

Financial Freedom - Handout

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WHAT I SPEND / SPENDING PLAN

EARNINGS/INCOME PER MONTH	
Salary #1 (net take-home)	_____
Salary #2 (net take-home)	_____
Other (less taxes)	_____
TOTAL MONTHLY INCOME	\$ _____

	%Guide *	
1. GIVING		\$ _____
CHURCH	_____	
OTHER CONTRIBUTIONS	_____	

2. SAVINGS	5-10%	
		\$ _____
Emergency	_____	
Replacement	_____	
Long Term	_____	

3. DEBT	0-10%	
		\$ _____
CREDIT CARDS:		
Visa	_____	
Master Card	_____	
Discover	_____	
American Express	_____	
Gas Cards	_____	
Department Stores	_____	
EDUCATION LOANS	_____	
OTHER LOANS:		
Bank loans	_____	
Credit Union	_____	
Family / Friends	_____	
OTHER	_____	

4. HOUSING	25-38%	
		\$ _____
MORTGAGE + TAXES / RENT	_____	
MAINTENANCE / REPAIRS	_____	
UTILITIES:		
Electric	_____	
Gas	_____	
Water	_____	
Trash	_____	
Telephone / Internet	_____	
Cable TV	_____	
OTHER	_____	

5. AUTO / TRANSP.	12-15%	
		\$ _____
CAR PAYMENTS / LICENSE	_____	
GAS / BUS / PARKING	_____	
OIL / MAINTENANCE / REPAIR	_____	

6. INSURANCE		
		\$ _____
(Paid by you) 5%		
AUTO	_____	
HOMEOWNERS	_____	
LIFE	_____	
MEDICAL / DENTAL	_____	
OTHER	_____	

7. HOUSEHOLD / PERSONAL	15-25%	
		\$ _____
GROCERIES	_____	
CLOTHES / DRY CLEANING	_____	
GIFTS	_____	
HOUSEHOLD ITEMS	_____	
PERSONAL:		
Liquor / tobacco	_____	
Cosmetics	_____	
Barber / Beauty	_____	
OTHER:		
Books / Magazines	_____	
Allowances	_____	
Music Lessons	_____	
Personal Technology	_____	
Education	_____	
Miscellaneous	_____	

8. ENTERTAINMENT	5-10%	
		\$ _____
GOING OUT:		
Meals	_____	
Movies / Events	_____	
Baby-sitting	_____	
TRAVEL (Vacation / Trips)	_____	
OTHER:		
Fitness / Sports	_____	
Hobbies	_____	
Media Rental	_____	
Miscellaneous	_____	

9. PROF. SERVICES	5-15%	
		\$ _____
Child Care	_____	
Medical / Dental	_____	
Prescriptions	_____	
Legal	_____	
Counseling	_____	
Professional Dues	_____	

10. MISC. SMALL CASH EXPENDITURES	2-3%	
		\$ _____

TOTAL MONTHLY EXPENSES **\$ _____**

TOTAL MONTHLY INCOME	\$ _____
LESS TOTAL MONTHLY EXPENSES	\$ _____
INCOME OVER / (UNDER) EXPENSES	\$ _____

* This is a % of total monthly income. These are guidelines only and may be different for individual situations. However, there should be a good rationale for a significant variance.

MONEY MOTIVATION QUIZ

Directions

For each of the fourteen questions below, circle the letter that best describes your response.

