Lesson 2

Wealth: A Blessing From God

You may say to yourself,
My power and the strength of my hands
have produced this wealth for me.
But remember the Lord your God,
for it is he who gives you the ability to produce wealth,
and so confirms his covenant,
which he swore to your forefathers, as it is today.
Deuteronomy 8:17-18

Since the beginning of time, God has blessed those who are obedient to him. Adam lacked nothing and lived a life of abundance in a garden provided by God. But when Adam sinned, poverty began; and the simple task of tending God's garden became back-breaking, sweaty work. Adam's sin was compounded by the loss of that special spiritual blessing of being able to walk with God.

Later, God established a covenant with Abraham:

I will establish my covenant as an everlasting covenant
between me and you and your descendants
after you for the generations to come,
to be your God and the God of your descendants after you.
The whole land of Canaan, where you are now an alien,
I will give as an everlasting possession
to you and your descendants after you;
and I will be their God.
Then God said to Abraham,
As for you, you must keep my covenant, you and your
descendants after you for the generations to come.
Genesis 17:7-9

With this covenant, God blessed Abraham with great wealth:

The Lord has blessed my master abundantly,
and he has become wealthy.
He has given him sheep and cattle, silver and gold,
menservants and maidservants, and camels and donkeys.
Genesis 24:35

God's covenant continued with Isaac:

That night the Lord appeared to him and said,
"I am the God of your father Abraham.
Do not be afraid, for I am with you,
I will bless you and will increase the number of
your descendants for the sake of my servant Abraham."
Genesis 26:24

He had so many flocks and herds and servants
that the Philistines envied him.
Genesis 26:14

Jacob also had great wealth. His son Joseph was sold into slavery and enjoyed enormous blessings from God in Egypt. God's covenant was passed onto Moses, who led the Israelites out of Egyptian bondage and into the Promised Land filled with milk and honey. Moses warned the Israelites:

Carefully follow the terms of this covenant,
so that you may prosper in everything you do.
Deuteronomy 29:9

God's covenant has been passed on to us. **Galatians 3:13-29** tells us that Christ redeemed us so that Abraham's blessing might come to the Gentiles; if we are Christ's, we are Abraham's seed and heirs to the promise. The promise being spoken of here is a *spiritual* promise. The Apostle Paul speaks of another type of promise, a promise of material blessings:

And God is able to make all grace abound to you,
so that in all things at all times,
having all that you need,
you will abound in every good work.
As it is written:
"He has scattered abroad his gifts to the poor;
his righteousness endures forever."
Now he who supplies seed to the sower
and bread for food
will also supply and increase your store of seed
and will enlarge the harvest of your righteousness.
You will be made rich in every way
so that you can be generous on every occasion,
and through us your generosity will result
in thanksgiving to God.
2 Corinthians 9:8-11

Many of the heroes of biblical faith, including Abraham, Isaac, Jacob, King David, Solomon, and Job, were wealthy. Most of the Founding Fathers of our nation who brought Christianity to America were wealthy as well. God has not promised that all his servants will be wealthy but that we will be *wealthier* when we treat our material blessings as faithful stewards of what rightfully belongs to God. Wealth is neither moral nor immoral, and there is no virtue in poverty. It is not wealth that is condemned by God but the misuse of wealth. But sometimes we live our lives as if we believe that God wants to deprive us or punish us.

The Christian's perspective, therefore, is eternal. Our attitude should be that we hold our possessions lightly, and our lifestyle should reflect that we are free from worry and anxiety. How much we have is not nearly as important as how it is managed. We are all called to be good stewards regardless of how much we have. In the Parable of the Talents **(Matthew 25:14-30)**, it is clear that there are rewards reserved for good stewards and penalties reserved for poor stewards. What a beautiful sight when Christians use their abundance for God's work! The Gospel is spread, the poor are fed, and the light of Christ shines brightly to those who may be led to believe in Him through their example.

