Session 2: Creating a Budget:

Establishing a Platform for Success

Session 2:  A. Introduction  B. Wisdom of Planning  C. Practical Budgeting  D. How Much Is Enough?

A. Introduction

1. Review of Session 1

a. Financial management is an important aspect of our Christian walk. It is spiritual and we should be aware of religious, unbiblical extremes.

   *Almost every Christian sermon can be applied to this area of our lives.*

b. Everything belongs to God but he entrusts us with wealth (i.e., resources) and designed us for work. We are each stewards (managers) of some of God’s resources. God has given us responsibility and authority.

c. To be a Godly steward we must:

   Trust in God: Acknowledge God’s word and God’s direction.

   Acknowledge God’s ownership of possessions and that you are God’s possession.

   Have God’s eternal perspective.
d. God uses money in a Christian’s life for instruction:
   i.) to trust in Him       ii.) about His ability to supply
   iii.) about our trustworthiness       iv.) about His love       v.) for direction

e. Satan uses money to shackle us. Signs of financial bondage include:
   Overdue Bills       Worry       Laziness, a lack of desire to be excellent
   Deceitfulness       Get-rich-quick attitude       Greed/envy/resentment/covetousness
   Money entanglements/over commitment to work/unmet family needs
   Pride/self indulgence

f. Steps to financial freedom:
   Step #1. Transfer ownership to God.  
   Step #2. Don't increase debt; get out of debt.
   Step #3. Accept God's direction and be content.  
   Step #4. Excel in your work.
   Step #5. Provide for family needs and have a balanced commitment to work.
   Step #6. Put others first.

2. Last Session’s Homework Assignments

a. For this seminar to have more than a superficial impact in your life, you will need to
   prayerfully review the lessons and scriptures. When you review this and subsequent
   lessons, prayerfully check my scripture references and see if I misrepresented Scripture
   by taking it out of context. (Be of more noble character; as were the Bereans; Acts
   17:11.) Ask the Holy Spirit to guide and teach you in the area of finances as you look up
   all the references yourself (including the additional verses not written out for you). See 1

b. I challenged you to commit to God one specific financial problem area in your life.
   Pray about it and seek God’s guidance and providence.
B. Wisdom of Planning

1. The Wisdom of Planning.

a. Often Christians question whether they should plan or depend on God? Implied in this kind of thinking is that these things conflict. God clearly wants us to look ahead and be prudent. Too many Christians have adopted the world’s view that Christianity is for the stupid or for those not concerned about material possessions. But God says:

   **Proverbs 22:3** The prudent man sees danger and takes refuge, but the simple keep going and suffer for it.

   **Proverbs 6:6-8** Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest.

If a Christian is to ever be a good steward he must plan for the future. Failure to plan does not negate the need for planning; it allows others to establish our plans.

Also see Genesis 41:34-36, 1 Chronicles 22:5

2. Our plans should reflect our goals.

a. A plan without a goal does not make any sense. If you don’t know where you want to be (your goals) you’ll probably end up:

   _____________________________________ else.

A goal without a plan is called a:

______________________________________

However, you may want to accomplish something with good stewardship.

**Proverbs 20:5** The purposes of a man’s heart are deep waters, but a man of understanding draws them out

Prayerfully consider the goals you want to achieve (e.g., retirement, giving, avoiding financial bondage, escaping bondage, etc.).
b. There are three different but interdependent types of plans; long run, intermediate range and short-term; depending on the time horizon of your goals.

Long run goals: providing for retirement, education, career change, living debt-free....

Intermediate range goals: replacing your car, orthodontics, appliance repair, house repair, living debt-free, increased giving....

Short-term goals: meeting expenses in the next 12 months; food, clothing, utilities, reducing debt....

3. The key element of any plan is K.I.S.S.

K___________ I ____ S _____________ S___________

You want a plan that works, a plan that leads you toward your goals.

C. Short Run Plans

1. Establish a usable, written plan.

a. Proverbs 27:23-24 Be sure you know the condition of your flocks, give careful attention to your herds; for riches do not endure forever, and a crown is not secure for all generations.

We need to keep tabs on what is happening and the only way this will occur is with a written plan.

Also, remember the First Law of Monetary Thermodynamics:

If not cared for, money __________________________.

b. Luke 14:28 “Suppose one of you wants to build a tower. Will he not first sit and estimate the cost to see if he has enough money to complete it?”

We need to count the cost of decisions. What is the cost? It is what you give up. This means that unless you are an extreme miser, the cost of using part of your income to buy something is:
2. A plan requires information about your current condition and maintaining written records of spending.

a. Most people are lost when it comes to where they are or how they got there. To quote Pastor Andy Stanley,

“The opposite of lost is not found. The opposite of lost is discovering where you are so you can get to where you want to be.”

b. Written records of spending must be maintained for any plan to actually work.

3. Bring God into the process.

Proverbs 16:3 Commit to the LORD whatever you do, and your plans will succeed.

Our role is to ______________________

Proverbs 16:9 In his heart a man plans his course, but the LORD determines his steps.