1. Money is important because it allows me to . . .
 - a. Do what I want to do.
 - b. Feel secure.
 - c. Get ahead in life.
 - d. Buy things for others.
2. I feel that money . . .
 - a. Frees up my time.
 - b. Can solve my problems.
 - c. Is a means to an end.
 - d. Helps make relationships smoother.
3. When it comes to saving money, I . . .
 - a. Don't have a plan and rarely save.
 - b. Have a plan and stick to it.
 - c. Don't have a plan but manage to save anyway.
 - d. Don't make enough money to save.
4. If someone asks about my personal finances, I . . .
 - a. Feel defensive.
 - b. Realize I need more education and information.
 - c. Feel comfortable and competent.
 - d. Would rather talk about something else.
5. When I make a major purchase, I . . .
 - a. Go with what my intuition tells me.
 - b. Research a great deal before buying.
 - c. Feel I'm in charge—it's my/our money.
 - d. Ask friends/family first.
6. If I have money left over at the end of the month, I . . .
 - a. Go out and have a good time.
 - b. Put the money into savings.
 - c. Look for a good investment.
 - d. Buy a gift for someone.
7. If I discover I paid more for something than a friend did I . . .
 - a. Couldn't care less.
 - b. Feel it's okay because I also find bargains at times.
 - c. Assume they spent more time shopping, and time is money.
 - d. Feel upset and angry at myself.
8. When paying bills, I . . .
 - a. Put it off and sometimes forget.
 - b. Pay them when due, but no sooner.
 - c. Pay when I get to it, but don't want to be hassled.
 - d. Worry that my credit will suffer if I miss a payment.
9. When it comes to borrowing money I . . .
 - a. Simply won't/don't like to feel indebted.
 - b. Only borrow as a last resort.
 - c. Tend to borrow from banks or other business sources.
 - d. Ask friends and family because they know I'll pay.
10. When eating out with friends I prefer to . . .
 - a. Divide the bill proportionately.
 - b. Ask for separate checks.
 - c. Charge the bill to my bankcard and have others pay me.
 - d. Pay the entire bill because I like to treat my friends.
11. When it comes to tipping I . . .
 - a. Sometimes do and sometimes don't.
 - b. Just call me Scrooge.
 - c. Resent it, but always tip the right amount.
 - d. Tip generously because I like to be well thought of.
12. If I suddenly came into a lot of money, I . . .
 - a. Wouldn't have to work.
 - b. Wouldn't have to worry about the future.
 - c. Could really build up my business.
 - d. Would spend a lot on family and friends and enjoy time with them more.
13. When indecisive about a purchase I often tell myself . . .
 - a. It's only money.
 - b. It's a bargain.
 - c. It's a good investment.
 - d. He/she will love it.
14. In our family . . .
 - a. I do/will handle all the money and pay all the bills.
 - b. My partner does/will take care of the finances.
 - c. I do/will pay my bills and my partner will do the same.
 - d. We do/will sit down together to pay bills.
15. Bonus question: Describe how money was handled in your family of origin. Who managed the family budget? Was that person a spender or a saver? Which are you?

Score: Tally your answers to questions one through fourteen by the letter of your answer:

a. _____ c. _____
b. _____ d. _____

To understand your results, see the explanation on the back of this page.

UNDERSTANDING THE RESULTS OF YOUR MONEY MOTIVATION QUIZ

Money means different things to different people based on a variety of factors such as temperament and life experiences. Often the meaning of money and the way it motivates us is subtle and something we are not always aware of.

This simple quiz is designed to give you an indication of how strongly you are influenced by the following money motivations: Freedom, Security, Power, and Love. None are inherently good or bad, although each certainly has its dark side.

The key to your money motivation is reflected in the relative number of a, b, c, or d answers.

“A” answers indicate that money relates to **Freedom**. To you money means having the freedom to do what you like.

“B” answers indicate that money relates to **Security**. You need to feel safe and secure and you desire the stability and protection that money supposedly provides.

“C” answers indicate that money relates to **Power**. Personal success and control are important to you, and you appreciate the power money sometimes provides.

“D” answers indicate that money relates to **Love**. You like to use money to express love and build relationships.

One of the keys to managing money wisely is to understand our relationship to it. We hope this exercise gives you some helpful insights. You may wish to share your scores with your spouse or a friend and discuss whether their perceptions of your money motivations are consistent with your scores.

FINANCIAL GOALS WORKSHEET (INSTRUCTIONS AND GUIDELINES)

As the old saying goes, "If you fail to plan, you plan to fail." If you don't have written financial goals, you will be more likely to make purchases to satisfy short-term desires and not achieve long-term goals. Reviewing your goals often will help you curb your spending and help you stay on budget.

Make it a priority to reflect on your financial goals. These goals will help you decide how much to save each month. Also, goals will provide the motivation for following through on your decisions in the months ahead.

If you are married, be sure to discuss financial goals with your spouse. Ephesians 5:21 says, "...be subject to one another..." Ron Blue says you can't have financial freedom if you don't have unity with your spouse.

Prioritize goals. Many people become discouraged in the goal-setting phase of budgeting because they quickly realize that they cannot achieve all of their goals immediately. For this reason, you need to concentrate on the most important goals first. For example, if you can't save for the college fund and save for the new car, dream vacation or jet skis at the same time, maybe the list needs to be prioritized and pared down.

Goals should be realistic and achievable. The list should not be a "wish list."

Goals should reflect your values. Values are fundamental beliefs about what is important, desirable and worthwhile. Your beliefs help you select worthwhile goals.