What can riches do for you? If you are wicked, they will make you more wicked; if you are righteous, they will make you more righteous. Regardless of your material status, make God your number one priority; and you will enjoy all the bounty God has prepared for you. His message is clear: put Him first, and when you do, great spiritual blessings will follow.

However, as it is written,
No eye has seen,
no ear has heard,
no mind has conceived
what God has prepared for those who love him.
I Corinthians 2:9

Now that we understand how God wants us to use our wealth, let's talk about how wealth is created. We will first discuss an accounting principle and then two other financial principles that are used to create wealth. The first principle of accounting is stated as an equation:

ASSETS – LIABILITIES = EQUITY

Assets are things that you own, such as cash, investments, land, houses, automobiles, etc., or anything of monetary value. Liabilities are debts, such as a mortgage loan or automobile loan. We repay debts with the amount borrowed (the principal) plus the interest. When we subtract what we owe from what we own, the remainder is called equity or net worth. The accounting equation stated another way, then, is ***What I Own Less What I Owe Equals My Net Worth.*** Let's say you own a $300,000 home, owe $250,000 on the mortgage, and want to put it on the market. When the realtor asks you, "How much equity do you have?" he or she is inquiring about how much you will keep if you sold your house for its value and paid off the mortgage. The asset (your house) is worth $300,000, but your liability on the house (your debt) is $250,000; so the house has an equity or net worth of $50,000.

A business manager (or an accountant for the business) prepares numerous financial documents, such as a Balance Sheet, Cash Flow Statement, Income Statement, Bank Statement, etc., which are prepared on a monthly, quarterly, or annual basis. Here is a description of two of these documents:

Balance Sheet—a financial statement that lists the assets, liabilities, and equity of a business used to determine its net worth.

Cash Flow Statement—a financial statement that lists the income and expenses of a business to determine its financial position.

It's important for you to know what kind of financial documents are prepared by businesses because you are running a business too! If you are living independent of your parents, then you are managing a business, albeit a small one. A successful home is organized in much the same way as a successful business, which includes preparing documents such as a Balance Sheet and a Cash Flow Statement. Included at the end of this lesson is a form for your family's Balance Sheet, which should be prepared at least once a year. In Lesson 8 on Budgeting, you will find a sample Cash Flow Statement, which should be prepared monthly.

After reviewing documents used in financial planning, perhaps you now see the importance of building assets and limiting debt to build net worth. Another important financial principle to understand is how interest is measured, which is also stated in a formula:

INTEREST = PRINCIPAL X RATE X TIME

Principal is the amount loaned or invested, Rate is the interest rate or rate of return on the loan or investment, and Time is the length of time money is loaned or invested. A $2,000 loan at 8% incurs twice as much interest as a $1,000 loan at 8%. Likewise, a $2,000 loan at 8% for 2 years generates twice as much interest as the same loan if it is for 1 year. The more you increase the principal, rate of return, or time, the faster interest grows. And interest can work for you or for the bank! Interest works *for* you when you have an investment, and interest works *against* you when you have a loan.

One of the most important principles to understand about obtaining wealth is what Einstein called the 8th Wonder of the World:

