

## **Financial Planning**

### **By David Feddes**

*The plans of the diligent lead to prosperity as surely as haste leads to poverty (Proverbs 21:5).*

Do you think you're more talented than the average person? Do you figure on things going well for you in the future? Most of us do. We think highly of ourselves and plan on a bright future. In fact, we tend to be more optimistic than reality warrants.

Most of us think we're better at driving a car than the average driver on the road, and nothing can change our mind about that. One study asked drivers who'd had severe car crashes how skillful they were at driving. These drivers—including those the police had found responsible for the wrecks and even those who'd been so severely injured that they had to answer the survey from hospital beds—insisted they were more skillful than average.

Another survey asked people who were starting new businesses how likely they were to succeed. 81% estimated their chances were at least seven in ten. In reality two-thirds of new businesses fail within five years. In other words, despite just one chance in three of success, four out of five expect to succeed.

People are also overly optimistic about their investments. This isn't just a matter of always expecting markets to rise. Most people expect that whatever the general market does, their particular investments will beat the market. A survey found that 74% of investors expected to beat the market index every year. In reality most funds fail to beat the index in any year, let alone every year. Maybe one reason these investors thought too highly of the future of their investments was that they had no realistic picture of the past performance of their investments. When researchers checked the portfolios of people who claimed to have beaten the market in the past, it turned out that 88% had an exaggerated view of their returns.

We like to think we're more talented than average and more likely to succeed. We think we drive better, plan better, invest better, and we expect that we'll have a better life as a result. But reality doesn't always match our fantasies about ourselves, and the result can be disastrous.

Pride produces bad planning. If you count on markets always going up, your business always churning out big profits, and your job always being stable, you won't save extra money to get you through lean times—and you'll be in trouble if things don't go as well as you'd hoped. If you count on your driving skills to protect you from accidents, your good health to protect you from medical expenses, and your good luck to protect your home from fire, flood, and other damages, you may think you don't need to make insurance plans, but if something bad does happen, the huge bills will leave you financially ruined.

Pride produces bad planning when it makes you feel superior to others and when you make plans based on the assumption that life has to go your way. But pride is at its worst when you assume you can carry out your plans without God. That's the worst planning mistake you can make: leaving God out of the picture.

### **The Ultimate If**

Even if you really are as good a driver as you think, you'll have a safe trip from one place to another only if God guards your life. Even if you really are a super salesman or a bright businessman or a financial whiz, you'll succeed only if God makes it possible. That's the ultimate if: IF IT IS THE LORD'S WILL. You might plan a trip and take it for granted that

you'll arrive safely. You might map out financial plans well into the future and take it for granted that you'll be alive and that things will unfold pretty much as you expect. But the Bible says, Now listen, you who say, "Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money." Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead, you ought to say, "If it is the Lord's will, we will live and do this or that." As it is, you boast and brag. All such boasting is evil. Anyone, then, who knows the good he ought to do and doesn't do it, sins. (James 4:13-17)

God doesn't like being ignored. He belongs at the center of our travel plans, our financial plans, and all our other plans. Every plan we make is conditional on the ultimate if: if it is the Lord's will, we will remain alive and do what we're planning.

Planning isn't bad. In fact, the Bible says it's foolish not to plan ahead. The Lord isn't against planning; he's against making plans as though we're in charge and not God. It's okay to plan hard and work hard, but don't be a blowhard. Don't brag as though you control the future. You can go places and do things IF the Lord gives you life and ability, but you can't do anything if God has other plans. "Many are the plans in a man's heart, but it is the Lord's purpose that prevails" (Proverbs 19:21). God is all-powerful and all knowing; your life is as fleeting and foggy as mist. You can't see even one day into the future or know for sure whether you'll be alive. So, "Do not boast about tomorrow, for you do not know what a day may bring forth" (Proverbs 27:1).

Jesus told the story of a brilliant financial planner. This man wasn't just fooling himself about his financial skill, like some of us do. He really was better than average at business and got superior returns on his investments. He was healthy and wealthy and had big plans for the future. He said to himself, "I'm going to build bigger warehouses, accumulate even more wealth, and have a fabulous lifestyle for a long time to come." But while the rich man was making his plans, God had other plans.

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 12:20-21)

This financial wizard was very smart, yet very dumb. He ignored God's will in at least two ways. First, he focused on his own self-centered goals without asking what God might want him to do with his wealth. Second, he never considered the ultimate IF of whether God would keep him alive long enough to carry out his goals. It never entered his mind to say, "If it is the Lord's will, I will live and do this or that."

Are you any different? When you're making financial plans, do you think of God? In setting your priorities, is your main goal to be rich toward God, or just to be rich? As you move into the future, do you overconfidently expect everything to go as you expect, or are you prepared in case God has other plans? In financial planning and in all your planning, make this your motto: "If it is the Lord's will, I will live and do this or that." Let's see how that motto applies to getting ready for the future.

### **Ready for the Future**

How can you be ready for the future? Well, you can't do it by assuming you know the future and have everything under control. In the Bible God speaks against greedy, godless people who

say, “Tomorrow will be like today, or even far better” (Isaiah 56:11-12). On the contrary, God says, “You do not even know what will happen tomorrow” (James 4:14). Only God knows.

