

## LESSON 9

### MAKING PURCHASES

*She considers a field and buys it,  
out of her earnings she plants a vineyard.  
She sets about her work vigorously;  
her arms are strong for her tasks.  
She sees that her trading is profitable,  
and her lamp does not go out at night.*

**Proverbs 31:16-18**

Benjamin Franklin once said: “A penny saved is a penny earned.” If he were living today, I think Ben might say it a bit differently: “A dollar saved is a dollar earned.” If you feel that you’ll never be able to scrape together that extra \$100 a month to put into a savings account, it may be easier than you think. Some people say that we shouldn’t sweat the small stuff. But by being more careful with some of the smaller expenses, that elusive \$100 may not be so difficult to come by.

As manager of your family’s resources, you are actually running a small business. No family has unlimited resources. Every time you make a purchase, there is another price to pay: your opportunity cost. By making that purchase you are giving up the opportunity to use that money for something else. Taking an extra hour or two each month to plan can mean a substantial savings that will put that extra \$100 into your savings account. How long has it been since you did one of the following?

- You telephoned three pharmacies to get the prices on a prescription.
- You scanned the newspaper for weekly grocery specials.
- You clipped coupons and actually used them.
- You baked something from scratch.
- You made your own dress.

*Go to the ant, you sluggard;  
consider its ways and be wise!  
It has no commander, no overseer or ruler,  
yet it stores its provisions in summer  
and gathers its food at harvest.*

**Proverbs 6:6-8**

My mother-in-law was a model of frugal living. She had five children in ten years. The husband of a sharecropper, she was five months pregnant with her last child working in the fields picking crops when she ran to the house to rescue her youngest child from swinging in a bucket over the well! The Weeks family didn't have much, but her children had clean, starched clothes; and she taught them how to work hard and live frugally. Their family was almost totally self sufficient. They raised fruits, vegetables, chickens, and hogs. She made soap from lye and lard, dresses for her daughters from flour sacks, shirts for her boys, and underwear for all. She also made sheets and quilts for the beds and even made the actual beds—mattresses made out of cotton batting or feathers.

Being frugal is the cornerstone for building wealth. In *The Millionaire Next Door*, Stanley and Danko describe the wife of a millionaire.<sup>37</sup>

How did a millionaire respond when her husband gave her \$8 million worth of stock in the company he recently took public? According to her husband of thirty-one years, she said, "I appreciate this, I really do." Then she smiled, never changing her position at the kitchen table, where she continued to cut out twenty-five- and fifty-cents-off coupons from the week's supply of newspapers. Nothing is so important as to interrupt her Saturday-morning chores. "She just does today like she always has done, even when all we owned was a kitchen table. It's how come we're well-off today. Made a lot of trade-offs....sacrifices early in our marriage."

## SAVING ON FOOD

Food usually takes the biggest chunk out of our income. Obviously, where you spend the most will be where you have the biggest opportunity for saving. Americans now spend about half of their food dollars away from home.<sup>38</sup> No matter how inexpensive the restaurant, it almost always costs more than what you could cook at home.

Try eating out one less time per month, and take turns with your friends having each other over for dinner instead of meeting at your favorite restaurant. Order water with your meals instead of tea, coffee, or soda. Beverages provide the highest profit margin for restaurants. Besides, tea served in restaurants may not be healthy for us anyway. It is usually heated instead of boiled, so harmful bacteria may not be killed.

How much money could you save if you cut down on waste? Consider having a leftover meal once a week. Clean out the refrigerator and serve all the leftovers from the previous week. If your family likes soup, store leftover vegetables in a container in the freezer. When the container is full, make vegetable soup. Rice pudding is an inexpensive dessert made with leftover rice, and over-ripe bananas make great banana bread.

**Eat it up. Wear it out. Make it do. Do without.**

<sup>37</sup>Stanley, Thomas J. and Danko, William D. *The Millionaire Next Door*. Longstreet Press, 1997.

<sup>38</sup>naturalresourcereport.com, June 16, 2008.

