Joy In Budgeting

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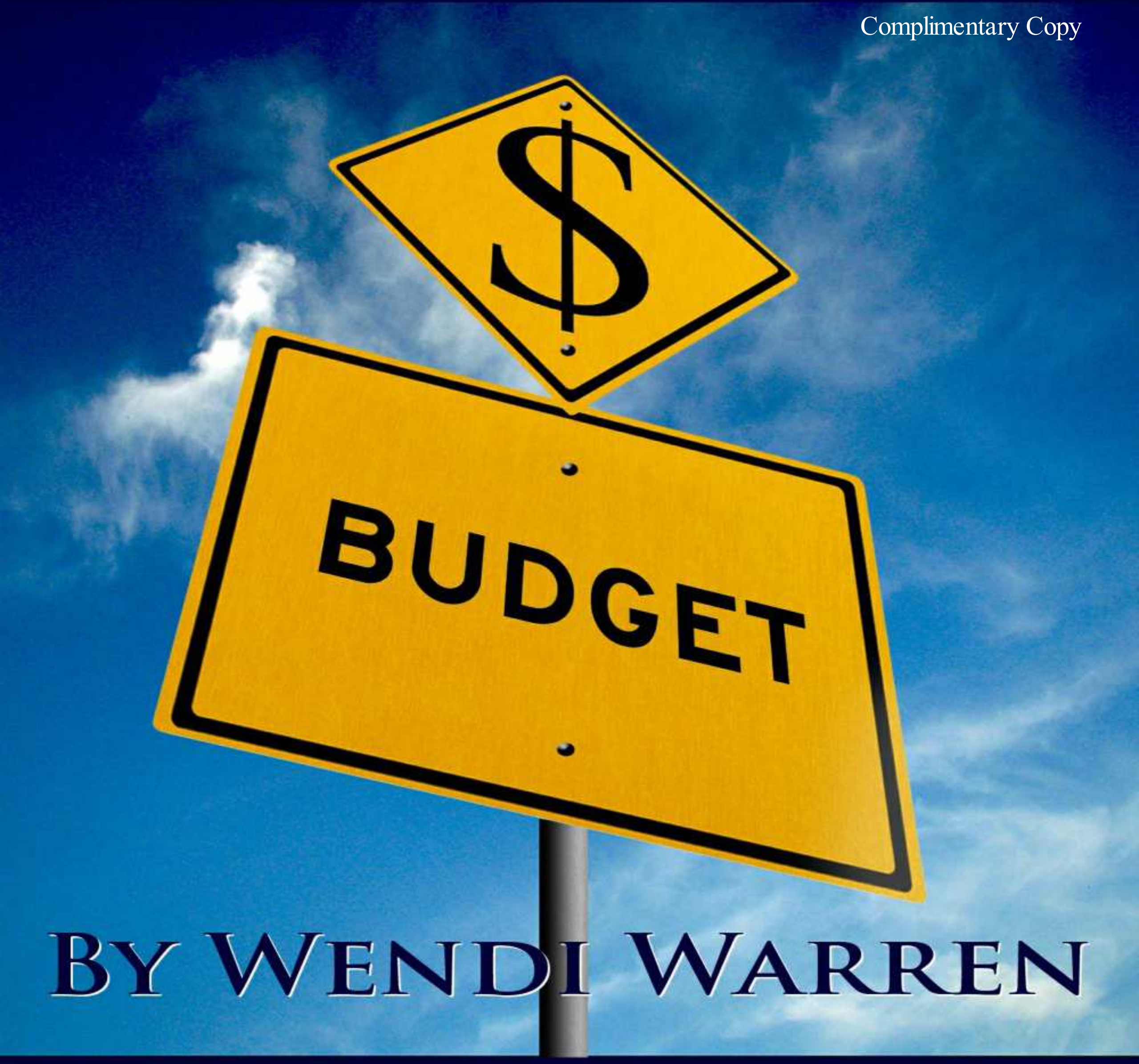

By Wendi Warren

Joy in Budgeting

Take Control of Your Finances and Live the Life You Were Destined For

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INTRODUCTION: WHY BUDGET?

If you would have asked me about budgeting several years ago, I would have made an ugly face and changed the subject. I could find no good answer for budgeting. For me, budgeting meant restriction, imprisonment, hassle and no fun. It represented tension and stress between my husband and me.

The times I did actually “attempt” to budget, it was so restrictive and impossible to follow that I would get frustrated and cry out in despair. It was like a diet no one in their right mind would be able to follow for more than a day. The results of failing on that type of budget were the same for me as failing on a diet. I would return to my old, comfortable habit of hiding my head in the sand and ignoring potential consequences of spending money when I didn’t have it to spend.

However, in 2009 something about budgeting clicked with my husband and me. We started a Financial Peace University class by Dave Ramsey. It was, at the time, a 13-week course that taught us how to prepare a monthly spending plan, among other things. It also taught us the steps to financial peace, and let me assure you, they are attainable.

Over the years since “we” started making monthly spending plans (my husband says “we” actually means “Wendi”), things have changed dramatically for us — for the better — and that is indeed a joyful thing.

This is why I budget.

Had we never taken the class, we might have gotten it together, but who knows when. We might still be living paycheck-to-paycheck today. The information taught in Dave Ramsey’s Financial Peace University isn’t new or revolutionary. Some of it we already knew through Mary Hunt’s books. Ramsey often says what he teaches is not rocket science, it is common sense your grandmother teaches you, except he doesn’t have to put his teeth in. While Ramsey is a very good marketer, FPU has both style and substance.

The class was what we needed to get on the right track, and it came at the right time as the country was headed into what is now called The Great Recession, which we did not participate in. Before the class, we struggled making it from payday to payday, but during the class, and the recession, we implemented the teachings of Ramsey and Hunt and made it through successfully despite both of our employers implementing wage freezes.

My hope is that you will overcome the fear of getting started on a budget and realize budgeting is a worthwhile, life-altering and necessary step in living a joyful life. For me the results of budgeting has been "priceless." May you find this to be true in your life as well.

