Financial Stewardship

Planning and Investing THE COMPLETE GUIDE TO MONEY- DAVE RAMSEY

We will be using best selling author Dave Ramsey's book The Complete Guide to Money as our guide. The course will follow the chapters 1 - 13 outlines in 3 sessions. We recommend that all participants buy or borrow the book.

Course Outline:

Session 1:
Chapter 1 Super Saving - A Common Sense For Your Dollars and Cents
Chapter 2 Relating With Money
Chapter 3 Cash Flow Planning
Chapter 4 Dumping Debt

Session 2 :
Chapter 5 Credit Cards In Suits
Chapter 6 Buyer Beware
Chapter 7 Clause and Effect
Chapter 8 That's Not Good Enough - Negotiate Your Price

Session 3:
Chapter 9 The Pinnacle Point - Understanding Investments
Chapter 10 From Fruition to Tuition
Chapter 11 Working Your Strengths - Career and Extra Jobs
Chapter 12 Real Estate and Mortgages
Chapter 13 Give Like No One Else - Unleash The Power of Generous Giving

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Class 1

First Step To Taking Control Of Your Financial Resources -
Make A Plan

Super Saving - A Common Sense For Your Dollars And Cents

Money is not about math; its about behavior - both success and failure.

Mr. Ramsey's financial plan is divided into 7 Baby Steps:

1. Put $1,000 in a beginner emergency fund

   Now! Most people can do this in a month. Make sacrifices, hold a garage sale, do whatever it takes, but hit this goal fast. Sacrifice now so you can win later.

   Money is not the root of all evil; loving money is. Money is like a brick, you can through it through someone's window or you can take a brick and build a church or hospital.
2. Pay off all debt using debt snowball
3. Put 3 to 6 months of expenses into savings as a full emergency fund

   3 reasons to save money; emergency fund, purchases and wealth building.

   The emergency fund is for life's unexpected events. How much does it cost to keep your household running for a month? How much would you need to meet and pay your bills if your income suddenly dried up? Then put 3 to 6 months of that into savings - money market account.

   Save for wealth building. Putting aside money when you are young pays off big time because of compounding interest of return. The stock market is the best wealth creator. See schedule on page 19.
4. Invest 15% of your household income into Roth IRA's and pre-tax investment plans
5. Begin college funding
6. Pay off your home early
7. Build wealth and give.

The baby steps work because of focus and priority. One thing at a time.

Relating With Money Chapter 2

Money and relationships can be messy. If they are not in control, it could destroy your life together.
If you are married you need to set up a budget meeting to discuss monthly spending plans. You must commit to it and keep it well detailed and with a time limit - 30-45 minutes.
If you are single, time and fatigue can be major issues. The best advice here is to do a written budget every month and find an accountability partner , or one of us, to help you work through the budget. Mr. Ramsey provides a budget templates to itemize monthly expenses in the back of the book.. The plan will be empowering and give you direction.

Kids and Money

Proverbs 22.6 " Train up a child in the way he should go and when he is old he will not depart from it."
One of the most important things we can teach our kids is how to handle money.

Money comes from work. You work; you get paid. But also let them feel the excitement; buying something with the money saved.
Teach them to save for a Tonka truck and they will know how to save for a car tomorrow.
Donate. Place a dollar in the offering plate at church with money they earned.
Age appropriateness:

6 12 Chore charts and envelopes Envelopes divided for giving, spending and saving

13-18 Cars and debit cards

Class 2

Chapter 3 The Nuts and Bolts of Budgeting

A budget is just telling your money where to go, instead of wondering where it went.

Jesus talked about budgeting in the Bible as a way to get the Disciples to understand the cost of Discipleship.

Ground Rule:

> If you have not done this already, you need to do a budget or a cash flow plan, every month. Before the month begins, write down all your expenses; write down all your income on paper.

Nothing is linear; some expenses pop up during certain months , then disappear, only to reappear again. Include every expense, even pizza, if it strikes your palate or call it "monthly desire." The more realistic you are, the more your budget will work.
But, you have to do it.
In budgeting, the first step is to cover the 4 basics: Food, Shelter, Clothing and Transportation.
The Bible says it this way, "If anyone does not provide for his own, and especially for those of his household, he has denied the faith and is worse than an unbeliever."

Your income is your most powerful wealth building tool. A budget will help to avoid accidental, careless spending and an endless cycle of debt payments.

Key Points:
1. In order to win with money you must spend all of your money on paper, on purpose - before the month begins. That's called a budget.
2. The envelope system is an effective way to manage key budget areas, such as groceries, entertainment and gasoline.
3. Your budget will not work the first month. It usually takes about 3 months to really start

running smoothly.

4. Use the forms in the back of the Ramsey book.

We are here to help you or you can work with an accountability partner.

Chapter 4 Dumping Debt

Debt is dumb; 70% of Americans live paycheck to paycheck.

