Money Management in a Crisis

The COVID pandemic caused a worldwide financial crisis, making stewarding God’s money more important than ever. Kerby Anderson provides a biblical view of money, giving, debt, and savings.

A number of years ago, I wrote a book with the appropriate title, *Making the Most of Your Money in Tough Times*.{1} Although there have been tough times in the past, we certainly need some biblical wisdom about our money and how to manage it in our current circumstances. Here are some key principles that I discuss in that book and in a more recent book on the subject of *Christians and Economics*.{2}

Biblical View on Money

Let’s start by correcting a common cliché that money is the root of all evil. Actually, the biblical passage says: “The love of money is a root of all kinds of evil, for which some have strayed from the faith in their greediness” (1 Timothy 6:10).

Money is not evil, but the love of money can be a concern. Money can be used to promote good or evil. Money can provide for your family, feed the poor, and promote the gospel. It can also be used to buy drugs, engage in prostitution, and destroy individuals and society.

The real question is: What is your attitude towards money? What do you plan to do with the financial resources God has placed into your hands? Jesus warned us that we should not love money because we cannot serve God and Mammon (Matthew 6:24). In order to have a proper biblical perspective on money, we need to understand what the Bible teaches about wealth and poverty.

While we are talking about money, let's focus some attention on wealth. Within the Christian community, we are often bombarded with unbiblical views of wealth. At one extreme are those who preach a prosperity gospel of "health and wealth" for all believers. At the other extreme are radical Christians who condemn all wealth and imply that a rich Christian is a contradiction in terms.

What is a biblical view of wealth? First, wealth itself is not condemned. The Bible teaches that God gave material wealth to Abraham (Genesis 13), Isaac (Genesis 26), Jacob (Genesis 30), and Joseph (Genesis 39). Other characters in the Old Testament were also wealthy, such as Job (Job 42) and Solomon (1 Kings 3). In fact, we see in Job 42 that God once again blessed Job with material possessions after his trials. In Deuteronomy, Proverbs, and Ecclesiastes, wealth is seen as evidence of God's blessing (Deuteronomy 8; 28; Proverbs 22:2; Ecclesiastes. 5:19).

Even though wealth might be an evidence of God's blessing, believers are not to trust in it. Passages in the Old Testament and the New Testament teach that the believer should not trust in wealth but in God (Proverbs 11:4; 11:28; Jeremiah 9:23; 1 Timothy 6:17; James 1:11; 5:2).

Second, when wealthy people in the Bible were condemned, they were condemned for the means by which their riches were obtained, not for the riches themselves. The Old Testament prophet Amos railed against the injustice of obtaining wealth through oppression or fraud (4:11; 5:11). Micah spoke out against the unjust scales and light weights with which Israel defrauded the poor (6:1). Neither Amos nor Micah condemned wealth per se; they only denounced the unjust means by which it is sometimes achieved.

Third, Christians should be concerned about the effect wealth can have on our lives. We read in many passages that wealth often tempts us to forget about God. Proverbs 30:8-9 says:

“Give me neither poverty nor riches; Feed me with the food that is my portion, That I not be full and deny You and say, ‘Who is the Lord?’” Hosea 13:6 says of those who were satisfied that “their heart became proud” and ultimately forget about the Lord.

Biblical View on Giving

In order to develop a biblical point of view on money, we should first focus on the subject of giving. The concept of the tithe in introduced in the Old Testament. The word tithe means “a tenth part.” Once you understand that someone who, say, makes $3000 a month and gives only $100 a month is not tithing. A number of studies have found that only 2-3 percent of households tithe their income to their church.

There is no explicit command in the New Testament to tithe. The primary reason is that the tithe was for the Levites and the priests. The substitutionary death of Christ for our sins did away with the need for a temple and priests.

In the New Testament, we do see numerous verses calling for believers to give. For example, we are to give to those who minister (1 Corinthians 16:1; Galatians 2:10). We are to give to those who trust God to supply their needs (Philippians 4:19). We are to give as God has prospered them (1 Corinthians 16:2) and are to give cheerfully (2 Corinthians 9:7). And the Bible teaches that we will ultimately give account of our stewardship (Romans 14:12).

