Commonly Asked Financial Questions

1) What are the four walls and why are they important?

When you create your budget each month, be sure to take care of the four walls. These are your basic necessities:

1. Food
2. Shelter and utilities
3. Transportation
4. Basic clothing

If you have a place to live, it's warm and the lights are on, your stomach is full of food, you have a way to get to work and you have clothing to wear, you live to fight another day. Put the four walls of your home up first when you're in a crisis situation and then work your way through all the other items.

2) What types of insurance are needed?

Here are the eight types of insurance Dave Ramsey recommends:

- Auto Insurance
- Homeowners/Renters Insurance
- Umbrella Policy
- Health Insurance
- Long-Term Disability Insurance
- Term Life Insurance
- Long-Term Care Insurance
- Identity Theft Protection

3) Should I have term life or whole life insurance?

You should only buy guaranteed level term life insurance. Permanent insurance policies like whole life insurance are a bad investment. Money you don't spend on the wrong insurance policy is money you can save and use elsewhere!

4) What should I do if there's still money in a cash envelope at the end of the month?

In some envelopes, you leave it there. For example, if there's money left in the car repair envelope that means your car didn't break this month. Leave it there and add it to next month. Your car repair might equal three months of car repair budgeting later, so it becomes a miniature savings account for car repairs in that case.

If there's money left in the food envelope, leave it there the first month or two you're doing your budget. If there is consistently money left in this envelope month after month that tells you you're putting too much money in this envelope and you will need to reduce it for future months.

5) Why do we need to make a new budget every month?

Every month is different and your budget needs to reflect your reality. A fresh budget every month is a tweaked standard budget. Budget items such as your house or rental payment, if you have one, and food are standard and will probably remain the same each month. Other budget items, such as utilities, may fluctuate each month. For example, you may heat your home with gas and cool your home with electricity. In the summertime, you will have a higher electric bill and a lower gas bill and in the wintertime, you will have a lower electric bill and a higher gas bill. Make sure you account for these differences each month. Family activities, birthdays and seasonal activities also vary each month and will effect each month's budget.

6) How does the debt snowball work?

The debt snowball method is a debt reduction strategy where you pay off debts in order of smallest to largest balance, regardless of interest rate, gaining momentum as each balance is paid off. When the smallest debt is paid in full, you roll the money you were paying on that debt into the next smallest balance.

It looks something like this:
Step 1: List your debts from smallest to largest.
Step 2: Make minimum payments on all your debts except the smallest.
Step 3: Pay as much as possible on your smallest debt.
Step 4: When your smallest debt is paid, roll the money you were paying on this debt into the next smallest debt.
Step 5: Repeat until each debt is paid in full.

7) Why should I stop using my credit cards if I always pay them off every month?

You *will* spend more if you use credit cards. When you pay cash, you can feel the money leaving your hand. This is not true with credit cards. Flipping a credit card up on a counter does nothing to you emotionally. However, if you miss the convenience of a card, use a debit card. It works just like cash. Simple as that.

8) What are Dave Ramsey's 7 Baby Steps?

Baby Step 1 – Save $1,000 in a beginner emergency fund
Baby Step 2 – Pay off all debt (except the house) using the debt snowball
Baby Step 3 – Put 3 to 6 months of expenses in savings
Baby Step 4 – Invest 15% of your household income into Roth IRAs and pre-tax retirement plans like your employer's 401K or 403B
Baby Step 5 – Save for your children's college education using tax-favored plans
Baby Step 6 – Pay off the house early
Baby Step 7 – Build wealth and give!

9) Why pay off smallest debt first instead of highest interest debt?

While mathematically paying off higher-interest loans first reduces the amount of overall interest paid, studies show that the "debt snowball" method is a more effective psychological strategy. Eliminating the smallest debts first creates the motivation needed to attack the bigger ones. Since money management is 80% behavior and 20% head knowledge, the debt snowball has been proven in studies to allow wins to come more quickly that will propel the desired behavior.

10) Should I co-sign a loan for a family member or close friend?

The Bible clearly speaks against co-signing for another person. The two acceptable alternatives are to not become involved or to give the money needed to the person to avoid the need for a co-signer.

"Do not co-sign another person's note or put up a guarantee for someone else's loan. If you can't pay it, even your bed will be snatched from under you." - Proverbs 22: 26-27 (NLT)

11) Should we, as a married couple, have "his and her" money and pay our bills separately?

Separate money for husband and wife often creates problems. From a practical perspective, it fosters conflict when "shared" expenses become a tug-of-war between spouses. Often, the reason behind the separate accounts originates from a lack of trust and is a symptom of a larger problem which needs to be addressed at the front end.

From a biblical perspective, the concept of marriage being a joining of husband and wife to become "one flesh" speaks to the importance of equal and complete sharing of the family resources. Building different spending categories pertaining to husband and wife into the family budget is a far better way to accommodate these differences than keeping "his and her" money.

"But from the beginning of creation, 'God made them male and female. Therefore a man shall leave his father and mother and hold fast to his wife, and the two shall become one flesh.' So they are no longer two but one flesh. What therefore God has joined together, let not man separate." – Mark 10:6-9 (ESV)

You don't need to be independent with finances when you're married. Having a single checking account forces you to communicate, forces you to make you financial decisions together and forces you to be of one mind. You are unified. You've agreed on your goals. You've agreed on your passions. You've agreed on your fears. When someone wants a separate checking account, which is a danger sign – not to your money, but to your relationship.

