# CHAPTER 24
# GETTING STARTED RIGHT IN LIFE AND BUSINESS (e²)

***"This is what the LORD of Heaven's Armies says: Look at what's happening to you! You have planted much but harvest little. You eat but are not satisfied. You drink but are still thirsty. You put on clothes but cannot keep warm. Your wages disappear as though you were putting them in pockets filled with holes!" (Haggai 1:5-6 NLT*).**

Our American society seems to be a consumed with debt, and the same is true for most other western nations. We have come to accept significant consumer, corporate, and national debt as a normal way of life. Consider this: it took 200 years for our national debt (the amount of debt owed by our national government), to grow to $1 trillion dollars (1980). But it only took another five years for it to grow to $2 trillion dollars (1985), and another twenty years for it to grow to $8 trillion dollars (2005) (1).

Consider also that consumer savings dropped from 10 percent of income in 1980 to just 0.01 percent in the second quarter of 2005; and consumer debt which includes mortgage payments and personal debt (including credit cards), as a percentage of income, increased from 11 percent in 1980, to 14 percent in 2005 (2). By 2003, lower to middle income families carried a credit card balance of from 9 percent to 12 percent of their family income (2).

During the same twenty-five year period (1980 to 2005), personal bankruptcy filings in the United States increased per capita nearly 350 percent. Bankruptcy has risen from 1.2 persons per thousand persons in 1982 to nearly 5.4 persons per thousand in 2005. Predicatively, it is lower to middle income individuals that are more likely to file bankruptcy in response to an insolvency event, given their relatively limited access to financial counseling and fewer and less diversified financial resources (2).

**LET'S TALK ABOUT DEBT**

***"Train up a child in the way he should go. And when he is old he will not depart from it"* (Proverbs 22:6).**

This is a familiar scripture, but notice the next verse: **"The rich rules over the poor, and the borrower is servant to the lender"** (Proverbs 22:7). Unfortunately, most of us have never correlated verse 6 with verse 7.

Not only do we not teach our children that the borrower is servant to the lender, but by our actions we have trained them to use debt to provide instant gratification to their desires, rather than trusting God and waiting for His timing and provision for what they need.

Many Christians are influenced by the world and the things of the world, and live their lives like their neighbors in the world. They are in debt up to their eyeballs, because they have yielded to the lust of the flesh, the lust of the eyes, and the pride of life (1 John 2:15-16). They use debt to buy a bigger house, a better car or a bigger boat than their neighbor, and then they spend the rest of their life trying to get out of debt.

If you want to be financially successful then you must know the difference between good and bad debt.

**DON'T FOLLOW THE CROWD**

When most people graduate from high school or college, they lack the experience, the money or other types of assets that are required to go into business. Thus the only way that they can earn a living is to sell their personal service or a creative idea. Having neither assets nor creative ideas, most people go to work for money.

They search the help wanted advertisements of the newspaper or on an internet employment website until they find a position that meets their skill level or their area of interest. Then they submit their employment application and resume to the company for the position. If they are selected for an interview, they go to that interview without any special preparation, hoping to be hired. They give little thought as to how they can best present their skills or their interest in the position; their primary concern is "how much money will I make." Once hired, they pace their output against what others in their department or company produce.

Having established what they consider a good income, they allow their desire for things to influence their purchasing decisions. They never stop to consider the total cost of an item purchased on credit; and by their example, they teach their children to do the same and to live in the same way they do.

Forty years later if they are lucky, they retire with a small retirement fund or a social security check and are inwardly envious of rich people. You often hear these same people saying things like "I heard that piece of land sold for $2,000,000.00. I could have bought that property for $50,000.00!" **They sit around talking about what they could have done when they were younger but didn't because they didn't do their financial planning homework.**

Because they didn't do their financial homework when they were young, they often continue to make poor financial decisions when they retire. I personally know several retired people who have invested their retirement funds into what they believed to be a secure investment. Nearly always, however, these investments promised returns that were considerably higher than conventional established and generally secure investments. Every one of those individuals I know who invested their retirement funds into non-conventional, high return investments **lost their badly needed retirement nest egg because they didn't do their homework.**

Most people are servants to money; they buy a new house, a new car, a new boat and other consumer toys and they struggle continuously to meet their financial responsibilities. They think *if I could just get a raise or a better job I wouldn't have any more financial problems*. But it is not the size of their paycheck that makes them the servant of money; it is what they do with their paycheck that makes money their master. The reality is that the more money most people make, the further in debt they become. They are a servant to money; therefore they are constantly working for money. But if you want to go into business for yourself, if you want to become financially secure, you need to change the way you think about money. You need to stop working for money, and make it work for you. You may be wondering *how can I make money work for me? I don't have any.*

**SACRIFICE PRESENT PLEASURES FOR FUTURE BENEFITS**
"**Develop your business first before building your house**" (Proverbs 24:27 LB).