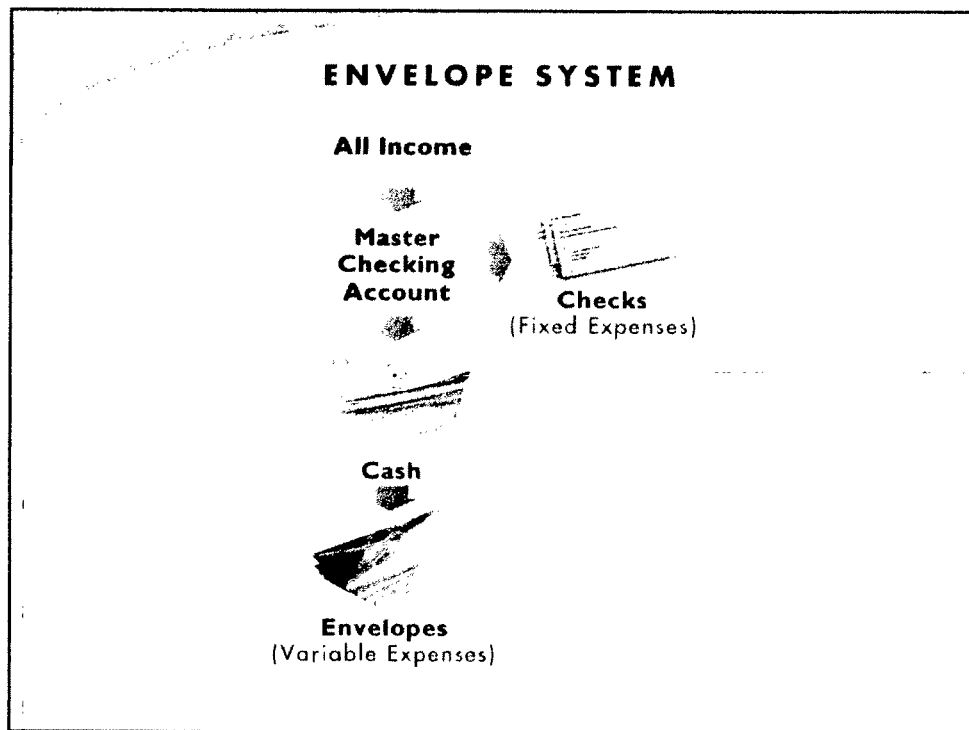
Quantify your goals and determine how much must be saved each month to achieve the goal.

Consider the obstacles that could prevent you from achieving each goal, and ways to overcome them.

Debt Reduction Plan

Item	Amount Owed	Interest	Minimum Monthly Payment	Additional Payment <u>\$150</u>	Payment Plan and Pay-Off Dates				
					3 Months	6 Months	15 Months	22 Months	26 Months
Sears	\$372	18.0	\$15	\$165	Paid!				
Doctor	\$550	0	\$20	\$20	\$185	Paid!			
Visa	\$1,980	19.0	\$40	\$40	\$40	\$225	Paid!		
Master	\$2,369	16.9	\$50	\$50	\$50	\$50	\$275	Paid!	
Auto	\$7,200	6.9	\$259	\$259	\$259	\$259	\$259	\$534	Paid!
Total	\$12,471		\$384	\$534	\$534	\$534	\$534	\$534	0

140 33 20



Let's expand our diagram of the envelope system to reflect these types of payments. You will deposit all income into a master checking account. But now, you don't have envelopes for those categories that you write checks for, such as, your mortgage, utilities, car payment, etc. Controlling them is not a problem. You don't overspend on your rent payments! For the other variable categories which are more difficult to control – food, clothes, entertainment, household, etc. – you have envelopes.

This is all you need to know to get started with the envelope system. An advantage of this system is that you don't have to bother keeping written records. The envelopes and your checkbook become your recordkeeping system. Each pay period you put the budgeted amount of cash into each envelope. What's left at the end of the month tells you how much you spent.

Another huge advantage is that each time you go to an envelope to get cash, it is a tangible reminder of how much you have to spend. That consistent feedback provides a powerful check-and-balance on your spending. Just putting the system in place will reduce spending. Many prefer this system because of its simplicity and because it works.

Month January

Spending Record

Monthly Regular Expenses normally paid by check over a month

	Giving		Savings	Debt			Housing			Auto	Insurance		Misc. Cash Exp.	
	Church	Other		Credit Cards	Educ.	Other	Mort./Rent	Maint.	Util.	Other	Pmnts.	Auto/Home		Life/Med.
(1) Spending Plan	220	90	155	75	50	—	970	90	180	25	270	90	40	65
	110	20	155	75	50	—	970	0		44	270		40	65
	110	10	200						95	(elec)				
									31	(gas)				
									79	(tel)				
(2) Total	220	30	355	75	50	—	970	0	205	44	270	—	40	65
(3) (Over)/Under	—	—	(200)	—	—	—	—	30	(25)	(19)	—	90	—	—
(4) Last Mo. YTD														
(5) This Mo. YTD														

- This page allows you to record major monthly expenses for which you typically write just one or two checks per month.
- Entries can be recorded as the checks are written (preferably) or by referring back to the check ledger at a convenient time.
- Total each category at the end of the month (line 2) and compare to the Spending Plan (line 1). Subtracting line 2 from line 1 gives you an (over) or under the budget figure for that month (line 3).
- Use the "Monthly Assessment" section to reflect on the future actions that will be helpful in staying on course.

