stewardship. So, to that end we have shown you God's expectation that we engage in giving, the wisdom of saving and the pitfalls and warnings God gives us about debt.

Today's topic is the personal budget (The Financials Steward's Tool). Now, I know I have an uphill battle to fight in engaging a group of young professionals on the topic of both creating and maintaining a personal budget. In fact, some of the books I've read say things like "*never say*

*budget*"! They recommend using the phrase "cash flow plan" because we just have such negative internal reactions to someone telling us that we need to have a budget and need to operate within the constraints of a budget. It feels like hand-cuffs, never flexible, always too tight, anything but fun! In fact, many seem to view it as a form of personal torture.

Let me start off by saying that I do in fact "practice what I preach" in this regard. Jessica and I have been married for over 16 years and we've maintained a personal family budget the entire time. I would be lying if I said that it is always fun, always easy and doesn't take work and communication to agree to a budget and stay within it. However, I can also tell you that I've seen God bless us we've tried to honor Him and live within in His financial plan for us.

We've driven old cars until engines have blown and wheels have literally fallen off. We waited and didn't buy our first house until we had 20% to put down, bought that house on one income and stayed in a house smaller than many of our peers the first 10 years of our marriage. We also were able to pay off that house have two cars paid for and be completely debt free in our early 30s—but not without effort and discipline.

By title I am a Financial Controller where I work and so I've got over 15 years of experience "forcing" people to put budgets together for the company they work for. The reaction there is always the same as well...dread. I mean what person wouldn't want the company to just tell them, "Here is a company credit card. Go ahead travel and spend as you see fit for your job, no questions"? The reality is that businesses can't do that or they go out of business. The smallest form of a business is your home. You can't spend that way either or you'll "go out of business."

I also understand that the reality is that 90-95% of American households operate without a detailed accurate written outline of income and expenses. Call it a budget or a cash flow plan, 90-95% of American households don't have it.

Many of you are familiar with Dave Ramsey. Dave says everyone needs a written budget! He often says you are to "Give every dollar an assignment", "Give every dollar a name." Responses to that statement generally include things like, "A budget? Oh no, not me!" or "I am a free spirit" or "I don't make enough to even need a budget—I already know I don't have enough" or "Budgets are only for nerds!" or "I have things pretty well under control already."

Let's start with a couple very simple definitions for what a budget is:

- "Telling your money where to go" (instead of wondering where it went)
- "A plan or a guideline for spending" (plan or guideline...it changes, it needs to flex, it's a tool)

Really we save it for today because it is a tool to help you with the areas of financial stewardship that we've already spoken about.

### FUNDING YOUR SPIRITUAL BATTLE

Most financial professionals agree that it is 80% behavioral and 20% head knowledge. I guess that means that I have the easy part in teaching the 20% head knowledge. You don't need an MBA to create a personal budget and you don't need a college degree. Sticking to a budget and allowing your desires and actions to be molded by a thought-out and prayed-over plan will take work. Sometimes the budget is the problem, but normally it is the spending and the lack of self-control that are the root issues.

My focus tonight, is to try to be very practical with you for the majority of our time. In fact we are going to use free online software and create an example budget together. Prior to doing that however, I want us understand that spirit vs flesh battles are real in each of our lives and it extends deeply into the area of our personal finances. Creating a budget is beneficial in helping us with our flesh/spirit battles as they relate to finances. Battles like the following 4 areas:

1. **Contentment** — If we lose that battle, there are two options: frustration/envy or the other end, unwise spending.

- *Hebrews 13:5-6* "Keep your life free from love of money, and be content with what you have, for he has said, "I will never leave you nor forsake you." So we can boldly say, "The Lord is my helper; I will not fear; what can man do to me?"
- *Psalms 37:16* "Better is the little that the righteous has than the abundance of many wicked."

- *Philippians 4:11* "Not that I am speaking of being in need, for I have learned in whatever situation I am to be content." — Paul LEARNED this
- *Philippians 4:13* "I can do all things through him who strengthens me." — Contextually you must know that Paul was teaching about CONTENTMENT!

2. **Anxiety (Needless Worry)** — Many people suffer from anxiety over finances. "I've got too much month left at the end of the money." Anxiety is a choice. As hard as it is for us to admit it, it is not trusting that God's plan for us is perfect right now. Trusting that what God has given you is appropriate can help with issues like anxiety. Having a plan and reducing uncertainty also minimizes anxiety.

- *Matthew 6:25-27* "Therefore I tell you, do not be anxious about your life, what you will eat or what you will drink, nor about your body, what you will put on. Is not life more than food, and the body more than clothing? Look at the birds of the air: they neither sow nor reap nor gather into barns, and yet your Heavenly Father feeds them. Are you not of more value than they?" — Jesus clearly tells us not to engage in needless worry.
- Financial Peace — This should be one of the goals we are looking for and in fact Dave Ramsey has written a book entitled *Financial Peace*. I highly recommend it.

