

FINANCES IN THE HOME

Elders and Deacons Meeting 2011

Objective

[Prov.27:23] “Be thou diligent to know the state of thy flocks, and look well to thy herds.”

Being a faithful steward of our spiritual responsibilities includes the material welfare of our home and family.

Introduction

Financial administration is another aspect of managing the day-to-day affairs of our home. Administration is in general, the processes that get things done. As in our automobiles, when the mechanisms are in good running order, we never think too much of them, except perhaps for the routine maintenance that is required from time to time. Our attention is fully on reaching the destination safely and in good order. In a similar way, when the mechanisms of our home are functioning properly, our attention can be focused on fulfilling the purpose of providing for the needs of our family. Well designed and run administrative processes are unseen, yet crucial to the smooth operation of our home.

It is when there is a breakdown and we are left stranded at the side of the road that we suddenly realize the importance of these processes and the vital role they perform. Many homes are thrown into serious difficulty because their financial processes are not properly ordered and maintained. The perception is often that there is not enough money to meet the needs of the family, but more often the root cause is how the financial resources are being administered.

[ref.1, ADVICE ON ADMINISTRATION pg.111-112] “The things I am going to write about administration are not intended to be law, but advice to help in the governing of our affairs that pertain to the natural realm. In fact, for the spiritual person, I believe it is impossible for us to separate the natural from the spiritual. When handled in the proper way, the natural becomes spiritual. It is the same as when something was placed on the altar in the tabernacle in the wilderness, it became holy. All our affairs should become holy.”

“If the Church is to administer the affairs and finances of the kingdom, we must learn to administer in the personal realm now. Even now, our administration reaches beyond the personal level. The elders administer the affairs of the local church according to the teaching of the apostles. They give advice and help in many areas. The older women are to teach the younger women the administration of the home and so on.

Our experience is much the same as the ones Matthew describes in chapter 25:14-30. A man delivered his money to his servants and went to a far country. Two profited and were rewarded, but the third one was afraid and hid his talent in the earth. Consequently, he lost it and any reward as well. Jesus was teaching administration, and it applies whether it is in the spiritual realm or the temporal. This is a time of learning for the administration of the kingdom. If we learn well now, God will give us a place of administration in His Kingdom.”

Scriptural Pattern for the Home

As the husband and wife relationship patterns the relationship between Christ and the church, so our homes pattern the administrative order of the kingdom. We are gaining a deeper appreciation for the importance of setting the 'house in order' as the Lord has revealed. Every work of man will ultimately pass into oblivion, leaving in its stead the enduring work of the Cross. In **Titus 1:5** the apostle Paul wrote "For this cause left I thee in Crete, that thou shouldest **set in order** the things that are wanting , and ordain elders in every city, as I had appointed thee." The work before us largely entails 'setting in order the things that are wanting'. Included in this is our personal lives and our homes.

We understand that the husband is the provider for the home and the wife is the homemaker. Husband and wife come together as they plan and administer their resources to meet the needs of the home. Unity and harmony between husband and wife is a key element in the administrative process. One may be more adept in financial matters, but one should not act without the other's knowledge and consent. It is possible to disagree on a decision without being disagreeable. There is wisdom in taking advantage of one another's strengths, recognizing that we are different because the Lord has intentionally made us different. In doing this we compliment and balance one another, the resulting structure being stronger than the sum of the individual parts.

[Ecc1.4:9-12] "Two are better than one; because they have a good reward for their labour. For if they fall , the one will lift up his fellow: but woe to him that is alone when he falleth ; for he hath not another to help him up. Again, if two lie together, then they have heat: but how can one be warm alone? And if one prevail against him, two shall withstand him; and a threefold cord is not quickly broken."

Putting the Lord First in Everything

[Matt.6:33] "But seek ye first the kingdom of God, and his righteousness; and all these things shall be added unto you."

Putting the Lord first means doing things the way that the Lord would want, rather than the way that we might want. I make Him my head by submitting. He will not take headship by from me, I must give it to Him. I must deliberately make Him my head. That is the first step in setting our house in order.

