



Family Financial Fitness: Mapping Out A Strategy for the New Year

It's January. Resolution time. But have you noticed? Despite all the talk at this season of the year about losing weight, exercising more often, organizing closets, and getting out of debt, very few of us bother to take the first and most obvious step in the direction of achieving our objectives – we don't set *meaningful, written goals* for ourselves. As a result, our determination tends to fizzle by the time the first week of February rolls around.

If you really want to implement substantial changes in your life, you have to be *intentional* and *proactive* about it. The *reactive* approach (our normal human “default” mode) just doesn't cut it. This is particularly true when it comes to managing money.

Anybody who has the responsibility of running a household knows that *fiscal* fitness is vital to the health and well-being of *every* family. To put it another way, family finance isn't something to play around with or leave to chance. If your money situation has reached the point where you find yourself sweating the arrival of each new batch of bills – if you're habitually operating in the red and lying awake nights wondering how you're going to make ends meet – there's no time like the present to take things firmly in hand. Remember, decisions determine destiny. Don't just fret about your financial woes and worries. Take the bull by the horns and *do* something about them – *right now*, before the inspiration of the new year slips away!

Living on a Budget

Exactly *how* do you do that? The answer is simple. Before any more water passes under the bridge, you need to sit down with your spouse and establish a *spending plan* for the coming year. To put it more bluntly – and yes, we *are* about to hit you with one of the least popular and most dreaded of all personal financial concepts – you need to develop a family *budget*. It's the only way to take control of your money, turn the Titanic around, and get things headed in a positive direction.

Basic Strategy

What does it mean to live on a budget? In plain, common sense terms, it's a matter of making sure that your *income* exceeds your *outflow*. If you spend more than you make, sooner or later your coffers will run dry. Either that, or you'll sink into a hopeless pit of debt. “Living within

your means” – *that’s* budgeting in a nutshell, with one important addendum: for a spending plan to be *really* successful, it has to include provisions for keeping your ship afloat even in the face of storms, emergencies, and other unexpected expenses.

Laying the Groundwork

Let’s begin by talking about philosophical underpinnings. Before moving ahead it’s crucial to understand *why* you might want to develop a realistic spending plan. Budgeting isn’t just another word for old-fashioned stinginess. Instead, the financial approach we’re recommending is intended to be an outward expression of deep, inwardly held values and principles. It’s been said that genuine faith is what emerges when *convictions* are put into *action*. The same holds true in the financial realm. What we *do* is a visible manifestation of how we *think* and what we *really believe*. Here are some of the attitudes and spiritual ideals that form the foundation of a working budget.

- 1) At the base of the entire system are seven important *biblical lifestyle principles*. You can’t live as a disciple of Jesus without reorienting your attitude towards God, the world, material possessions, and the meaning of human existence in some pretty radical ways. In turn, these new values and attitudes have earth-shaking implications for your approach to handling money. Here, with appropriate scriptural backup, is a list of the most important of these principles:
 - a) *Prayer*. The Christian life is based on prayer. It’s about seeking God’s guidance and direction for *every* aspect of one’s existence in this world: “Trust in the Lord with all your heart and lean not on your own understanding: in all your ways acknowledge Him, and He will make your paths straight” (Proverbs 3:5, 6).
 - b) *Contentment*. An ability to remain satisfied with one’s standard of living, whether high or low, is also foundational to a genuinely Christ-like lifestyle: “I have learned to be content whatever the circumstances” (Philippians 4:11); “Godliness with contentment is great gain” (1 Timothy 6:6).
 - c) *Freedom from greed*. This is a natural consequence of contentment. Your life can’t be balanced if you’re constantly desiring something you don’t have – especially if that something already belongs to somebody else: “You shall not covet your neighbor’s house. You shall not covet your neighbor’s wife, or his manservant or maidservant, his ox or donkey, or anything that belongs to your neighbor” (Exodus 20:17).
 - d) *No comparison*. Greed and covetousness generally grow out of the impulse to “keep up with the Joneses” – in other words, the temptation to evaluate your lifestyle by comparing it with that of other people. This is what the apostle John had in mind when he wrote about the “lust of the eyes” and the “love of the world:” “Do not love