3. **Patience/Maturity** — We battle this one all the time. When we want something we just don't like to wait and our culture doesn't help. "Being willing to delay pleasure for a greater purpose is a sign of maturity."

- *Hebrews 6:12* "So that you may not be sluggish, but imitators of those who through faith and patience inherit the promises."
- *2 Corinthians 4:17* "For this light momentary affliction is preparing for us an eternal weight of glory beyond all comparison."

4. **Pride** — Has anyone in here ever had spending issues that really were the result of pride? You bought “whatever” because you just got tired of being seen with that old “whatever.” That is a pride problem.

- *Proverbs 11:2* “When pride comes, then comes disgrace, but with the humble is wisdom.”
- *James 4:6* “God opposes the proud but gives grace to the humble.”

You see we don’t like “budgets” or “cash flow plans” because they point out some of our fundamental issues of the flesh, which we really do need to conquer. Now a budget is not the answer but rather a tool to use and part of the answer. However, a budget and properly tracked expenses also become of mirror of our spending habits, and our spending habits reflect our priorities. That is why we need to do this!

What we just reviewed were some of the *emotions* that are confronted in our *Spirit/flesh* battle. I so much appreciate the simple yet profound truth taught by Pastor Phelps two years ago. That truth is that “our emotions follow what our minds are thinking on.” As it relates to finances, if you are struggling with contentment, anxiety, patience, or pride — the real solution is dying daily to the Spirit and focusing your mind on truth of God’s word. While I do think it is vitally important that you have a budget system in place, I know it is much more important that you have the truth of God’s word planted deeply on your mind controlling your actions and motivations.

## ENVELOPE SYSTEM

Have you ever had a problem that you thought you needed the input of someone else to answer? And then when you began to tell the person the whole situation you were able to answer that question for yourself? You found yourself answering your own question, leaving the other person wondering why you asked. Often times if you will follow a few simple steps you can self-identify the problems in your finances.

In a minute we are going to use a new free online tool to walk through actually creating a personal budget. Before we do that, I wanted to talk about the Envelope System of money management.

- Who here has never heard of the Envelope System for money management?
- Who here will admit that now or sometime in the past you’ve used some form of the Envelope System for your own money management?

Really this is Spending Control 101, but it is a very powerful tool. It is the most basic form of cash management and as a budget system is recommended by most good financial counselors. Technology has obviously reduced the usage of cash and made this tool somewhat less practical but it can still find a useful spot in the budget for many individuals and families.

You take an envelope, you put a category name on it and then you allocate a certain amount of your income to that envelope. You can spend however much you want of what is in that envelope whenever you want to spend it as long as it is for the purpose written on that envelope and as long as there is money in the envelope.

**First personal usage:** I first read about this and started using this method when I was in college. I did landscaping for 3 different families and was paid cash on a weekly basis. Christmas was coming up and I knew I needed to save money for gifts for my mom, my dad, my brother, and this cute curly headed girl I couldn’t wait to get home and see. So I got 4 envelopes, wrote the purpose on the outside and the goal amount and the balance on the outside. I could easily look at what I needed versus what I had and every time I got paid I put a little more in each of those until I knew I had enough money to get each of them a gift. I was already a saver, but that was really my first foray into a personal budgeting process and it was only over a portion of my finances.

**Family example:** My girls don’t know this, but they both have an envelope budget system. For them it is a Tupperware container system. Every time they earn or receive money (yes – even birthday money) they fully allocate their money to three separate categories, or Tupperware containers: Giving, Spending and Saving. They put 10% in Giving, 50% in Spending and 40% in Saving. When they know they are going to have an opportunity to go shopping guess what they do? They go check their spending envelope, grab what they have and then take it with them. Yes – many times that spending envelope is empty! What are we teaching our girls?

1. ***Money is a tool that should be used with thought.*** — It is not all for spending.
2. ***Delayed satisfaction*** — If I don't have the money I can't buy it.
3. ***Giving is a priority.*** — One time they asked, "Dad, can I get something in the church bookstore with my giving money? I would still be giving to the church."
4. ***Saving is a priority (Luke 14:28).*** — We even give them savings goals and bonuses when they reach their goals. Example of the first thing I ever remember saving for: I saved the change my parents gave me for milk at school lunch so that I could buy someone something for Valentine's Day.
5. ***Debt is dumb.*** — If we always help them out by paying for things they can't afford, then in my mind we aren't teaching delayed gratification. In fact, I believe that parents who don't teach delayed gratification to their children are just setting the stage for their children to engage in credit card debt. After all, when mom and dad aren't around to help me out Chase Bank always seems to be there willing to help satisfy my short-term wishes.

