BIBLICAL FINANCIAL MANAGEMENT

EMPOWERING CHRISTIAN BELIEVERS TO HONOR GOD WITH THEIR FINANCES

Baptist Foundation of Illinois

SESSION FOUR

Saving & Investing

In this session, you will learn how to financially prepare for emergencies and other important life events through saving and investing.

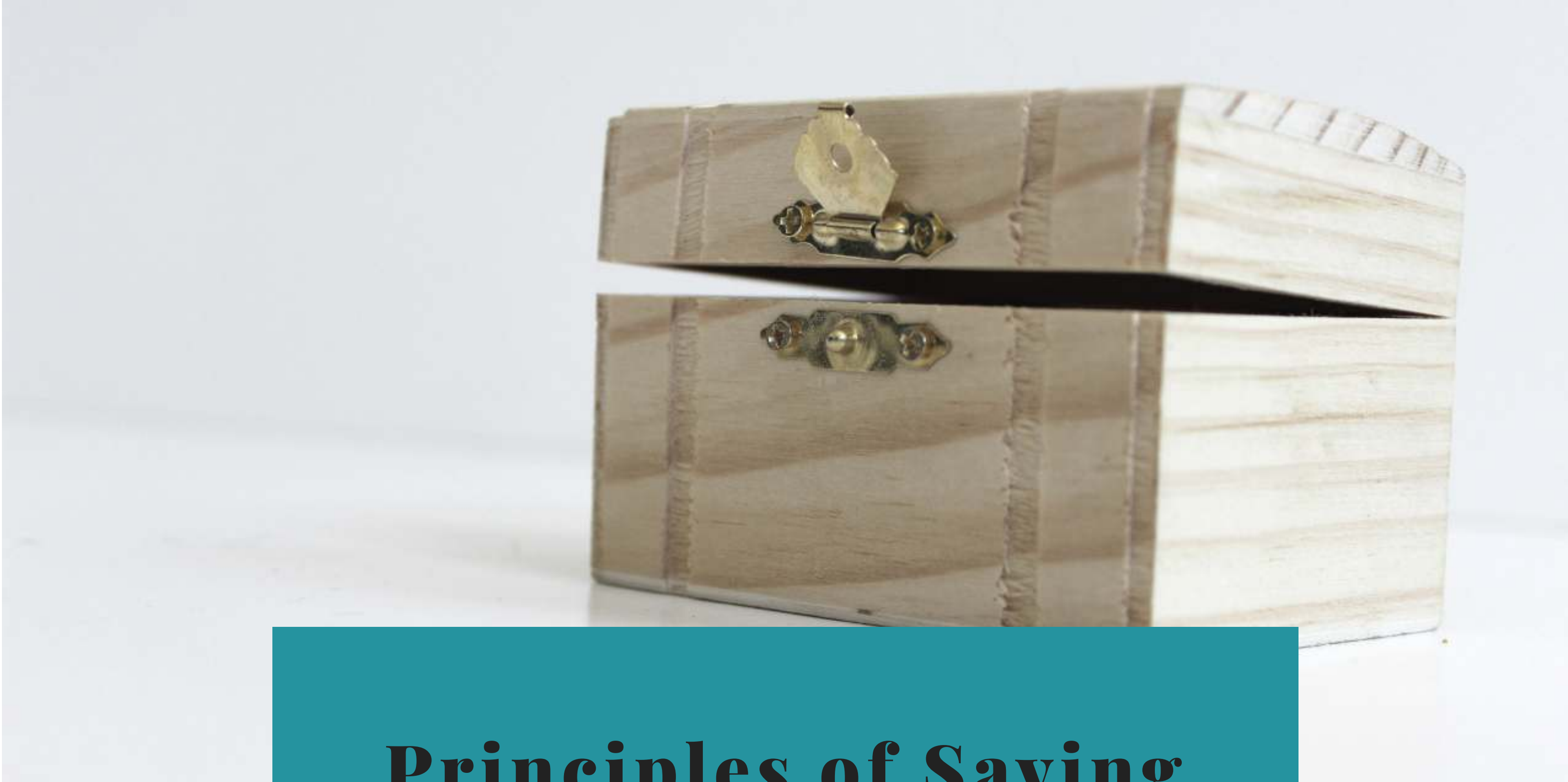
Saving for potential crisis or investing in your retirement requires discipline. However, many people lack a solid plan for reaching their financial goals.

Having a savings and investment plan will empower you to use God's money wisely throughout your life.

List some obstacles that prevent you from saving money. What are some strategies that will help you overcome those obstacles?

“But don’t begin until you count the cost. For who would begin construction of a building without first calculating the cost to see if there is enough money to finish it? Otherwise, you might complete only the foundation before running out of money, and then everyone would laugh at you. They would say, ‘There’s the person who started that building and couldn’t afford to finish it!’

Luke 14:28-30 (NLT)



Principles of Saving

- When saving, remember you are managing God's money, so what you invest in matters. Ask yourself, "Would the Lord approve of my support of this cause with His resources?"