12) *Do I need to start a savings fund or pay off debt first*?

The road to debt freedom involves a commitment to do both saving and debt reduction. Saving is the only way to avoid future debt since any unexpected expense, which occurs without savings, will quickly become more debt. (Proverbs 21:20)
Establishing an emergency savings fund must be a top priority. Set a goal to save $1,000 or one month's "barebones" living expenses. Consider this your first "debt" you owe yourself. Once your emergency savings fund is completely funded, then begin aggressively paying down debt using the debt snowball approach.

The best way to establish an emergency savings fund and debt freedom is by practicing good financial control. Following a written spending plan, or budget, will help you reach your goals. By building into your budget money for both paying off debt and accumulating savings, you will be making significant progress toward debt freedom.

13) I will be receiving an $8,000 inheritance in June of this year, and I have $6,000 of debt on my credit card. Should I use the money from the inheritance to pay off my debt or just save it?

This answer depends on if you have already established your emergency savings fund. If you have, then it may make the most sense to pay off your credit card to avoid the excessive interest. However, it's very important to consider where all of the credit card debt came from in the first place. If you do not make a commitment to change your behavior and quit using credit cards for future purchases, you'll find yourself right back into credit card debt. Then, you would feel as if your inheritance was totally wasted.

14) Is bankruptcy wrong for a Christ follower? Are there circumstances when it is justified?

As you can imagine, this is a question that Christ followers have wrestled with for a long time and not everyone is in agreement. From a biblical perspective, it is important we understand that the Bible teaches we have an obligation to fulfill our promises to pay our debts, and when we make a vow, we need to do everything in our power to meet those obligations. Proverbs 3:27 states, "Do not withhold good from those who deserve it, when it is in your power to act." Declaring bankruptcy to protect personal property when assets are available and using it as a means of simply walking away from promises to pay is not dealing honestly with creditors. On the other hand, there is biblical evidence that God does not want his people to live in a never-ending state of bondage due to an economic situation that is beyond their control and for which they have no reasonable means of paying back.

As a result, we need to take a realistic, cautious, and prayerful approach to bankruptcy. It would seem, that under certain conditions, bankruptcy might be a viable option to consider when the person with the debt has the right attitude toward their situation. Asking questions like these below can assess this attitude:

1) Is the person in debt committed to paying off the creditors in the future if the funds become available, even it if takes a long time?
2) Is the person willing to make significant cutbacks in lifestyle to cooperate with the creditors freeing up as much money as possible to pay them?
3) Is the person willing to contact every creditor and let them know the reason for the bankruptcy debt?
4) Is the person willing to commit to a financially responsible lifestyle that would keep them from getting into a similar situation again?

When the answer to these questions is “yes,” then bankruptcy may be an option for the believer. Before arriving at that decision, it is wise to seek counsel from a trusted advisor to give you Godly advice about your specific situation and will agree to pray with you regarding your decision.

15) I am going to be purchasing a new car this year. When it comes to financing it, would I get any advantages by using my home equity line and paying it down compared to financing it with the dealership?

First, tell me about your decision to purchase a new car. Have you considered purchasing a quality used car rather than getting a loan for a new one (especially if you could pay cash for it)? A brand new car is one of the biggest drains on a budget because the value depreciates so quickly. It can represent a lot of money "down the drain" compared to a reliable, high quality, used car. A good rule of thumb would be to never purchase a new car unless you can pay cash.

Now to answer your question, it is not recommended to put your home at risk with a home equity loan to buy a car. A home equity loan may offer a lower interest rate, but you need to understand the potential risk of having a larger loan against your house. A lot of people have found out the hard way that they were unable to make the payments and ended up losing their homes. Any car is not a good enough reason to put your home at greater risk.

16) My fiancé and I differ on tithing. I tithe 10% of my income and see it as a matter of faith. I give with joy knowing that God will take care of my needs, and He always has. My fiancé thinks that you should only give after your debts and bills have been paid and decreases the tithe if an unexpected bill comes up. What do you think, and how should we proceed?

Let’s begin by talking about the tithe, the first 10%, of income. Tithing has been practiced throughout biblical history as an important expression of our willingness to give back a portion of our resources to God. The first mention of the tithe in Genesis 14:18-20 shows Abraham giving a tithe as a tangible recognition of being under a spiritual authority greater than himself. But beyond that, when Jesus taught about giving, it was not merely the “act of giving” but the deeper concept of "being givers” and living a generous life. We see giving in the New Testament being done between 10% and 100% (The widow gave all she had in Luke 21). Other examples of giving far beyond 10% are shown throughout the New Testament, particularly in Acts 4 and II Corinthians 8. When you become a "generous person" by nature, you desire to give to God to please Him and further His work. For Christ followers who really grab hold of this concept, the 10%

becomes the starting point, not the ceiling. This brings joy through faith and trusting God.

With regard to giving a tithe before or after some of the bills are covered, Proverbs 3:9-10 says, *“Honor the LORD with your wealth, with the first fruits of all your crops; then your barns will be filled to overflowing, and your vats will brim with new wine.”* First fruits represent both the <u>first</u> of your crops and the <u>best</u> of your crops.