Americans of Jewish descent are disproportionately more successful than the American population as a whole. One of the maxims of the Jewish culture is to "**sacrifice present pleasures for future benefits**" (3). But this maxim seems to have been lost on the average American family who uses credit to fulfill instant gratification and defer any future benefits.

You may be asking, "How can I go into business? How can I invest in real estate or the stock market if I don't have any capital?" Let me suggest that you break away from the crowd, sacrifice some of your present pleasures for the benefits that you will gain by saving a portion of your salary and investing it in your future. Live your lives simply and forgo many of the non-essential things and pleasures that your friends may be experiencing until you have saved enough capital to start and operate your dream business or invest in income producing assets. If you are currently heavily in debt, make it your number one goal to get out of debt. If you are not in debt make it your number one goal to stay out of debt, and put aside the money you will need for working capital when you actually start your business.

While you are busy working for someone else, begin to do your homework by acquiring the knowledge and skills that are required to be successful in your future business. Concurrently, spend time in the Word of God changing the way you think about yourself and developing faith in the creator's ability to guide and prosper you.

**IS BORROWING MONEY SCRIPTURAL?**

Several well-known Christian leaders teach that borrowing money is unscriptural; they quote the verse "…owe no one anything except to love one another; for he who loves another has fulfilled the law" (Romans 13:8) as support for their view. But I can't agree that this verse means we are never to borrow money. The Old Testament Law provided that a Hebrew servant was set free after seven years (Exodus 21:1-11), as well as a year of Jubilee every fifty years when land was returned to former owners (Leviticus 25: 8-17). Thus it is obvious that borrowing money was not forbidden in the Old Testament. If Paul was saying in the above scripture that borrowing money was contrary to the New Testament, he would have been teaching a new doctrine and he would have made a special point of explaining that doctrine, as he did when he introduced a number of other New Testament doctrines.

These leaders are correct, however, when they point out the dangers of borrowing. Below are some of the disastrous results of borrowing.

- Strife in the marriage leading to divorce
- Stress in business and personal lives leading to bankruptcy
- The destruction of millions of lives
- The undermining of a nation's economy

Most of us borrow money on the presumption that the economic future is predictable. But we do not know the future; only God knows the future. That is why it is so important that we seek God in our personal and business decisions, particularly with regard to long-term borrowing.

One Christian financial planner offers the following three principles to guide the Christian borrower.

- Don't borrow needlessly
- Don't sign surety (don't guarantee another person's debt)
- Don't take long term debt*

*I would add a caveat: "Don't take on long-term debt unless you have gotten a green light from the Holy Spirit."

**CONSUMER DEBT**

There are four basic types of debt—consumer debt, mortgage debt, business debt, and investment debt. **Of these, however, consumer debt is far more insidious than the others, because it is so readily available.** Consumer debt is generated to buy food, clothing, jewelry, boats, cars, etc. satisfying people's needs or desires, rather than for producing goods and services.

**CONSUMER CAR DEBT**

Let's look at one of the most frequent types of debt among young people—car loans. I recently read that the average American family spends between $284,578 and $351,408 on automobiles during their lifetime. This represents the cost of owning and driving just one vehicle. Two and three car families have proportionally higher costs. (4) In 2005, the annual average cost of driving a midsize car 15, 000 miles a year was $8,580. (6) If your family owns two cars, the annual cost of ownership would be somewhere between $13,500 and $16,000. If a young family would cut back to only one car (when they were 25 years old) and invested the $5000.00 annual savings at 10 percent interest (the average earnings for the stock market over the last 200 years), by the time they retired at age sixty-seven, through the miracle of compound interest, they would have accumulated a total $3,230,821.95. Have you ever noticed the exceptionally high first year depreciation on a new car? Have you ever thought about saving your money and buying a quality used car?