*Gather the pieces that are left over.*

*Let nothing be wasted.*

**John 6:12b**

How often have you found yourself stopping by the grocery store to pick up a few items? This shows a lack of planning and usually causes an increase in spending. My Grandmother Smith was a great meal planner. She didn't drive a car, so she had no choice but to plan her meals. My grandfather took her to the grocery store once every two weeks where she bought everything she needed for the next 14 days. With a car, a telephone, and the Internet, we have an even greater opportunity to save on the items we buy because we can shop for the best specials. Here are some super savings ideas to consider:

- ✓ Keep a book that lists at least 100 items you buy regularly with space to record the cost of each in at least three stores you visit regularly.
- ✓ Put a moratorium on shopping. Don't purchase anything except groceries, gas, and personal necessities for three months. If you think there's something you need to acquire, put it on a list for later or find a creative solution rather than buying it. You will save time, money, and change your consumer mentality.
- ✓ Set a deadline for using every item in your freezer or pantry.
- ✓ Learn to make something from scratch. For example, use a how-to cookbook to teach yourself how to make a pie crust. How much does one cup of flour and one-third cup of shortening cost compared to a frozen pie crust? Less than half, and it tastes better too!
- ✓ Make a double or triple recipe of a main course and freeze what you don't use.

People spend money on lots of food items without even thinking about it. Do you buy a cup of coffee on your way to work every morning? Buy yourself an insulated cup and make your coffee at home. For the price of a few cups of coffee at McDonalds, you can make hundreds of cups of coffee. Do you buy lunch at work or bring a bag lunch from home? You can add quite a chunk of change to your wallet by cutting out expensive habits like these.

Become a coupon queen! Using coupons at grocery and department stores can save a lot of money each week. Coupons are available from magazines, newspapers, stores, and online. There are hundreds of coupon web sites that allow you to print valuable coupons for many of the items you buy every day. Think of coupons as cash, and this may motivate you to use them. (Note: See page 91 for detailed information on using coupons.)

When you use coupons, follow the accepted rules of coupon etiquette.

- ✓ Don't clear the shelf.
- ✓ Read the coupon carefully and use it exactly as it is intended to be used.
- ✓ Group items with coupons together, and watch as the cashier rings up your coupons.
- ✓ Shop at slow hours if you have a lot to purchase, such as early morning and mid morning.
- ✓ Be courteous to others. Avoid express lines, and warn people who are behind you.
- ✓ Share your coupons with others.

Here are some tips for getting the most for your money:

- ✓ Use a shopping list, and buy only what's on your list. (For a printable grocery list, see page 92.)
- ✓ Calculate the unit price (divide the cost by the price per ounce, per pound, per piece, etc.) You will often find that the smaller size is cheaper than the larger size.
- ✓ Buy in bulk for heavily discounted items.
- ✓ Use price tracking web sites, such as [TheGroceryGame.com](http://TheGroceryGame.com).
- ✓ Get a coupon organizer. You can purchase a coupon book especially for this purpose.
- ✓ Develop a coupon filing system—by expiration date, by products, or in alphabetic order.
- ✓ Purge expired coupons regularly from your coupon file.
- ✓ Combine manufacturers' coupons with a store's weekly specials. Many stores offer loss leaders—advertised products that are below store cost—designed to lead you into the store so that you will buy more.
- ✓ Check manufacturers' web sites for printable coupons, and browse coupon web sites frequently for downloadable coupons. (See page 91 for a sample list of web sites.)
- ✓ Learn each store's coupon policy. Some stores offer double coupon days, and there are stores that accept other store's coupons. For example, Target store coupons can be combined with other manufacturers' coupons to double savings.

One of the most overlooked ways to save on food is to eat less. Almost all of us eat more food than we should to meet our needs. One suggestion for cutting back on high-expense items like pork chops is to serve only one pork chop per person. Buy bigger chops for a single serving, and let your family fill up on more nutritious foods like vegetables and breads. Nutritionists tell us that we can live without meat if we get enough protein from other sources.

Chicken is the least expensive meat available. It can be broiled, fried, barbecued, baked or rotisserieed, and it makes a great low-cost meal. Whole chickens are much less per pound than cut-up chickens, and buying favorite pieces costs even more. Cooked cereals cost less than half the cost of prepared cereal and provide a nutritious, stick-to-the-ribs breakfast. Did you know that approximately two-thirds of the cost of prepared cereal is spent on marketing?