Whatever you give, the first and best shows what is most important in your life. It is a tangible representation of the highest <u>priority</u> in your life. When we give from our very first dollar earned, it shows God is first in our lives.

When we give after paying bills and other financial obligations, there is something else that has become a higher priority than God in our lives. If taxes are paid first, then the government has the real first fruits. If retirement, medical insurance, social security tax, credit card bills, or whatever are paid before my tithe to God - then God has become the third or fourth priority. The Bible is clear that God blesses our “first fruits” giving and desires to be first in our lives.

In the short-term, I would ask your fiancé to consider the biblical references and if they would at least be willing to try true “faith tithing” for six months to see if God changes their mind over that time.

17) What does the Bible say about gambling? Is it always wrong for a Christian?

The Bible has a number of things to say about the topic of gambling. Perhaps the most destructive thing about gambling is the way it feeds a "get rich quick" mentality which the Bible condemns as harmful to our relationship with God. Here are some helpful verses to consider:

- God presents work, not gambling, as the normal way to get the money we need. (Ephesians 4:28; 2 Thessalonians 3:12; Proverbs 31)
- All my income belongs to God, not me (Psalms 24:1), and I am not free to use it as I wish. I am a steward, who should use it for God's purposes. Christians are called on to meet the needs of their family (1 Timothy 5:8) and share with others, particularly Christians who have needs. (2 Corinthians 8-9; Galatians 6:6-10; 3 John)
- Greed and covetousness are sin (1 Timothy 6:9; Hebrews 13:5), and these are motives driving most gambling.
- Proverbs warns of disaster for people who want to get rich quickly. (Proverbs 28:20, 22)

- Wealth that comes easily leaves quickly. (Proverbs 13:11)
- Wealth gained the wrong way breaks up families. (Proverbs 15:27)
- Gambling can be addictive and even if you don't fall prey to it as a compulsive habit, your example may cause others to be enslaved by it. (I Corinthians 8:9, 13)

18) My wife is not a believer, and we are far from being an affluent family. I am the sole income provider, and I try to keep spending to a minimum. I believe Malachi 3:10, and I am trying to get to a point where I am giving a full tithe. I give weekly, but always in cash, as I fear the consequences of my wife discovering I give so much to the church. I do not want to keep things from her, but at the same time, I want to give back to God. Any suggestions?

When we marry, we become one (Mark 10:6-9) in God's eyes. God wants us to do everything we can to develop a "one minded" approach as a married couple and to be open and honest in jointly managing our resources. You may find that as you pray and engage in honest discussion with your wife about your desire to tithe, perhaps over time she will support your commitment to give.

God is not honored when we hide our financial dealings from our spouse, even if we think it is for a good reason like giving. In addition, giving cash without putting your name with it may be costing you a legitimate tax deduction, which would allow you to increase your giving for the same impact on your total expenses. Many couples have found that living on a good working budget has facilitated positive communication about money and giving. If you would like assistance creating a budget, our financial coaching ministry would be happy to help you.

19) I have always heard that we should tithe our 10% to God, but where in the Bible does it tell us where our tithe should go?

This is a great question that a lot of people are asking. In Malachi 3, we are instructed to bring our tithes into the storehouse. Because this is a very specific instruction, we need to find out more about what the storehouse was. In biblical times, there were four main functions of a storehouse:

1) To care for the needs of the Levites
2) To care for the needs of the prophets
3) To care for the needs of the Jewish widows and orphans
4) To care for the needs of the Gentile widows and orphans

If you were to translate that into a modern context, you would see the Levites were the rough equivalent of church pastors and staff. The prophets would be missionaries. Then, the next two would address the needs of those inside God's family and those outside the circle of believers. This closely lines up with a key part of the mission of the New Testament church; therefore, to the degree that the local church is acting as a "modern day storehouse" - it means the tithe should be brought to the local church.

20) *We just inherited some money, and I want to know the biblical perspective on tithing. Should we tithe on the interest that will be earned as it is invested or the total amount of the inheritance or both?*

In Deuteronomy, we are told the tithe is based on the increase (Proverbs 3:9) in the goods and crops that represented God's blessing during a given period. In biblical times if you "inherited" some camels, then that would represent an increase in your wealth and would be the basis for a tithe. When the camels had offspring, that would also represent an "increase" and would also be tithed. Following that example, both the inheritance and the interest represent an increase in wealth. This means the biblical basis for your tithe includes them both.

21) *During a meeting with our retirement counselor last night, he asked a question I could not answer. He asked, "What is the church's position on using a portion of the tithe to purchase a policy that will have the church as beneficiary?"*

This is not a biblical approach to tithing. Delayed obedience is still disobedience. The biblical examples of giving involve bringing your tithes to God on a regular basis to God's house (Deuteronomy 14:22). The advice you got may sound good from a logical human perspective but is not a biblical perspective. Current ministry needs are ongoing and more can be accomplished to further God's work with the tithe being put immediately to use.

22) *I have heard a lot about tithing 10%, but is that on my net or my gross?*

Let's look at scriptures in the Bible to see how it defines the tithe. The verses in Proverbs 3:9-10 say, *"Honor the LORD with your wealth, with the first fruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine."*

The words "first fruits" represent, from an agricultural standpoint, both the FIRST of your crops and the BEST of your crops. When you give the first and best to that which is most important in your life, this is a tangible representation showing it takes the highest priority.