The first century believers set a high standard for giving. They sold their goods and gave money to any believer in need (Acts 2:45). They sold their property and gave the entire amount to the work of the apostles (Acts 4:36-5:2). And they also gave generously to the ministry of Paul (2 Corinthians 8:1-5) on a continual basis (Philippians 4:16-18).

Even though the tithe was no longer required, it appears that the early believers used the tithe as a base line for their giving. After all, a large majority of the first century believers were Jewish, and so they gave not only the tithe but above and beyond the requisite ten percent.

Paul makes it clear that Christians are not to give "grudgingly or under compulsion" but as each believer has "purposed in his heart" (2 Corinthians 9:7). Although the tithe was no longer the mandatory requirement, it seems to have provided a basis for voluntary giving by believers.

There is also a correlation between sowing and reaping. 2 Corinthians 9:6 says: "Now this I say, he who sows sparingly will also reap sparingly, and he who sows bountifully will also reap bountifully." Elsewhere in Scripture, we read that the size of a harvest corresponds to what we scatter. Proverbs 11:24-25 says: "There is one who scatters, and yet increases all the more, And there is one who withholds what is justly due, and yet it results only in want. The generous man will be prosperous, And he who waters will himself be watered." Notice that a spiritual harvest may be different from the kind of seed that is sown. For example, a material seed (giving to ministry) may reap a spiritual harvest (1 Corinthians 9:9).

Finally, we are to give according to what we have purposed in our hearts. 2 Corinthians 9:7 says: "Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver."

Biblical View on Debt – Part 1

The Bible has a number of warnings concerning debt. Proverbs 22:7 says: "The rich rule over the poor, and the borrower is a servant to the lender." When you borrow money and put yourself in debt, you put yourself in a situation where the lender has significant influence over you.

Many other verses in the Proverbs also warn about the potential danger of taking on debt, especially another person's debt (Proverbs 17:18; 22:26-27; 27:13). While this does not mean that we can never be in debt, it does warn us about its dangers.

If you are debt free you are free to follow the Lord's leading in your life. If you are in debt, you are constrained and become a servant to the lender. People who are in financial bondage are not emotionally or spiritually free. Their financial obligations wear heavy upon their mind and spirit.

The Bible also teaches that it is wrong to borrow and not repay. Psalm 37:21 says: "The wicked borrows and does not pay back, but the righteous is gracious and gives."

Some have taught that Christians should never go into debt. The basis for that teaching is usually the passage in Romans 13:8 because it says: "Owe nothing to anyone."

Although some have argued that this verse prohibits debt, the passage needs to be seen in context. This passage is not a specific teaching about debt but rather a summary of our duty as Christians to governmental authority. Paul is teaching that we should not owe anything to anyone (honor, taxes, etc.). But he is not teaching that we should never incur debt. While it is better that we are debt-free, this passage is not commanding us to never go into debt.

The Bible is filled with biblical passages that provide guidelines to lending and borrowing. If debt was always wrong, then these passages would not exist. After all, why have passages providing guidelines for debt if debt is not permitted? Certainly there would be a clear prohibition against debt. We should point out that the clear implication of Romans 13:8 is that we should pay our debts and it would be wise if we would pay our debts off a quickly as possible.

Biblical View on Debt – Part 2

One of the consequences of debt is that we can often deny reality. In order to realistically deal with the debt in our lives we need to get rid of some of the silly ideas running around in our heads.

For example, you are NOT going to win the lottery. Your debt problem is NOT going to go away if you just ignore it. And a computer glitch in your lender's computer is NOT going to accidentally wipe out your financial records so that you don't have to repay your debt.

Another consequence of debt is a loss of integrity. When we cannot pay, we start saying "the check's in the mail" when it isn't. We not only kid ourselves but we try to mislead others about the extent of our problem with debt.

Sometimes debt even leads to dishonesty. Psalm 37:21 says: "The wicked borrows and does not pay back." We should repay our debts.