Make your own pancake and waffle syrup with one cup of white sugar, one cup of brown sugar, and one cup of boiling water, then stir until dissolved. Add half a teaspoon of concentrated maple flavoring for a pint of flavorful syrup.

Remember that the most expensive brands are at eye level. Be sure to check the bottom shelves for the best buys. Shop at least three stores for the lowest prices on your important weekly food purchases. Where the specials are extra low priced, buy only those specials and nothing else. Buy both specials and non-specials in stores that offer their own house brands.

*“My food,” said Jesus,  
“is to do the will of him who sent me  
and to finish his work.”*  
**John 4:34**



## A PENNY SAVED IS A PENNY EARNED



### DID YOU KNOW?

- ✓ Stores get 8¢ for each coupon they return to a manufacturer. If they double the value of the coupon to the customer, they break even.
- ✓ Some stores double their coupons (usually for coupons up to 50¢).
- ✓ Some stores accept other stores' coupons.
- ✓ Some Internet sources of coupons time their coupons with stores' special sales.
- ✓ Stores put items on sale on a set schedule, such as every six to eight weeks.
- ✓ Some stores sell "loss leaders" (items below the store's cost) to lead you into the store. Why would they do this? They are betting you will buy more than just the loss leader!
- ✓ You don't always have to buy two of something at BOGO sales (Buy One Get One Free). Some stores will let you buy one item at half price. These sales are also called B1G1 (Buy 1 Get 1 Free), and there's also B2G1 (Buy 2 Get 1 Free).

### Internet Sources of Coupons:

smartsources.com  
redplum.com  
coupons.com  
couponsuzy.com

entertainment.com  
refundcents.com  
couponmom.com  
Valpak.com

mycoupons.com  
coolsavings.com  
Kraft.com  
allyou.com

### Other Sources of Coupons:

- ✓ Newspaper inserts and ads within the newspaper (Sunday edition is the best source.)
- ✓ Magazines (*all\*you* magazine is a good source of coupons; check out their web site [allyou.com](http://allyou.com))
- ✓ Peelies (peel off labels on products)
- ✓ "Blinkies" (in-store coupon machines that have a blinking light)
- ✓ Store tear-pads, display boards, and coupon bins
- ✓ Manufacturers' coupons and rebates
- ✓ Junk mail
- ✓ Emails from stores

### Coupon Lingo:

BOGO	Buy 1 Get 1 Free	DND	Do Not Double	RR	Register Rewards
G2G1	Buy 2 Get 1 Free	OOP	Out of Pocket	ECB	Extra Care Bucks
\$2/\$10	Spend \$10 get \$2	MIR	Mail in Rebate	OOS	Out of Stock
\$.50/1	50¢ off one item	IP	Internet Printable	NED	No Expiration Date



## SAVING ON PERSONAL CARE ITEMS

One of the biggest personal expense items is hair care. Women can barter for help in giving each other hair coloring, hair styling, and permanents. Most cities have private or vocational schools with cosmetology programs that offer hair care services for a fraction of the cost at professional styling salons. The operators are advanced students who are well supervised.

Research has shown that expensive cosmetics sold in department stores are no better quality than the inexpensive brands displayed in discount stores. One study conducted showed that consumers couldn't tell the difference between brands of cosmetics, and more expensive brands didn't appear to last longer or stay on any better than the cheaper brands.<sup>39</sup> You can get cosmetics at stores like CVS for very little cost by using their extra buck deals and coupons.

Reduce the cost of planning your wardrobe by analyzing the *full-life cost* of clothes. The **full-life cost** includes the price of the item plus laundering and maintenance. Recognize the differences in the quality of fabrics and the relationship of quality to appearance and durability. Know how to care for clothing to extend wear life. Here are some tips for clothing maintenance: Change clothes as soon as you get home from work. Allow clothes to "breathe" to remove body odors before hanging them in the closet. Keep clothes clean. Remove spots immediately. Mend clothes before it's too late.

Look for genuine sales. The word *sale* is the most overused and least-trusted word in marketing. Everything displayed is on sale, but it may not be at a good price. Buy clothing when it is at off season. The best bargains in clothing may come from yard sales, thrift stores, and consignment shops. Finally, consider Grandmother's remedy for saving on clothes. Make your own!