I have created this booklet as an introductory guide to get you started. The longest journey begins with a single step. You can definitely find more comprehensive information online. Dave Ramsey has good information on his website (www.daveramsey.com) and in his books. Mary Hunt is also a good resource. You can find her at www.debtproofliving.com. Just do a Google search of the phrase "creating a budget" and you'll get about 170,000,000 sites to visit. So the information is out there.

STEP ONE: MAKE THE COMMITMENT

To be blunt, budgeting does take effort. If you are looking for an easy way to manage your money, then you probably should keep looking! But, if you are ready to make a change, then the first thing you need to do is commit to doing a budget, also known as a spending plan. (By the way, those two phrases will be used interchangeably throughout this booklet.)

I am the type of person who has been on hundreds (it seems) of diets throughout my life. I have lost and gained the same 50 pounds over and over. But, I can honestly say I have had the most success with a diet when I have been "all in." I have gotten rid of the "bad food" and purchased the food that I was supposed to be eating on whatever diet I was following. So, that is the kind of attitude you need. You need to be "all in."

You need to trust me when I say that this will work for you, but only if you put the steps into practice. Make the commitment to follow the steps in this booklet. Perhaps it won't be the right fit for you, I know that I could never follow a vegan diet, and I know this because I actually followed this kind of diet for a short period. Follow this budgeting plan for a while. If it doesn't give you the peace of mind you are looking for in your finances, then by all means move on. But don't give up until you have tried.

With that said, I would encourage you to get some sort of electronic spreadsheet to use to create your spending plan. (Don't have a computer? Don't worry. There is information about how to gain computer access in the Additional Resources section.) By using this type of system, you don't have to worry about your math. Once the formulas are in the spreadsheet, you can input numbers and the math is done for you. If you don't like Microsoft Excel or other spreadsheet programs, then you can still do this program with paper and pencil (or pen). You will want to have a calculator available, too — unless you are very good at math, and I mean very good at math.

Before actually moving to the next step, let's talk just for a minute about why a budget might not work out. I learned from our Financial Peace class that cash flow plans do not work when you: Leave things out; Over complicate your plan; Don't actually do it; or Don't actually live on it. Being aware of reasons for it not working, will keep you from making those errors.

HAVE ACCOUNTABILITY

It is important to have accountability if you want to make a change. This is why AA (Alcoholics Anonymous) has sponsors for new members. This is just as important for when you are starting a spending plan. For a person who is married, the spouse makes the obvious accountability partner. It is important you both be willing to follow a budget. If not, then it may cause problems, especially when one is unwilling to follow a budget. This will frustrate the other one who wants to follow budget and bring spending in line with income. Believe me, it wasn't until my husband wanted to get our finances straight that we could even entertain attending a class on finances.

If you are single, then it might be a bit more difficult to find an accountability partner. However, you really do need to have someone in which you are accountable for your budgeting and spending. It could be a close friend, one who isn't afraid to tell you when you are making decisions that go against your budget and your best interests (and you need to be strong enough to listen). It could be a parent or another relative. Remember, it is important that it be someone you can trust to hold you accountable. Not someone who will encourage you to spend outside of what you planned for the month.

BE FLEXIBLE

Flexibility in budgeting was a long, hard lesson for me to learn. It used to be that when I attempted to budget, I would spend a lot of time making sure the numbers worked out. After that was done, I had in my mind that it was the way it was and never should it be changed. Of course, that didn't work out, much to my chagrin.

What I discovered is that a monthly spending plan is a plan, and it is just that, monthly. I don't have to plan my whole year, and I probably couldn't if I wanted to. Life happens, bills come due in different months. Emergencies arise. People have birthdays. We go on trips. Food and gas prices rise. Things happen. Life happens.

Therefore, I would suggest you be flexible in your spending plan from month to month. It is a good idea to look ahead to see what you might be facing in the month you are planning for so that you are not surprised when you find it is your sister's birthday. As an example, in January both my husband's mother and my mother have birthdays — a week a part. We plan to buy them something, so we put that in our budget for January. In February is Valentine's Day; in March is our anniversary. You get the picture. The items I talked about above come every year, so they aren't a surprise. Freedom and peace come when we plan for them. If you can't plan annually an amount to set aside each month for gifts, then you can at least plan how to handle those times each month — before you do your budget.

NO CREDIT

This is a booklet on budgeting, but I would be remiss if I didn't mention that the best way to get a handle on your finances is to stop using credit to make purchases. I understand this debate as to whether one should use credit cards is controversial, but when you use credit you obligate future pay that you have not yet earned. It was a big step for my husband and I to get rid of our credit cards. To be honest, I kept my Kohl's card, mainly for the 30 percent off coupons I get occasionally. While I do not always have the money in the monthly budget for my purchases, I do have money in the bank that could be used. Sometimes I pay off the bill right after I make the purchase, but I always pay the balance in full by the due date to avoid interest payments.

If you, like me, do not want to get rid of all credit cards, then I would advocate you use them sparingly. I would also encourage you to pay off the balance each month. When I have a balance on a credit card, I end up using my hard-earned money today for things I bought weeks ago. This is part of the reason I have begun to truly dislike using credit.

I will say the transition to just cash was a painful one, but I don't regret it. When I buy something with cash, the deal is done at that time. I have traded what I have for something I want. I haven't promised what I might earn in the future for something I want right now. I am living in the present tense when I use cash. I'm not obligating myself to anyone for anything when I use cash. The same cannot be said for credit.

We'll talk more about getting out of debt later, but let me just say again, to really find freedom from stress regarding money, stop using credit cards.

STEP TWO: GIVING — TITHES AND OFFERINGS

Giving has always been easy for my husband. He has the point of view that he has been so blessed by others, especially when he had no money, that he wants to be the same sort of blessing to others. He is very generous, like his mother. I admit that at times in our past, I have been less than generous. He would suggest we donate money to a cause or help out a friend, and while I would agree, inside I was less than pleased to be giving “my money” away.