A third consequence of debt is addiction. Debt is addictive. Once in debt we begin to get comfortable with cars, consumer goods, furniture, etc. all funded through debt. Once we reach that comfort level, we go into further debt.

A final consequence of debt is stress. Stress experts have calculated the impact of various stress factors on our lives. Some of the greatest are death of a spouse and divorce. But it is amazing how many other stress factors are financially related (change in financial state, mortgage over $100,000). When we owe more than we can pay, we worry and feel a heavy load of stress that wouldn't exist if we lived debt free.

Biblical View on Savings

It is always important for us to get out of debt. I have written another booklet on the subject of debt. If you are in debt or want to learn more about government debt and personal debt, I encourage you to obtain that booklet. Email me your name and address at kerby@probe.org and I will send it to you.

We should not merely work to get out of debt and eventually break even. Savings and investing should be part of your budget and part of your life plan. Saving and investing are ultimately a means to an end. You may be saving for your kids' college or saving for your retirement.

America used to be a nation of savers. In fact, thrift was a foundational element of American society. The architect Louis Sullivan even carved the word THRIFT over the door of his bank. Thrift was seen as a private moral virtue that made public prosperity possible. Americans supported institutions that encouraged savings.

The Bible encourages us to save. In Proverbs it encourages those who do not save to consider how a lowly creature like the ant prepares for the future. "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" (Proverbs 6:6-8).

The writer of Proverbs also talks about how wise people save in contrast to foolish people who do not. "In the house of the wise are stores of choice food and oil, but a foolish man devours all he has" (Proverbs 21:20).

We should always have a budget. Author and speaker, John

Maxwell, has a great definition of a budget: "A budget is people telling their money what to do instead of wondering where it went." A budget is a plan for saving and spending.

The book of Proverbs admonishes us to plan. Proverbs 16:3 says, "Commit your works to the LORD And your plans will be established." But as we develop these plans for the future, we also need to be sensitive to the Lord's leading. "The mind of man plans his way, but the Lord directs his steps" (Proverbs 16:9).

The Bible promises that good things will happen when we plan. "Good planning and hard work lead to prosperity" (Proverbs 21:5, NLT). By contrast, the Bible also teaches that your plans will fail if these plans are not within the will of God. Isaiah 30:1 says, "'Destruction is certain for my rebellious children,' says the Lord. 'You make plans that are contrary to my will. You weave a web of plans that are not from my Spirit, thus piling up your sins.'"

If you do not have anything in savings, you need to begin by putting aside a cash reserve for emergencies. Proverbs 22:5 says, "The prudent sees danger and hides himself, but the simple go on and suffer for it." Everyone needs a cash reserve for major emergencies (fire, tornado, earthquake) and even for small emergencies and inconveniences (broken appliance, car repair, flat tire).

Most financial advisors suggest that you have six months' worth of income set aside for an emergency or unexpected expense. You may not have that set aside right now, but today is a good time to start setting aside some money. Make your first goal to set aside one month's worth of income.

This has been a brief overview of money management. I encourage you to read books{3} and visit websites that will give you even more direction on how to use your money. The Bible provides insight in giving, savings, and debt. Apply these principles and allow God to bless you.

Notes

1. Kerby Anderson, *Making the Most of Your Money in Tough Times* *Eugene, OR: Harvest House), 2009.
2. Kerby Anderson, *Christians and Economics* (Cambridge, OH: Christian Publishing House), 2016).
3. Randy Alcorn, *Money, Possession and Eternity* (Wheaton, IL: Tyndale House), 2003.
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Larry Burkett, *How to Manage Your Money: An In-Depth Bible Study on Personal Finances* (Chicago, IL: Moody), 2002.
Jay Richards, *Money, Greed, and God* (NY: Harper One), 2009.

Is America Going Broke?

Let me begin with a provocative question: Is America going broke? It is a question that has been asked many times before. And when an economist asks the question, it creates quite a stir. Back in 2006, Laurence Kotlikoff asked: “Is the United States Bankrupt?”{1} He concluded that countries can go broke and that the United States is going broke due to future obligations to Social Security and Medicare. At the time, his commentary generated lots of discussion and controversy.