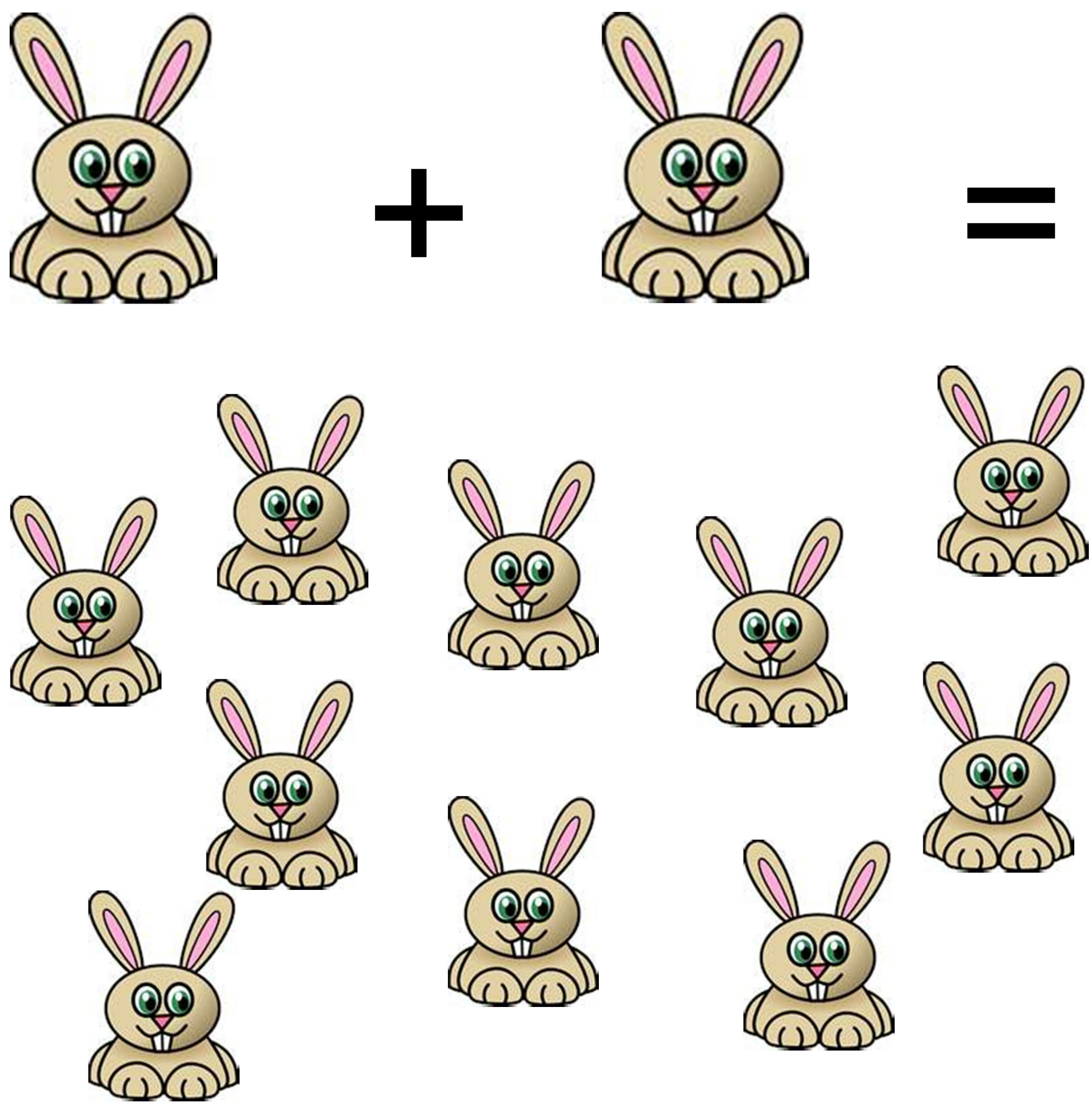
THE POWER OF COMPOUNDING INTEREST

The power of compounding is not only a principle of money management, it is also a principle taught in the Bible:

Isaac planted crops in that land
and the same year reaped a hundredfold,
because the Lord blessed him.
Genesis 26:12

What do you get when you put a daddy rabbit with a mama rabbit? Lots of little bunnies! Just as Isaac's crops multiplied and bunny rabbits multiply, money multiplies. It grows ***exponentially***. ***Exponential*** is a math term that means pertaining to exponents. The best way to describe growth of numbers exponentially is that it's by multiplication, not addition. Just like bunny rabbits, people, and plants, money grows by multiplication rather than addition.

Now let's look at an example of compounding interest. Ben, age 22, invests $1,000 per year compounded annually at 10% for 8 years (or $8,000) until he is 30 years old. For the next 35 years, until he is age 65, Ben makes no more investments. Arthur, age 30, invests $1,000 per year *for 35 years* (or $35,000) until he is 65 years old. His investment also earns 10% compound interest per year. At age 65, who will have the most money—Ben or Arthur? See the following page for the computations.