When we give from our gross dollars earned, it shows God that He is first in our lives. Consequently, when we give from our net income, it shows there is something else in our lives that have become a higher priority than God. Whenever we deduct anything from our income BEFORE we bring back the tithe to God, we have made God less than first in our lives.

23) *What is so bad about credit cards if they provide a convenient way to cover unexpected expenses when we are short of money? Isn't that flexibility a good thing?*

You may not see the underlying danger of using credit cards. The need to use credit cards when you're short of money reveals a larger issue. You are choosing to go into debt rather than finding a solution to income shortfalls. The real need is to adjust lifestyle choices down immediately instead of avoiding working on a solution. Here are some ways credit cards can be harmful:

1) The interest on credit cards can pile up faster than you can afford to pay it back. This can put you even further in debt.
2) Credit cards can take the place of trusting God to provide when we are in need. God wants us to seek Him in our time of trouble and not turn to plastic. (Hebrews 11:6)
3) Excessive interest and debt repayments may affect your ability to be generous.
4) Studies show that a family living off of credit cards AND paying them off every month will pay an average of 26% more than if they were living on cash. We waste more money when we use plastic!

24) *My wife and I own a rental home, which if sold, would totally pay off all of our debt including the home we live in. I had anticipated keeping the rental for ten more years to allow more time for it to appreciate in value, but my wife is interested in becoming debt-free now. What would you suggest?*

Because we do not know for certain what the future may bring, we don't know how much your rental property will be worth in ten years. Therefore, the answer is not that easy.

What we do know, and is extremely important, is for both you and your wife to feel comfortable about your financial situation. This is much more valuable than a potential profit down the road. The ability to pay off your residence and become debt-free may lead to another opportunity while also giving your wife a greater sense of peace. When you pray together, seek God's direction. He does care about you, your marriage, and your finances.

25) How do I know if I have too much money and am in danger of it getting in the way with my walk with God?

May I ask you a question? How is your walk with God? Has there ever been a time in your life when you were closer to God than you are right now?

Proverbs 30:8b-9 says, *"…Give me neither poverty nor riches! Give me just enough to satisfy my needs. For if I grow rich, I may deny you and say, "Who is the LORD?" And if I am too poor, I may steal and thus insult God's holy name."* Any time we allow our riches to put distance between God and us, we are in a dangerous spiritual spot just as much as if we have too little and are in danger of stealing. We should bring this concern before God continually to keep wealth from being a barrier in our relationship to Him. Another test of our relationship to wealth is whether it is getting easier or harder for us to be increasingly generous. If it is getting harder, that is a danger sign we should take seriously.

26) My husband is suggesting we pay off the mortgage on our house by cashing in some stocks and withdrawing money from our retirement fund. Is this a good idea?

Cashing in stocks to pay off your home would be a personal decision that you and your spouse would need to make based on your entire financial situation. Withdrawing money from your retirement fund before you are eligible, could result in paying high interest and expensive penalties making it a costly transaction.

As long as you can afford your monthly mortgage payment, there is no compelling reason to pay it off this way. Also, by creating a good written spending plan, you may find ways to pay off your home sooner by paying additional money with your monthly payments.

27) My husband and I have tried making a budget, but we live on commissions and our income varies. What suggestions would you have? We have lived like this for 28 years. HELP!

Everyone needs to be on a budget to ensure they are getting the most mileage from their income. This is especially important when there is uncertainty about the amount and the timing of income. The best way to budget with variable incomes starts with gathering information on ALL of your current expenses and income from commission statements.

This would include:

- Giving (ex. birthdays, tithes)
- Savings (ex. emergency fund, retirement)
- Living expenses (ex. food, clothing, gas)

- Fixed monthly expenses (ex. rent, utilities)
- Non-monthly expenses (ex. vehicle taxes, memberships)
- Medical expenses (ex. eye glasses, doctor visits, health insurance)
- Discretionary spending (ex. cell phones, haircuts, child care)

Then, find a time to sit down together when you won't be distracted. Write down the most realistic amount for all of your expenses for an entire month (for non-monthly expenses, find the amount you would need to put aside monthly to pay them on time). When you add up all of these monthly expenses, you have arrived at your lifestyle's cost of living.

Now, you'll need to determine your best estimated average of how much income you each make monthly from your commissions. Be realistic but conservative. This will reveal any shortfall or overage in income. If there is a shortage of income, then you need to consider any months where an overage may occur. If an overage is found, then establishing a "slush fund" to put the extra money in will help you get through the lean months. If there is a shortage of income consistently year-round, there must be lifestyle changes made to reduce expenses. Lastly, and most importantly, you both need to commit to follow the budget plan for it to work.

28) I have several credit cards with high balances and high interest rates. Would it be a good idea to get my debt consolidated into one payment with a lower interest rate?

Under some conditions, debt consolidation can be helpful, but there is need for great caution. A couple of very important questions must be asked. First, "Has the problem which created the debt been solved so that no more debt is being accumulated?" Secondly, "Is the person with the debt now living on a working budget that has brought the household finances under control?" If the answer to those questions is "yes," then debt consolidation can be a helpful tool in reducing the interest rate as the outstanding debt is being paid off.

The greatest danger arises from the fact that if the issues which drove the credit card debt are not solved, new credit card charges are quickly incurred and now both the credit cards and the consolidation loan must be paid off. The debt consolidation just made the situation worse.