  Acknowledging God's ownership changes the way we think about saving and using the money He allows us to manage. When we lose sight of this, we tend to get off our plan and spend with frivolity.

- Recall the Proverb we discussed back in the Budgeting & Margin Creation session.

  > *Wealth from get-rich-quick schemes quickly disappears; wealth from hard work grows over time. - Proverb 13:11*

  In other words, don't swing for the fences, watching CNBC and trying to time the market. Invest in honorable things and hold them for a consistent, sustained return.

- Calculate your return on investment (ROI), even in a volatile environment, you should be at least 2 to 3% above inflation.

$$\frac{(I_1 - (I_0 - \text{Savings}))}{I_0}$$

I_1 = Ending Investment
I_0 = Initial Investment

Saving & Investing

Not all saving is created equal. Here are the types of funds you should include in your plan:

Crisis emergency fund

This should be saved up quickly to help minimize the financial impact of a potential crisis situation. Whether it is job loss or a flat tire, preparing in advance for these issues will give you peace of mind.

This fund should have $1,000 to $1,500.

You will pay off any toxic debt (described in session three) before moving on to the next step.

Emergency fund of 3-6 months expenses

This fund helps you prepare for job loss or a large loss in income.

Saving for life events, retirement and complete debt elimination

During this step is where you will save for your long-term goals such as your children’s education, vehicle replacement or paying off your home.

Have you started any of these steps? Do they seem attainable?

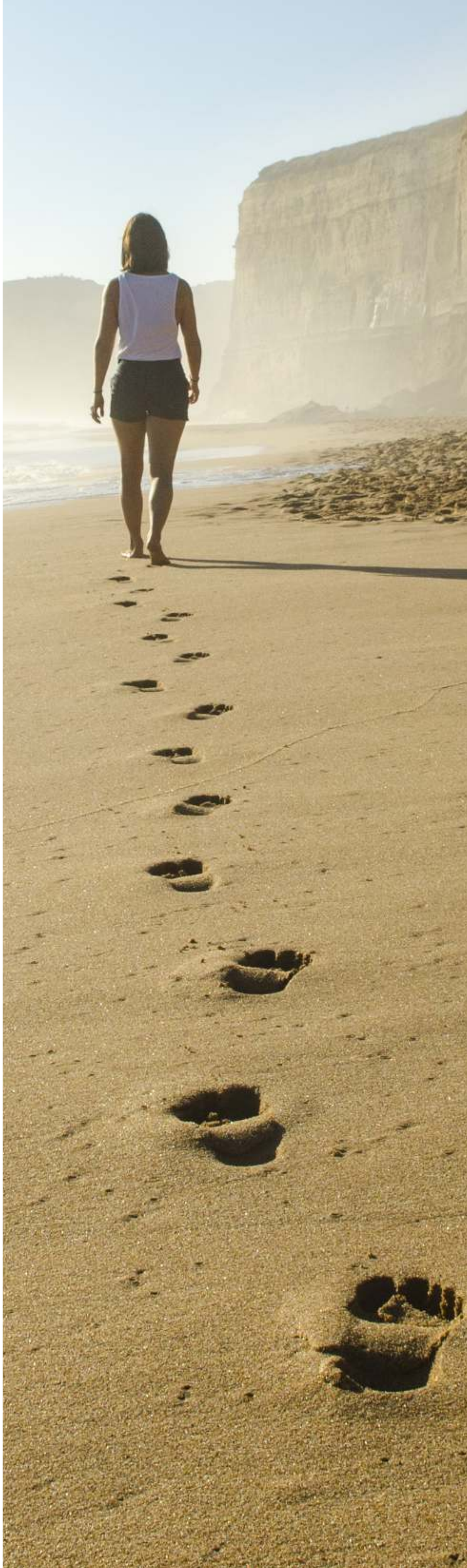
Retirement

Retirement is one of the most significant life events for which you will need to prepare. Having a plan enables you to save more aggressively.

You may not be able to generate the same income at retirement as you did while working. That is why the sooner you begin saving for retirement, the better. Compound interest is an extremely powerful tool. When you invest thoughtfully and consistently, you will see steady growth over time. Then, when the time comes to retire, you will have what you need.

Do you know your retirement goal? What are your plan during retirement?

Principles of Retirement



1. Assume you will need 80% of your pre-retirement income (assuming your home mortgage is paid off.)

2. Develop a retirement budget with anticipated expenses.

This is an important step in determining your retirement savings goal. Anticipating your expenses will help you calculate future income needs.

3. Assume that you can withdraw 4.5%-5% from your account without eroding the principal.

This helps keep your principle in tact and will ensure that you have enough money regardless of tough economic environments.

4. Calculate the two biggest changes that come with retirement

These will be Social Security income and Medicaid health insurance.

Use a retirement estimator at SSA.gov.

These principles will guide you as you prepare for your retirement and enable you to manage God's money wisely in the later years of your life.