



7 STEPS TO FINANCIAL FREEDOM

BASED ON THE "TOTAL MONEY
MAKEOVER" BY DAVE RAMSAY.

lifehouse

INTRODUCTION

"Live like no-one else now, so that later you can live, and give, like no-one else." -Dave Ramsey

We Are Blessed!

Did you know that just by living in Japan with an average salary puts you in the top 1% of wealthiest people in the world?

1 Corinthians 4:2 (NIV)

Now it is required that those who have been given a trust must prove faithful.

What do you think it means, we have been given a "trust"?

Do Well With What You Have

Jesus says that as we do well with what God has given us, God will give us more to steward for him.

Matthew 25:23 (NIV)

His master replied, 'Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!'

Have you been faithful with what God has given you?

What Is Financial Freedom?

Financial freedom means being free from anything that may be holding us back from living the blessed life God has for us.

For many people this means freedom from debt or bad financial decisions.

What Does The Bible Say About Money?

In the New Testament, Jesus offers more wisdom and has more to say about money than any other subject besides the "Kingdom of God.

This shows us how important doing well with money is to God.

The Bible talks about how these areas are important when manage money well for God:

-Budgeting & Planning (*Luke 14:28*)

-Debt (*Proverbs 21:5*)

-Relationships (*2 Corinthians 6:14*)

-Saving (*Proverbs 6:26-28*)

-Investing (*Matthew 25:19-21*)

-Giving (*2 Corinthians 9:7*)

7 Steps To Financial Freedom

The following steps are Bible-based common sense for your finances.

In the world today, sometimes common sense around money is not so common.

These steps are not a get rich quick scheme, but rather building wealth God's way.

STEP 1. Get A Plan For Your Money - Budget Each Month

Average timeline - One week

STEP 2. Save A Beginner Emergency Fund

Average timeline - One month

STEP 3. Get Out Of Debt - The Borrower Is Slave To The Lender

Average timeline - Two years

STEP 4. Save A Full 3-6 Month Emergency Fund

Average timeline - 6 months

STEP 5. Invest For The Future

Average timeline - Ongoing

STEP 6. Steward God's Blessing

Average timeline - Ongoing

STEP 7. Build Wealth, Be Incredibly Generous And Leave A Legacy

Average timeline - Generous at all times

STEP 1. Get A Plan For Your Money - Budget Each Month

"A budget is telling your money where to go, not wondering where it went." -John Maxwell

Do I Need A Budget?

Have you ever had too much month left over at the end of your money?

Have you ever had a fight with your husband or wife because you didn't agree on what you should spend your money on?

Have you ever felt you don't have enough money to do the things you would like?

You need a budget!

"If you aim at nothing you will hit it every time." -Zig Ziglar

Budgeting Brings Freedom

A budget doesn't decide your spending, you decide the budget.

You can decide the boundaries and spend freely up to those boundaries.

Instead of worrying about spending too much, or wondering can you buying something, you feel free to spend up to what you have previously decided.

Proverbs 21:5 (NIV)

The plans of the diligent lead to profit as surely as haste leads to poverty.

What do you think about starting to plan your finance?

Luke 14:28 (NIV)

Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?

What does Jesus say about planning our money?

Budget Meeting

Every month as you are paid have a "budget meeting" with your husband or wife and spend all of your money - on paper.

Give every yen a name and tell it where to go.

There should be nothing left over, but rather everything is allocated.

This is called zero-based budgeting.

Remember to stick to the budget and any changes should be discussed with your spouse first!

Tithing

Why Should We Tithe?

When we tithe we are making God head over all of our finances. We are acknowledging that all that we have belongs to God.

A tithe is—one-tenth of all we produce.

““One-tenth of the produce of the land, whether grain from the fields or fruit from the trees, belongs to the Lord and must be set apart to him as holy.”
Leviticus 27:30 NLT

Where do we tithe?

The storehouse (the church).

“Bring the whole tithe into the storehouse, that there may be food in my house. Test me in this,” says the Lord Almighty, “and see if I will not throw open the floodgates of heaven and pour out so much blessing that there will not be room enough to store it. I will prevent pests from devouring your crops, and the vines in your fields will not drop their fruit before it is ripe,” says the Lord Almighty.”
Malachi 3:10-11 NIV

What does God promise those who tithe?

Blessing and Protection:

In Malachi 3:10-11 God invites us to test Him in His promise of blessing and protection.

Overflow:

When we give God the first and the best, He will cause us to overflow in all that we produce. This means we will have the opportunity to bless others.

“Honor the Lord with your wealth, with the firstfruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine.”
Proverbs 3:9-10 NIV

Set Apart (Made Holy):

God will not only make the 10% holy, He will make the remaining 90% holy too because of the 10% that was offered to Him.