I am more generous now, because after our many years together, he has rubbed off on me. I also have learned (and am still learning) that it really isn’t my money anyway. God owns everything in the universe. It is all his. He has given me a small amount of his possessions to manage. How I handle what he has given me, will be one way he judges my faithfulness to him.

In addition, God has offered us a challenge in his letter to us, the Bible. In Malachi 3:10, God says, “Bring the whole tithe into the storehouse, that there may be food in my house. Test me in this,” says the Lord Almighty, “and see if I will not throw open the floodgates of heaven and pour out so much blessing that you will not have room enough for it.”

I think that this verse can be misused to convince people of the “prosperity gospel.” While I don’t believe God is saying that he will make us rich if we give him 10 percent of what we earn, I do believe He is saying he will more than sufficiently take care of our needs if we fully trust him to do so. One way that we can show that trust is by giving as he has commanded us to give. That means at least 10 percent.

As you begin to consider and commit to creating a spending plan, isn’t this a great time to commit to tithing? If you have had problems in the past with this, then consider it a regular or set “payment” to make to God. Not because you have to, but because you want to. Make tithing the first thing that you put into your spending plan each month. If you are faithful in that little step, I promise he will be faithful to you.

When my husband talks about how he matured in his giving, he tells of how he cooked in a restaurant and always tipped servers very well when he went out to eat because he knew how hard they worked. After he became a Christian, he discovered he was leaving more money on tables in the form of tips than he was in offering plates.

Since we have begun our path of creating a spending plan each month, we have been able to sponsor two children from Compassion International and the organization’s Child Survival Program, and we help sponsor a second-grade class in Peredo, Haiti, through Haitian Christian Outreach. We are also looking for opportunities to bless others as we have been blessed by others in the past. And, believe it or not, I am no longer doing it begrudgingly. Paul says in 1 Timothy that God loves a cheerful giver. I have noticed the more I give, the more cheerful I am. It belongs to God anyway, and He has given me the opportunity to have a small part of sharing in his work.

Test God in this and see what he will do in your life!

STEP THREE: START A RAINY DAY FUND

The Financial Peace University program calls the rainy day fund an emergency fund. Mary Hunt calls it a contingency account. Whatever you call it, it is money that is meant to deal with big, unexpected expenses.

When you first start down the road to financial freedom, your rainy day fund may not be as large as you want, but put something in it. Dave Ramsey suggests putting $1,000 in an interest-bearing account as fast as possible. In the FPU plan, there are a series Seven Baby Steps. Once you get the $1,000 emergency fund, which is the first step, you move on to the next baby step. By having that $1,000 set aside, when life happens unexpectedly, like your car needs to be repaired, you will have some cash from which to draw instead of using a credit card.

My husband and I have put more than just $1,000 in our account, and it was a good thing we did, too. We have faced some major car repairs in recent years. While we understand it is less expensive to fix a car than to buy a new one, we don't like having thousands of dollars in repairs.

However, we have been able to weather those unexpected storms because we have had an emergency fund. If we didn't, then I don't know how we would have handled all of those needed car repairs.

Rainy day funds aren't just for individuals. The City of Wooster has a law on their books that mandates it has enough cash on hand to fund at least 60 days of operations. The upper limit is 240 days. Wise governments and wise people understand the importance of preparing for emergencies and having money set aside.

You be wise, too. Start a rainy day fund. Plan for contingencies. Begin with $1,000. If that seems out of reach, then start with $500. The first month of using a spending plan, make this the major goal of that plan. You will be amazed at how different you will feel when you have a little bit of cushion for when "life happens."

After you are debt-free, then you should consider increasing the amount you have in your fund to be enough to cover three to six months of expenses. Right now that might seem impossible to wrap your head around, however, think about it this way:

Once you are not spending so much of your money paying back promises you've made by using credit, you will be able to put more into your rainy day/emergency/contingency fund.

STEP FOUR: GET OUT OF DEBT

We were drowning in debt when we began the Financial Peace University class in 2009. It was all I could think of — "we have got to get out of debt." I worried about it all the time. Before we had jobs with life insurance, I worried about what would happen if one of us died. We had three credit cards, two car payments, two student loans and a mobile home loan, which we were upside down on (still are as we still owe on it).

We were more than $90,000 in debt and barely making ends meet. Unlike my parents, my husband and I didn't really argue about money, but there was definite tension at times. It was overwhelming and I think I had a panic attack once when I was dwelling on it too much. (It may not have been an official panic attack, but I was freaking out regardless.)

When we began the class, Dave Ramsey's teaching made so much sense with what he calls the debt snowball. That is the system that I will discuss, because it is working for us. (As an aside, Mary Hunt calls this practice the "Rapid Debt Reduction Plan," and it was where we first learned of the strategy, though we did not successfully implement it.)

Here is how the debt snowball is described on DaveRamsey.com:

> *"The principle is to stop everything except minimum payments and focus on one thing at a time. Otherwise, nothing gets accomplished because all your effort is diluted. First accumulate $1,000 cash as an emergency fund. Then begin intensely getting rid of all debt (except the house) using my debt snowball plan. List your debts in order with the smallest payoff or balance first. Do not be concerned with interest rates or terms unless two debts have similar payoffs, then list the higher interest rate debt first. Paying the little debts off first gives you quick feedback, and you are more likely to stay with the plan."*

When you attack your smallest debt you put as much toward that debt as you can. How much will be determined by your monthly spending plan. You do that every month, paying as much as you can toward your smallest debt. Once your smallest debt is paid off, you apply what you had been paying on that debt, to the next smallest debt. You keep doing this until all of your debts are paid off. Thus the idea of a snowball. It keeps building and building until the amount you are paying towards your last debt is much larger than the minimum due.

We have been using this plan for the majority of the past several years. We did stop the debt snowball in 2010 because we wanted to have a larger amount in cash reserves because of a concern the country was headed for what is called a double-dip recession. We had survived layoffs during the first downturn, we wanted to make sure we had some cash built up in case our jobs did not survive a second round. While this frustrated me at the time, it worked out fine, because that was the same year we had significant car repairs. (See my section on the rainy day fund.)