Over the years, automobile prices have risen much faster than income; the average new car now costs in the area of $30,000. Therefore automakers and dealers have developed new ways to entice the consumer to buy their expensive cars. Loan terms have been stretched from three years to as many as seven to eight years. Automobile dealers placing advertisements on television, radio, and in newspapers rarely mention the sticker price; instead they focus the buyer's attention on the monthly payment or lease amount (i.e. $299, $399, $499). Or perhaps you have read that the manufacturer is offering zero interest rates on the purchase of new cars. Don't be fooled by the advertised low interest or low monthly lease rates; be aware that automakers often make more money from their financing divisions than they do from making and selling cars.

**Consider this: the prototypical American millionaire drives an American made car…only a minority of them drives a current-model-year automobile…and only a minority of them ever leases a motor vehicle (5).**

**A NO-RISK INVESTMENT THAT PAYS 18-20 PERCENT INTEREST!**

If I were to tell you that I have a surefire, no-risk investment that would pay you 18-20% interest, would you be willing to sell your boat, take out a second mortgage on your home, or cut back on your discretionary spending to invest? Probably not. The good news is…**all you have to do to get that type of return on your investment is to pay off your credit cards!**

**CONSUMER CREDIT CARD DEBT**

Several years ago, one of my daughters came to me to discuss the purchase of a new car. When I asked her how much interest the bank would charge she said 1.9 percent. I was not familiar with the interest that a bank charged for a car loan, but I told her that I thought that bank interest on a car purchase would be much higher than 1.9 percent. She told me that she had just gotten a credit card from her bank and the interest was only 1.9%. She, like most people, saw only the large print "**1.9% INTRODUCTORY OFFER.**" Most people never read the small print which indicates that after six months the interest rate will increase to 18 percent or more.

Many people, having received a new "low interest" credit card, can't resist the urge to charge an extra tank of gas or buy a new dress. The tragedy is that they never even notice when six months later the interest is raised to 18% or higher. They don't notice because all they ever look at is the minimum monthly payment. Recently I received a credit card offer with zero percent interest for the first six months. How could one go wrong purchasing consumer items with zero percent interest?

Would you consider making payments on a tank of gas or a new dress that you purchased twenty years ago? That is exactly what you are doing if you make the minimum monthly payment on a credit card charging 18-20% interest. According to the Cambridge Consumer Credit Index, a 2005 survey revealed that nearly half of Americans (45%) are making only minimum or no payments on their credit card balances.

Banks are quite sophisticated in identifying those middle and lower income consumers who are likely to borrow extensively on their credit cards. Not surprisingly, it is often the lower-income individuals, those just getting started in life, who carry the heaviest credit card debt in relationship to their income. And credit card providers, even those who advertise low interest rates, really sock it to the consumer when he makes a late payment. Interest rates on late payments can rise as high as 30 percent or more. Furthermore, many companies even add a $25-$35 late fee, which raises the effective interest rate even further.

I have used credit cards for more than forty years because they make purchases easy and they don't require me to carry large amounts of cash. But I have never used credit cards for consumer credit; I pay them off at the end of each month.

Credit cards are dangerous credit traps because 1) they are easy to get, 2) the advertised six month introductory interest is deceptive, 3) most people don't understand how the interest and penalties are computed, and 4) making the minimum payment would take a person twenty years or more to pay off the owed balance.

**HOW ABOUT MORTAGE DEBT ON REAL ESTATE?**
Borrowing money to invest in real estate can be an excellent investment if you do your homework before you buy. Generally economic growth will increase the value of real estate if you purchase it at the right price and in the right area. Interest costs associated with borrowing for the purchase of real estate are also tax deductible and, compared with consumer credit for cars and credit cards, are available at much lower rates. If the property is used for your business or for rental to others, the operating expenses associated with the property are also deductible.

Financing your home can also make good financial sense as long as you select a reasonably priced home in a good neighborhood. As a home owner, your monthly mortgage payment is fixed is not exposed to inflation and the interest and property taxes are tax deductible. When selecting the price you intend to pay for your new home, keep in mind the additional expense of insurance, utilities, and maintenance that are associated with home ownership. The price of your home will generally escalate and the equity (the difference between the market value of your home and the amount that you owe the bank) will build and become a significant part of your net worth.