- the world or anything in the world. If anyone loves the world, the love of the Father is not in him. For everything in the world – the cravings of sinful man, the lust of his eyes and the boasting of what he has and does – comes not from the Father, but from the world. The world and its desires pass away, but the man who does the will of God lives forever” (1 John 2:15-17).
- e) *Gratitude*. If you happen to have wealth or resources, there’s no reason to feel guilty about it. Instead, give thanks: “For everything God created is good, and nothing is to be rejected if it is received with thanksgiving” (1 Timothy 4:4).
 - f) *Simplicity*. This is essentially the idea that “less is more.” It’s a basic element of the character of a New Testament disciple; as Paul writes, “Make it your ambition to lead a quiet life, to mind your own business and to work with your hands, just as we told you, so that your daily life may win the respect of outsiders and so that you will not be dependent on anybody” (1 Thessalonians 4:11-12).
 - g) *Non-conformity*. In the midst of a culture where personal worth is measured in terms of material wealth, it’s crucial for followers of Jesus to stand apart from the crowd: “Do not conform any longer to the pattern of this world, but be transformed by the renewing of your mind. Then you will be able to test and approve what God’s will is – His good, pleasing, and perfect will” (Romans 12:2).
- 2) While pondering these basic biblical ideals, it’s important to gauge your *personal values* by asking yourself this fundamental question: “*How much is enough?*” This is just another way of saying that, when it comes to financial planning, *attitude is key*.
- a) One of the primary factors – perhaps *the* primary factor – that will determine your concept of “enough” is the *level of lifestyle* you intend to achieve and maintain. The principle of contentment (above) becomes relevant at this point. As Paul says, “We brought nothing into this world and it is certain we can carry nothing out. And having food and clothing, with these we shall be content. But those who desire to be rich fall into temptation and a snare, and into many foolish and harmful lusts which drown men in destruction and perdition. For the love of money is a root of all kinds of evil, for which some have strayed from the faith in their greediness, and pierced themselves through with many sorrows” (1 Timothy 6:7-10).
 - b) To answer the question, “How much is enough?,” you need to “know your finish lines.” Establish a firm idea of your family’s needs and goals. This is the best way to avoid falling into the trap of materialism.
 - c) Bear in mind that you will need to keep your eye on two different “finish lines:” *short-term* and *long-term*. *Short-term* “finish lines” will vary and change as your family moves through different stages of life. Your *long-term* “finish line” is the “net worth” you hope to achieve in order to become financially independent at retirement.

- d) Remember that there are two ways to attain “enough”: you can *accumulate more* or *desire less*. The choice you make will have profound implications for your lifestyle and the values that guide your financial decisions in everyday life.

Mapping Out Your Plan

Once you understand these Bible-based perspectives and are clear on your *motives* or *reasons* for taking an intentional, proactive approach to family finances, you’re ready to begin. Here are the steps you’ll need to follow from this point forward as you develop a workable budget plan.

- 1) First, be sure that you apply the *basics of financial planning*. Author and financial planning expert Ron Blue says that they’re “as easy as 4 – 5 – 6:”

a) *The four transcendent planning principles of financial success:*

- Spend less than you earn.
- Avoid the use of debt.
- Maintain liquidity (emergency savings).
- Set long-term goals.

b) *The five basic uses of money:*

- Giving.
- Taxes.
- Debt repayment.
- Saving/Investing.
- Lifestyle choices.

c) *The six common long-term financial goals:*

- Financial independence.
- Maximized giving.
- Debt elimination.
- Lifestyle choices.
- Family needs.
- Starting a business.

- 2) Keeping these guiding concepts in mind, set aside some time with your spouse to write out a number of *specific financial goals or objectives* for the coming year. Your list might include “cover our housing expenses,” “start a savings account,” “pay off credit card debt,” “give more to missions,” or “get our son through his first year of college.”

This process is absolutely essential to the success of any budgeting endeavor. You can't expect to get where you want to go if you don't have carefully defined goals.