Since 2009, we have paid off all three credit cards, both car loans and one of our student loans. Each vehicle was paid off about two-and-a-half years early. We are still working the debt snowball at this time and are looking forward to moving to the time we can put three to six months of expenses in our savings account.

You will never have financial freedom if you continue to owe someone else money. Make it part of your spending plan to pay extra toward your debts until they are paid off. Even if you can't pay extra to any of your bills right now, when you pay off your smallest debt, apply that amount to the next smallest debt.

Don't let the amount that you paid to the smallest debt get absorbed into your general fund. Instead, apply that amount to the next debt. You were already using it for debt reduction, just tell yourself that you still owe that amount, that way your budget won't be impacted and you can start building momentum.

STEP FIVE: FREEDOM ACCOUNT

We learned about a freedom account years ago, when we read Mary Hunt's, Complete Cheapskate book. The freedom account is the one you use for recurring expenses, but not necessarily monthly bills or those expenses in which you use cash, like gas for the car or groceries.

Hunt's freedom account is explained nicely on the Get Rich Slowly blog. To set it up, you need to "determine your irregular, unexpected, and intermittent expenses." What types of expenses have you been paying the past couple of years? Did the house need any repairs? Appliances need to be replaced? What did you spend on gifts? How much did back to school clothes cost you? Textbooks? Property taxes? License fees? Annual membership dues? Bobby belongs to the International Brotherhood of Magicians, and every May we send the organization his dues. How much did that vacation cost? In case you haven't heard, Christmas is coming up on Dec. 25. Don't let it surprise you; starting putting money aside for gifts this week. This fund takes the planning ahead to a whole new level.

In the case of my husband and me, our freedom account is a savings account. We keep it in the same financial institution where we have our primary checking account. I keep a separate spreadsheet on our computer at home to show where each dollar in the account is allocated.

One way to figure out how much to put in the account, is to figure out how much a year you are spending on an expense, divide it by 12 and that is the amount you put into that line item of your freedom account each month.

This account isn't for emergencies. The rainy day fund is your account for emergencies. The freedom account is much more fluid, with the balance changing all of the time, depending on how many different things you have going on that month.

I will tell you that this can be a bit overwhelming at first. When doing a spending plan, it may be that you won't be able to set as much money aside for recurring expenses as you would like. Start small. You might only use the fund for your property taxes and Christmas. The important thing to remember is that the money has been designated for specific items, even if the bank doesn't see it that way. If you are going to be successful in getting out of debt and traveling on the road to financial freedom, then you cannot treat this as spare money to pay for impulse purchases or desires.

Let me share an example. A few years ago, my husband celebrated his 50th birthday. He is not big on parties or even birthdays, but it was important to me that I have a surprise birthday party for him. So I began in January (his birthday is in December) to set money aside in the freedom account for the party. This account grew quite large (for us) over the year. Fortunately for me, he never really pays attention to the amount we have in our accounts — he lets me handle that part of things. I was able to pay for his birthday party, with cash, and it was a huge success.

However, our freedom account balance was much lower the February after his birthday than it was prior to it in November and early December. There were no guilty feelings associated with that because the money was designated, earmarked and set aside for that specific purpose.

When you set up your account in a spreadsheet (I find it so easy to use one), list the items you are planning ahead for across the top. Then every time money is deposited into that account, insert into which item the money is going towards, how much money is going into that line item and what day the money was deposited. The same procedure is used when money is taken out of the it.

I would recommend that you treat the money you are putting into your freedom account like an actual bill. If you don't, you may not treat it as seriously and might "miss" a payment or two. You might not consider that a big deal, until time comes for you to buy Christmas presents. When you find you have no money set aside for Christmas, it will hit your monthly budget quite hard. However, if you put a little bit aside each month or pay period, at Christmas you won't be nearly as stressed and you'll know the parameters you have for your holiday spending.

STEP SIX: CREATE YOUR SPENDING PLAN

I've talked a lot about different things to put into your spending plan, from your tithe to your rainy day fund to your debt reduction plan to your freedom account. It is now time to put all that together along with the everyday stuff you have to consider when budgeting.

You want to remember to put everything in your plan that you will need to expend money for in the upcoming month. You always tell your money where to go and what to do before the month begins, so that you aren't caught unprepared. Remember that every dollar you make should have a name for it (i.e. rent, electricity, credit card 1, car loan 1, etc.)

We use a zero-based budget because it is easiest to do, in that we figure out what we will earn and subtract from it what expenses we have and at the end there should be a zero. This doesn't mean that every dollar is actually going to pay a "bill." It means that if after we have figured out how much is going towards our expenses, we still have money "left over," then we designate where that money will be used. If we do not give a name to the money, then it is absorbed in the general account.

How I used to budget is that I would figure out how much we owed in bills, pay them and then just leave the leftover money in our checking account. Invariably we would end up spending more at the grocery store than we planned (this is before we used a cash envelope system). So the "extra" money we thought we had would soon disappear and we would scrape by until the next pay period where everything would start again.

Now, when I do our spending plan, I figure out how much we will owe in bills, how much we want for groceries, gasoline, restaurant and entertainment. I even put in our budget a line item to include the cost for the pets and lunch money. If there is still money left over from figuring out the miscellaneous expenses that occur each month, I will either put it towards our debt or sometimes put it in our freedom account for visits we'll be making to see my husband's family in Massachusetts. After all of this, I should have a zero balance — subtracting the line items from the amount we'll be paid.

The Allocation Plan

The Allocation Plan is one of the most amazing and impactful parts of budgeting to me. You see, I knew what budgeting was and even if I didn't do it, it made sense. The difficult part was how to translate it to real life. So, what if I got paid on the 21st day of the month, how was I to get that to last until the first day of the month to pay the rent? Somehow that always eluded me … until I learned about the allocation plan.

The allocation plan is exactly that, how to distribute the money throughout the month to ensure your spending plan works for that particular month. For example, my husband and I are paid bi-weekly, which means we typically get paid two times a month. (There are two months in the year when we actually get paid three times.) With the allocation plan, I am able to figure out which pay period I will use to pay which bill.