#### Two great ways to use this system:

1. ***Category Spending Control:*** If you know you struggle with spending in a certain category, then use this method to get your spending under control for that category.
2. ***Savings Goals:*** (Luke 14:28) Create a clear amount that you need to save and then put the money in a safe place away from your general funds so that your cash truly goes to what your priorities are. This doesn't have to be in cash or in an envelope. Personally we use a separate online only savings account and then use a spreadsheet to keep track of what we are saving for. As an example, we might have \$3,000 in that account and I can look and see that \$2,000 is set aside for our next vehicle purchase, \$500 is for family vacation and the other \$500 is for that fireplace that needs repaired. We transfer money out of our checking to that online savings account and it isn't accessible to us unless we physically go and transfer the money back to our checking for because we are ready to do one of those things we've been saving for.

### 3 budgeting basics

1. ***Create a guideline budget.***
2. ***Track your spending.***
3. ***Adjust as necessary.***

#### Step #1: Create a guideline budget.

- Introduction to *EveryDollar* (YouTube) — <https://www.youtube.com/watch?v=iq0EfTx5O6I>
- *EveryDollar* login for Budget creation — <https://www.everydollar.com/app/#/sign-in>

Let's take a look at a free online tool at EveryDollar.com. This is a new software and service that was launched this year through Ramsey Solutions which is Dave Ramsey's parent company for the various personal finance businesses and services that he offers.

We should be able to set up a draft budget in less than 15 minutes, but it will likely take us more than that as we discuss practical tips about each budget category as we go.

**Ramsey's Priorities:** One thing I noticed right away as I was looking at this software was that it clearly demonstrates Dave's teaching on what our priorities should be with our money. As you create your sample budget, you enter income first. Well if you don't have income then you can't give, save or spend. After you enter your income, the first thought he takes you to is *giving*, then *saving*, then *spending*. Finally, waaaaayyyy down at the bottom he gets to that nasty category of *debt*.

Let's create an example budget together:

- **Income**
  - Single Focus Speaking: \$3,000
- **Giving**
  - Tithe 10%: \$300
  - Ministry & Missions: \$50 — I believe you should set up a special fund in your budget to proactively plan to start

doing this. I don't care if you set aside \$5/month and then give \$50 2x a year to something the Lord lays on your heart. It is a rewarding habit to engage in. We started doing this much later than we should have.

- **Savings**

- Emergency Fund \$50 — Rule of thumb is that you should have 3-6 months of expenses in an emergency fund. 6 months is the recommendation if you have unsteady pay like some commission jobs.
- Christmas Fund: \$50 — I use this as an example that there are things that come up at different times of the year that you should plan for because your income in that month might not cover the infrequent items and debt should not be an option. Also, there are the 3 paycheck months.
- College/Wedding Trip: \$75
- Vacation: \$100

- **Housing**

- Mortgage Payment/Rent: 775
- Maintenance: \$50
- General Utilities: \$150 — Cell Phone, Gas, Electric, Water, Sewage, Cable, Internet, Netflix, etc.

- **Transportation**

- Auto Gas & Oil: \$150
- Car Payment / Replacement: \$150

- **Food**

- Groceries: \$150
- Restaurants/Entertainment: \$60

- **Lifestyle (kind of implies optional right!)**

- Clothing: \$55
- Education: \$350

- Miscellaneous: \$60 — consider this the junk drawer of your budget: Walmart, Dollar Tree, Five Below
- Family Entertainment: \$50 — Remember your budget changes over time and you want to tell money where to go. In this case I want to invest specifically in my family.
- Medical: \$20
- Music Lesson: \$75
- Gifts: \$50
- Jessica BLOW!: \$30
- Ryon BLOW!: \$30

- **Insurance & Tax**

- Health Insurance: \$100
- Life Insurance: \$35
- Auto Insurance: \$35

- **Debt**

- School Loan 1: ZERO

### **STEP #2: Track your expenses.**

Experts have found that when people examine their own spending habits, two things generally happen. First, they are often shocked to discover where their money has been going. Second, and more significantly, they automatically begin to make adjustments that will cut the waste from their monthly spend.

Experts not only say to have a written budget, but they also tell you to track ALL of your spending. I recommend giving it a 90-day trial. That allows you to create a budget and track expense for month 1 and month two then modify your plan and track expenses for month three. You'll probably be amazed at what you learn and even some of the things that change in your own spending.

To track your expenses, write them down, put them in your cell phone list, keep your receipts, look at your bank statements. Track all of your expenses and then categorize everything to see what you are spending

it on. With the *EveryDollar Tracking System*, you can enter income, expenses, or transfers manually; you can also sign up for account linking to automatically pull bank transactions into the software (for a price).