“—just as the entire batch of dough is holy because the portion given as an offering is holy. For if the roots of the tree are holy, the branches will be, too.”
Romans 11:16b NLT

Sample Budget

Work Income (100%) _____

Other Income _____

TOTAL INCOME (100%) _____

Tithes (10%) _____
Investing (15%) _____
Savings (5%) _____
Kids College - (5%) _____
Extra Giving - (5%) _____
TOTAL OVERFLOW (40%) _____

Housing (25%) _____
Utilities (10%) _____
Food (10%) _____
TOTAL NEEDS (45%) _____

Eating Out (2.5%) _____
Misc (2.5%) _____
TOTAL WANTS (5%) _____

Life Insurance (2.5%) _____
Health Insurance (5%) _____
Pension (2.5%) _____
TOTAL INSURANCE (10%) _____

INCOME - OVERFLOW - NEEDS - WANTS - INSURANCE = 0

STEP 2. Save a Beginner Emergency Fund

What's A Beginner Emergency Fund?

Save and set aside 100,000 yen for a "rainy day".

In case something goes wrong, instead of going into debt you can use this emergency fund.

Put it somewhere you can't access easily so you won't be tempted to spend it on that holiday or latest iPhone.

Proverbs 21:20

The wise store up choice food and olive oil, but fools gulp theirs down.

What do wise people do with their money in a good season?

Do You Need "Plastic Surgery"?

If you have trouble spending money that you don't have on credit cards, perhaps you should cut them up!

You can also switch to a "debit card" where the money comes directly from your bank account.

This also helps with budgeting, with a credit card it is like looking in the rear vision mirror.

Credit Card Points

Often times stores or companies offer a "point system".

Many times it is just a system to get you to use the credit card more.

Be wise and live on the money that you have in the bank, not on what you can repay in the future.

Plastic or Cash?

One of the most often cited studies is one conducted by Dun & Bradstreet, where they found that people spend 12-18% more when using credit cards instead of cash.

McDonald's reports its average ticket is \$7 when people use credit cards versus \$4.50 for cash.

Life Insurance

It is a wise thing to take out life insurance to support anyone that relies on your income (eg. spouse, kids) in the case of your death.

A recommended amount is to take out insurance equal to 12 times the income needed each year.

This means the insurance payout can be invested and 8% each year can be drawn to live on, leaving a buffer for the investment to grow and account for inflation.

In most cases the government pension will not cover a families needs (about 150,000 yen / month), so you will need other insurance.

Term Life Insurance vs Whole Life Insurance

Term life insurance is the most simple and inexpensive type of life insurance and is easily available online.

The cost is approximately 1000 yen / month per 10M yen of insurance, and the rate stays the same throughout the whole term.

It may be more expensive depending on your age.

You can decide how long the term should be, but in most cases it is recommended to set the term until your kids are out of college (eg. 20 years)

Whole life insurance is a package of term life insurance, insurance and savings.

It is usually sold in person, has large commissions, and is much more expensive.

In most cases it is best to get your insurance with an insurance company, savings with a bank and investing with a securities company.

Medical Insurance

This is insurance to cover any gap between government health insurance and hospital fees.

Often times for a longer stay in hospital this can be about 5,000-10,000 yen per day or 300,000 per month!

The cost is approximately 2000 yen / month for 10,000 yen of coverage per day and may be more expensive depending on your age.

Most plans also include payments for new or advanced treatments.

Long Term Disability Insurance

This is insurance to cover your loss of income from accidents that prevent you working. It is more expensive than the other insurances as it is much more likely to occur.

The approximate cost is 5,000 yen/month for a 300,000 yen / month salary, and may be more expensive depending on your age.

STEP 3. Get Out of Debt - The Borrower Is Slave To The Lender

Debt is a Weight Around Your Neck that Holds You Back

You will never be able to move into financial freedom as long as you have the weight of debt holding your back.

Whatever you save or invest is reversed by your debt.

It is better to remove the debt first, then move onto building wealth.

Is Debt A Sin?

In the Bible, there is nothing positive written about debt.

It is not mentioned as sin, but there are many cases where it is mentioned as not wise.

In fact God sent Jesus to pay our debt of sin, not to give us a debt!

Proverbs 22:7

The rich rule over the poor, and the borrower is slave to the lender.

What power does the lender have over the borrower?

Attack Your Debt

The only way to get out of debt, is to get mad at your debt and attack it.

You do not need to save, eat out, or go on holidays, instead use any extra money you have to clear your debts.

What Is Debt?

Anything that you did not pay for in full is a form of debt.

This may include:

-Credit Cards

-Student Loans

In Japan 40% of graduates have 3M yen or more in student loans or so called "scholarships" that must be repaid.

In the USA 70% of graduates have an average student debt of \$30,000 or more.