Again, I have this setup in an electronic spreadsheet so the calculations happen automatically, but I put in the date of each pay period and how much income we will have that pay period. Next, I figure out what bills are due before the next pay period and I make sure to put them in the column to be subtracted from the income. I always include a portion of our grocery money, restaurant and entertainment money, our pets' money, miscellaneous money and of course our "blow money." (Blow money for us is $20 a pay period for each of us to spend on whatever we want — in other words to "blow" on whatever, no questions asked.)

By using the allocation plan, you are able to know when specific things are being paid from your account, even your cash items.

I know that things get a little more challenging if your pay is different every month or if you are unsure of what you will be making. Some examples of this might be because you are paid unguaranteed overtime, work on commission or rely on tips. If this is the case for you, then you still need a plan … maybe even more than someone with a consistent and regular paycheck. You need to know what your expenses are. Your allocation plan will be where you prioritize your expenses — what you would pay first would your most important item, all the way down to the least important. When you get paid you will use this list to as a guide for what you are paying in what order. If your money runs out before your list, then you can't pay for the remaining items. This is why you prioritize your expenses. You want to make sure that you cover the most important items first.

The Cash Envelope System

I've talked a little bit about using cash and briefly mentioned our cash envelope system. Dave Ramsey's class kit came with an envelope system that we use. However, if you don't have that system, you can still work with an envelope system, because, well, we're just talking envelopes here. I have known people to do the same thing, but they use coupon holders for their envelope system. (If you would like to make your own envelopes, then check out the Additional Resources section at the back of this booklet. You will find a link there to a PDF file containing a pattern to make your own envelopes. Just print out the document, cut and glue and you are done. Be careful with the scissors. Children should only use scissors under the supervision of an adult.)

The envelope system is not a new system. My mother took care of an older lady when I was a teenager. Her name was Alice. She was very frugal. When Alice died, my mother found among her belongings a couple of "Budget Envelopes" books. These books had envelopes bound together with areas on each to designate what the envelope would be used for. It appeared that Alice had used them, but not to the point to being unusable. I wore one of the books out in the first two years of us using only cash. I have found it an interesting experience to be able to use my envelope books to talk about financial peace. I often am asked about it when I am at a check-out counter. I have even had a clerk or two tell me that they recognized me because of my envelope books!

Here is how the envelope system works, basically, you decide what you are going to use cash for and then designate an envelope for each item. For us, we have an envelope for groceries, restaurant/entertainment, pets, gas, miscellaneous lunches, and hair care. Every pay, I go to the bank and cash a check. I tell the customer service representative how I want the money back (how many $20 bills, $10 bills and $5 bills) and then I divide the money up and put it into the appropriate envelopes.

By using this system, I know exactly where I am with the amount of money I have in my envelopes. We usually don't dip into the checking account to pay for groceries or gas or whatever, because that money is taken out of the checking account and is in the envelopes. I know when an envelope is empty, then I don't have the money to spend.

I would encourage you to use a cash system, especially at the beginning. That way you will never overspend because once the money is gone from the envelope, you are done. This of course only works, if you don't dip into other envelopes to pay for items when an envelope is empty.

Some might prefer to use a debit card, but Dave Ramsey has said when people use debit or credit cards, they end up spending more than they would if they had cash. It can be 12-18 percent more. Think of it this way: If you are picking up some food at the grocery store, and you only have a $20 bill on you, then you are probably not going to pick up more than $16-$17 worth of food because, if you are like me, then you don't want to get to the cashier, find out you spent $20.47 and have to put something back. If you had a debit card and it did not matter, then you might spend $22-$24, because going over the $20 limit does not have the same consequences.

Protecting the Four Walls

During our class, we learned about protecting the four walls when it comes to budgeting. This means take care of the necessities first. If you have money leftover, then you take care of the rest of your bills. This equates to protecting the four walls.

What are the four walls? They are your food, shelter, transportation and clothing. Regardless of how much money you have, you always have to eat. So you need to make sure that you have money for food. How much money varies from family to family, but if you are struggling with paying all of your bills, I would suggest that you not engage in purchasing a lot of processed foods. I know they are convenient, but they aren't cheap and their nutrition value is questionable. Dave Ramsey is famous for saying, "Eat rice and beans, beans and rice." Do not go out to eat and do not go through the drive-through window at the fast-food restaurant.

Next, you have to take care of your shelter. This means that you need to pay your mortgage or rent payment (in full). You need to pay for your utilities. You need to keep the lights on, the heat on and the water on. This does not mean you need to keep cable or satellite TV or Internet service (you can use the computers at the public library and get on the Internet there).

The third wall is transportation. You need to be able to get to your job so that you can make the money you need to pay your bills. Therefore, you need to make your car payment. You need to pay for your insurance. You need to pay for gasoline. If you have a car payment that is very high, then you might need to consider selling the car and getting a less expensive car. Dave Ramsey's advice always seems to be, "Sell the car." Too often people buy more car than they can afford instead of getting something economical that will be adequate until they save up for a better used vehicle.

The fourth and final wall would be clothing. We all need to have appropriate clothing for the climate we live in. However, this doesn't mean you should set money aside for a shopping spree, especially if you aren't able to pay your bills. However, if you have growing children, then you need to be prepared to buy them clothes when they outgrow theirs. Again, you want to be wise about this and not think that your children need clothes straight out of Vogue. (Goodwill, thrift shops, consignment stores and church ministries are good places to look for good clothes that are inexpensive.)

Creating a spending plan takes a lot of work, especially if you are new at it. It can be frustrating when you are trying to crunch numbers that don't seem to go far enough. If you discover this is the case for you, then you may want to consider a second job to help make ends meet. You may want to consider selling something to help pay bills. Do you have a talent or ability that someone would pay for? Can you clean houses? Deliver pizza? Pick up a part-time job on the weekends or nights?