*Therefore I tell you, do not worry about your life,  
what you will eat or drink; or about your body,  
what you will wear. Is not life more important than food,  
and the body more important than clothes?  
Look at the birds of the air;  
they do not sow or reap or store away in barns,  
and yet your heavenly Father feeds them.  
Are you not much more valuable than they?*

**Matthew 6:25-26**

## SAVING ON TRANSPORTATION

It's called "buying fever," and it works everywhere—in the car lot or in the department store. Why don't items we buy come with white labels and black print? Wouldn't black and white be cheaper than color? Marketers know that consumers respond best to red and yellow on the shelf. Color, lighting,

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<sup>39</sup>[www.bukisa.com](http://www.bukisa.com), March 15, 2009.

shelf position, and the manner in which products are displayed are critical factors in marketing. Marketers spend untold amounts of time studying the buying habits of consumers. Just looking at products on a shelf can increase your heart rate, pupil dilation, retina reaction, peripheral vision, protein release, and adrenaline release, among other things. If a dog salivates just looking at food, think what happens to your body when you visit a grocery store. That's why you should never visit a grocery store when you're hungry.

If that's true for small items on the grocery shelf, just think what our bodies go through when we buy a car! Marketing organizations are well aware of the chemical reactions buyers experience when making significant purchases on big ticket items. You can actually get a "rush" from making a major purchase just like a drug addict on a high. That's why you've got to be careful to keep your emotions in check. Sales people are well trained in the psychological techniques of selling. That's why it's important to stay away from the car lot and the car salesman until you are ready to buy.

Buying a car can bring out the sensual, fleshly nature in us. A new car fulfills the cravings of sinful man because it *feels* good and *smells* good. It also fulfills the lust of the eyes because a new car *looks* good. Finally, it fulfills our need to boast of what we have because having a shiny new car will, we believe, *make others think more of us*.

*For everything in the world—the cravings of sinful man,  
the lust of his eyes, and the boasting of what he has and  
he does—comes not from the Father but from the world.*

**I John 2:16**

A couple I know visited a car lot shortly before their marriage "just to look." The future groom was dressed in blue jeans, tennis shoes, and a dirty t-shirt, his usual attire after a hard day as a blue-collar worker. They were approached by a car salesman while they looked at a Corvette. Giving this young man the once-over and obviously noting his appearance, the salesman suggested the couple look at a car they could afford. Incensed that the salesman would question his earning power, the future groom whipped out his wallet and displayed the \$10,000 he kept in a secret compartment. He never understood the reason why this happened. The salesman hoped that insulting his manhood would provoke him into proving that he could afford to buy the car.

The family who sold us our first house used the proceeds from the sale to pay cash for a new car. The husband got a great deal on a Toyota station wagon with the salesman agreeing to a generous trade-in on their old hunk of junk. After the family moved to New Orleans, the husband returned to pick up the station wagon and was distraught when the salesman informed him that the sales manager would not approve the trade-in. This is an old ploy salesmen use when they have no fear of retaliation. How could this customer hurt the dealer's reputation if he now resided in New Orleans?

Car salesmen sometimes play the turnover game (turning the customer over to another sales person to increase the pressure). Instances like these are the reason why big-ticket purchases should be



made carefully and after much deliberation. Take your time. Don't be rushed into a buying decision, and be aware of psychological tricks marketers use to increase their profits. Some businesses use gunslingers to sell; others use honest people to sell. Here are some tips for purchasing a new car:

- Stay out of the car lot! Negotiate the price for a new car by email or fax with multiple dealers.
- Finance the car with your own savings. If you must obtain financing, shop around for the best loan. Never finance your car with the dealer.
- Find out the invoice cost. Bargain from the invoice cost, not down from the sticker price.
- Be wary of buying overpriced or worthless extras, such as undercoating (the car may already be undercoated), rust-proofing, extended warranties, credit life insurance, etc.
- Don't mention a trade-in. Agree on the price before you talk about a trade-in. However, you will probably be better off selling your old car yourself. Remember that a good car dealer will know what he can get for your car.
- Time your purchase for the last week of the month. That's when the dealership and the salesmen have to make their quotas, so you are more likely to get a good deal then.
- Don't lease a car. Even with tax advantages, leasing always costs more than a purchase.
- Calculate the true cost to own—fuel economy, depreciation, taxes and fees, insurance premiums, interest on loans, maintenance and repairs.
- Look at the Kelley Blue Book price if you are buying a used car.
- Remember that a car dealership's highest profit margins come from trade-ins, leases, and sales emanating from the finance office. The job of the finance manager is to sell you extras—an extended warranty, credit life insurance, or an add-on such as fabric protection.