### **STEP #3: Adjust as necessary.**

A good plan will require some flexibility; it will move and be dynamic as your life changes. Don't expect to get it right the first time or for it to stay the same for a long period of time.

## **BIBLICAL PRINCIPLES THAT ADVOCATE PERSONAL BUDGETING**

### **1. Blessings of pattern** — God is an orderly Creator (Genesis 8:22).

- (Gen. 8:22) “While the earth remains, seedtime and harvest, cold and heat, summer and winter, day and night, shall not cease.”
- God has clearly demonstrated throughout the entirety of scripture and in nature around us that He is an orderly creator and his creation displays consistent patterns. Patterns are recognizable and repeatable. What chaos it would be if there were random abnormalities in God's patterns.
- Many times it is the abnormalities in our spending patterns that get us into trouble.

### **2. Blessings of prudence** — There is not virtue in hindsight—it is 20/20—but there is great virtue in foresight (Proverbs 22:3).

- *Proverbs 22:3* “The prudent sees danger and hides himself, but the simple go on and suffers for it.”
- *Prudent* – the prudent looks down the road, sees what is coming and makes a plan for safety. A plan to avoid danger.
- *Simple* – This fool just goes on. The verse does not tell us if he doesn't see the danger or if he ignores the danger, but the result is the same. “He goes on” without a plan, without making adjustments for the impending danger. The result is that he suffers.

- Financial problems and obstacles will come for every one of us here. These principles apply if you are dirt poor or filthy rich. The problems manifest differently but each end of the spectrum has stewardship expectations and each end of the spectrum will fight their flesh in obeying the financial stewardship responsibilities.
- *Prudence* – looks ahead, sees danger and avoids it (it is not hindsight)

### **3. Blessings of planning** — We must plan to succeed (Proverbs 16:3; 9; Luke 14:28).

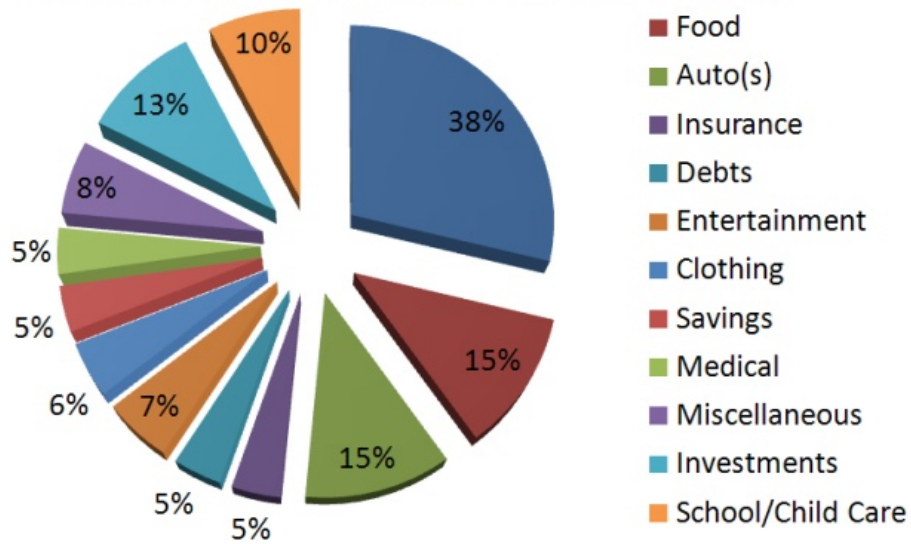
- Some say that “failing to plan is planning to fail” or “if you never set goals you'll always be sure to hit them.”
- *Proverbs 16:3* “Commit your work to the Lord, and your plans will be established.”
- *Proverbs 16:9* “The heart of man plans his way, but the Lord establishes his steps.”
- Can you trust your heart? NO! It is deceitful and desperately wicked.
- *Luke 14:28* “For which of you, desiring to build a tower, does not first sit down and count the cost, whether he has enough to complete it?”

### **4. Blessings of productivity** — We must use our resources wisely (Proverbs 6:6-7).

- *Proverbs 6:6-7* “Go to the ant, O sluggard; consider her ways and be wise. Without having any chief, officer, or ruler, she prepares her bread in summer and gathers food in harvest.”
- God gives us numerous “pictures” in the Bible as examples and lessons for us. This ant is not lazy. This ant anticipates needs and gets busy! She doesn't have a defeated mentality. She doesn't just keep relying on others. In fact, she has no chief, officer or ruler getting her up every day and putting her on the right track. She sees her needs and does her part. She gets productive and then enjoys the fruit of her labor.

## BUDGET CATEGORY GUIDELINES

Maximum Recommended Budget Percentages



Source: Larry Burkett