Key Elements In the Financial Administration of the Home

1. The order of tithing should be practiced faithfully.

[Prov.3:9-10] "Honour the LORD with thy substance, and with the firstfruits of all thine increase: so shall thy barns be filled with plenty, and thy presses shall burst out with new wine."

Practice tithing faithfully at each pay period. Tithe 10% on gross income. Receipts may be used to reduce taxation on income.

[Phil. 4:9] "Whatever you have learned or received or heard from me, or seen in me-- put it into practice. And the God of peace will be with you."

2. The husband is the provider, and the wife is the homemaker.

[1Tim.5:8] “But if any provide not for his own, and especially for those of his own house, he hath denied the faith and is worse than an infidel (unbeliever).”

[Prov.10:4] “He becometh poor that dealeth with a slack hand: but the hand of the diligent maketh rich .”

The husband’s strength and ability to work should benefit the family by providing a stable source of income. By careful and skilful management the wife can stretch the income to meet the family’s current needs plus setting aside for the future.

[One consideration might be to give the wife a fixed monthly budget to manage the household. Specify what is in and what is not in the scope of her budget.]

3. The family should live within the limits of the husband’s income.

Once the children are in school full time, the wife may find that there is time to do some work outside the home. The household should still budget based on the husbands income alone leaving the wife free to end outside employment at any time.

There may be cases of illness or unemployment where the wife’s earnings become the primary source of income, but in general, financial commitments should not be made to the point where both incomes are necessary.

4. Find contentment in moderation.

[1Tim.6:6] “But godliness with contentment is great gain.”

[Heb.13:15] “Let your conversation be without covetousness; and be content with such things as ye have: for he hath said, I will never leave thee, nor forsake thee.”

Contentment doesn’t come from having everything we want, but from being thankful to the Lord for what He has given us. A thankful spirit will find value in the many aspects of the Lord’s hand in their life.

[1Thess.5:18] “In every thing give thanks: for this is the will of God in Christ Jesus concerning you.”

[Prov.12:27] “The slothful man roasteth not that which he took in hunting: but the substance of a diligent man is precious.”

Unthankfulness is actually a spirit of the end times.

[2Tim.3:2] “For men shall be lovers of their own selves, covetous, boasters, proud, blasphemers, disobedient to parents, unthankful, unholy,”

5. Build equity, reduce debt.

Building Equity

Work toward a stable financial future by acquiring assets that retain or increase in value over time. The ability to do this comes from using less of our earnings on those things (though necessary) which will deplete with using, or decrease in value over time. In other word, by being frugal (careful, sparing, economical), we spend less and save more.

Networth is a snapshot of our financial ‘health’. Networth is equal to the saleable (liquid) value of all of our assets, less the sum of all of our debt at a given moment in time.

In general, the purchase of a home, bank savings, and stable (lower risk) investments are the types of assets that will usually increase in value over time. Consumer goods such as; automobiles, clothing, appliances, household furnishings, etc., will typically loose value, or depreciate over time.

We can lessen the impact of depreciation by;

- Not overspending in these areas
- Buying quality and maintaining (Consumer Reports)
- Buying quality used where appropriate

Reducing Debt

[Prov.22:7] “The rich ruleth over the poor , and the borrower is servant to the lender.”

Applying our earnings to reduce debt reduces the cost of interest, ultimately increasing networth. Mortgage agreements for example, that will allow for significant contribution on the principle without penalty are helpful in this regard.

Mortgage example:

Borrow: \$100,000.00 at 5% for 25 year amortization

Principle: \$100,000.00

Interest: \$ 72,100.00 paid out over 25 years

Prepay: \$ 10,000.00 at payment no. 1

Int. Saved \$ 20,700.00 on prepayment

Shortened: 4 years 4 mos.

Buying on credit:

- Typically necessary for purchasing a home, automobile, post-secondary education, (business financing)

Risks

- Increases spending on consumer goods (marketing strategy).
- Interest charges add to final cost – may not be a good bargain after all.
- May result in over-spending, risk of cashflow crisis (can’t make payments).
- Impulse purchasing which doesn’t happen when we have saved for something

Credit cards

Credit cards are an integral part of our life today. In addition to the convenience, there are a number of benefits that make the use of credit cards attractive – ie. consumer points and purchase insurance. Also credit cards are mandatory for some purchases such as rental car, on-line bookings for hotels, airline travel, etc.