God’s role is to provide ______________________

2 Chronicles 16:9 For the eyes of the LORD range throughout the earth to strengthen those whose hearts are fully committed to him....

God will also ________________________

4. Commit God’s portion first.

Proverbs 3:9-10 Honor the LORD with your wealth, with the firstfruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine.

Although we will cover giving and sharing in more detail later, what does this verse say about the priority of God’s portion?

____________________________________

What are the consequences? ________________________________
5. Seek Counsel

a. **Proverbs 19:20** Listen to advice and accept instruction, and in the end you will be wise. (See also Proverbs 11:14)

b. **Proverbs 15:22** Plans fail for lack of counsel, but with many advisers they succeed.

**Proverbs 14:15** A simple man believes anything, but a prudent man gives thought to his steps.

Balancing Proverbs 15:22 and 14:15 means you should seek ______________

but don’t ___________________________________________

*You are responsible for hearing from God, knowing his word, and for your own actions. --not those who advise you.*

c. Seek counsel from:
   - Parents (Proverbs 23:22)
   - Husband (Ephesians 5:23)
   - Wife (Ephesians 5:31)
   - Godly counselors (Psalm 1:1-2, Proverbs 19:20)

d. We need a balance of temperaments in order to make balanced decisions. Each temperament has particular weaknesses and strengths when it comes to finances. That is why major financial decisions should not be made alone. To adequately cover the relationship between temperament and financial management would require an entire session. However, available resources include


C. Practical Budgeting

1. A budget is merely a short-term plan.

a. A short-term plan enables you to apply these scriptures:

   **Proverbs 22:3**  *The prudent man sees danger and takes refuge, but the simple keep going and suffer for it.*

   **Proverbs 27:23-24**  *Be sure you know the condition of your flocks, give careful attention to your herds; for riches do not endure forever, and a crown is not secure for all generations.*

   **Luke 14:28**  *“Suppose one of you wants to build a tower. Will he not first sit and estimate the cost to see if he has enough money to complete it?”*

   **Proverbs 21:20**  *In the house of the wise are stores of choice food and oil, but a foolish man devours all he has.*

b. What a budget should be:

   - A written reminder of a plan prayerfully considered (if married, considered *together*).
     
     “This is the path we’re taking--we’ve sought God and believe this is his plan for our lives. We’re walking in the light.”

   - It is like a specialized road map--only for you so you’ll get to your destination and not get lost in the woods.

   - A help in self-discipline which will result in *changed behavior*. A reality check that allows us to follow up and see if we are making progress.

   - While a budget reflects desired change, it does represent past habits and patterns as well.

   - Should be flexible so as to allow for change with changing or unforeseen circumstances; inflexible so that you can still achieve your longer-term goals.
c. What a budget isn’t (or how to enter into budget-bondage):

- It is not a constraint nor a shackle imposed on you:

  It is very easy to view a budget as a bondage that stops you from having things you want. Rather it is a way of obtaining things you do want later.

  “No! This is our plan with our goals. If we don’t follow it, we won’t succeed. God wants us to succeed and accomplish our goals. He has directed our paths.”

- It is not a tool for condemnation:

  Many feel condemned, worthless, pointing out what substandard Christians we are! Remember, our relationship with God is not performance related. We need God to intervene by the Holy Spirit in order for this truth to become reality to us.

  A budget tells us more than just the unpleasant reality that we can’t have all we want. It points the way to achieving our goals and thus in a sense, how eventually we can have even more.

- It is not a way for one spouse to punish another.

- It is not an immediate problem solver.

- It is not a substitute for action. It does not force you to follow it.

  If you don’t use it to change behavior then it is useless.

  “I went to that seminar, but it didn’t work!”

d. A budget helps you get real with money. It shows you the reality of your situation.

  If you hate “budgets,” are you confirming this scripture?

  **John 3:20** Everyone who does evil hates the light, and will not come into the light for fear that his deeds will be exposed.

  Or do you want this to be your testimony?

  **John 3:21** But whoever lives by the truth comes into the light, so that it may be seen plainly that what he has done has been done through God.
2. **Start-up a budget using the form *Monthly Income & Expenses.*

   a. Calculate *all* income and get a monthly average.  
      What if income fluctuates or is uncertain?

   b. Subtract tithe (and other planned sharing) and taxes to get “Net Spendable Income.”
      Self-employed need to set aside all taxes.

   c. Put in amounts for the spending in categories 3 through 14.
      - How do I know how much?  Estimate (guess?) and keep a diary of expenses for at least a month.
      - There are “guides” but they are not *your* guide (see below).
      - Put in monthly averages for irregular or yearly expenses.
      - Credit purchases are recorded when made, *not* when the bill comes.

   d. Add up categories 3 through 14 and get “Total Expenses.”

   e. Net Spendable Income should equal “Total Expenses.”
      - If not, then balance them by determining what spending to reduce.