The National Association of Realtors (NAR) estimates the price of a typical used home at $229,200 (in June 2007). Since I have written this book to guide a young man or woman desiring to become an affluent business person, I suggest that as a part of your home buying homework, you consider the following example which considers the **total cost** of a thirty year mortgage rather than just the **monthly cost**. For instance, if you were to purchase a typical used home for $229,000 house on a typical thirty year mortgage, at seven percent interest, making a $15,000 down payment and paying $6,000 closing cost, the total cost of that home over thirty years would be $519,000 which includes $290,000 paid in interest.. But when you consider the income taxes that you would have to pay on the $519,000 you made in house payments, you would have to earn over $650,000 in order to pay for a $229,000 house. This is not counting the cost of insurance, property taxes, repair, and maintenance, etc., which further add to the cost of homeownership.

**DEBT TO DISPOSABLE INCOME RATIO IS RISING RAPIDLY**
A study in May 2006 by the center for American progress, found that in 1952, the average debt to disposable income ratio was less than 40 percent, but by 2006 it had risen to 126 percent of disposable income. Imagine the amount of income-producing property (apartments, office buildings, and other commercial property) that these individuals could own if they had saved only half of the interest that they will pay over their lifetime to banks, mortgage and credit card companies. Imagine what would happen to the furtherance of the great commission if only ten percent of the money saved on interest were invested in the kingdom of God!

**WHAT ABOUT BANKRUPTCY?**
Inflation was at an all time high in 1980, when there were 240,000 personal bankruptcies in America; but by 2005, that number had exploded to 1,605,000. Is bankruptcy wrong? Probably not, as the Old Testament law provided that a tenured Hebrew servant be released after seven years, and that land be returned to the original owner after fifty years. But the other hand the Bible also calls the person who doesn't pay his debts "wicked." "*The wicked borrows and does not repay, but the righteous shows mercy and gives*" (Psalms 37:21). It is my personal view that bankruptcy is wrong and should be exercised only as a last resort. Christians are to be the light to the world; they are to live by a higher standard than those in the world. Unfortunately, many Christians have bought into the world's financial system. They have allowed the lust of the flesh, the lust of the eyes, and the pride of life to purchase the highest life-style they can finance. Then when they lose their job or when the business cycle dips, many turn to bankruptcy as a way out of their financial problems.

**BANKRUPTCY AND CREDIT CARDS**
Jay Westbrook, a law professor, and one of America's most distinguished scholars in the field of bankruptcy, conducted an extensive study of people who filed personal bankruptcy and surprisingly found that they were most often well-educated, middle-class individuals over-consumed with credit cards.

Several years ago I counseled a man who was in deep financial trouble. He had mortgaged his house to the hilt, used his credit cards to finance his business transactions, and, at the time I was counseling him, could no longer make all the payments. I encouraged him that God could bring in the needed sales and pull him out of his financial problems, if he would only apply the principles that are taught in this book. He said that he believed that God could do it. I prayed the prayer of agreement with him; we claimed the amount of sales that he needed each month to pull him out of the debt. We bound the devil and told him to take his hands off the man's sales and we released the ministering angels to go forth and bring in the required sales. We agreed together that whenever we thought about his financial problem, we wouldn't pray again—we would just thank God that his ministering angels were bringing in the agreed upon sales. I left him a copy of the material included in this book and encouraged him to study and apply the principles in his life. He promised that he would study the "business by the Spirit" principles contained in the book and apply them to his financial problem.

From time to time when I thought about my friend's financial problem, and I would thank God that his angels were bringing in the sales which we had agreed upon in prayer. A month and a half later I called him to encourage him. I was shocked when he told me that he had decided that his company was just too far gone for God to help him. He said that if he had begun to apply the principles earlier, they might have worked. However, he decided that he was just to far in debt, so he had filed bankruptcy. After I got off the telephone I said to myself, "What if Jairus, when he heard his daughter was dead, had thought that she was too far gone for Jesus to raise her from the dead?" (Mark 5:35-43).

(1) U.S. National Debt Clock http://www.brillig.com/debt_clock/, Updated 28 October 2005

(2) "The Rise of Personal Bankruptcy's" Thomas A. Garrett, Federal Reserve Bank of St. Louis – October 2006, (Pg 5)

(3) "Thou Shalt Prosper" Copyright 2002 by Rabbi Daniel Lapin, All rights reserved. (page 11)

(4) "Car Costs in Financial Perspective" Ryan T. Goodenough, March 20, 2008, American Institute for Economic Research (AIER) Data from "What Your Car Really Costs: How to Keep a Financially Safe Driving Record"

(5) *Millionaire Next Door* –Copyright © 1996 by Thomas J. Stanley and William D. Danko (Pg 9)

(6)"Automobile Driving Costs 2005", American Automobile Association and Runzheimer International, August 2, 2005 Edition