

## **Finance for Dummies**

### **By David Feddes**

Eric Tyson's book *Personal Finance for Dummies* begins by assuring me, the reader, that although the cover of the book says it's for dummies, I'm not really a dummy—or else I wouldn't be reading such a fine book! "Here's what dumb is," writes Tyson.

Dumb is the man who walked into a convenience store, put a \$20 bill on the counter, and asked for change. When the cashier opened the register, the man pulled a gun and demanded all the cash. The crook took the loot—\$15—and fled, leaving his \$20 bill on the counter. Or how about the criminal in Charleston, South Carolina, who robbed a person who lacked cash? The victim offered the assailant a check, which the assailant later attempted to cash at the bank, where—surprise, surprise—he was arrested.

Now, most of us aren't dumb enough to accept a check in a holdup or come out \$5 behind in a robbery, but a good many of us have a lot to learn about money, and *Personal Finance for Dummies* can help. Some advice sounds laughably obvious. For example, the author says:

To accomplish your financial goals, you must live within your means. To live within your means involves three steps:

1. Spend less than you earn.
2. Save what you do not spend.
3. Invest what you save.

Do we really need a book to tell us *that*? Well, as a matter of fact, maybe we do. Many of us spend more than we earn, go deeper into debt to finance our spending, and don't save or invest much of anything to help pay for our kids' education or our own retirement. So although it may sound obvious to say, "Spend less than you earn, save what you don't spend, and invest what you save," it doesn't just happen automatically. Many of us need these basic ideas impressed on us, and we need practical pointers on how we can indeed cut our spending, increase our savings, and invest wisely.

### **Control Spending and Borrowing**

What's necessary in order to spend less than you earn? You might say, "That's easy. I just need a bigger income. If I were making more money, I could make ends meet." But would more money solve your problem? Probably not. The Bible says, "Of what use is money in the hand of a fool, since he has no desire to get wisdom?" (Proverbs 17:16). Many people don't need more money; they need more wisdom in how to handle it. The fact is, you only have so much money coming in. And even if you had more money, you might just come up with new ways to spend it. The Bible says, "Whoever loves money never has money enough; whoever loves wealth is never satisfied with his income" (Ecclesiastes 5:10). Some people who make over \$100,000 a year are deep in debt and think they need a higher income, while others with much less income are debt-free and even save money. So instead of wishing for a bigger income, the surest way to fix your finances is to get smarter and spend less.

A major part of spending less is borrowing less. If you can't pay for something on the spot, don't buy it. Don't run up credit card debts or buy consumer items on payment plans. Buy only what you can pay for. A credit card is okay as a handy way to pay for things without needing to carry too much cash, but if you don't pay off your entire credit card bill every month, you are pouring money down the drain. If you make only the minimum monthly payments, your

debt will grow and grow with the high interest charges. If you keep spending money you don't have, you'll never have any money. So if you haven't been paying off your entire balance every month, or if you can't resist the temptation to use credit cards to buy things you can't pay for up front, trash your credit cards and pay the remaining balance as fast as you can.

The Bible says, "The borrower is servant to the lender" (Proverbs 22:7), and it also says, "Let no debt remain outstanding, except the continuing debt to love one another" (Romans 13:8). If you want to be in debt, go ahead and feel like you always owe more love to others—but don't get yourself into a situation where you always owe more money. Otherwise, you lose your financial freedom. As a borrower, you become a servant to the lender.

Merchandisers have come up with countless ways to buy now and pay later: credit cards, monthly payment plans, rent-to-own, and who knows what else. Don't fall for these things. Don't borrow to buy anything that decreases in value. Don't buy new clothes and shoes and jewelry and furniture on credit cards that aren't paid off. Don't buy a big-screen TV or hot stereo system on a monthly payment plan. Wait till you can pay for it completely, or better yet, don't buy it at all. Learn to be happy with fewer fancy gadgets.

Suppose you're shopping for a computer. The salesperson may tell you to get the cutting edge, expensive model (even if you don't have the money right now) and to buy it on a payment plan. Don't do it. Buy the one on the next shelf that costs only a third as much. After all, just six months ago that cheap machine was cutting edge. And if the cheap one isn't good enough for you and you feel you absolutely must have that splendid computer the salesperson wants you to buy, just wait six months. The machine you want so badly now will be the bargain basement model by then. You'll be able to pay for it up front, and you'll be glad you waited instead of being stuck with months or even years of payments on a machine that is losing value every day you have it.