EINSTEIN'S DISCOVERY: THE 8TH WONDER OF THE WORLD

WHO IS SMARTER—BEN OR ARTHUR?				
Age	**Ben Invests**		**Arthur Invests**	
22	1,000	1,100	0	0
23	1,000	2,310	0	0
24	1,000	3,641	0	0
25	1,000	5,105	0	0
26	1,000	6,716	0	0
27	1,000	8,487	0	0
28	1,000	10,436	0	0
29	1,000	12,579	0	0
30	0	13,837	1,000	1,100
31	0	15,221	1,000	2,310
32	0	16,743	1,000	3,641
33	0	18,418	1,000	5,105
34	0	20,259	1,000	6,716
35	0	22,285	1,000	8,487
36	0	24,514	1,000	10,436
37	0	26,965	1,000	12,579
38	0	29,662	1,000	14,937
39	0	32,628	1,000	17,531
40	0	35,891	1,000	20,384
41	0	39,480	1,000	23,523
42	0	43,428	1,000	26,975
43	0	47,771	1,000	30,772
44	0	52,548	1,000	34,950
45	0	57,802	1,000	39,545
46	0	63,583	1,000	44,599
47	0	69,941	1,000	50,159
48	0	76,935	1,000	56,275
49	0	84,628	1,000	63,002
50	0	93,091	1,000	70,403
51	0	102,400	1,000	78,543
52	0	112,640	1,000	87,497
53	0	123,904	1,000	97,374
54	0	136,295	1,000	108,182
55	0	149,924	1,000	120,100
56	0	164,917	1,000	133,210
57	0	181,409	1,000	147,631
58	0	199,549	1,000	163,494
59	0	219,504	1,000	180,943
60	0	241,455	1,000	200,138
61	0	265,600	1,000	221,252
62	0	292,160	1,000	244,477
63	0	321,376	1,000	270,024
64	0	353,514	1,000	298,127
65	0	388,865	1,000	329,039

Ramsey, David L. *Financial Peace.* Penguin Books, 1997.

. . . . and he never caught up!

You can see from the chart on the previous page that Ben invested only $8,000 and Arthur invested $35,000, but when they were both age 65 Ben had the most money. In this case, the *time* factor was the reason why Ben had so much more. The power in the compounding of interest is that interest earns interest earns interest, etc. Eventually there will be more interest earned than principal.

When I saw this firsthand, I became a believer. After 12 years of investing a percentage of my paycheck each month into a tax-sheltered annuity, I finally saw a modest nest egg; but I was astounded when, just five years later, that nest egg had tripled! There were two factors at play here. I had given my investment *time* to grow, but during those last five years I had changed my *rate of return* by switching from a fixed-rate account to mutual fund stocks. One of my co-workers criticized my investment in the stock market. She said, "I'll stick with the fixed rate. It's safer. At least I know I've got my 2 percent interest." What she failed to realize is that the rate of inflation at that time was greater than 2 percent. Her "safe" investment was actually losing money!

We need to keep in mind that there are factors that can have a negative impact on savings, such as inflation and taxes. Many people invest in certificates of deposit, which pay a slightly higher rate of return than passbook savings accounts. This is considered a highly safe investment; but during the past 60 years, the rate of return on a CD rarely surpassed the rate of inflation. Since taxes also have a negative impact on savings, it is wise to put money into tax-sheltered investments. Lesson 4 will give a more detailed analysis of the various types of investments.