- a) If necessary, arrange to take a weekend away together in order to accomplish this objective. Goal-setting is *that* important to the financial health and well-being of your household.
 - b) As we've already indicated, goals should be *measurable*, carefully *documented*, and as *precisely* worded as possible.
 - c) It's also a good idea to concentrate on setting *fewer* but more *far-reaching* goals, always bearing in mind that biblical stewardship is a matter of using *God's* resources to accomplish *God's* purposes in the world.
 - d) Remember, too, that goal-setting is a *faith process* rather than a *scientific formula*. We recommend that you write your goals according to the following formula: "I believe that God would have me _____."
 - e) Write your goals in sand, not concrete – in other words, proceed on the assumption that the Lord has the prerogative to change your plans as He sees fit; as the Scripture says, "A man's heart plans his way, but the Lord directs his steps" (Proverbs 16:9).
 - f) Finally, be aware of the practical benefits of goal-setting.
 - It gives you direction and purpose.
 - It helps crystallize your thinking.
 - It provides personal motivation.
 - It produces a written statement of what you believe to be God's will for *you*.
- 3) Next, *sketch out your budget*. It's with this third step that the process begins to move in a more concrete, practical direction. You can get the ball rolling by asking yourself two simple questions: "What am I spending now?" and "What would I *like* to spend?" The first question is calculated to lead you into a careful assessment and evaluation of your current financial practices. The second represents the point at which your new spending plan or budget actually starts to take shape.
- a) "*What am I spending now?*" Only by taking an honest look at your current spending habits can you get an accurate idea of where you stand and how much work needs to be done in order to put your affairs on a firmer footing. Here's how to do it:
 - Go back over the last 12 to 24 months and gather data from your checkbook registers, credit card receipts, and other records. Include ATM withdrawals and checks written for cash.

- If you can't remember what the money was used for, record the amounts as "miscellaneous."
 - If you don't have past records, consider keeping a spending diary for at least one month. Write down each check, cash expenditure, or automatic draft. As you write a transaction in your spending diary, try to put it in a category for easier review at the end of the month.
- b) "*What would I like to spend?*" This question reflects your first attempt to develop a budget. Ask yourself, "Given my spending history, what would I like the future to look like?" All of us would enjoy spending more on items like entertainment and clothes, but remember – budgeting is about *living within the boundaries of your income*. This involves taking serious stock of your monthly living expenses. You can set up a worksheet for tallying these amounts according to the following system:
- In a vertical column running down the left-hand side of the page, make a list of all of your family and household expenses: for example, housing (including mortgage, insurance, taxes, utilities, maintenance, furnishings, and phone), food, clothing, transportation (including car payments, maintenance, fuel, and insurance), medical costs, children's needs, savings, other types of insurance, income tax, entertainment, giving, and miscellaneous expenditures.
 - Next to this column draw four additional vertical columns. At the head of these columns, running horizontally across the top of the page, write the following category labels: *Actual Prior Month*, *Monthly Expenses*, *Non-monthly Expenses*, and *Total Amount*.
 - Record the amounts you spent last month in the *Actual Prior Month* column. Use them to help you determine the amounts you will put in the next two columns. In the *Monthly Expenses* column, write the amounts you plan to spend each month on each particular item. Expenses paid less regularly go in the *Non-monthly Expenses* column. Multiply the amount in the *Monthly Expenses* column by twelve and add it to the amount in the *Non-monthly Expenses* column. This will give you the Total Amount to be spent on each line-item – for example, \$12,000.00 for housing, \$4,500.00 for food, \$3,000.00 for transportation and so on.
 - Bear in mind that most people underestimate how much they spend by at least 5 percent. After you determine how much you want to spend, add 5 percent to each line-item to give yourself a more realistic picture.
 - Add up all the figures in the *Total Amount* column. Write it in at the bottom of the column in the lower right-hand corner of the worksheet. This is your *Total Budget*. If it exceeds your *Total Income*, something is wrong. If that's your situation, you need to go back to the drawing board and re-crunch your numbers

until the amounts balance – or (ideally) until you come up with a surplus at the end of the year. Remember, the whole idea is to make sure that your *income* exceeds your *outflow*.

If you'd prefer, a number of budgeting software programs will take you through a similar process.