-Family loans

-Personal loans

-Car loans

-Housing loans

Proverbs 6:1-5 (NIV)

1 My son, if you have put up security for your neighbor, if you have shaken hands in pledge for a stranger,

2 you have been trapped by what you said, ensnared by the words of your mouth.

3 So do this, my son, to free yourself, since you have fallen into your neighbor's hands: Go—to the point of exhaustion—and give your neighbor no rest!

4 Allow no sleep to your eyes, no slumber to your eyelids.

5 Free yourself, like a gazelle from the hand of the hunter, like a bird from the snare of the fowler.

What does God say we should do with our debt?

Debt Snowball

List your debts smallest to largest by amount owed, without worrying about interest rates.

Pay minimum payments on all of the debts and put any extra money you can squeeze from your budget onto the smallest one.

Once that first debt is paid, you can take the extra payment you were putting toward that debt and attack the next debt on the list.

Once the next one is paid, take that extra payment and start paying extra on the next debt.

You can knock out all your debts one by one with a great sense of momentum like a snowball growing.

The debt snowball is less about math, and more about getting mad at your debt, starting with small victories that lead to great momentum.

When Can I Be Debt Free?

To calculate how long until you are debt free, simply divide the total debt amount by your monthly savings.

If you don't have any extra money or the timeline is too long, you will need to adjust your budget or get a second job.

STEP 4. Save A Full 3-6 Month Emergency Fund

Get Ready For A Rainy Day

There will be financial emergencies and job losses in life, and you should be ready for them when they come.

Your full emergency fund is like an umbrella for a rainy day.

You don't need it often, but when it rains you have nothing to worry about.

Proverbs 6:6-8 (NIV)

6 Go to the ant, you sluggard; consider its ways and be wise!

7 It has no commander, no overseer or ruler,

8 yet it stores its provisions in summer and gathers its food at harvest.

What can we learn from ants about storing up resources for the future?

Have you had a tough season financially in your life?

Avoiding Debt

With a full emergency fund, you will never need to go into debt again!

This fund should be considered like insurance not savings - you might never need it, but if you do it's there.

It will also bring you peace and help you sleep better at night!

Job Loss

Most people will experience a job loss in their career.

If you have no money saved, it can be challenging to get a new job and keep your confidence.

If you have a full emergency fund, you know that you have 6 months to find a great job and interview well.

STEP 5. Invest For The Future

Investing Is Planning For The Future

Rather than living month to month or paycheck to paycheck, it is wise to have a plan for the future.

In general wealthy people have a financial plan and poorer people have no plan.

Matthew 25:19-21

19 "After a long time the master of those servants returned and settled accounts with them.

20 The man who had received five bags of gold brought the other five. 'Master,' he said, 'you entrusted me with five bags of gold. See, I have gained five more.'

21 "His master replied, 'Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!'

What is Jesus expecting us to do with our money?

Are You Growing Your Money?

If you simply save your money in a bank account, in the future it will not be worth as much due to inflation.

It is our job to educate ourselves on different ways to invest and grow what God has blessed us with.

Name Your Investment Areas

Some common areas that you will save or invest in are:

- Buying a house
- Sending kids to college
- Retirement

Studies show that when you give a name to your savings (vision) you are much more likely to stick to it.

Should I Save Or Invest?

In general if you won't use the money for 5 years or longer, investing will give you a greater return than a savings account.

What Types of Investments Are there?

If you are investing for the long term and assuming an average amount of risk, the most common forms of investing are "mutual funds".

Riskier forms of investing are individual stocks, and safer forms of investing are bonds or bank deposits.

Other types of investing are starting or buying a business or buying real estate.

Whichever type of investing you do, you should always do your own research.

Mutual Funds

Historically the S&P 500 Index Mutual Fund has returned an average 11~12% per year for the last 40 years.

Dave Ramsay recommends to diversify your mutual funds into 4 categories:

- Large Cap (Blue Chip or Large Companies)
- Medium Cap (eg. S&P 500)
- Small Cap (eg. Russell 200)
- International

Investment Accounts

Each country usually has tax free accounts for long term investing which you can use to avoid taxes.

In Japan the most common accounts are:

- Standard Securities Account - withdraw anytime, Tax (~20%) on gains
- NISA Account - withdraw anytime, 5 years Tax Free Investing, No Taxes on Gains
- Junior Kids NISA - withdraw only at 18 years old, 5 years Tax Free Investing, No Taxes on Gains
- iDeco Retirement Account - withdraw only at 60 years old, Tax Free Retirement Investing, No Taxes on Gains

Buying A House

It is good to have at least 5% and preferably a 10% or more down payment to get the best interest rate for a home loan.

Don't buy a house if you still have other debt, as you may run into trouble when you don't have enough money to pay for repairs or taxes.