Again, because this is a very short booklet, it can't cover every option. I would suggest that if you need more information to do a search on the internet. Look at Dave Ramsey's website or Mary Hunt's website (and check out the Additional Resources below). There is plenty of information out there that is yours for the taking. All you have to do is reach out for it.

CONCLUSION: PERSEVERE

So we've come to the end of this little booklet. I hope you have found it helpful. I want to encourage you as you begin this process of budgeting. It is worth it! I know it is hard, but please keep going. If your plan doesn't work out exactly as you expected one month, then don't let that defeat you. You can begin again the following month. Think of it as a clean slate. Every month you start afresh.

I would also say that you need to surround yourself with people who will encourage you in your efforts. There will be times when it seems too hard or too long of a process. That's when you need your network of encouragers to remind you have how far you've come and why you're on the road to begin with. Let them know of your struggles and how you need them to encourage you.

Believe in yourself. You can make this change. Just by reading this little booklet you are taking positive steps toward the change you desire. The information contained in this booklet is stuff that our grandparents (or great grandparents) told us long ago, but we didn't listen. It isn't rocket science, but it does take effort. I believe you can do it, now you just have to believe in yourself.

I don't know how to say it any plainer, but by implementing the steps in this little booklet, you can change your life, or at least the financial part of your life. You don't have to be a victim of circumstances. You don't have to be stressed out and worried about how to manage your money. You don't have to live paycheck to paycheck.

By putting into place these practices you can have peace, even while you are building your rainy day fund or working on your debt reduction plan. It is possible. You just have to decide to do it. I hope you will!

Bonus Material

The following information is taken from two lessons on getting out of debt taught by my husband, Bobby Warren, at Parkview Christian Church. After Bobby and I took the Dave Ramsey course, we led the course at Parkview. This material was taught to those who were not able to be part of Financial Peace University.

Lesson 1

“For I know the plans I have for you," declares the LORD, "plans to prosper you and not to harm you, plans to give you hope and a future.” (Jer. 29:11, NIV)

This promise came to God's people concerning the exile. Because of disobedience, the people of God were dragged out of the Promised Land and separated from the blessings of God. However, as Jeremiah prophesied, they would not be in exile forever. Yet, it was not going to be a quick deliverance, either, like the false prophets were predicting.

God's plans for His people include blessing them. I think this is how we should understand prosperity: God blessing our lives.

Webster's Dictionary defines “prosper” like this: 1.(v. t.) To favor; to render successful. 2.(v. i.) To be successful; to succeed; to be fortunate or prosperous; to thrive; to make gain. 3.(v. i.) To grow; to increase.

Psalm 35:27 in the NASB, says: Let them shout for joy and rejoice, who favor my vindication; And let them say continually, “The LORD be magnified, Who delights in the prosperity of His servant.”

The Bible tells us God delights in the prosperity of His servants, those who follow Him, those who are obedient to Him. But, you need to understand this: God's idea of prosperity does not have to include riches and wealth.

This is how the NIV translates the same passage: May those who delight in my vindication shout for joy and gladness; may they always say, “The LORD be exalted, who delights in the well-being of his servant.”

We have the Lord delighting in prosperity in one version, and Him delighting in well-being in the other. Which one is right? Well, they both are. We in this culture lean toward an either/or understanding of ideas and concepts. The word either means prosperity, which most tie to wealth, or it means well-being, which typically relates to the overall state of one's existence, including attitude, temperament, health and financial status.

The word translated prosperity comes from the Hebrew words shalev and sakal, which relate to "tranquility; security; ease; peace; wealth; to have good success."

Prosperity can include wealth, but it is not constrained solely to your financial well-being. Why do I say all of this, it is because I don't want you to leave here with the false notion that we are going to look at ways to get out of debt and improve our financial standing and become rich beyond our wildest imaginations just because we are Christians and believe the Bible.

I can, with a great deal of confidence, promise you this: If you are obedient to God, then you will prosper.

I hope by now you understand, I did not say: If you are obedient to God, then you will become rich and wealthy. You might become rich. You might not. But, God does want to bless you. Are you willing to be obedient?

I want to look at a principle from Luke 14:25-33. It comes in the context of being a disciple of Christ. The portion from which I want to draw is vv. 28-30: "Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? {29} For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him, {30} saying, 'This fellow began to build and was not able to finish.'"

The essence of what Jesus is saying is before you become a disciple, you better consider the cost of what it takes. It means following Him above anything else. If your mother, father, spouse, child, relative or friend will separate you from Christ, then you better get rid of them all and follow Christ. The price is heavy, and he wants you to consider the cost.

I want to use this idea of "considering the cost" and relate it to our financial lives. If you want to get out of debt, then you need a plan. Wendi and I were trying for years to get out of debt, we were paying extra on the mortgage and paying extra on credit cards, but we were not making as big a dent on our debt as we are now, because we have a plan in place.

We know exactly what we are going to do with our money before it gets deposited into our checking and savings accounts. We spend every dollar on paper before we spend a single dollar at a store. We did this, well, to be truthful, Wendi did this, by sitting down, analyzing how much income we receive every pay period, tracking every bill we have and estimating how much money we will need for groceries, gasoline, going out to restaurants or seeing a movie and limiting how much "walking around cash" we carry.

We decided in January (2009) we were going to change our financial standing in life. We were going to work to get out of debt and stay out of debt. Wendi and I were of differing opinions on how to do it: She was following Mary Hunt's Debt-Proof Living, and I was listening to Dave Ramsey on the radio. Let me say, the two approaches are very similar. Dave is a much better marketer of his materials than Mary is of hers. Both are good, and Mary Hunt is another alternative for you. I guess it would not be too much a stretch to say I was a living example of what it says in Prov. 17:16: Of what use is money in the hand of a fool, since he has no desire to get wisdom?

Wendi and I are not the best paid, and we certainly are not the worst paid. What we discovered is once we put a plan in place, a plan based on years of a successful track record for others — or you might say a plan based on wisdom, we improved our financial outlook.

Do you have a plan? Would you like a plan? There is a simple two-point plan that will help you get out of debt and stay debt-free: 1) Spend less than you earn, and 2) Take on no new debt. Eventually, you will get out of debt.