One of the biggest credit rip-offs is renting-to-own. A \$200 item in a rent-to-own store can end up costing over \$750! Don't use credit or payment plans to buy consumer items that lose value—and that includes cars. A car dealer may brag that you can drive a shiny, new model for only \$199 or \$249 or \$399 a month. That may sound okay, but you end up paying month after month after month, year after year after year. When your car isn't shiny or new anymore, you'll still be making payments and your car will still be losing value. If you can't pay for a car up front, don't buy it. Use public transit, or find a decent used car you can afford.

Never let your cravings get ahead of your savings. The Bible says, "The sluggard's craving will be the end of him, because his hands refuse to work" (Proverbs 21:25). You might wonder, "What's that got to do with buying on credit? It talks about laziness, and I'm not lazy. I'm willing to work." Fine, but are you willing to work enough to pay for the things you want before you actually go out and buy them? If not—if you want it all now, even before you've worked for it—then what you've got is just a more complicated case of laziness. It's not that you won't work at all, but you always want something *before* you work for it, and you always want *more* than you've worked for. The end result, though, is that you end up with less and have to work more just to pay off the bills you've run up.

There may be a few things, such as buying a home or paying for education, that make it necessary for you to take out a loan. But unlike consumer items, houses usually keep their value, and education increases your earning power. What's more, the interest on home and education loans is much lower. Still, even with home and education loans, don't go overboard. It's better to go to a solid school with modest tuition requiring smaller loans than to go to an elitist university where you have to borrow enormous amounts. Likewise, it's wiser to buy a

modest home with payments you can afford than to splurge on a mansion with a monster mortgage.

If you're deep in debt and can't control your spending, there are countless books on personal finance which offer detailed advice on ways to deal with debt and become debt free. They offer advice on making a budget. They also offer money-saving tips, such as buying food in bulk, not wasting money on brand names, eating at home more and in restaurants less, cutting your phone bills by researching the best available plan, getting the best rates on insurance, refinancing your mortgage, paying no more taxes than necessary, cutting out costly alcohol and cigarette habits, not buying lottery tickets, and so forth. Gambling in particular is criticized in *Personal Finance for Dummies*. Eric Tyson says,

It's been well-documented that lotteries and casinos obtain most of their business from those least able to afford them—primarily middle- and low-income earners. Government endorsement of gambling promotes the get-rich-quick mentality. Why get an education and work hard over the years when you can solve all your financial concerns with the next ticket you buy or slot you pull? Gambling, like alcohol and tobacco, can be addictive and destructive. In the worst cases, gambling and gambling debts can split up families and lead to divorce or suicide. It's bad enough that legalized gambling exists. It's even worse that, in the pursuit of short-term profits and a quick fix, more local governments are piling into this business. Government is fostering an irresponsible attitude toward money.

That's not a preacher talking. As a matter of fact, I don't recall any mention of God in Tyson's book. But even from a non-religious, common sense perspective, gambling is financial folly.

Any level-headed financial expert, Christian or non-Christian, would agree with the Bible when it says, "He who works his land will have abundant food, but the one who chases fantasies will have his fill of poverty" (Proverbs 28:19). Trying to get rich quick almost always makes a person poorer. And even if a few people do succeed in grabbing a pile of easy money, they often end up losing it. As the Bible puts it, "Dishonest money dwindles away, but he who gathers money little by little makes it grow" (Proverbs 13:11). Easy come, easy go; but hard-earned money tends to grow. The surest way to accumulate wealth is to work for it, save a little at a time, and invest it wisely.

### **Save and Invest**

Once you learn to control your spending and borrowing, the next step is to save what you don't spend and to invest it wisely. Too many people, even if they manage to avoid credit problems, are still living paycheck to paycheck and are far too quick to spend any extra money that comes their way. If they think they might have a tax refund coming, they plan how to spend it even before they get it. If that's your approach, you need to learn how to save—and the motivation for saving is seeing beyond right now and looking ahead.

The first level in saving is to build up an emergency fund. Financial advisers say that if at all possible, you should have three to six months worth of living expenses in an account you can use any time. That way, if you face an illness or a change in your job situation, you'll have the money to make it through. The Bible encourages us to trust God to care for us each day, but Scripture also encourages us to work hard, think ahead, and store up some reserves. Even if you had only the brains of an insect, you'd want to do that. "Go to the ant," says the Bible, "consider its ways and be wise! ... it stores its provisions in summer and gathers its food at harvest" (Proverbs 6:6-8). If ants have the good sense to store up during good times in order to

be ready for leaner times, shouldn't you also use times of good health and steady income to save something for times when you might not have it so good? Shouldn't a human be at least as smart as a bug?