Things to watch for;

- High interest charges (19.3%) – PAY IN FULL AT THE END OF THE MONTH OR SHRED THE CARD.
- Over spending: the ease of acquiring a credit card today, and the high purchasing limits promote overspending (impulse buying).
- Risk of credit card fraud / theft

- Higher foreign exchange rates and transaction fees (2.5%)

Lottery

6/49 Lottery statistical probability of winning 1:14,000,000.

- If a draw were made every single day, the statistical probability of winning would be once in every 38,330 years.
- Only 80% of the money collected is given out in prizes. In the long term even winning would be losing proposition.
- Where does the money come from to pay the winners – from the losers.
- Unfortunately, the ones most likely to play the lottery are often the ones who can least afford it.

6. Plan for the future – Life phases

What we do today has a significant effect on our circumstances and opportunities in the future. These effects tend to be cumulative and can be either beneficial or detrimental depending on the choices and actions we take.

0 --1st Phase-- 20 --2nd Phase-- 40 --3rd Phase-- 60 ---4th Phase--- and up (years)
 planting growing maturing harvesting

[Matt.7:21-24] “Not every one that saith unto me, Lord, Lord, shall enter into the kingdom of heaven; but he that doeth the will of my Father which is in heaven....Therefore whosoever heareth these sayings of mine, and doeth them, I will liken him unto a wise man, which built his house upon a rock:

This has application in both spiritual and material realm. Handling our affairs well will bear fruit now and yield benefits on into the future.

Doing the right thing is still the right thing to do.

Setting Goals

Starting a trip with a roadmap and route planned will have a much greater chance of reaching the destination of choice, compared to setting out with only a vague concept of where to go and how to get there.

[Lk.14:28] “For which of you, intending to build a tower, sitteth not down first, and counteth the cost, whether he have sufficient to finish it.”

Making a financial plan is an exercise that has value:

1. It brings husband and wife together in planning and managing their financial future.
2. It improves understanding of financial issues, which lead to better and more informed choices.
3. It identifies goals with specific action plans that will greatly increase the likelihood that these goals will be reached.
4. It provides a mechanism to monitor progress and allows corrective measures to be taken when necessary.
5. It provides the opportunity for expert input to financial decisions.

6. A plan brings clarity and a sense of being in control of our affairs.

Financial Advisor

Using a financial advisor can be beneficial because of their knowledge of finance and investment. They will be current with market trends, tax laws, and investment opportunities, and can provide valuable guidance in these areas. Their experience in long-term financial planning generally brings to the table good insights that can be helpful as we consider various options.

It is not necessary to have a large amount of money to invest before seeking outside help. The greatest asset a young person has is time, and doing the right thing with even a small amount for a long time can yield good results. Getting started early will lead to a better understanding of investment finance which in turn leads to wiser and better informed decisions.

It is important that the financial advisor is willing to speak with us at our level of understanding. For most of us this is a learning experience and we rely on his help to lead us through it. There will be a cost for his services, but the benefit should exceed the expense.

Last Will and Testament

No one likes to think about dying, much less to sit down and plan out what will happen when we do die. However, having a will in place saves the surviving spouse and family a great deal of stress during a time of grief, and helps to avoid conflict where disbursement of the estate assets is required. The will also addresses legal guardianship of children, and as such should be in place when children are born.

Emergency Plan

Having a reserve fund identified that is readily accessible (such as a savings account or other readily liquid asset) without disturbing investments or requiring the sale of other assets is generally recommended by financial advisors. This is intended to offset the effect of a sudden unpredicted expense or short-term loss of income. The amount of the reserve fund depending upon the level of risk and estimated consequences.

Life insurance

It is advisable for the husband to carry life insurance particularly during the time when the family is young and very dependant upon his income. The loss of husband and father would be very traumatic, but insurance that would clear major debt (mortgage, car loan) and provide for an extended period without income would keep the family from a catastrophic financial crisis.