- 4) The fourth step is *re-assessment*. Once you've devised what you consider a realistic budget, work with it, making adjustments as needed, for twelve months. At the end of that time, take another weekend retreat to examine the results and determine whether the current plan is working. Did it leave you with a comfortable margin – that is, did you end the year with extra cash? Or did you fall short and end up incurring debt to cover the deficiency? If you find yourself in the latter situation, it's time to refine your plan again. In plain language, you need to decide where you can make *cuts*. (Hint: begin with “discretionary” spending, such as entertainment and luxury items.)
- 5) Fifth, it's crucial to underscore the importance of including *savings* as one of your regular line-item monthly expenses. In other words, we're encouraging you to discipline yourself to maintain *liquidity*.
 - a) *Liquidity* is just another term for *readily available cash*. An emergency fund containing such cash is vital for the simple reason that the future is so uncertain. Companies downsize, cars break down, medical emergencies arise, and so on. It's startling to consider how quickly you can go bankrupt after missing only a few paychecks. That's why financially fit families are careful to put something away each month against the advent of unforeseen circumstances.
 - b) *How much* of your income should you save? That's not an easy question to answer. There are a number of factors that have to be weighed. A great deal depends on your occupation and the way you generate income. An initial target would be to keep one month's living expenses in your checking account and another two months' worth in savings. If your job is subject to lay-offs, make that three to four months' worth in savings. And if you're entirely dependent upon commissions, it would be a good idea to have *six* months' living expenses safely stowed away where it can be easily accessed at need.
- 6) Finally, if *debt* has become an issue for you, you should also build some kind of repayment strategy into your regular monthly budget plan. Let's take a closer look at *why* this is so important and *how* it can be achieved.
 - a) To begin with, because debt is such a huge problem for so many people in the western world, it's crucial for Christians to know exactly what the Bible *does* and *does not* say about it. The Bible *does not* say:
 - That it's a sin to borrow money.
 - That it's wise to borrow money.

- That God will bail you out of debt.
- That debt is “an exercise in faith.”
- That it’s a sin to loan money.

b) On the other hand, Scripture clearly tells us that

- It’s wrong *not* to repay debts. “The wicked borrows and does not pay back, but the righteous is gracious and gives” (Psalm 37:21).
- It’s foolish to place yourself in a *surety* situation – in other words, to guarantee another person’s loan.
- Debt may violate two biblical principles that are paramount in our relationship with the Lord: first, it always presumes upon the future; and second, it may deny God an opportunity to provide for our needs.

c) Exactly *how* can you manage debt efficiently and start moving in the direction of eliminating it altogether? We recommend you implement the following five-step strategy:

- Figure out where you are financially. In other words, determine your total amount of debt, including your home mortgage and any car payments you’re making.
- Stop going further into debt. If necessary, perform a “plastectomy” (cut up your credit cards) in order to achieve this goal.
- On the basis of your cash flow and living expenses, develop a repayment plan. Decide how much money you can put towards debt repayment each month. Work on eliminating smaller debts first.
- Include this plan as part of your monthly budget.
- Establish some form of accountability. Make regular reports of your progress to a trusted friend or financial advisor.
- Reward yourself when you achieve your goals (but don’t incur further debt in the process!).

Conclusion: God Owns It All

As you move through these steps and begin to implement your budget plan for the new year, remember to keep one overriding consideration foremost in your mind: *God owns it all*. Contained in these four words is the sum and essence of Christian financial fitness. If taken seriously, this concept leads us to four very simple but profound conclusions about the way we ought to live our lives:

- 1) *Stewardship*. If God owns it all, then God has the right to whatever He wants whenever He wants it. We are only His stewards, and as stewards we have no rights — only responsibilities. Accordingly, every financial decision is a *spiritual* decision, and the way we use our money is a true indicator of our spiritual health.

- 2) *We are in a growth process.* Our time on earth is temporary and is to be used for the Lord. Money and material possessions are an important part of this picture. When we *faithfully* keep the charge that God has entrusted to our care, we move closer to Christ.
- 3) *The amount is not important.* If God owns it all, we need to learn how to hold with an open hand whatever He chooses to give us, whether it be little or much.
- 4) *Faith requires action.* God's resources should be used with an eye to God's goals and objectives.

What's the upshot? Simply this – if you're struggling financially, try replacing your traditional New Year's resolutions with a thoughtfully conceived, carefully organized, precisely worded *plan* – a plan that sets forth in straightforward language exactly what you want to do with your financial resources, how you intend to change the unhealthy patterns of the past, and how you expect to reach the goal of being fiscally sound and solvent at the end of another twelve months.

It's not only a more practical and reliable way to achieve your objectives. It's the absolute best deal you can get for your money.