Monthly Assessment

Area	(Over)/Under	Reason	Future Action
Clothes	(35)	After-Christmas sales	No new clothes next month
Savings	(200)	Gift from Aunt Mary	N/A
Utilities	(25)	Electricity and phone	Turn down thermostat
Insurance	90	Quarterly bill next month	N/A

Areas of Victory Feels great to be ahead on savings. Thanks, Aunt Mary!
I'm really proud of how we're doing!

Areas to Watch Need to look hard at ways to save on electricity and phone bills.

Now look at the back side of the Spending Record form which tracks regular monthly expenses. Most of these categories would be paid by check except for the last column, Misc. Cash Expenses.

At the bottom of the sheet is a section for a monthly assessment for you to make comments on unusual things that caused you to be over or under plan:

DETAILS OF YOUR SAVINGS/TIMING ACCOUNT

MONEY ADDED TO THE SAVINGS/TIMING ACCOUNT

Month	Monthly Transfer Amount	Savings	Property Taxes	Auto Insurance	Christmas Gifts	Vacation	Other	
Jan	400	200	200					
Feb	400	200	200					
Mar	400	200	200					
Apr	400	200	200					
May	400	200	200					
Jun	400	200	200					
Jul	400	200	200					
Aug	400	200	200					
Sep	400	200	200					
Oct	400	200	200					
Nov	400	200	200					
Dec	400	200	200					

MONEY PAID OUT FROM THE SAVINGS/TIMING ACCOUNT

Month	Monthly Transfer Amount	Savings	Property Taxes	Auto Insurance	Christmas Gifts	Vacation	Other	
Jan	-							
Feb	-							
Mar	-							
Apr	-							
May	-							
Jun	-							
Jul	-							
Aug	-							
Sep	-							
Oct	-							
Nov	-							
Dec	2,400		2,400					

CURRENT RUNNING TOTAL IN THE SAVINGS/TIMING ACCOUNT

Month	Monthly Transfer Amount	Savings	Property Taxes	Auto Insurance	Christmas Gifts	Vacation	Other	
Jan	400	200	200	-	-	-	-	-
Feb	800	400	400	-	-	-	-	-
Mar	1,200	600	600	-	-	-	-	-
Apr	1,600	800	800	-	-	-	-	-
May	2,000	1,000	1,000	-	-	-	-	-
Jun	2,400	1,200	1,200	-	-	-	-	-
Jul	2,800	1,400	1,400	-	-	-	-	-
Aug	3,200	1,600	1,600	-	-	-	-	-
Sep	3,600	1,800	1,800	-	-	-	-	-
Oct	4,000	2,000	2,000	-	-	-	-	-
Nov	4,400	2,200	2,200	-	-	-	-	-
Dec	2,400	2,400	-	-	-	-	-	-

DETAILS OF YOUR SAVINGS/TIMING ACCOUNT

MONEY ADDED TO THE SAVINGS/TIMING ACCOUNT

Month	Monthly Transfer Amount	Savings	Property Taxes	Auto Insurance	Christmas Gifts	Vacation	Other	Other
Jan	-							
Feb	-							
Mar	-							
Apr	-							
May	-							
Jun	-							
Jul	-							
Aug	-							
Sep	-							
Oct	-							
Nov	-							
Dec	-							

MONEY PAID OUT FROM THE SAVINGS/TIMING ACCOUNT

Month	Monthly Transfer Amount	Savings	Property Taxes	Auto Insurance	Christmas Gifts	Vacation	Other	Other
Jan	-							
Feb	-							
Mar	-							
Apr	-							
May	-							
Jun	-							
Jul	-							
Aug	-							
Sep	-							
Oct	-							
Nov	-							
Dec	-							

CURRENT RUNNING TOTAL IN THE SAVINGS/TIMING ACCOUNT

Month	Monthly Transfer Amount	Savings	Property Taxes	Auto Insurance	Christmas Gifts	Vacation	Other	Other
Jan	-	-	-	-	-	-	-	-
Feb	-	-	-	-	-	-	-	-
Mar	-	-	-	-	-	-	-	-
Apr	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-	-
Jul	-	-	-	-	-	-	-	-
Aug	-	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	-
Oct	-	-	-	-	-	-	-	-
Nov	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-