The greatest marketing job in history. Debt is a product - the most successfully marketed product in history. Look at MasterCard; its company's stock is up 1,190% in 10 years. 300% better than the S&P 500.

Your largest wealth building tool is your income. Would you rather make interest payments or save and invest. "The borrower is slave of the lender." Proverbs 22

Key Points:

1. Debt is the most aggressively and successfully marketed product in history.
2. MasterCard and Visa have only existed as a brand name for less than 40 years.
3. The view that debt is normal is a relatively new concept in American history.
4. Most of what we have heard and believed about debt are myths.
5. Debt is not a tool t create prosperity.
6. The key to getting out is attack the debt snowball with gazelle intensity.

Class 3

Chapter 5 Credit Sharks In Suits

Credit cards are heavily marketed to everyone and the benefits seem fantastic - live your dream today.
The downside is getting caught up in debt and struggling to pay it down as today's dream turns potentially into tomorrow's nightmare.
70% of Americans live paycheck to paycheck.

What is your FICO score?
This is not a measure of winning financially. It is a measure of how you handle debt. The best way to handle it is never.

Pay your bills, honor your debts and act with integrity. Your credit score will dissipate over time as you refrain from using debt. Purchases on credit remain on your record for 7 years.

You need to maintain accuracy of your credit report. Errors happen.
Beware of identity theft.

Bill collectors are not your friends or financial counselors. Their job is to get your money by whatever means they can.
Never give a bill collector electronic access to your bank account or a postdated check, and always get any deals or settlement offers in writing before sending payment.
If you are unable to pay the minimum payments on your debts, use the pro rata plan.

Chapter 6 Buyer Beware

If a deal sounds too good to be true; it most likely is a lie.
0% financing? Nope. It's all priced into the product or service.

Class 4

Chapter 7 Clause And Effect - Insurance

There are 7 Key Areas of Insurance:

1+2. Come Owner's, Renter's and Auto: Save money by raising the deductible. Carry adequate Liability. On older cars, you may consider saving money by dropping your collision coverage(as long as you can afford to buy a replacement car out of pocket). Umbrella policies are a good idea once you have some assets to provide an extra layer of protection.

3. Health: Save money by raising the deductible and stop loss amount. Never accept a maximum payout limit from an insurance company. Check into health saving accounts to see if it's a good fit for your family.

4. Long term care: Buy it the day you turn 60.

5. Identity Theft: Only buy those policies that provide clean up policies. That is the risk you want to transfer to professionals.

6. Disability: This replaces your income if a disability prevents you from working. Own-occ coverage provides an income for a specified time giving you time to learn a new trade if a disability prevents you from continuing your current occupation. Stay away from short term policies (5 years or less).

7. Life Insurance: Only buy term insurance. Never mix investments with insurance. Get 10 times your income for coverage. Include spousal policies.

Write a will! Check out Legalzoom.com.

Chapter 8 That's Not Good Enough! or Can't You Do Better?

Ask for discounts to buy anything.

Always use the power of cash. It has an emotional impact on the buyer and seller.

Get creative. Sometimes you can get great deals by trading something of value or your services.

Do not over speak when negotiating. They are more anxious to sell.

Class 5

Chapter 9 Pinnacle Point - Understanding Investments

To put long term savings into perspective, Dave Ramsey advises people to initiate long term investments after completing the first 3 steps of his 7 step road map to winning with money. The significance is given market volatility, your every day and emergency needs have been addressed so you can comfortably allocate towards the long term.
Here is a summary of the 7 steps:

Baby Step 1. Put $1000 in an initial emergency fund
Baby Step 2. Pay off all debt using debt snowball
Baby Step 3. Put 3 to 6 months of expenses into savings as a full emergency fund. Establish monthly budget meetings with your partner to agree on goals, dreams and priorities.
Baby Step 4. Invest 15 percent of your household income into Roth IRA's and pre-tax retirement plans.
Baby Step 5. Begin college funding for your kids.
Baby Step 6. Pay off your home early
Baby Step 7. Build Wealth and Give.

The stock market has been the best long term investment over the past 100 years averaging a compound annual growth rate of 10.50% during that time.

Compound interest is such a powerful tool that Albert Einstein called it the most important invention in all of human history.

The key to investing is patience. Harvesting the power of compounding needs time to work. You won't reap rewards if you keep yanking money out. My favorite example of the power of compounding: If you take a penny and double it every day for 30 days you will have $10.7 million on the 30th day. How much will you have on the 29th day? $5.35 million. And on the 28th day you will have $2.6 million. Think about that. Investing is a game that rewards sitting on your hands with the bulk coming at the longer you wait.

If you can start investing in a retirement plan at 25, you will have 40 years of savings built up for your future years.

What are the best market investments?