Two years later that same economist writing for *Forbes* magazine asked the question in a slightly different way: “Is the U.S. Going Broke?”{2} He pointed out that the federal government's takeover of Fannie Mae and Freddie Mac represented a major financial challenge. These two institutions issue about half of the mortgages in America, so that part of the bailout put the government on the hook for $5 trillion (if you consider the corporate debtthat is owed and the mortgage debt that is guaranteed).

But $5 trillion is effectively pocket change when you consider the real liabilities that are facing our government. He estimates that is on the order of $70 trillion. I have seen others estimate our unfunded liabilities at anywhere from $50 trillion to as high as more than $90 trillion. Let's for the sake of discussion use the $70 trillion figure.

The $70 trillion figure actually represents the fiscal difference between the government's projected spending obligations and all its projected tax receipts. He notes, "This fiscal gap takes into account Uncle Sam's need to service official debt-outstanding U.S. government bonds. But it also recognizes all our government's unofficial debts, including its obligation to the soon-to-be-retired baby boomers to pay their Social Security and Medicare benefits."{3}

When we are talking about such large dollar amounts, it is hard to put this in perspective. Let's focus on the challenge that the baby boom generation creates. There are approximately 78 million baby boomers who will be retiring over the next few decades. Each of them can expect to receive approximately $50,000 each year (in today's dollars) during their retirement. OK, so let's multiply 78 million by a $50,000 annual payment and you get an annual cost of $4 trillion per year.

Of course, these are just the obligations we know about. There are others potential costs and obligations that aren't even calculated into the national debt. Housing prices certainly fit into that category. We know some of the obligations that were written into law but cannot predict what might take place in the future. And we don't know how many banks in the future will fail and what that cost might be to the American taxpayer.

Fannie Mae and Freddie Mac

I would imagine that if you asked most people a year ago what they know about Fannie Mae and Freddie Mac they would probably respond that they know very little about these two corporations. But after congressional debates about various bailouts, most Americans know a lot more about these two institutions.

Fannie Mae is the Federal National Mortgage Association, and Freddie Mac is the Federal Home Loan Mortgage Corporation. They are stockholder-owned corporations and referred to as government sponsored enterprises, known as GSEs. The two of them are considered the largest financial companies in the world with liabilities of approximately $5 trillion.

The bailout of these insitutions has been controversial for a few reasons. First, these two GSEs are private companies which the government wants to help with taxpayer money. Economist John Lott believes "this whole approach is pretty dubious. If you subsidize risk, you get more of it. If you don't have to bear the cost of the risk, why not shoot for the moon?"

Former House Majority Leader Dick Armey says we are "privatizing gains while socializing losses." Stockholders of Fannie Mae and Freddie Mac already receive higher interest rates than Treasury securities because of higher risk of repayment. He suggests that the government repay 90 cents on the dollar rather than 100 percent.

In the midst of the debates about bailouts, we learned some vital lessons about the economy. For example, some have talked about the proposal to suspend the accounting rules of the

Sarbanes-Oxley Act known as “mark to market.” Trying to understand this proposal forced us to get up-to-speed on economics and accounting.

We also learned that sometimes a regulatory agency may not have done a good job warning us of dangers. The Office of Federal Housing Enterprise Oversight employs 200 people to oversee Fannie Mae and Freddie Mac which are the government-sponsored entitles that own or guarantee nearly half of the nation’s residential mortgages. Just a few months before the collapse of Fannie and Freddie, the OFHEO issued a report that saw clear sailing ahead.

We also learned that in trying to do some good, government can do harm. During the 1990s the Treasury Department changed the lending rules for the Community Reinvestment Act. This was an attempt to get middle-income and low-income families into homes. Unfortunately, these families lacked the resources to make their payments. It was only a matter of time before many of those families defaulted on their loans.

Medicare

Usually when we talk about unfunded liabilities, the conversation usually turns to Social Security. It turns out that the Social Security shortfall is a problem, but it pales in comparison to the shortfall for Medicare.