Thinking ahead and saving for the future begins with building an emergency fund large enough to cover several months of expenses, and once you've done that, you can start saving and preparing for other things that may await you. If you're going to need another car and want to avoid borrowing to get one, you need to save money ahead of time, instead of buying on credit and making payments for years afterward. If you don't own a home but want to do so, you'll need to save at least enough for a down payment. If you have children or hope to have some, you may wish to put something aside for education expenses. And it's wise to save money in special retirement accounts, especially since retirement investments grow tax-free. If it's wise for ants to save for the future, it's wise for you, too.

As you save money, you need to decide how to invest it. Money you may need soon, such as your emergency fund or your savings for a car or home purchase, should be invested in low-risk savings or money market funds. For longer term goals, such as college for the kids or retirement, you might be willing to take a somewhat higher risk on long term investments in stocks and mutual funds. The risk of short-term fluctuations is greater, but the likelihood of long-term returns is also greater.

It's never wise to invest in something you know little about. Avoid hasty decisions and do some careful planning and diligent research. "The plans of the diligent lead to profit," says the Bible, "as surely as haste leads to poverty" (Proverbs 21:5). So don't be in too big a hurry to invest. First become informed about mutual funds, tax-exempt retirement accounts, and other matters relating to personal investment and finance. Good books on the subject can help you understand how mutual funds can diversify your investment across many businesses, across many sectors of the economy, and even across many nations, reducing your overall level of risk. You can also learn how to avoid high-commission salesmen and brokers and find recommendations for good funds with low expense ratios and solid returns.

### **Is Investing Gambling?**

You may wonder whether there's any real difference between investing and gambling, since both involve risk. Well, some types of extreme speculation may be little better than gambling, but overall there's a *huge* difference between gambling and solid, long-term investing, both morally and financially.

Morally, the difference is that gambling tries to get lucky at someone else's expense and take their money while investing tries to help others expand their enterprises. Your money helps various companies to grow, and they in turn help your money to grow. Each party helps the other, instead of trying to rob each other.

Financially, the difference between gambling and investing is that gambling almost always makes you poorer, and investing usually makes you richer. With gambling, a few people win big, the rest lose, and the casino or lottery pockets at least 40% of all the money gambled. By investing in business through stocks, bonds, or mutual funds, people make money most of the time. There are downturns, but over the long haul, most investors come out ahead. Stock investments have grown an average of 11% each year over the past seventy years. To make this personal and practical, if you spend \$20 a week on lottery tickets, you're likely to get nothing out of it, but if you take that same \$20 a week—\$1,000 a year—and invest in a good mutual fund retirement account over a period of thirty or forty years with

compounding returns, you have a good probability of ending up with hundreds of thousands of dollars. "He who gathers money little by little makes it grow" (Proverbs 13:11).

No investment is risk-free, of course, but if you do your homework, avoid get-rich-quick schemes, choose mutual funds that invest broadly across the national and international economy, and are patient enough to hold your investments long-term, your risk is likely to be rewarded. The Bible doesn't encourage gambling, but it does encourage investing. "Cast your bread upon the waters," says the Scripture, "and after many days you will find it again" (Ecclesiastes 11:1). In ancient times, merchants would send goods out on the waters in ships. It was a risk, and they sometimes had to wait quite awhile, but usually the ship would return, bringing a handsome profit. Modern investment vehicles give ordinary people ways to invest with greater diversification and less long-term risk than ancient merchants and with prospects for good returns.

It's fair to say that a book like *Personal Finances for Dummies* is offering sound advice when it says to spend less than you earn, save what you don't spend, and invest what you save. Those guidelines and many practical tips on how to carry them out are consistent with the Bible's practical wisdom on finance.

### **The Ultimate Dummy**

But the Bible doesn't stop there. In fact, it's possible to do everything we've talked about so far and still be a financial fool. When the Bible asks, "Of what use is money in the hand of a fool, since he has no desire to get wisdom?" it can be directed at people who squander everything no matter how high their income, but it can also be directed at those who spend carefully, save regularly, and invest wisely—but pay no attention to God.