The key continues to be learning to live on a working budget and committing to a debt reduction plan that will permanently reduce outstanding debt. A practical way to work on your budget and begin reducing your debt is to attend a Financial Coaching Appointment.

29) What do you think about using money management software programs and apps? (Mint.com or Quicken vs. EveryDollar or a manual entry excel budget form)

Based on many years of financial counseling research, there is a significantly higher success rate when a “manual” daily tracking system is used, to begin with, versus an electronic system. Posting expenses to a manual spreadsheet or sorting manually in an app on a daily basis is much more effective in creating the life-long habits necessary for success.

It is not that the software programs are not well-designed systems, but they just do not foster the same foundational habits necessary for long-term success. And success is the goal - not efficiency and speed!

EveryDollar is a recommended, free budgeting app that you can download as an app to your phone or access on your computer (it does have an pro version for a yearly fee). Visit EveryDollar.com to learn more and see how it can help you create a budget in under 10 minutes.

30) I have outstanding credit card debt, and my son is getting ready to go to college. Should I withdraw money from my 401(k) to pay down my debt to help pay for his college expenses?

Generally, it is not a good idea to withdraw from your 401(k) since that money will be needed for future retirement. Especially if you have not reached retirement age, because making any withdrawals early could mean costly penalties and taxes would apply. In a situation like yours where credit card debt needs to be paid, we would suggest creating and living on a budget that would allow you to quit using credit cards while freeing up money to pay down your debt [without the need to pull money out of your 401(k)].

In your situation with regard to paying for your son’s college expenses, it may be better to use a portion of your 401(k) than to take on new debt since 401(k) withdrawals used specifically for higher education may be made without incurring the penalty *(Taxes would still apply and we strongly recommended you seek advice from your tax consultant and/or professional financial advisor to discuss taxes and fees).* Then, try to make up for the amount withdrawn by contributing additional amounts to your 401(k) to “pay back” the withdrawal as soon as possible.

Also, encourage your son to avoid personally taking on a significant amount of college debt since college graduates are finding their career choices increasingly limited. Financing college debt of no more than one year of the estimated starting salary for the job degree being pursued is recommended. More and more families are finding lower cost ways to pay for college and avoid debt. Examples include: attending a community college for two years then transferring to a four year school, attending an in-state public college, applying for grants and scholarships, working part-time to help pay towards living expenses, or spreading four years of college over five to six years to allow periods of work in between to earn money for tuition.

31) *Where can I invest my extra money to earn a high rate of return with no risk of losing it?*

Our ministry does not suggest individual investments. We can help you learn more about the types of investments available, but you will need to make the investment choices based on advice from an investment advisor or your own personal study.

We can, however, tell you that your ability to gain a high rate of return will always carry with it high risk. To avoid the risk of loss, you would have to settle for a lower rate of return on your investments.

32) *I have $13,000 saved in a CD that will be available in June of this year, and I have $11,000 debt on my credit card that I just can't seem to ever payoff. Should I use the money in my CD to pay off my debt?*

As long as you are not draining all of your emergency funds, it may be a good idea to use your CD to pay off your credit card to avoid the excessive interest. However, that is only a good idea if you make a commitment not to get back into debt on your credit card in the future. If you used your CD to pay off the credit card and then went back into credit card debt, you would be worse off then you were before!

33) *We just moved to the area from California. We sold our home there and are in the process of purchasing a home here. We have enough equity out of the sale to buy a home paying cash. Is that smart, or is it better to take out a mortgage and take advantage of the tax deductions the interest on a loan would provide?*

First, do you mind if I ask a few questions to better answer your question? If you paid cash for the home you are purchasing, would you have enough left over in your emergency savings fund? If not, I would suggest establishing a fully funded savings fund of roughly six months of living expenses and use the rest of the money to buy your home.

If you can pay cash for the new home and still have six months of living expenses in savings, you'd be better off than getting a mortgage. You could take advantage of your ability to put the money you would have paid towards a mortgage into savings and/or giving to non-profit organizations. By putting money into a 401(k) and/or an IRA and giving to the church, you may be gaining very similar tax deduction benefits. *You should talk with your tax consultant and/or your financial advisor to confirm the tax deductions eligible to you.*

34) ***We have a $12,000 balance on a credit card that we're really trying to pay off. I received an offer to transfer the balance onto a new zero-percent interest rate credit card that would charge us no fees for 12 months. I like the idea, but my wife is not so sure. Is this a good idea?***

There are a few things to consider about zero-percent credit card offers and using them to help pay off credit card debt. Be sure to read all the fine print about the card offer before you apply. This will help you make the best decision on whether or not it would benefit you. You'll need to consider your credit score, too. These types of offers usually require a high credit score. Some cards charge a 3% balance transfer fee (Ex. Transferring $12,000 to a zero-percent card that charges a 3% balance transfer fee would increase the balance due by $360 to a new total due of $12,360). Also, find out what annual fees may apply. The offer may waive the initial fee for the first year but if you cannot pay the balance off before the end of that year, you'll need to be aware of charges that may be applied to your account.

To stay on track paying off debt and not set yourself back, you'll need to calculate the costs of transferring balances plus any additional fees to compare with what interest and fees you would pay on the current card. Which debt repayment plan saves you the most money? Would it save money (and time) if you kept paying aggressively towards the debt on the existing card and asked for a reduced interest rate? You may find your current credit card company would be receptive to work with you to keep you as a customer. If you were unable to pay off the balance before the offer ends, what would the interest rate jump to on the new card?