Medicare is a pay-as-you-go program. Although some members of Congress warned about future problems with the system, most politicians simply ignored the potential for a massive shortfall. Medicare comes in three parts. Medicare Part A covers hospital stays, Medicare B covers doctor visits, and Medicare D was recently added as a drug benefit.

How big is the financial shortfall? Let me quote from a speech given Richard Fisher (President and Chief Executive Officer, Federal Reserve Bank of Dallas). He says:

> *The infinite-horizon present discounted value of the unfunded liability for Medicare A is $34.4 trillion. The unfunded liability of Medicare B is an additional $34 trillion. The shortfall for Medicare D adds another $17.2 trillion. The total? If you wanted to cover the unfunded liability of all three programs today, you would be stuck with an $85.6 trillion bill. That is more than six times as large as the bill for Social Security. It is more than six times the annual output of the entire U.S. economy.*{4}

There are a number of factors that contribute to this enormous problem. First, there are the demographic realities that are also affecting Social Security. From 1946 to 1964 we had a baby boom followed by a baby bust. Never has such a large cohort been dependent on such a small cohort to fund their entitlement programs. Second, there is longevity. People are living longer lives than ever before. Third, the cost of medical treatment and technology is increasing. We have better drugs and more sophisticated machines, but these all cost money. Finally, we have a new entitlement (the prescription drug program) that is an unfunded liability that is one-third greater than all of Social Security.

Richard Fisher says that if you add the unfunded liabilities from Medicare and Social Security, you come up with a figure that is nearly $100 trillion. “Traditional Medicare composes about 69 percent, the new drug benefit roughly 17 percent and Social Security the remaining 14 percent.”{5}

So what does this mean to each of us? We currently have a population over 300 million. If we divide the unfunded liability by the number of people in America, the per-person payment would come to $330,000. Put another way, this would be a bill to a family of four for $1.3 million. That is over 25 times the average household’s income.

Is America going broke? What do you think?

Consumer Debt

We've been answering the question, Is America Going Broke? But now I would like to shift the focus and ask a related question. Are Americans going broke? While government debt has been exploding, so has consumer debt.

Let's look at just a few recent statistics. Nearly half of all American families spend more than they earn each year. Personal bankruptcies are at an all-time high and increasing. It is estimated that consumers owe more than $2 trillion.

It is important to remember that although many Americans are significantly in debt, many others are not. In my earlier article on "Debt and Credit," I pointed out how some of the statistics about credit card debt are misleading.{6}

The current statistics say that the average U.S. household has more than $9,000 in credit card debt. We also read that the average household also spends more than $1,300 a year in interest payments. While these numbers are true, they are also misleading. The average debt per American household with at least one credit card is $9,000. But nearly one-fourth of Americans don"t even own credit cards.

We should also remember that more than thirty percent of American households pay off their most recent credit cards bills in full. So actually a majority of Americans owe nothing to credit card companies. Of the households that do owe money on credit cards, the median balance was $2,200. Only about 1 in 12 American households owe more than $9,000 on credit cards.

The statistic is true but very misleading. That is also true of many other consumer debt statistics. For example, nearly two-thirds of consumer borrowing involves what is called "non-revolving" debt such as automobile loans. Anyone who has ever taken out a car loan realizes that he or she is borrowing money from the bank for a depreciating asset. But it is an asset that usually has some resale value (unlike a meal or a vacation purchased with a credit card).

But even in this case, the reality is different than perception. Yes, many families have car payments. But many other families do not have a car payment and owe nothing to the bank. So we have to be careful in how we evaluate various statistics about consumer debt.

The bottom line, however, is that government, families, and individuals are spending more than they have. Government is going broke. Families and individuals are going broke. We need to apply biblical principles to the subject of debt.

Biblical Perspective

Proverbs 22:7 says, “The rich rule over the poor, and the borrower is a servant to the lender.” When you borrow money and put yourself in debt, you put yourself in a situation where the lender has significant influence over the debtor. This is true whether the debtor is an individual or an entire nation.