So don’t be overconfident when you’re making financial plans, but don’t be full of worry, either. Worry won’t help a thing. Jesus tells his followers not to worry about material needs. He says that if God provides food for birds and clothing for flowers, then your heavenly Father will certainly meet your needs. Jesus asks, “Who of you by worrying can add a single hour to his life? Since you cannot do this very little thing, why do you worry about the rest” (Luke 12:25-26). Worry might shorten your life, but it certainly won’t lengthen it.

Whether you’re overconfident about your future or overly worried about it, the solution is that same: accept that God is in charge and you’re not. Honoring God as supreme humbles your pride and prevents you from assuming that a pleasant today guarantees a secure tomorrow. At the same time, honoring God as supreme calms your fears and saves you from worrying about all the bad things that might happen or from giving in to despair if something bad does happen. Trust God—that’s the key to calm, realistic planning.

There’s a huge difference between planning and worrying. In worrying you trouble your mind with things you can’t know, and you waste energy on things you can’t control and which may not happen at all. In planning you focus your mind on things you can figure out, you focus your energy on things that are within your power, and then you commit the outcome to God, trusting his loving care for you and resting in his will for your future. So don’t worry. Just plan. Get ready for the future.

We’ve seen that it’s foolish to make proud plans, counting on all sorts of pleasant things that may not happen; and we’ve seen that it’s foolish to be a worrywart, afraid of all sorts of bad things that may not happen. God wants us to make plans based on what seems likely to happen, to prepare also for some things that are less likely but quite possible, and all the while to recognize that our plans are always subject to God’s plans. The motto for all our planning must be, “If it is the Lord’s will, we will live and do this or that.”

Be ready at every moment for the ultimate future when God requires your soul of you and you have to face him. The only way you can be ready for that, that only way you will spend eternity in heaven and not in hell, is through faith in Jesus Christ, a living faith that transforms your life. Jesus’ story of the rich man who died suddenly reminds us that we must never lose sight of eternity but always be ready to meet the Lord at any moment.

Be ready to die, but also be ready to live. God could call you out of this life this very night, but he may also give you many more years to live. You should be prepared for that possibility as well. Be prepared financially for the future.

### **Sensible Savings**

The Bible leaves no doubt that planning is important: “The plans of the diligent lead to prosperity as surely as haste leads to poverty” (Proverbs 21:5). Spur-of-the-moment living tends to make you poor. Careful planning tends to make you prosperous. One important part of financial planning is savings.

Spend less than you earn, and save what you don’t spend. It’s far too easy to spend more money than you earn and pile up debts. Avoid debt wherever possible. Spend less than you earn, and if you find that you have a bit of extra money, don’t immediately run out and spend your surplus. Save for the future.

The Bible tells us to learn from ants. Ants know how to save up for the future. When the season is prosperous and food is plentiful, ants don't eat everything they gather. They store up a surplus so that later on, when food isn't so easy to get, they'll still have plenty to eat from what they've saved (Proverbs 6:8, 30:25). If God gives ants the good sense to store up during good times in order to be ready for the future, shouldn't you and I also build up savings so that we can handle future needs?

The first level of saving is to build up an emergency fund. We don't always know what will happen in the future—but we do know that things won't always go the way we want. Cars break down and need repairs. Gas prices can skyrocket in a short time. Items around the house need to be fixed or replaced. A job can suddenly be lost. All sorts of unexpected expenses can pop up. At such times you don't want to be living paycheck-to-paycheck with nothing in reserve—far better to have a fund saved up that enables you to handle such challenges. Plan ahead for lean times and for possible emergencies and setbacks.

Don't be paranoid, but be prepared. "A prudent man sees danger and takes refuge, but the simple keep going and suffer for it" (Proverbs 22:3, 27:12). How much money should you save in your emergency fund? There's no magic amount, but financial advisors generally recommend an amount somewhere in the range of three to six months' worth of living expenses.

Once you've built up an emergency fund, work on saving additional money for other goals and future needs. If you don't own a home but want one, you need to save at least enough money for a down payment. If you need to buy a car in the future and don't want to go into debt and make car payments for years after you buy it, you need to save the money ahead of time for a car. As a Chinese proverb puts it, "Do not wait until you are thirsty to dig a well." Don't wait until you need something to get the money for it. Set your goals for the future and start saving now.

Even if you're young and in your teens, it's a good idea to think ahead and to save for future goals. Go ahead and enjoy God's blessing in this exciting time of your life, but don't just live for the moment. Think ahead. What are your long-term goals? Start planning and saving for those goals right now. Would you like a university degree? Would you like to get married someday? Would you like to have a home and a family? If so, now is the time to start preparing, financially and prayerfully. Pray that God will help you gather the resources you will need, and don't spend everything on cars, clothes, and parties. Save for your future. The Bible says, "Don't build your house and establish a home until ... you are sure that you can earn a living" (24:27 TEV). If you ignore this wisdom, if you're financially careless in your youth and later start a home with big debts, no savings, and no solid income to pay for your lifestyle, you may be in for personal stress and a broken relationship.