3. **Basic Hints**

   a. You can customize this form for your use but KISS.  
      *Keep It Simple Saints*

   b. Keep a log of expenditures.
      - Keep a running total for categories.  Use this to warn yourself of limits.
      - The envelope system is the easiest.  KEEP TO LIMITS.
      - The envelope system, unlike a computer, can give continual feedback.

   c. Give the Lord’s portion first, then the government’s portion second.

   d. Savings and investments should be set aside before spending!  (Different accounts?)

   e. Set aside money for irregular expenses like insurance premiums, property taxes, etc.

   f. Commit to no credit use.  Cut up the credit cards if you increase outstanding debt.
      - Credit cards make budgeting much more difficult.

   g. Review the budget monthly.
      - It shouldn’t take more than an hour per month to add things up and check your progress.  If it takes longer you probably have a budget that is too complex.
      - Rejoice in small victories!

   h. If you do c., d., e., and f. above, then you should be able to avoid financial problems.
4. **Budget Guidelines**

a. Many people want some sort of guide as to how much is reasonable. The following is a *very rough* guideline.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of Net Spendable Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>36%</td>
</tr>
<tr>
<td>Food</td>
<td>12%</td>
</tr>
<tr>
<td>Automobile(s)</td>
<td>13%</td>
</tr>
<tr>
<td>Insurance</td>
<td>5%</td>
</tr>
<tr>
<td>Debts</td>
<td>5%</td>
</tr>
<tr>
<td>Enter &amp; Recr.</td>
<td>4%</td>
</tr>
<tr>
<td>Clothing</td>
<td>5%</td>
</tr>
<tr>
<td>Savings</td>
<td>5%</td>
</tr>
<tr>
<td>Medical Exp.</td>
<td>5%</td>
</tr>
<tr>
<td>Misc.</td>
<td>5%</td>
</tr>
<tr>
<td><em>School/Child Care</em></td>
<td>0%</td>
</tr>
<tr>
<td>Investments</td>
<td>5%</td>
</tr>
</tbody>
</table>

b. *Crown Financial Ministries* has an online budget calculator:


5. **Troubles to watch for and expect.**

a. One person making all the decisions or one person avoiding responsibility.
   - Listen to one another and seek God. No bullying. Be reasonable.

b. People underestimate expenditures.
   - Don’t be surprised at a deficit. First estimates are *always* less than you really spend. You forget some spending you usually make.
   - There will be surprises, so don’t get discouraged! Remember John 3:20-21.
   - You will have to make constant adjustments. Make sure the adjustments are based on monthly averages of yearly amounts (and not cover-ups of basic spending problems.)

c. This can be a good opportunity to improve communication between spouses.
   - Watch out for dishonesty (not recording spending and lying).
   - No blame game but be accountable.
d. “Crash budgets,” like “crash diets,” are not wise.
   • Be reasonable, not extreme. Must be something you can live with for a long time.

e. Some items in the budget are there to rightly encourage you to spend more in an area.

f. You may feel like the budget is making you become cheap and miserly.
   • You always were cheap and miserly. It is just that before budgeting you were not “counting the cost.” Now you know what you are giving up and it is the reality of the expense that is exposing your heart (John 3:20).

D. How Much is Enough?

1. Watch out for ungodly motives for accumulating wealth or spending.
   • Envy of others, self-esteem, greed, pride, competitiveness, protection, etc.
   • Use Scripture (see Session 1) and your budget to check your heart
   • Constantly ask yourself, “What am I trying to accomplish? What are my goals?”

2. We need to differentiate among needs, wants, and desires in our spending.
   • Needs: These are necessary purchases, such as food, clothing, housing, medical coverage, transportation, etc.
   • Wants: This involves choices about the quality of the good. For example, new vs. used car, name brand v. generic, etc.
   • Desires: These are choices according to God’s plan which can only be made out of surplus funds after all other obligations have been met.

       used Chevy vs. new Ford vs. BMW     hamburger vs. steak vs. restaurant

3. Think before buying
   • Is it a need, want or desire?
   • Is it the best buy?
   • Is it an impulse?
   • Does it reflect your Christian ethic?
   • Does it add to or detract from the family?
   • Is it a highly depreciable item or demands a lot of upkeep?
E. In Closing

1. Session 2 Summary

a. Planning for the future is scriptural and necessary. Short-term planning is for the next twelve months.

b. A budget is merely a short-term plan. It is like a specialized road map--intended only for you--so that you can get where you want to go. It should be simple and easy to use.

c. We must maintain financial records in order to plan as well as to stay on target.

d. We need to constantly be checking our attitudes in terms of spending, earning and saving. We need to separate needs, wants, and desires.

2. The Next Session

Getting out of debt and staying out of debt.

3. Homework Assignments

a. In the area of financial planning, does John 3:20 apply to you? Do you want John 3:21 to be your testimony? What will you do?

b. Ask yourself, if a Christian financial advisor found your financial records, what would he conclude about your spiritual condition?

c. Fill out the form Monthly Income & Expenses. Start keeping track of all spending.

d. Maybe, plan a budget for Christmas?