PRIORITY STEPS TO FINANCIAL SECURITY

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
<p>Save \$1,000 in your checking account.</p> <p>Ready for "small" emergency.</p>	<p>Pay off all high-interest, short-term debts:</p> <p>Credit cards</p> <p>Automobiles</p> <p>Small debts</p>	<p>Save one-month's living expenses. (\$4000)</p> <p>Ready for "medium" emergency.</p>	<p>Save 6-9 months' living expenses. (\$30,000)</p> <p>Ready for "large" emergency.</p> <p>Full cash reserves in case of job layoff, disability, accidents.</p>	<p>Save for major purchases:</p> <p>Major home repairs</p> <p>Automobile</p> <p>Furniture</p> <p>Down payment on a house</p>	<p>Save for long term goals including:</p> <p>Children's college, your retirement, your lifetime giving goals.</p>

Top 10 Reasons People Over-Spend

By Debra Vaughn, Editor and Publisher of
The Family Budgeter Online and Newsletter

1. **Keeping up an image** – Many people feel like if they fall below a certain image that the neighbors set, the neighborhood will think less of them, i.e., keeping up with the Jones'. The truth behind this is that the neighbors are thinking and feeling the same way.
2. **Avoidance** – I cannot tell you how many people in all financial situations have told me that when they spend too much money for lunch out with friends, it is to not have to admit to them that they cannot afford to pay the bill for the whole table
3. **The money is on its way** – When people heard they were getting money, they spent it before they had the money in hand.
4. **Credit doesn't feel the same** – Plastic simply does not feel the same as good old fashioned paper cash. For this reason, people use credit more often and tend to over-spend much more than they would if they had used cash instead.
5. **Immediate gratification** – when you can go into a store, see something you think you need NOW, then get credit in 5 minutes or less, you get this sense of accomplishment. After all, you get what you want now, and think of how you are actually going to pay for it later, when the bill arrives.
6. **Lifestyle maintenance** – After a person has lived a certain way for a while and suddenly find themselves in a bad place financially, it is hard to give it up. The lifestyle they have become accustomed to, they feel, must be maintained, even if it means more debt followed by bankruptcy.
7. **Poor as a child** – Many people who are poor as a child feel the need to spend everything they can get their hands on as soon as they can. Perhaps there is a fear of someone taking the money away if it is not spent right away. These people must realize that once it is yours, that is it, it is yours.
8. **Sense of power** – Spending money actually makes many people feel more powerful. Whether it is handing over a wad of cash or pulling out a gold card to charge money, the simple act of spending a large amount of money gives them a rush of false power.
9. **Prove of self worth** – Spending \$40 on a haircut, \$120 on a designer dress, \$130 on a pair of shoes and maybe \$75 on a facial every other week sounds outrageous to most people. However, for many people, it makes them feel like they are someone. It makes them feel like they are worth something to the world.
10. **Just can't say NO!** – This one is the one that I have heard the absolute most. Whether a child asking a parent for the newest fad toy or a spouse wanting the newest computer game, some people just cannot say no! Even if they cannot afford to say yes, they feel like a failure to some degree if the money is not there to meet the wants of the other person. No matter what, these people will make it happen, even if it becomes a dead end to bankruptcy court.

BIBLICAL FINANCIAL PRINCIPLES

Steward's Mindset

God created everything. (Genesis 1:1)
God owns everything. (Psalms 24:1; 50:10, 12b)
We are trustees. (1 Corinthians 4:1-2)

Earning

Be diligent. (Colossians 3:23)
Be purposeful. (Colossians 3:23; 1 Timothy 5:8)
Be grateful. (Deuteronomy 8:18)

Giving

Giving is a key to a satisfied and fulfilled life. We are to give:

As a response to God's goodness. (James 1:17)
To focus on God as our source of security. (Matthew 6:19-20a; 23b-33)
To achieve economic justice.
To bless others. (Genesis 12:2-3)
To break the hold of money.

Saving

It is wise to save. (Proverbs 6:8; 21:20)
It is sinful to hoard. (Luke 12:16-21)

Debt

Repay debt. (Psalm 37:21)
Borrowing reduces risk (Proverbs 22:7)

Spending

Beware of idols. (Deuteronomy 5:8; Romans 1:25)
Guard against greed. (Luke 12:15)
Be content. (Philippians 4:12)