Most importantly, you must consider your behavior in how you use and pay on credit cards. Are you timely with your payments? If you miss the payment due date (by even just one day), your zero-percent interest period may be discontinued immediately. Would you be tempted to apply charges to your current card if you transferred the balance? If that were the case, you would find yourself in a worse financial situation being deeper in debt.

35) ***My husband recently lost his job, and starting March 1st, we will no longer have any health insurance. We are considering a high deductible plan, but even that is over $500 a month and really would only kick in if we experienced a catastrophic illness. We are young and***

healthy and don't anticipate any such event. Wouldn't we be better off saving that $500 a month and hoping and praying that we won't have a catastrophic illness?

It is hard dealing with a job loss, especially when you have the additional loss of benefits. We all hope we will not have a need for health insurance. However, being uninsured is a dangerous gamble that will cost you. Medical bills are the biggest cause for bankruptcies in the U.S. year after year. This is one of the reasons our government has implemented the health care reform law (also known as "Obamacare"). As of 2014, everyone (even the unemployed) is required to have health insurance under this new law. If you do not have a qualified health plan, then you are breaking the law. You can apply for a health care exemption; however, if you do not qualify, you'll be charged a penalty on your tax return. This means you'll owe an additional tax or your tax refund will be reduced.

There are several different types and levels of qualified health insurance plans that would give you minimum coverage to avoid paying a penalty. All qualified plans are required to provide certain essential benefits – whether you want/need them or not. We'd recommend you get a quote on two to three different types of qualified plans to find the coverage that is within your budget while meeting your healthcare needs.

36) Is it okay to "rob" from my IRA or 401(k) to pay off credit card debt?

This should be an action of last resort. First, cut back on lifestyle expenses and create a debt reduction plan using money freed up from the budget before you consider robbing from an IRA or 401(k). Withdrawals from retirement accounts before reaching retirement age are assessed with penalties and taxes may apply. If, however, you have a significant amount saved in a retirement account and you have a very strong desire to be totally debt free immediately, the personal benefits of being debt free may outweigh the penalty of withdrawing from your retirement account. If this action is taken, it should be as a result of having fixed the problem that originally generated the debt so you know you will not go back into debt. It would be very damaging to pay off debt with retirement funds only to go right back into debt again.

Once the debt is paid off, you can double up on future contributions to your retirement account with the money freed up by not paying interest.

37) If I have already filed bankruptcy, what is my obligation to my former creditors?

Legally, the government says you no longer have an obligation. Although often controversial, from a biblical perspective, the vow to pay that was made on the original debt is still in place unless the person to whom we owe the money has willingly agreed to cancel the obligation. That requires that you make an attempt to satisfy the debt morally, even if legally you are free. Sometimes "taking up our cross" involves a price to pay to live out biblical truths. God will honor the desire to meet your vows. Working with the person that did not get paid to satisfy the outstanding obligation is a way that shows your desire to please God.

38) *I am 23 years old, and I recently made a decision to go back to Graduate School to become a teacher. I do not have any debt other than my car. I like not owing much, and I feel completely clueless about how to pay off the $19,000 of school debt I will be accumulating in the next 21 months. Do you have any suggestions?*

I wish there was an easy answer to your situation, but any time you spend money you don't have it will be painful. If I were in your shoes, I'd take some time to pray and consider all the options available.

First, have you taken any time to pray about this decision? Do you feel like this is the path God wants you to take for your career? Then, I would like to suggest considering other options besides going into $19,000 of debt in the next 21 months, because you may find it difficult to pay back this amount of student loan debt on a teacher's salary. Have you considered working part-time and going to school part-time? It may take a little longer to get your degree, but you'll have the advantage of less debt when you finish. Have you applied for any grants or scholarships? Depending on your teaching career choice, there may be state and government money you can apply for. Can you find an employer/program that will pay the cost of your education? In some states, some types of student loans education expenses incurred for teaching degrees are eligible for Teacher Loan Forgiveness Commit. Also, if the teaching role is in high demand, you may find a school or organization that is willing to pay for your education if you will fill the role.

Whatever decision you make, try to live as cheaply as possible while you're a student. By doing that, working and living wisely on a budget, you could avoid significant debt.

39) *What is your opinion of debt consolidation vs. debt elimination management businesses?*

First, let's talk about the difference between the two. A debt consolidation involves taking out a new loan to pay off a number of other debts. Most people who consolidate their debt usually do it to attain a lower interest rate, or for the simplicity of a making payments to one single loan. A debt management service acts as a middleman between you and your creditors, obtaining a single monthly payment from you and then paying off various debts on your behalf. The service receives a commission, usually a percentage of your monthly payment, and possibly additional rebates from your creditors.

We recommend you avoid businesses that charge fees for services you can do yourself. Any company that requires you to pay a large payment of money to engage their services is not in your best interest. They may even require you to give them access to all your accounts and tell you to stop making all your debt payments to your creditors in an attempt to force creditors to believe you may never pay them. This will destroy your credit rating while you continue to pay payments to the agency.

The best approach to pay off debt faster is to make the most of your income by utilizing a personal, practical budget and debt freedom. We can assist you in making these plans in a free, confidential, one-on-one financial coaching appointment.