The Internet can be a real friend when you are about to make a major purchase. Consumers are more savvy these days because of online services. And by using the Internet, you should only have to visit the dealership twice—to test drive the car and to sign the papers. Probably the best web site for researching the purchase of a new or used car is Edmunds.com.

## ✓ OUT EDMUNDS.COM

Edmunds provides a wealth of consumer information: tips on buying new and used cars, car comparisons, fuel economy, auto financing and insurance, reviews of cars, dealer ratings, car safety, warranties, true dealer cost, buy versus lease, maintenance, true cost to own, inventory searches, loan and affordability calculators, trade-in appraisals, rebates, and tips for selling a used car. Edmunds suggests that the best way to get a good deal in buying a new or used car is to remember these five points.<sup>40</sup>

1. Dealer profit is based on the car but also on related products and fees.
2. A salesman's commission is dependent on the percentage of profit.
3. A car's invoice price is a useful reference, but other behind-the-scenes monies are in play.
4. The salesman, F&I manager (finance and insurance), and service advisor are all commission-based positions.
5. Information and negotiation are always the keys to getting a good deal.

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<sup>40</sup>Reed, Philip. Edmunds.com, November 24, 2009.

The MSRP (sticker price) is the highest figure you will see, but the invoice price is not the true dealer cost. New cars have what is called “holdback.” **Holdback** is normally 2 to 3 percent of either the invoice or the sticker price of the car, which artificially increases the dealer’s cost on paper. Holdback on American autos is usually 3 percent but varies with foreign makes of cars. It is paid by the manufacturer to the dealer once every quarter after the dealer has received the invoice. A holdback enables a dealer to advertise cars at or close to the invoice price and still make hundreds of dollars on the sale.

How do you decipher the complicated pricing system used by dealerships? How do you eliminate conflict during negotiation? How do you determine the true value of a car? What incentives and rebates will reduce the price of your car? What extra charges can you eliminate during financing? These questions and others are answered in “10 Steps to Buying a New Car” at Edmunds.com.<sup>41</sup>

1. What kind of car do you need?
2. How much can you afford?
3. Should you lease or buy your next car?
4. Have you considered all vehicles in that class?
5. Have you considered all of the costs of ownership?
6. Research options.
7. Schedule an appointment for a test-drive.
8. How to test-drive a car.
9. After the test-drive.
10. Getting ready for the buying cycle.

Buying a car is a lose-lose situation because cars are depreciating assets. You are always in for a losing proposition no matter how good a deal you get. Consider paying cash for your next car. Paying cash for a car can save you thousands of dollars in finance charges. If you develop a long-term plan for purchasing automobiles and stick to it, you can pay cash for every car you buy.

The cheapest car you can drive is the car you own right now. And the longer you drive your car, the less expensive it becomes to operate. Cars can depreciate 30 percent or more during the first year. A car that is from one to four years old may be purchased for 20 to 80 percent of the cost of a new car. Pick out the car you’d like to have, then buy it three years old after it has incurred the bulk of the depreciation. If the price is right, it should cost 40 to 50 percent of the value of the car purchased new.

Our insistence on driving late model cars has cost us a bundle. Consider changing your attitude about cars. You are *not* what you drive! All cars have engines to run them and seats to sit on. Ask yourself, then, if the *pride of new car ownership* is worth the cost of a new car. If you say no, you will be able to save hundreds of thousands of dollars. Plemon explains how you can save more than \$300,000 over a lifetime by driving a car for 200,000 miles rather than trading in at 100,000 miles. Today’s automobiles are much better made and last much longer than older cars. The 100,000 mile mindset is

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<sup>41</sup>Reed, Philip. “10 Steps to Buying a New Car,” Edmunds.com, April 30, 2009.

hard to die. If you estimate that you drive your car 15,000 miles a year and factor in an extra \$10,000 in repair costs for driving your older model to 200,000 miles, you will save at least \$300,000 in a lifetime.<sup>42</sup>

Now just think what you could do with the money you could save by holding your cars until 200,000 miles. This money could grow by employing three criteria: (1) compound interest, (2) rate of return, and (3) time. I am amazed at the number of people who mortgage their future for the privilege of getting a new car every two or three years. Financially speaking, many of them will live a dog's life during retirement.