Financial carelessness isn't a minor matter. It's often a symptom of general carelessness. Financial carelessness often goes with sexual carelessness and spiritual carelessness. You spend on whatever you feel like, you go to bed with whomever you feel like, and you ignore the Bible because you don't feel like getting serious about God. You live like there's no tomorrow, and tomorrow you wake up wondering why your finances are a mess, your relationships are a wreck, and God seems far away. It's far better to decide early in life to live not by careless, immediate "whatever-I-feel-like" impulses but by wise foresight based on God's truth in the Bible.

Young people must learn to think ahead, and so must parents. As a father, one of my goals in saving is not only to pay for my children's needs while they are little but to help them if they face major education expenses when they are older. My wife and I want to teach our children

spiritual and practical wisdom in financial planning. As we teach them to save money themselves, we also want to lay aside some resources of our own that will help them avoid running up huge debts paying for a college education. At this point our children are too young for college, and we don't even know whether they will attend college. We can only say, "If it is the Lord's will, we will do this or that." We'd rather have some money saved for their education and not need it than need the money and not have it.

Maybe you've seen bumper stickers that proclaim, "I'm spending my children's inheritance." What a rotten attitude! The Bible says, "A good man leaves an inheritance for his children's children" (Proverbs 13:22). The best inheritance you can leave your children and grandchildren is a heritage of loving God, loving each other, and following God's ways. But it's also good to leave them with a bit of money. That's better than leaving them huge debts because you never taught them to handle money and were more eager to spend their inheritance yourself than to help them launch their own families without debt.

Still another area of sensible saving is getting ready for retirement. The Bible doesn't say that once we reach a certain age, we should stop doing any productive work and devote ourselves entirely to leisure. I'm not urging you to save up for that kind of retirement. But if the Lord gives you long life, you will probably reach a point where you feel it's best not to have all the demands of a full time job. You may not have the full energy and health you once had, or you may simply want to pursue other interests beyond your job and career. The happiest senior citizens I know are not sitting around doing nothing; they stay active serving the Lord, still work part-time or do volunteer work to help others, and enjoy extra travel and time with children and grandchildren. But in order to have the financial freedom to do that, you need retirement savings. And you can't wait till the last minute to start saving. It takes financial planning, regular saving, and sound investing.

### **Reasonable Risk**

That brings us to another area of financial planning: taking a reasonable approach to risk. We don't know what the future holds and must trust God at all times, but there's a difference between reasonable risk and unreasonable risk.

Different investments carry different levels of risk. An investment in a stock mutual fund has a fairly high risk of going down in the short term but less risk of losing money over the long term. An investment in a bank account or money market account has a low risk of going down but also has less potential for a high rate of return over the long term.

What do these different levels of risk mean for investing your savings? The money you save for short-term financial goals should be in low-risk accounts. You want to make sure it's all there when you need it and not have lost half its value just at the time you're dealing with an emergency or paying for your next car. However, the savings you've earmarked for long-term goals such as retirement (if it is still decades away) or college savings (for children who are still small) can be invested in things that are riskier in the short term but more likely to grow in the long term to meet your goals.

Even long-term investments, though, should be in solid companies and diversified mutual funds. Don't jump in and out of the market based on the latest trend. Buy and hold for the long term. Don't risk all your savings for your kids' college or your own retirement on one particular stock that you hope will shoot to the moon but may just as easily crash and burn. And don't risk

any money at all on day trading or gambling. Even wise plans can fail, but foolish plans are almost sure to fail. Invest only with reasonable risk.

Another aspect of dealing with risk is insurance. Does buying insurance show lack of faith in God? No, it just shows that we aren't sure what the future holds. Insurance is one way for large numbers of people to join together in helping one another avoid financial ruin. The Bible says, "A prudent man sees danger and takes refuge, but the simple keep going and suffer for it" (Proverbs 22:3, 27:12).

You may be healthy today, but if you have an accident or illness tomorrow that requires expensive health care, it's good to have health insurance. If something happens that disables you and prevents you from earning a living, you'll be glad you bought disability insurance. If you get in a car accident or there's a fire in your house or someone sues you, you'll be glad you paid for auto insurance, homeowners' insurance, and liability insurance. If you die suddenly, leaving a spouse and children, they will be spared a huge financial burden if you have a life insurance policy that meets their needs. Buying insurance and extended service plans on smaller items like TVs, computers, and VCRS is usually a bad idea for you and a moneymaker for the merchants, but buying insurance just in case of really big troubles can be a way God has provided for you to plan and be prepared for the unexpected.

Never let planning replace faith. As you plan, keep God at the center. Keep listening to the Bible, keep praying for God's wisdom, and keep in mind that the final outcome always depends on him. Pray that he will bless your plans. If you don't have the financial means to save for all your goals, pray that God will provide and help you prioritize. If the future brings challenges you didn't plan for, trust that the Lord will carry you through it and work all things for your good. The motto for all planning is, "If it is the Lord's will, we will do this or that," so the prayer to say in all our planning is the prayer Jesus taught us: "Thy will be done."