Mary Hunt has what she calls a Rapid Debt Reduction Plan, and this will accelerate your efforts. On her website, Mary Hunt says you can become fiscally fit if you do these things 9 things:

1. **Record your spending.** Sounds like a silly instruction, especially if you feel overwhelmed and under deposited. Nonetheless, if you will begin keeping a written record of every expenditure I can promise you a couple of things: 1. You'll hesitate

before making silly, impulsive purchases. 2. You'll start taking back control once you see where all of your money goes.

2. **Give back.** I know. You're broke. You have mountains of debt and some idiot is suggesting you give money away. That's right and you can call me an idiot. Giving is a mysterious, miraculous activity that when practiced will transform your life. Giving away part of what you have is the antidote for that wretched trend toward excess and self-indulgence.

3. **Pay yourself.** Ideally you should pay yourself ten percent of what you earn. If you can't start with 10 percent, start with something. Even if it's a dollar a week, start saving. Even if you are heavily in debt, start saving. Saving money is a great attitude booster. If you're discouraged and down-in-the-dumps, start saving money.

4. **Don't spend what you don't have.** There are only two ways to do that: Steal or borrow. If too much of the latter has landed you in financial bondage, there is a way to get out:

5. **Stop debting.** Just stop. Determine from this moment on you will not go one more dollar into debt. You may need to part with some credit cards and even shed a few tears, but you can stop. No one can force you one dollar further into debt.

6. **Reduce expenses.** If your income is less than your outgo, reduce the outgo. There's no better way to make money than to cut expenses. The results are immediate and the proceeds are tax free.

7. **Rapidly re-pay debt.** If you continue paying your creditors according to their payment schedule, you may never get out of "perma-debt." Incurring no more new debt and prepaying principal is the key to rapid debt reduction. See "Rapid Debt-Repayment Plan" at www.debtproofliving.com.

8. **Sell assets.** The careful consideration of selling assets to raise funds to get out of debt may be a wise choice for you. If you own things of value that are not necessary in your life or could be replaced at a later date, selling them could ease your financial situation.

9. **Seek solvency.** Solvency means being content with the money you have. Solvency is that confident feeling of being prepared for any circumstance, of living with

joy and peace — of living beneath your means.

If you are approaching the future with determination to get rich quick so you can fix your current situation, I have bad news for you. Unless you are destitute and below the poverty line, more money is not going to fix anything. Until you learn how to control and care for the money you already have, more money will only exacerbate the situation you are in now. Just as you have in the past you will see more money as the down payment on what you feel entitled to have.

There you go. A foolproof financial fitness formula that you can take to the bank!

If you are in debt it is because you spent more money than you have or you borrowed because you did not want to spend the money you have. If you are going to get out of debt, then you will need a plan of action.

Lesson 2

The Parable of the Talents (Matt. 25:14-30,NIV)

“Again, it will be like a man going on a journey, who called his servants and entrusted his property to them. {15} To one he gave five talents of money, to another two talents, and to another one talent, each according to his ability. Then he went on his journey. {16} The man who had received the five talents went at once and put his money to work and gained five more. {17} So also, the one with the two talents gained two more. {18} But the man who had received the one talent went off, dug a hole in the ground and hid his master's money. {19} After a long time the master of those servants returned and settled accounts with them. {20} The man who had received the five talents brought the other five. ‘Master,’ he said, ‘you entrusted me with five talents. See, I have gained five more.’ {21}His master replied, ‘Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!’ {22}The man with the two talents also came. ‘Master,’ he said, ‘you entrusted me with two talents; see, I have gained two more.’ {23} His master replied, ‘Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!’ {24}Then the man who had received the one talent came. ‘Master,’ he said, ‘I knew that you are a hard man, harvesting where you have not sown and gathering where you have not scattered seed. {25} So I was afraid and went out and hid your talent in the ground. See, here is what belongs to you.’ {26}His master replied, ‘You wicked, lazy servant! So you knew that I harvest where I have not sown and gather where I have not scattered seed? {27} Well then, you should have put my money on deposit with the bankers, so that when I returned I would have received it back with interest. {28} Take the talent from him and give it to the one who has the ten talents. {29} For everyone who has will be given more, and he will have an abundance. Whoever does not have, even what he has will be taken from him. {30} And throw that worthless servant outside, into the darkness, where there will be weeping and gnashing of teeth.’”

Just like last week, I want to use this passage of Scripture as a springboard into financial concepts and strategies that will help you get out of debt and stay out of debt.

In this story, we have people who are given money and are asked to do something with it. Two of the three invested it in some manner and made the money work for them. They returned a healthy profit to their master.

However, the third man did absolutely nothing with the money. Now, I don't want to press the issue too much, but I think one lesson we can glean from this in the context of our finances is that we need to be active with the money in which God has entrusted us.

One of our jobs is to be stewards of this earth and all that is in it, which includes money. So, if we are foolish with our finances, we squander opportunities for our families to be blessed, our congregation to be blessed, our neighbors to be blessed and God's kingdom to be blessed.

What good is the money we earn if it's gone before we ever get a paycheck due to foolish debt. When we agree to take on debt, for whatever reason, we either delay or destroy our ability to build wealth, and if you don't like the word wealth, then substitute “financial peace” or “financial security.”

Proverbs 22:7 says, “The rich rule over the poor, and the borrower is servant to the lender.” Unless we become proactive with our financial condition, we shall forever be enslaved by debt. As long as we owe somebody, we are never truly free.

When man went astray spiritually, God had a plan to restore the peace. For those of us who have strayed financially, we need a plan to restore that financial peace. What we are proposing is not an easy fix. It is simple, but not it easy. It is hard. It takes effort. It takes a plan.

Wendi and I understand our spending habits of years past directly affects how we live today. We are required to pay a minimum of $1,156 a month to our creditors. However, we are motivated to get out of debt and get out of financial bondage. So, we pay $1,941. What it means for us, if we can keep up this pace, we will be out of debt in maybe five years instead of 19 or 20.