Many of the Proverbs also warn about the potential danger of debt (Proverbs 1:13-15; 17:18; 22:26-27; 27:13). While this does not mean that we can never be in debt, it does warn us about its dangers. It is never wise to go into debt, and many are now wondering if America and individual Americans are going broke.

Romans 13:8 says, “Owe nothing to anyone.” This passage seems to indicate that we should quickly pay off our debts. That would imply that Christians have a duty to pay their taxes and pay off their debts.

But what should we do if government continues to get further and further in debt? I believe that we should hold government officials responsible since it appears that they do not have any real desire to pay off its debt. Psalm 37:21 says, “The wicked borrows and does not pay back.” We should repay our debts as individuals, and government should pay its debts as well.

In the Old Testament, debt was often connected to slavery. Isn’t it interesting that both debts and slavery were cancelled in the year of Jubilee? It is also worth noting that sometimes people even put themselves in slavery because of debt (Deuteronomy 15:2, 12).

Since we live in the New Testament age, we do not have a year of Jubilee, but we need to hold government and ourselves accountable for debt. If we see a problem, we should address it immediately. Proverbs 22:3 says, “The prudent sees the evil and hides himself, but the naïve go on, and are punished for it.” It is time for prudent people to take an honest appraisal of our financial circumstances.

When government is in debt this much, it really has only three options. It can raise taxes. It can borrow the money. Or it can print the money. While it is likely that government will raise taxes in the future, there does seem to be an upper limit (at least politically) to raising taxes. Borrowing is an option, but it is also unlikely that the U.S. government can borrow too much more from investors and other countries. That would suggest that the Federal Reserve will print more money, and so our money will be worth less.

In this article we have given you an honest appraisal of where we are as a country. The responsibility is now in our hands to hold government accountable and to take the necessary steps in our own financial circumstances.

Notes

1. Laurence Kotlikoff, “Is the United States Bankrupt?” Federal Reserve Bank of St. Louis Review, July/August 2006,

88(4), pp. 235-49, research.stlouisfed.org/publications/review/06/07/Kotlikoff.pdf.

2. Laurence Kotlikoff, "Is the U.S. Going Broke?" Forbes, September 29, 2008, www.forbes.com/business/forbes/2008/0929/034.html.

3. Ibid.

4. Richard W. Fisher, "Storms on the Horizon," remarks before the Commonwealth Club of California (San Francisco, CA, May 28, 2008), www.dallasfed.org/news/speeches/fisher/2008/fs080528.cfm.

5. Ibid.

6. Kerby Anderson, "Debt and Credit," an article on Debt and Credit.

Debt and Credit

Introduction

We will be discussing the subject of debt from a biblical perspective. But before we begin looking at biblical principles concerning economics and finances, we need to put the problem of debt in perspective.

You cannot overemphasize the impact of debt on our society. It is the leading cause for divorce and also the reason for many more troubled marriages. It is also one of the causes for depression as well as suicide. People in debt didn't start out to ruin their lives and the lives of their families, but the consequences are often devastating.

The Bible has quite a bit to say about money, and a significant part of these financial warnings concern debt. Proverbs 22:7 says, “The rich rule over the poor, and the borrower is a servant to the lender.” When you borrow money and put yourself in debt, you put yourself in a situation where the lender has significant influence over you.

Many other verses in Proverbs also warn about the potential danger of debt (Proverbs 1:13-15; 17:18; 22:26-27; 27:13). While this does not mean that we can never be in debt, it does warn us about its dangers.

Romans 13:8 is an often misunderstood verse because it says, “Owe nothing to anyone.”

Although some theologians have argued that this verse prohibits debt, the passage needs to be seen in context. This passage is not a specific teaching about debt, but rather a summary of our duty as Christians to governmental authority. We should not owe anything to anyone (honor, taxes, etc.).

The Bible is filled with passages that provide guidelines to lending and borrowing. If debt was always wrong, then these passages would not exist and there would be a clear prohibition against debt. But the implication of Romans 13:8 seems to be that we should pay our debts off a quickly as possible.