Jesus tells the story of a man who seemed to be a financial whiz. He spent less than he earned. He saved what he didn't spend. He invested what he saved and got even richer. He had all the security and insurance anyone could imagine. He was so successful that his only problem, it seemed, was where to keep all his wealth and how to spend it. So he decided to retire early and enjoy himself. He told himself, "You have plenty of good things laid up for many years. Take life easy; eat, drink, and be merry."

"But God said to him, 'You fool! This very night your life will be demanded from you. Then who will get what you have prepared for yourself?'"

"This is how it will be," says Jesus, "with anyone who stores up things for himself but is not rich toward God." (Luke 12:19-21)

That puts the phrase "finance for dummies" in a whole new light, doesn't it? A man does everything a financial counselor could want. He stores up a huge stash for retirement, and what does God say? "You dummy! You fool!" If you're not rich toward God, your money is worthless. If you're not ready for eternity, your retirement plan is beside the point. Hell is a really lousy place to retire. "What good is it," says Jesus, "for a man to gain the whole world, yet forfeit his soul?" (Mark 8:36)

Maybe you know much more about finance than some of us who need books or financial advisors to teach us. Most of this article hasn't told you anything you don't already know. You know it's financially foolish to carry big debts on a credit card or payment plan; you know it's financially foolish not to plan ahead and save regularly; you know it's financially foolish not to invest wisely; and perhaps you don't do any of those foolish things. But are you making mistakes that are even more foolish? Are you good at storing up things for yourself but not rich toward God?

Take the financial principles we've talked about and apply them to your spiritual life. If being debt-free is so important, isn't it far more important to be free of the debt you owe God because of your sin? If it's important to save for emergencies and plan ahead to be ready for a few decades of retirement, isn't it far more important to be ready for death and plan ahead for a never-ending eternity? If it's important to invest wisely for the long-term, isn't it far more important to invest in the eternal kingdom of God and in people who will live forever?

To pay the debt of sin, you can't count on money. Scripture says, "Wealth is worthless in the day of wrath, but righteousness delivers from death" (Proverbs 11:4). Only the blood of Jesus Christ can pay your debt, and only the righteousness of Christ credited to your account can deliver you from death and hell. The Bible says, "The Lord is like a strong tower, where the righteous can go and be safe. Rich people, however, imagine that their wealth protects them like high, strong walls around a city" (Proverbs 18:10-11 TEV). "The wages of the righteous bring them life, but the income of the wicked brings them punishment" (Proverbs 10:16). You need your debt paid through faith in Jesus, and you need to look beyond your immediate circumstances to heaven. Jesus says not to store your treasure on earth, where it's always in danger of being lost, but to store up treasure in heaven, where it can never be lost (Matthew 6:19-20).

How do you invest in heaven? By investing in God's kingdom and in other people. Many books on personal finance say a lot about saving and investing, but few of those books tell you to invest in God's work through your church, through missions, and through helping the needy. Invest at least 10%—and even more than 10 percent if you can afford it. The Bible says, "Honor the Lord with your wealth" (Proverbs 3:9). When you give generously, you're honoring the Lord. You're saying, "Lord, everything I have is yours, and you've been so good to me that even with 10% less, I'll have more than enough." And guess what? As you give to God, he keeps giving to you. He supplies the money you need, along with blessings that money can't buy. People who love money but not God end up miserable, but, says the Bible, "The blessing of the Lord brings wealth, and he adds no trouble to it" (Proverbs 10:22).

So trust in Jesus to pay your debt of sin, seek first the kingdom of God, lay up treasures in heaven, and you may be confident that God will supply anything else you need in this world. As a matter of fact, spiritual wisdom can increase your financial wisdom, and heavenly wealth can enhance your earthly wealth. When you possess true spiritual wealth, you know that "godliness with contentment is great gain" (1 Timothy 6:6), and you're not so tempted to overspend on other items in order to feel good or be happy. You don't fall for gambling and other get-rich-quick schemes. You know that the God who calls you to love him above all also calls you to be financially wise.

The Bible says, "Make it your ambition to lead a quiet life, to mind your own business and to work with your hands... 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). God doesn't want you to worship money, but he doesn't want you to be so careless and foolish with money that you leave a bad impression on others and can't pay your own way. Earn your living, handle your money in a responsible way that deserves respect, and be self-supporting.

To love money and ignore God is the root of all kinds of evil, but to love God and see money as a God-given responsibility is a source of great good. So don't be a financial dummy. Instead, rejoice in eternal riches, and make wise use of earthly riches. Enjoy financial freedom without burdening others, and use the blessings God gives you to honor him and bless others.