You have heard that you should save for a rainy day. Well, you need an umbrella because it WILL rain! The likelihood of your having a major financial event in your life (job loss, illness, accident, etc.) is about once every ten years. Most of us spend more time planning our vacations or purchasing a car than planning our financial future. We don't wander around aimlessly in other parts of our lives, but we seem to think that will work with money. We don't plan to fail, we just fail to plan! What you don't know about money will make you broke and keep you broke.[8]

The average family will make over $2 million during a working lifetime. That's quite a sum. Financial advisers recommend having from three to six months (or as much as 12 months) of income in liquid assets for an emergency fund to cover whatever might come up, but 49 percent of Americans could cover less than one month's expenses in an emergency. We say we want to retire with dignity; but only 3 percent of people over 65 are financially secure, and 54 percent of them are still working. Bankruptcies among this age group increased 244 percent in a ten-year period.[9]

The greatest threat to building your nest egg is an ugly four-letter word: DEBT. The Forbes 400 is a list of the richest 400 people in America as rated by *Forbes* magazine. When surveyed, 75 percent of the Forbes 400 said the best way to build wealth is to become and stay debt free. If you will live like no one else, later you can live like no one else. This means that if you will live like no one else (debt free), eventually you will live like no one else (wealthy). Dave Ramsey has a seven-step formula for a "Total Money Makeover" to get you totally out of debt and to build wealth.[10] If you are serious about changing your financial future, I highly recommend that you study and follow Ramsey's formula for winning the money game (illustrated on the following page).

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[8] Ramsey, David L. *The Total Money Makeover,* Thomas Nelson, Inc., 2009.

[9] Ibid.

[10] Ibid.

The Total Money Makeover

The Total Money Makeover

Step 1 Establish an emergency fund by saving $1,000 quickly.

Step 2 Get rid of all debt (except the mortgage). Use all non-retirement savings and investments to pay down debt.

Step 3 Finish the emergency fund by saving three to six months of living expenses.

Step 4 Invest 15 percent of your income toward your retirement.

Step 5 Save for your children’s college education.

Step 6 Pay off the home mortgage.

Step 7 Build wealth.

From *The Total Money Makeover* by Dave Ramsey

Ramsey says that you're wealthy when your money makes more than you do. He suggests that your retirement savings are large enough when you can live off of 8 percent of your nest egg each year.[11]

There are three major reasons why we should build wealth:

1. For emergencies
2. For financing purchases
3. For long-term needs

First, families need three to twelve months in liquid savings (cash) for emergencies, such as job loss, accident, or medical problems. These funds should never be touched unless a real emergency occurs. Second, we need money set aside for financing purchases, such as a vehicle or an appliance. When these funds are ready and available, there will be no need for panic when the refrigerator dies and no reason to ask Sears to finance one on the installment plan. Third, we need savings for long-term needs, such as our children's college education, a house, or our retirement. Your rule should be that these funds are never used for anything other than their stated purpose. Buying Christmas presents is *not* a reason to dip into long-term savings!

Wealth is not how much you make—it's what you keep of what you make. There is little correlation between wealth and income. If you consume what you earn, you will never have any assets. Just who are the wealthy? The overwhelming majority of the wealthy in the U.S. live in middle class neighborhoods, drive used cars, and live frugally.[12]

I once heard a financial adviser describe the financial condition of two of his clients, a couple with an income of over $400,000 per year. The husband was a medical doctor, and his wife was an attorney. They came to him for help because they could not get a bank to loan them the money to buy a house. The reason? Their debt ratio. It took 95 percent of their income just to pay their debts, leaving them with 5 percent to pay for living expenses. This high maintenance couple had virtually no assets. They just had a high income with a consumptive lifestyle.

That is not unusual. As my father used to say, "People who look rich usually aren't, and those who are rich don't look it." Ron Blue describes a preacher he once met who asked for financial advice. This preacher had been retired for 20 years and was concerned about whether or not he had enough to live out the remainder of his years on his investments. His assets included $250,000 in cash, money market funds, and certificates of deposit; an additional $350,000 in cash and other liquid investments; and $1,063,000 in stock of a new company that he had purchased for $10,000 when he retired. His assets totaled $1,663,000. Now if you think he was a television evangelist, you're wrong. This was a preacher of modest means who never earned more than $8,000 in any year![13]