At this point, it would be good to make a distinction between debt and credit. Often in our society, the two words are used interchangeably. To put it simply, debt is something that is owed. The Bible does not prohibit borrowing, but it certainly does not recommend it. Credit is the establishment of mutual trust between a lender and borrower.

At the outset, let me acknowledge that some people end up in debt due to no fault of their own. They may have been swindled in a business. They may have made a good faith attempt to start a business but were unsuccessful because their competitions or suppliers cheated them. They may have been unfairly sued in court. The reasons are many.

The Consequences of Debt

What are the consequences of debt? The Bible describes debt as a form of slavery. Proverbs 22:7 says: “The rich rule over the poor, and the borrower is a servant to the lender.” The borrower becomes a servant (or slave) to the person who is the lender.

If you look in the Old Testament, you will notice that debt was often connected to slavery. For example, both debts and slavery were cancelled in the years of Jubilee. Sometimes people even put themselves in slavery because of debt (Deut. 15:2, 12).

Today we may not be in actual slavery from debt, but it may feel like it some times. We have all heard the phrase, “I owe, I owe, so it’s off to work I go.” If you are deep in debt you know that there may be very few days off and perhaps no vacation. Someone in debt can begin to feel like a slave.

How can you know if you are too far in debt? Here are a few questions to ask yourself. Do you have an increasing collection of past-due bills on your desk? Do you drive down the road hoping you will win the lottery? Do you feel stress every time you think about your finances? Do you avoid answering the phone because you think it might be a collection agency? Do you make only minimum payments on credit cards?

One of the consequences of debt is we often deny reality. In order to realistically deal with the debt in our lives we need to get rid of some of the silly ideas running around in our heads.

For example, you are *not* going to win the lottery. Your debt problem is *not* going to go away if you just ignore it. And a computer glitch in your lender's computer is *not* going to accidentally wipe out your financial records so that you don't have to repay your debt.

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Credit Card Debt

To listen to the news reports, you would think that Americans are drowning in debt, but the story is not that simple. The latest economic statistics say that the average U.S. household has more than $9,000 in credit card debt. The average household also spends more than $1,300 a year in interest payments.

While these numbers are true, they are also misleading. The average debt per American household with at least one credit card is $9,000. But nearly one-fourth of Americans don't even own credit cards.

An even more telling fact is that more than thirty percent of American households paid off their most recent credit cards bills in full. So actually a majority of Americans owe nothing to credit card companies. Of the households that do owe money on credit cards, the median balance was $2,200. Only about 1 in 12 American households owe more than $9,000 on credit cards.

The $9,000 figure comes from CardWeb. It takes the outstanding credit card debt in America and divides it by the number of households that have at least one credit card. While the average is accurate, it is misleading.

Liz Pulliam Weston, writing for MSN Money, explains: "The example I usually give to illustrate the fallacy of averages is to imagine that you and 17 of your friends were having dinner with Bill Gates and Warren Buffett. The average net worth of a person at that table would be about $5 billion. The fact that everybody else's personal net worth was a lot less wouldn't affect the average that much because Bill and Warren are so much wealthier than the rest of us."{2}

Yes, Americans are in debt. And some Americans are really in debt. If you are one of those individuals, you should apply the biblical principles we are discussing to your situation. If you are not in debt, learn a vicarious lesson about what can happen if you don't pay attention to debt.

Here are some principles for dealing with credit card debt. First, realize that the problem is not the credit card in your hand. The problem may be with the person holding the credit card. Proverbs 22:3 says, "The prudent sees the evil and hides himself, but the naïve go on, and are punished for it."

Second, never use credit cards except for budgeted purchases. Impulse shopping with credit cards is one of the major reasons people find themselves in debt.

Third, pay off your credit cards every month. If you cannot pay off your credit card bill, don’t use your credit card again until you can pay your bill.

Home Mortgage

Most Christian financial counselors put a home mortgage in a different category than other debt. There are a number of reasons for this.

First, a home loan is secured by the equity in the home. After an initial down payment, a loan schedule (of principle and interest) is applied to the balance of the home expense. If a homeowner faces a financial crisis, he or she can sell the house and use that amount to retire the loan.