God has promised us that he will take care of us, but he didn't tell us that we'd have a four-bedroom three-bath house with a Mercedes Benz in the garage. Isn't knowing that we are going to be cared for by a loving God better than the constant frenzy accumulating stuff? When we buy an expensive toy, we have to find a way to pay for it. A new possession becomes just one more aggravation and something we've got to maintain.

*For you do not have, because you do not ask God.  
When you ask, you do not receive,  
because you ask with wrong motives,  
that you may spend what you get on your pleasures.*

**James 4:2b-3**

## SAVING ON HOUSING COSTS

In 1975 I lived in a three-bedroom brick house in a middle class neighborhood. Corner lot. Fenced in back yard. Nice neighbors. We had an infant son, lived just a mile or two from the church, and were conveniently close to a shopping area. But my house only had one bathroom. I didn't have a real den, just a bedroom converted into a den. And we didn't have central air conditioning, just what I called a "window shaker" that made too much noise. I wanted more bedrooms, a den, and central heating and air conditioning.

The new house we wanted would double our payments, and we would have to spend more money for gas because the only way we could get the size house we wanted was to move further out. After working on the figures, I knew it would be a terribly tight squeeze of our resources. I finally found a way. By reducing our church contribution, we could buy the house. We justified it by saying we deserved to be comfortable.

Buying that new house was the biggest financial mistake we ever made. The time we lived there was a happy time for us, but I was always anxious about the bills because we barely had enough to make

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<sup>42</sup>Plemon, Joe. "Change Your Mindset and Save a Fortune: 200,000 Miles is the New 100,000 Miles," April 28, 2010.

ends meet. We suffered financially because of it for 21 years. The first four years were the time spent living in the house. Then we made a move to Valdosta, Georgia, and were unable to sell the house. For the next 17 years we rented our former home to a series of tenants who abused and misused the house, refused to pay rent, and even stole \$5,000 from a family member. The only time in our 43 years of marriage we have suffered financially was the time we *decreased* our church contribution to buy a house we believed we deserved.

*I denied myself nothing my eyes desired;  
I refused my heart no pleasure. My heart took delight  
in all my work, and this was the reward for all my labor.  
Yet when I surveyed all that my hands had done  
and what I had toiled to achieve, everything was meaningless,  
a chasing after the wind; nothing was gained under the sun.*

**Ecclesiastes 2:10-11**

The American dream—buying your own home—is one of the most important decisions you will ever make, but there can be advantages to paying rent. You don't have to pay property taxes or homeowner's insurance, there's no maintenance to worry about, and you don't have to be concerned about selling the house when you move. The obvious advantage to buying a house is that the mortgage eventually will get paid off. Another advantage of home ownership is that the large amount of interest paid on the mortgage is tax deductible.

Regardless of whether you own your own home or pay rent, utilities will be a substantial portion of your housing budget. To save on electricity, unplug computers and televisions and turn off all lights when you're not in a room. Turn your thermostat up during the summer and down during the winter.

Shrewd consumers view the purchase of a home as a long-term investment. Before buying a house, there should be adequate cash reserves to make a substantial down payment and have enough money left over for wealth building. If you plan to live in an area for less than four or five years, you should not consider buying a house. Selling a house can be difficult, time consuming, and costly for home owners who have not lived in a house long enough to see it appreciate considerably.

Ideally, all purchases should be made with cash. The only debt that is ever considered "good debt" is mortgage debt because a house represents an *appreciating* asset. Houses in the right location will, in most economic cycles, appreciate in value over time. But as we have seen in a recent economic downturn, many people end up with a short sell—a mortgage that is greater than the value of the house.

Your down payment on a house should be substantial. Lenders offer lower interest rates when the down payment is 20 percent or more. Of course, a large down payment also reduces the principal (the amount borrowed), which will save thousands of dollars in interest over the life of the mortgage. Lenders require Private Mortgage Insurance (PMI) if you make a down payment under 20 percent. In addition to the down payment, there will be closing costs, which are typically 2 to 3 percent of the loan.