40) *I am 30 and currently contributing to my company's 401(k) plan on a pretax basis. I read an article the other day that stated contributing pre-tax money to 401(k) plans is no longer advisable, because when you are ready to retire, the percentage of taxes will more than likely be higher than it is now. If that is the case, should I change my position and only do after-tax, Roth plan, contributions to my retirement fund?*

The fact is no one knows what tax rates will be when you retire. You have made a great decision to begin saving for retirement now. There are very smart people on both sides of this discussion and the “right” answers will depend on whom you ask.

The main thing is that you continue investing for your future. Whether you decide to contribute solely to a traditional plan, a Roth plan, or maybe a blend of contributing to both types of plans, you are investing in your future. Your employer should be able to give you information to get in touch with the company that facilitates your 401(k) plans. I’d encourage you to ask questions about your options, and make sure you understand how your money is being invested and all of the fees. It is always best to make a decision based on good information to make you feel the most comfortable with your financial choices. You may even consider meeting with a professional financial planner to help you determine your estimated retirement needs and make sure you are on the right track.

41) *I have tons of credit cards and credit card debt. Is it better to try and pay one card off at a time, or to pay a little more than the minimum balance on all of them?*

You have asked such a great question. We have found the most successful way to pay off many credit cards is by utilizing a written spending plan (a budget) while following a debt freedom plan using a debt snowball approach. Here are some next steps you may find helpful:

1) Establish a good working budget that can allow you to avoid new debt. We offer free, confidential, one-on-one financial coaching appointments where we could help you with this step.
2) Find ways to reduce expenses and/or increase income in your budget. This will give you the ability to see how much money you can contribute towards debt freedom.
3) Fund an emergency savings fund. This is a very important step, which should not be skipped! You'll need savings to help you avoid the need to enlist the use of debt in the future so you can stay on track with your plan. The amount you need in your savings fund will vary depending on your life stage and responsibilities. The recommended amount to save for this emergency fund ranges from $1000 - $2,500. A financial coach can help you determine the right amount for your needs.
4) List all your outstanding debts beginning with the smallest balance to the largest balance, the interest rates on each debt, and the minimum payments using an actual cost of debt calculator. This will allow you to find your debt freedom date while seeing how much your debt is really costing you with interest.
5) Continue to pay the minimum payments on all debts listed except for the one with the smallest balance. You'll want to put all additional money to the smallest debt until that is paid off.
6) Apply the total amount you were paying to the smallest debt you just paid off plus the minimum payment you are already paying to the next debt listed under the one you just paid off until that is paid off. (Your snowball is getting bigger!)
7) Keep up the process by moving down the list paying all of your debt in order from smallest balance to largest balance until you are debt free. Even though it seems more logical to pay off the loans with the highest interest rate first, we found the satisfaction and excitement of celebrating victories in paying off debts to be a powerful motivator for many people to stick with it and successfully eliminate their debt.

42) When I hear someone ask, "Can I afford this?" this question seems so subjective. How can I know how much I can afford?

This is such a great question and one that I would encourage you to always keep in mind. There are recommended percentages to help you determine how much you can afford depending on your income level. We can assist you in finding your percentages in a personal financial coaching appointment, or you can download the monthly budget form from our Financial Planning Ministry website and fill in your information to see the calculation.

That being said, you may find while you are there that there are things you can afford; but you may choose to intentionally live below your means because that would affect your ability to reach your personal goals. It's important to make S.M.A.R.T. (specific, measurable, attainable, realistic, time-constraint) goals to identify your personal priorities. This will ensure your choices line up with your overall plans.

43) *I retired after 31 years at the age of 53. I received a lump sum pension. Should I take money out of my IRA and pay off both of my daughters' student loans? My financial planner would prefer I did not use my IRA to pay off these loans. What is your opinion?*

What were the reasons your financial planner discouraged you from withdrawing money from your IRA? While it is a commendable gift to help your daughters pay back their student loans, you'll need to consider all the pros and cons of making an early withdrawal from your IRA to do it. You may find a better way would be for the IRA to keep earning interest for the future and to develop a good debt reduction plan to pay off the student loans as soon as possible with current income. The best way to do that is to make sure you have a good working budget that frees up as much as you can to pay down the debt as soon as possible. We would be happy to assist you in a one-on-one financial coaching appointment to help you establish a budget and debt freedom plan.

44) *I'm recovering from a bad season, and my credit has been damaged. Would you recommend using a credit repair company?*

Credit repair companies charge you fees for services that you can easily do yourself, so no, we would not recommend using them. The following are what credit repair companies claim they can do and how you can do it yourself:

- You're entitled to a free report from each of the three nationwide credit reporting agencies—Equifax, Experian, and TransUnion—once every 12 months at annualcreditreport.com.
- Remove incorrect information from your credit file. You can do that yourself under the Fair Credit Report Act. The credit reporting agencies and the companies that provide your information to them are responsible for correcting errors in your credit history.
- Remove correct, but negative, information from your credit file. Negative items in your credit file can legally stay there for seven years or more (depending on the type of information), as long as they are correct. Challenge every item in a credit file.
- Get outstanding debt balances and court judgments removed from your credit file. Credit repair clinics often advise debtors to pay outstanding debts if the creditor

agrees to remove the negative information from your credit file. This is certainly a negotiation tactic you want to consider, but you don't need to pay a credit repair clinic for this advice.

