

Finances

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All of us deal with money. All of us need the basic necessities of life, namely food, clothing, and shelter. Money is one topic in which virtually all of us are interested.

Sadly many people have money problems. Money problems are not confined to the poor only. Wealthy people also have money problems. And yet, some people do not seem to have money problems. Of course, all of us would like some more money. But some people are able to live life without money problems. A lot of this is not due to the amount a person has but his/her attitude towards money. Jesus said, "You cannot serve both God and money." Sadly some people's purpose in life is to have more money. They may not say this in words, but their actions speak loudly that money is what they serve.

Money is a tool. Used properly it can help us. Used improperly, it can cause us problems and damage our lives.

Some people measure their "worth" by how much money they have or by what they own. Money can mostly buy goods (tangible, material things like food) and services (A service is something someone does for you like cut your hair.) Money can give you material wealth. However, it cannot give you worth, which is the value of people. Money cannot give you many of the important things of life like integrity, trust, respect, and good relationships. While money can give you good medical services, it cannot give you good health.

There is a saying "***If your outgo exceeds your income, then your upkeep will be your downfall.***" In other words, if you spend more than you take in, then your lifestyle will fail.

**If your outgo exceeds your income,
then your upkeep will be your downfall.**

All of us need a budget. A budget is merely a plan for using your money wisely. That is all it is.

A budget is a plan for using your money.

Would you go to Cape Town without any planning at all? Probably not. You would decide what you would take. You would pack your bag with some extra clothing. You would take a certain amount of money. You would plan your trip as to when you would leave home and how you would travel. Mostly likely you would plan or at least think about how you would return home. It would be foolish to just start out for Cape Town without any plans at all.

In the same way, we need to have a budget for our money. Not having a budget is sort of like traveling to Cape Town without any plans at all.

How do we develop a budget?

1. Know your income. Usually income comes from job salaries. But sometimes they may come from other sources. First, write down all income. This is all you have.
2. Make a rule for yourself that you will not spend more than you take in. This takes discipline. There are a few exceptions listed below. However, the most important thing you can do is not spend what you don't have. This means staying out of debt. Always.
3. Decide what your basic needs are. Basic needs include the basics of food, clothing, and shelter. It might include other things like transportation or medicine. If there is any money left over, then it can be spent on other items as you wish.
4. Be realistic. Many budgets are not realistic. Let's say you are making a budget. You really like music and you listen to many CDs and tapes, as well as the radio. If this is a very important part of your life, then you need to budget for it, if possible. All money doesn't usually have to be spent only on food, clothes, and shelter. Of course, if you are very poor, this may be the case.

Money is a good servant but a terrible master.

Activity:

Divide into groups of two or three. Make a monthly budget for R500/month, R2000/month, and R10,000/month. How much money is spent daily on food? Housing? Transportation?

Questions:

1. Do you tend to spend whatever you have? What if you had R500,000/month?
2. Do you define yourself on how much money you have?
3. Would you be the same person if you were rich or poor?

Principles of money

All of us use money and need money. However, many people never think about the nature of money and its effect on people.

First of all, poverty is not good. It hurts people and causes much misery. People need enough money for their basic needs of food, clothing, and shelter. There are also other basic needs such as transportation, medical care, schooling, and the like.

It is assumed that you are not living in extreme poverty. It is assumed that, at least in the future, you will have enough money for your basic needs.

John Wesley lived about 200 years ago. He was an Englishman who founded the Methodist Church. He once said, “Work as hard as you can, save as much as you can, and give as much as you can.”

**Work as hard as you can,
save as much as you can, and
give as much as you can.
– John Wesley**

What was John Wesley saying. First, he was saying that work is good. Of course, some people have jobs they do not like. Sometimes people find themselves in situations that they would rather not be in. Many people have jobs they do not enjoy because that is their only option. Wesley is saying that fair pay for fair work is a good thing.

Second, Wesley is saying that we should save money. Why? If we save money through self-discipline, then we will have financial “peace-of-mind.” No doubt you have heard people say “I am free of debt.” They are “free.” Debt entraps or enslaves us. People seldom rest easily when they have huge debts to face.