Most people include their property taxes and homeowner's insurance in their monthly payments rather than making annual payments for taxes and insurance. Before you begin searching for a house, research rates and closing costs in your area. Then use an online calculator to estimate your monthly payments.

There are many types of mortgages from which to choose. You will save a tremendous amount of money in interest payments if you go with a 15-, 20-, or 25-year loan rather than a 30-year loan. (There are actually 40-year mortgage loans available now.) You can make extra payments on a 30-year mortgage to reduce the principal quickly, but only 3 percent of people who have 30-year mortgages pay extra on their principal.<sup>43</sup>

In the early 1970s when I bought my first home, I remember telling my parents that we would never again see 5 percent mortgages. At that time, mortgage rates were 7 to 8 percent. Then in the early 1980s, the market went crazy. Mortgage rates shot to 16 percent, and the Adjustable Rate Mortgage (ARM) was born. Banks still had millions of consumers paying off mortgages at low interest rates while they were forced to pay as much as 14 percent interest on certificates of deposit. Today banks are offering fixed-rate mortgages for as little as 3 percent, which is a 30-year low.

Adjustable Rate Mortgages offer lower interest rates than fixed-rate mortgages, but interest rates go up when the prevailing market interest rates increase. When you take on an Adjustable Rate Mortgage, you are taking on more risk. An even worse risk is a balloon mortgage, which makes your entire mortgage payable in one balloon payment in a set number of months. Today people use the Home Equity Loan (HEL), which is actually a second mortgage, to pay off other types of debt. A HEL offers lower interest rates than consumer debt, and the interest is tax deductible. But this is another example of mortgage risk. If you are unable to make payments on the second mortgage, your creditor could foreclose on you; so you risk losing the equity you have spent years building. It is wise to stay away from ARMs, HELs, and balloon mortgages.

## CONCLUSION

As good stewards of what God has given us, we should conserve as many dollars as we can by making wise purchases and not wasting what we have bought. Often a great deal of money can be saved by simply putting a little thought into the small items we buy.

The two biggest purchases you will probably ever make are your house and your car. Your house represents an appreciating asset. In most economic cycles you can expect it to appreciate in value. Because the right house in the right location is likely to go up in value over time and because mortgage interest is tax deductible, your house represents the logical choice for financing.

Our cars, unfortunately, are depreciating assets. When we finance a new car and drive it home, we cannot logically expect to sell it for the price we paid for it. Because of the depreciating aspect of automobiles and because interest paid on auto loans is not tax deductible, it makes sense to buy used cars

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<sup>43</sup>Ramsey, David L. *The Total Money Makeover*, Thomas Nelson, Inc., 2009.

and pay cash for them. By doing this and saving what you would be paying out in monthly installments, you can build up cash reserves that will enable you to live without monthly car payments.

George Bernard Shaw said, "Economy is the art of making the most of life." Most of us do not live in an ideal financial state and, therefore, must make trade-offs. Ideally, all purchases should be made with cash. Because that is not always possible, it makes sense to evaluate which purchases should be made with cash and which should be financed.

Every spending decision is a spiritual decision. We are accountable to God for how we manage the material possessions He has entrusted to us. By controlling our daily expenses and considering what our Lord would have us do, we will reap material and spiritual rewards. And by being good stewards we will enjoy financial peace. If God has numbered the very hairs on our heads, surely He cares about our daily buying decisions too.

*And even the very hairs of  
your head are all numbered.*

**Matthew 10:30**

## SCRIPTURES TO LOOK UP THIS WEEK

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

I Timothy 2:9-10 \_\_\_\_\_  
\_\_\_\_\_

Proverbs 14:1 \_\_\_\_\_  
\_\_\_\_\_

Proverbs 31:11-15 \_\_\_\_\_  
\_\_\_\_\_

Ecclesiastes 5:13 \_\_\_\_\_  
\_\_\_\_\_

Ephesians 5:5-7 \_\_\_\_\_  
\_\_\_\_\_

Psalms 73:2-3 \_\_\_\_\_  
\_\_\_\_\_

Deuteronomy 25:13-15 \_\_\_\_\_  
\_\_\_\_\_