Warren Buffett of Berkshire Hathaway recommends low cost index funds or ETF's that capture the diversification of the economy in large cap stocks mimicking the S&P 500 and my addition of a low cost index fund or ETF that captures the small cap market mimicking the Russell 2000. How much in each? I personally divided it 50/50. As someone who lived in the profession for 30+ years, I was comfortable with volatility. Everyone has their own tolerance.
I do not recommend investing in individual stocks until you have a sizable amount in index funds.

How much do you need in savings for retirement?

Look at your monthly budget that covers your basic needs for your home, food, transportation, clothing and insurance and multiply that amount by 12. That gives you your annual requirement. Now multiply this amount by 20. This is the amount of savings you will need for financial security. 20 assumes a 5% return after inflation.
For financial independence- include extra money you will need for vacations, donations, etc. This additional monthly amount plus your basic needs multiplied by 12 and then multiplied by 20 equals your savings for financial independence.

What if I did not start saving early and may not have enough for retirement or simply I cannot tolerate too much market volatility?

The use of Annuities.
There are only 2 general categories of traditional annuities: immediate annuities and deferred annuities.

Immediate Annuities. These provide a stream of monthly income guaranteed for life. The yield is superior to rolling bank CD's and fixed income securities. The rate is based on the mortality tables. If you are healthy and believe you will live a long life, they are worth considering. The insurance industry is the king pin of annuities.

Deferred Annuities 3 types

Deferred income annuity also known as longevity insurance. One lump sum deposit today and you will have a guaranteed income for life that kicks in at a future date which you specify.

Fixed Annuity- Your rate of return is tied to the stock market where you will participate in the upside(not all) with no downside and no possibility of loss. You do not participate in market downturns.

Hybrid Annuity - Contingent annuity allows you to keep control of your capital and there is no need to send money to the insurance company. We need more detail from a financial advisor here.

Since there are thousands of annuity products with a wide range of income payouts, there is a website to educate and empower you when it comes to finding and selecting the right annuity products for your situation:

www.LifetimeIncome.com.

Yes, one can use annuities in traditional and Roth IRA's

Variable Annuities - Please avoid - They are simply another method to invest in a mutual fund but with an added expense.

Information about annuities was from Money: Master The Game by Tony Robbins.

I recommend this book. It is very long 600 pages but very insightful.

Class 5 continued

Chapter 10 From Fruition to Tuition

Key Points

1. Your financial independence at retirement is up to you Do not depend on Social Security to take care of you. If it is still around when you retire, just consider that bonus money on top of excellent saving you've done for yourself.
2. Do the Baby Steps in order. Start college funding only after you have your own retirement plan in place, and then do both Baby Steps simultaneously.
3. You don't owe your children a free ride to the college of their choice. Do what you can to help them, but do not put your own financial well-being in jeopardy. Making a child work their way through college is not child abuse.

Class 6

Chapter 11 Working Your Strengths

Warren Buffett, CEO of Berkshire Hathaway - The most powerful investment people can make in their life is an investment in themselves. Warren talks about investing in personal development, and how a Dale Carnegie course completely changed his life.

Dave Ramsey - You have to have passion, a higher calling, to what you engage in.

Peter F. Drucker, leading expert in corporate management, Know your strengths and build on that. The individual should look at their own performance and try to discern a pattern. What do you do well with ease that others find challenging?

Laissez Faire Newsletter - A monthly publication with an annual subscription price of $49. Helpful ideas on saving money and steps to create extra income online with what you are passionate about.

Chapter 12 Real Estate and Mortgages

Baby Step 6 Pay Off your Mortgage Early

Selling Your Home - Staging your home for sale either by yourself or hiring a professional is worth the cost in the long run. Hiring an agent helps you get on average 16% more than sale by owner. In addition, agents help with paperwork. Mr. Ramsey recommends that you interview agents and check their record before hiring.

Buying A Home - A Great investment
1. Forced savings plan
2. Inflation hedge
3. Grows tax free

Important consideration - Location

If you must take out a mortgage, only get a fixed rate 15 year term with at least 10% down. Monthly payments should not exceed 25% of your take home pay.

Chapter 13 Give Like No One Else

We are made in God's image... and God is a giver. Giving is the key that unlocks our full potential - in our life and in our money.

Dave Ramsey through this book on financial stewardship has given us the tools to become independent financially and feel like a prince; however, we are only God's stewards.
The Bible says "The earth is the Lord's, and the fulness thereof." God is the owner, He owns it all.
When we act as managers, we can gratefully receive what God passes to us, enjoy the use of that money to take care of our families, and then pass that money on to help others- because that is what the Owner said to do.
We should strive to go from prince to pauper, monetarily before we leave this plane, while we are transformed into a welcome resident of God's kingdom.

Stock Market History of Returns

Decade	Average Return Per year
1900s	9.96%
1910s	4.20%
1920s	14.95%
1930s	-0.63%
1940s	8.72%
1950s	19.28%
1960s	7.78%
1970s	5.82%
1980s	17.57%
1990s	18.17%
2000s	1.07%
2010-2019	16.74%