Second, a home is often an appreciating asset. In many housing markets, the price of a home increases every year. This makes it an even less risky financial investment. But of course, what goes up can also go down. Some homeowners have seen the value of their home decrease significantly. That affects their ability to repay their home loan if they need to sell their house.

Third, a home mortgage is a tax deduction and thus provides a small financial benefit to homeowners that they would not have if they were renting. At the same time, eager home buyers shouldn’t over-estimate the value of this and justify buying a home that is beyond their means.

Fourth, the interest in a home loan is usually within a few percentage points of the prime rate. This means that the interest rate in a typical home loan is about one third the interest rate of a typical credit card.

While a home mortgage may be different from other forms of debt, that doesn't mean there aren't dangers and pitfalls. As we have already mentioned, people buy homes assuming that they will appreciate in value. But many find that the house prices stagnate or even decline. After paying closing costs, they may owe more on their home loan than they received from the sale of their house.

Another concern about a home mortgage is that many homeowners end up buying more house than they can really afford. Just because they qualify for a particular house doesn't mean they should buy a house that will stretch them financially.

Changing financial circumstances may surprise a couple that qualifies for a house mortgage. For example, the wife may get pregnant and no longer be able to work and provide the income necessary to make the monthly mortgage payment. Either partner might get laid off from work and not provide the necessary income. And there are always unexpected expenses for homeowners (new furnace, hot water heater, etc.) that couples may not have budgeted for when they purchased a home.

One formula that is often used in considering a home mortgage is to buy a home that is less than two and a half times a family's annual gross income. Another is to consider what you can currently pay in rent and compare that amount to the home mortgage (plus the additional expenses such as insurance, taxes, etc.). The two amounts should be similar.

Getting Out of Debt

Let's conclude by talking about how to get out of debt. If you are already in debt, you need to break the debt cycle with discipline applied over time.

First, establish the right priorities. God owns it all. Unfortunately, we often believe that we own it all. We need to mentally transfer ownership of all our possessions to God

(Psalm 8). This would also include giving the Lord His part and honoring Him with your giving (even if it is a small amount).

Second, stop borrowing. If a pipe broke in your house, the first thing to you would do is shut off the water before you started to mop up the water. Before you do anything else, “shut off” the borrowing. Don’t use your credit card. Don’t take out a bank loan.

Third, develop a budget. This is something you might do by yourself or with the help of many online ministries and financial services that provides guidelines. Or you may consult with a financial expert who can give you guidelines.

You would begin by making a list of all of your monthly expenses (mortgage or rent, utilities, groceries, car payments, credit card bills, etc.). Then you need to establish a priority for the loans that you have that are outstanding. This should include information about the amount owed and the interest rates. Then you need to set aside a realistic budget that allows you to have enough money to pay off the loans in a systematic way.

Write to each creditor with a repayment plan based upon this realistic budget. It might be good to even include a financial statement and a copy of your budget so they can see that you are serious about getting out of debt.

Fourth, begin to retire your debt. If you can, pay extra on the debts with the highest interest rates. If all of them have comparable interest rates, you might instead pay extra on the smallest balance. By paying that off first, you will have a feeling of accomplishment and then free up some of your income to tackle your next debt.

Fifth, develop new spending habits. For example, if you generate extra income from working overtime or at an extra job, use that to retire your debt faster. Don’t assume that because you have some extra discretionary income you can use that to spend it on yourself.

Before you buy anything, question yourself. If an item isn't in your budget, ask yourself if you really need it and how much use you will get out of it. We often spend because we are used to spending. Change your spending habits.

Debt is like a form of slavery. Do what you can to be debt free. If you follow these steps faithfully, that can take place in a few years. Debt freedom will reduce your stress and free you up to accomplish what God intends for you to do.

Notes

1. The Holmes-Rahe Scale, www.geocities.com/beyond_stretched/holmes.htm.
2. Liz Pulliam Weston, "The big lie about credit card debt," MSN Money, 30 July 2007, tinyurl.com/33zrut.