In his book, *Rich Dad Poor Dad,* Robert Kiosaki refers to his own father as his "Poor Dad." The older Kiosaki was the school superintendent for the state of Hawaii and earned a generous salary. Kiosaki considered his best friend's father his "Rich Dad." This man had an eighth grade education and was

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[11] Ramsey, David L. T*he Total Money Makeover,* Thomas Nelson, Inc., 2009.
[12] Stanley, Thomas J. and Danko, William D. *The Millionaire Next Door,* Longstreet Press, 1997.
[13] Blue, Ronald W. *Master Your Money,* Thomas Nelson Publishers, 1991.

a successful entrepreneur. He died a multimillionaire, but Kiosaki's real father died broke. Kiosaki's theory is that the wealthy think in a totally different way from the poor and the middle class. One of the reasons why we fail to build wealth is because of the way we think about money. When we were growing up, most of our parents told us: "Study hard and make good grades so that you can find a good company to work for." After we finish school, we are expected to get a job, buy a house, finance automobiles and furniture, and go permanently into debt. The middle class buy liabilities they think are assets. The poor only have expenses. But the rich buy assets and wait until they have accumulated enough assets to purchase the finer things of life.[14]

As Christian women, why should we want to create wealth for ourselves? There are three reasons. First, God wants us to enjoy the bounty he has prepared for us. He doesn't want to give us stones instead of bread. It's not his desire that we live in a continuous state of anxiety about money. We can enjoy his blessings, and he wants us to, but only on his conditions.

If you, then, though you are evil,
know how to give good gifts to your children,
how much more will your father in heaven
give good gifts to those who ask him!
Matthew 7:11

Secondly, having wealth will enable us to obey the Great Commission Christ gave us. By generously giving of our means, we can take the Gospel into the whole world.

Go into all the world and preach the Good News to all creation.
Whoever believes and is baptized will be saved,
but whoever does not believe will be condemned.
Mark 16:15-16

Third, we can use our riches for others. No one would remember the Good Samaritan if he only had good intentions. He had money as well.

Command them to do good,
to be rich in good deeds, and
to be generous and willing to share.
I Timothy 6:18

Understanding that God owns it all, our goal, then, should be to become good stewards of what God has entrusted to our care. Until we accept this principle—God's total ownership—we cannot experience God's direction in financial management. When we look at our resources in this way, obey God, and trust his Spirit to guide us in our financial decisions, we will reap great material and spiritual rewards.

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[14]Kiyosaki, Robert. *Rich Dad Poor Dad.* Warner Business Books, 2000.

SCRIPTURES TO LOOK UP THIS WEEK

Directions: Look up the following scriptures and write a summary for each.

Proverbs 13:22 ____

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Luke 12:15 ____

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II Corinthians 9:10 ____

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Ecclesiastes 5:10-13 ____

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Proverbs 10:15 ____

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Proverbs 10:22 ____

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Matthew 6:19-24 ____

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Luke 10:25-37 ____

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THE _______________ FAMILY BALANCE SHEET

FOR THE DATE OF _________________

Directions: List the dollar value of all of your assets and liabilities. To find your net worth, subtract the total dollar amount of your liabilities from the total dollar amount of your assets.

List of Assets (What you Own)	Asset (What you Own)	Liability (What you Owe)	Equity (Net Worth)
Real Estate	$	$	$
Automobiles			
Trucks			
Boats/Motor Homes			
Checking Accounts			
Savings Accounts			
Certificates of Deposit			
Money Market Accounts			
Mutual Funds			
Stocks and Bonds			
Cash on Hand			
IRAs			
ROTH Accounts			
Annuities			
Retirement Plans			
Life Insurance (cash value)			
Household Furnishings			
Appliances			
Computers			
Clothing			
Tools			
Jewelry			
Art and Antiques			
Credit Card Debt			
Consumer Debt			
TOTALS	$	$	$

ASSETS MINUS LIABILITIES EQUALS NET WORTH