The fact is that virtually all people can save money, even poor people can save money. It is a discipline.

Third, Wesley is saying we should be generous and give. This may sound foolish at first, but it is not. Generous people are usually the happiest. Material possessions will not make a person happy. Of course, we all need to have basic needs met such as food, clothing, and shelter. As stated above, poverty is not good. However, if we have a full stomach, adequate clothing and housing, then we need to decide what we will do with our money. Usually people who give generously do so by developing giving as a habit.

The most important principle of money is that relationships bring fulfillment to life, not material possessions.

**Relationships bring fulfillment to life,
not material possessions.**

Staying out of debt

Today getting into debt is fairly easy to do. Why is that? Credit card companies, especially, are eager to loan you money. They are happy for you to carry debt. This is because the interest rates for credit cards are high and they can make lots of money this way.

Here is an example. Let's say you want to buy a television but you don't have the money. You see a television on sale for R899.99. That is essentially R900 so we will round off the number and call it R900.

The store tells you that you can have the television now. You don't have to start paying for it for three more months. You think, "Great, I can have the television for three months for *free*."

They then tell you that starting in four months you only have to pay R99 per month for one year or for 12 months. You think, "Great, that isn't so much and I think I can afford that. It's only R99 per month." Actually you will pay a total of R1188 for the television that is worth only R900. ($R99 \times 12 = R1188$)

You bring the television home. After six months a thief comes to your home and steals you television. You no longer have a television but you still owe R891 to the store and you have no television. [You have only paid three months since you got the first three months "free." So you have paid only R297 ($R99 \times 3 = R297$). You still owe R891. ($R99 \times 9 = R891$)]

If you want to find the interest, then it is done this way. Subtract the total from the listed price. ($R1188 - R900 = R288$) Next divide the difference (288) by the listed price (R900).

$$\frac{R288}{R900} = 0.32 \text{ or } 32\% \text{ per year}$$

R900

Since this is for 15 months (three "free" months plus the 12 you have to pay), we figure it for one year (12 months).

$$\frac{15 \text{ months}}{12 \text{ months}} = 1.25 \quad \text{then } \frac{0.32}{1.25} = 0.256 \text{ or } 25.6\% \text{ per year}$$

This is a high interest rate. Even if the thief does not come to visit your home, you will pay lots of interest. This would mean that about one-fifth of all the money you spend is spent on interest. This does not help you at all. This is why people are all too eager to lend you money. Illegal loans will often be a much higher interest rates.

In the USA the average citizen has \$8,562 (about R52,000) credit card debt. The interest rate for credit cards in the USA is about 20%, although this does vary. In 2001, the citizens of the USA paid about \$50,000,000,000.00 (about R300,000,000,000.00) in finance charges most of which was interest.

You may ask, "Is it ever good to borrow money and have debt?" The answer is "yes." Sometimes it is good to borrow money. These exceptions are listed below:

1. Education – Usually education empowers people and enables them to earn much more money in the future. Most experts say that borrowing money for education can be wise move. It is good to talk to a bank or financial advisor about this however so that you can fully understand what you are doing.
2. House – One big difference in buying a house and buying most other things is that the house will usually increase in value over time. In other words, if you buy a house and keep it for 10 years, then it will probably be worth more than what you paid for it. Most items decrease in value over time but a house is usually one that increases.
3. Items that allow you to earn money – Sometimes making a purchase is necessary in order to earn money. For example, a person may need a bakkie in order to do his/her job. Again, it is good to talk to a banker or financial advisor before borrowing money

for a business. You would need insurance on the bakkie and good planning so that the business would be profitable.

4. Other – Sometimes extreme cases will occur, like medical emergencies, and you may have to borrow money. This should be a very rare happening.

The point here is that going into debt is usually not good use of money.

How can you avoid debt? Two easy steps will avoid debt:

1. Make a budget
2. Discipline yourself not to spend more than you earn.