Retirement

A good rule of thumb is to invest about 15% of your income for the future when you will not work.

You will need to have saved 10-12 times your desired income at retirement, to be able to live on drawing 8% from your investments.

Take care of your own future, and if the government helps with a pension etc., consider that a bonus.

Retirement Investment Goals

If you invest 10,000 yen (\$100) each month into mutual funds returning 12% each year, in 40 years that will become over 100M yen (\$1M)!

If you simply saved that same amount without investing, it would be \$48,000.

The earlier you begin investing, the longer time it has to compound.

Kids College

As college is expensive, it is a good idea to begin saving when kids are born.

You can calculate how much you will need, and start investing now to reach that goal.

For example, to reach 7M yen in 18 years, you will need to invest 20,000 yen / month

for 5 years and then let it grow for another 13 years.

Or you could invest 10,000 yen / month for 18 years to reach 7M yen.

STEP 6. Steward God's Blessing

Live Within Your Means

As we move into more of God's blessing, we should not move away from God's wisdom about finance and continue to keep him first in all areas of our life.

Deuteronomy 8:11-14 (NIV)

11 Be careful that you do not forget the Lord your God, failing to observe his commands, his laws and his decrees that I am giving you this day.

12 Otherwise, when you eat and are satisfied, when you build fine houses and settle down,

13 and when your herds and flocks grow large and your silver and gold increase and all you have is multiplied,

14 then your heart will become proud and you will forget the Lord your God, who brought you out of Egypt, out of the land of slavery.

Do you think there is a temptation to forget God as we move into more blessing?

Buying A House

If you buy too much house, what was supposed to be a blessing may become a curse. Make sure your monthly repayments are less than 25% of your income on a fixed rate mortgage.

The bank will often try to lend you more than that, so you have to know how much you are willing to borrow so that you can comfortably make repayments.

Proverbs 24:27

Put your outdoor work in order and get your fields ready; after that, build your house.

When does the Bible say is a good time to build a house?

You Can Pay Off Your House Early

Any extra money you have after savings can be used to pay off your house ahead of schedule, allowing you to build more wealth in the future.

A home loan is a very large debt, but it is still a debt that needs to be paid off.

Fixed Rate vs Variable Rate Interest

A variable rate is lower, but it may increase in the future.

A fixed rate is set for the entire term of the loan.

It may be higher but you will have no troubles sleeping at night, no matter what the economic situation.

In the USA, in 1973 alone inflation tripled, from 3.9 percent to 9.6 percent.

For many families on a variable rate interest loan it meant they were not able meet their repayments and lost their homes.

Renting vs Owning

In any situation it is best to do the math for yourself.

Generally it will be better to own if you are planning to live in that city for the long term.

You will be paying "rent" to yourself and building equity instead of to someone else.

Buying and selling has fees, so don't want to do that every year.

Investment Properties

Dave Ramsay recommends pay off your own house first, and then you'll have more money to make investments.

He recommends not to take out a loan to make an investment, but instead buy what you can afford - with cash.

If you have a vision for property - invest in mutual funds and buy your property in cash when you have enough saved.

STEP 7. Build Wealth, Be Incredibly Generous and Leave A Legacy

Blessed To Be A Blessing

God blesses us so that in turn we can be a blessing to others.
In the Bible the good samaritan was able to help others because he had extra money.
Being a good steward of our personal finance is ultimately about blessing people.

Give Cheerfully

It is harder to give cheerfully when you are in debt or worried about money.

2 Corinthians 9:7

Each of you should give what you have decided in your heart to give, not reluctantly or under compulsion, for God loves a cheerful giver.

When are the times you have given most cheerfully?

Change Your Family Tree

By getting out of debt and investing for the future, you are changing the finances of your entire family after you.

Proverbs 13:22

A good man leaves an inheritance to his children's children.

How does the Bible say we should bless the next generations?

Building Wealth

With none or fewer payments to make to anyone, and continuing to build wealth, you will be able to live and give like never before.

Your children and grandchildren will have a great start in life because you managed your money well.

You will also be able to be a blessing at any time to any needs you may see.

Investing Goals

If you invest 10,000 yen (\$100) each month into mutual funds returning 12% each year, in 40 years that will become over 100M yen (\$1M).

100,000 yen (\$1000) invested each month into mutual funds returning 12% each year over 20 years will become over 100M yen (\$1M).

100,000 yen (\$1000) invested each month into mutual funds returning 12% each year over 40 years will become over 12,000M yen (\$12M)!

When Should I Start?

Then best time to start was yesterday, and the second best time to start is today!

Don't you wish you had known God's wisdom around finance 10 or 20 years ago?

Start Step 1 today and look forward to one day reaching step 7.

Let's do well with what God has blessed us with, so that in turn we may be a blessing!



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