Let's round up a little bit and say we are paying $2,000 a month to attack debt. If we get out of debt in five years, then that leaves 15 years where we can use that $2,000 to invest. This amounts to $360,000 before any interest is applied. Your income is your greatest wealth builder ... as long as you don't owe debt.

If you want to get out of debt, then you have to do some difficult work, and the first thing is to figure out how much money is coming in each month. This will include hourly/salaried wages, unemployment, tips, commissions, interest or dividends paid to you, Social Security, child support, alimony, public assistance, veteran's benefits or perhaps money you make on the side, doing odd jobs, freelance jobs or whatever.

Second, you need to figure out what your monthly expenses are. These expenses include: Housing (rent or mortgage); utilities (water, sewer, gas, electricity, phone, Internet, cable/satellite TV); food (groceries, restaurants, lunches); transportation (car payment, gasoline, maintenance, bus or cab fare, and repairs); medical care (doctor visits, insurance deductibles, dentist, glasses, etc.); credit/debt payments (car, credit cards, student loans, signature loans); insurance (health, life, home, renter's, auto, disability); household expenses (repairs, cleaning supplies, paper supplies); clothing and personal care (new clothes, laundry, dry cleaning, hair care, cosmetics, toiletries); education and recreation (books, magazines, newspapers, lessons, tuition, hobbies, club dues, sports, pet expenses, entertainment, vacation); and miscellaneous (child care, gifts, contributions, personal allowances, child support).

This is a lot of stuff to track, and even if you choose to ignore it, you will still have to deal with these expenses. Become proactive. To help you guys understand this a little – you know what happens in football when your team quits engaging the other and slips into a prevent defense. You prevent a field goal and allow a touchdown.

If you don't get an idea of what is happening to your money, you will always be broke and living paycheck to paycheck, if not hand to mouth. Once you have an idea of how much money is coming in and how much is going out, you can begin to come up with a spending plan, or as some people call it, a budget.

If you don't have enough money to pay your bills, then you need to look at: Cutting expenses; increase your income (maybe a second job); and look at your assets (sell what you can).

If money is a struggle, you need to take care of four things first: Take care of the necessities, what Dave Ramsey calls the four walls: Food, shelter, utilities and transportation. Everything else comes after this, credit cards, medical bills, whatever. You take care of these four things before anything else. For items that you pay once or twice a year, start setting aside money every month. We do this with property taxes, license plates and other things. We set aside money for clothing, car repairs. If you fail to prepare for these things, then a transportation crisis becomes a financial crisis, too.

After getting a realistic picture of your monthly cash flow, start paying off debts, and you want to use what Mary Hunt calls her Rapid Debt Reduction Plan. Dave Ramsey calls it a debt snowball. This is the plan in a nutshell: Whatever you are paying now on your debts, continue to pay that amount until all of your debts are paid off.

What happens is if you are paying a minimum balance of $25 on a credit card, once you pay it off, you take that $25 and apply it to the next debt you have. Perhaps you are paying $50 on it. When you pay off the first, now you are paying $75 – the $50 plus the extra $25. When you pay that off, you take the $75 and apply it the next debt in line. Maybe you are paying $200 on a car loan, well now you are paying $275.

If you do this one thing, you can knock years off of your debts, particularly your mortgage.
There is a piece of software called Debt Analyzer, and you can download a trial version at www.debtanalyzer.com.

I ran a test on a variety of debts, some credit cards, some auto loans, some student loans and a mortgage ... and in the test ... using somewhat realistic numbers, it reduced the number of months until payoff from 222 months (18.5 years) to 108, or 8.5 years. It took 10 years off just by sticking with minimums.

Just think what would happen if you scraped another $25, $50 or $100 a month, which you might be able to do by cutting down on how much you go out to eat, cut back on some sodas, bring your own lunch. You can do it. What could you do if you took the $500 or $1,000 you get back from income taxes and applied it to your lowest debt?

This stuff works, if you will be committed to it. If you vow this day to get a hold of your spending and borrowing and determine you are not adding any more new debt, then you are going to become debt-free.

You need to develop a healthy relationship with money. Ecclesiastes 5:10 says, “Whoever loves money never has money enough; whoever loves wealth is never satisfied with his income."

You will not become debt-free overnight, but you can do it much sooner by following this plan. Listen to Proverbs 13:11: "Dishonest money dwindles away, but he who gathers money little by little makes it grow."

Additional Resources

Websites
Dave Ramsey website
Mary Hunt's Debt-Proof Living website

Books, CDs and DVDs
Dave Ramsey materials on Amazon.com
Mary Hunt materials on Amazon.com

Free Computer Access and Internet Service
If you are reading a printed version of this and do not have computer or Internet access, then you have some options. You must have a friend who has a computer and Internet, you could always ask the friend. But, if you don't, there is still another possibility. Most public libraries offer computer and Internet access free of charge, however, you will likely have to schedule a time to use one of the computers. Visit your nearest public library and ask about using their computers.

Other Books by Wendi and Bobby Warren
"Princess Grace: A Tale of Faith, Hope and Love" is is a story by Wendi about God's love for us and his desire to rescue us. Read more about the book, listen to an interview with her and about some of the process leading up to the release of the book when you click here.

"The Gospel According to Bungee" is an inspirational tale by Bobby of lessons learned from an old, blind, deaf, long-haired Dachshund on a cold, dark, damp winter night. It is available as a Kindle book. You can purchase it here.

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About the Author

Wendi Warren lives in Wooster with her husband, Bobby and their 5 cats, Buddy, Gracie, Fancy, Mr. Thomas and Kirby, and their dog, Owney. She is a Contract Coordinator at The Village Network, a non-profit organization that provides services to youth and their families and empowers them to build a brighter future. She and her husband took Dave Ramsey's Financial Peace University, and their lives have never been the same since ... and that is a good thing. Wendi recently had her first book published as a digital edition in Amazon's Kindle Store. It is called "Princess Grace: A Tale of Faith, Hope and Love." It is a fairy tale story for people of all ages that tells the story of God's love and how he wants to save us.