- Advise you to get a major credit card. Credit repair clinics can give you a list of banks that offer secured credit cards -- credit cards used against a balance you deposit in a bank account (This is the first step to getting a major credit card if you have bad credit). While this information is helpful in rebuilding credit, it's not worth paying for -- you can find this information yourself for little or nothing.

45) What is the 90-day tithing challenge? If I sign up, what happens?

The 90-day challenge is a next step for people to take that helps them begin tithing and learn what God says about tithing in His word. When you sign up, the church will commit to you that if you tithe for three months and God doesn't hold true to His promise of blessings, the church will refund 100% of your tithe. No questions asked. Throughout the 90 days, the church will provide you with resources and encouragement along the way.

46) We are behind on our mortgage payments and in danger of losing our home. We don't have anywhere to go and are afraid the foreclosure paperwork will arrive any day now. What can we do?

- What is going on financially to cause this situation? Questions to ask yourself include:
    - What are the real circumstances?
    - How likely is it that the circumstances can be overcome?
- Have you reached out to your mortgagee to see what they will do to help you catch up or restructure?
- How far behind are you? How much do you owe? How much is it worth?
- Have you talked to anyone about short-selling?
- Be encouraged and know that:
    - The mortgage company doesn't want the house, so it's in your best interest to come up with a solution to avoid foreclosure. Sometimes it takes a lot of research and ruthless persistence to find that solution. Fight!
    - Challenge yourself to begin mentally and emotionally preparing themselves for the possibility that there might be nothing they can do, but that it isn't the end of the world - God is still God, and God is still good. No matter what happens, He has good intensions for it in some way.

There's really not a magic bullet for that situation. If these options don't work, start preparing to move on.

47) My bills got behind. Now debt collectors call me all the time. They are being very aggressive, and I don't know what to say so I'm ignoring their phone calls. I do want to repay my debts, but I don't know where to start?

The best way to begin to handle debt collector calls is to remember that they are doing a job; it's nothing personal. First, the key is to over-communicate with collectors. Avoiding the calls only prolongs the problem. Greet the collector with enthusiasm to keep them off balance. Listen to what they have to say. Do not let yourself take their bait to make it an emotional rollercoaster. Be honest and firm with what you can and cannot do. Never compromise your four walls. Make only promises to pay that are real. Do not give any personal information. RECORD all calls with collector name, date, time, and what was discussed, and let them know you are doing so nicely.

Set up clear guidelines with the collectors that it is fine to call you once a week but no more. Don't argue; they love to get you to this point to play on emotions. Only accept settlements in writing. DO NOT give electronic access to bank accounts or post-dated checks. Keep records of any and all collector calls in one notebook so that you always have record of each and every call for court purposes if needed and for your records.

Be honest, and once a budget is in place, set up a Pro-Rata payment plan so that any monies possible in your budget can send something to each debt. Mail this plan to each collection agency by certified mail. They may not accept this plan, but it shows that you have done your part and can go a long way toward settlement.

Most of all, realize that maintaining your four walls of necessity (house, food, transportation to work, utilities) are vital. I'd much rather you pay these essentials than worrying about a credit card debt.

48) My wife and I are newly married and want to get off on the right foot financially. We both have student loans but have no other debts. We'd like to buy a home within the next year. What should we do to pay off our student loans faster so we can purchase a home?

The answer to this question depends on the details of the situation. There are really only two things someone can do financially to get to a goal faster - either save more from what they already earn by reducing expenses etc., or go and earn more.

If a couple doesn't want to wait until they have gotten the student loans paid off, then the emphasis should turn to two questions. How much are the student loans? What does the monthly budget look like? Everyone has a different risk tolerance. Since a house is normally an appreciating asset, it might not be a bad financial decision to buy one even while still paying on low interest student loan debt. As long as the estimated monthly cost of owning the home is within the 25-35% of monthly income range (rule of thumb) and it doesn't put the rest of their budget so tight they can't give and save, then maybe they should go for it and buy a house.

49) I'm a college student and will graduate next year. I'm concerned about how I'm going to pay back my student loans. What can I do to prepare?

Students usually have six months from graduation before their first student loan payment is due. Here are six recommended steps to help you prepare for paying off your loans:

1) Track down your loans: Because student loans are usually taken out on an annual basis, you might have a variety of individual loans—which might even be from several different financial entities.
2) Communicate with your loan servicer: Though you won't owe them anything for a few more months, begin the dialogue with your loan servicer now. Update your contact information so you're sure to receive your bills, and ask about any aspects of your loans that confuse you (i.e. when payments begin, interest rate, interest rate reduction, debt consolidation options, Interest-Based Repayment or Income-Contingent Repayment opportunities)
3) Start a budget. Map out any money coming in and going out each month. Possibly deduct a student loan payment each month during the six month grace period.
4) Explore repayment options. The standard repayment for a student loan is ten years, but that's not the only option. Many borrowers don't realize that they can extend their loan repayments and may be eligible for federal loan programs that help to relieve some of their burdens.
5) Make interest payments: If you have an unsubsidized loan, interest will accrue throughout your grace period. Though you're not required to pay it off until you enter repayment, it's a good idea to do so if you're financially able. Accrued interest will be capitalized at the end of your grace period and added to the principal of the loan, increasing your debt.
6) Seek out your financial aid officers for advice.