

Lab 4 Case C Commentary

Matt and Sharon you have reached out because you said you are concerned that you have not been able to get your finances to a level where you can begin to save for college expenses. Thank you for providing a complete picture of your finances. You are blessed to have a steady job with strong continued prospects. We can propose some ideas that will help you fine tune your spending to reach your long term goals including increasing your savings for college. Crown has some tools we can use that we may utilize in our fine-tuning process. The Crown Financial Goals sheet may help you write down some family goals. With goals in mind you can see how adjusting your spending priorities will help you achieve those goals.

Crown has a step-by-step process to help you get your finances in order without having to use trial and error. The Crown Money Map is the first tool I would encourage you to consider. The first step on the map is accompanied by the verse, "The wise man saves for the future, but the fool man spends whatever he gets. Proverbs 21:20 TLB". Also you see the idea that God owns it all, Psalm 24:1. You can see from the map you may need to change your attitude towards your finances to meet your financial goals.

Congratulations you already have an emergency fund in savings and checking. Step one on the map encourages you to start tracking your spending. You can print off tracking sheets to use. Crown has an online tool to help your tracking if you prefer using a computer rather than paper.

You may be surprised that our first observation results in a suggestion to spend more money in some categories. Knowing that you attend church regularly you are probably familiar with the term tithing to your local church. You are already giving 2.1% of your net spendable income per your cashflow. The second Money Map bullet is: "God's way is always better than my way, so I give Him control." 1 Chronicles 29:11. I would encourage you and Sharon prayerfully consider trusting God by committing to regularly give a tithe(10%) from your salary. It may take a couple of months to be able to achieve that but as you track your spending you will find areas of spending that can be reduced.

Going back to the Money Map you can see you have already achieved one month's living expense in your checking account (\$7,100 per your initial cashflow). The scripture that accompanies Step 2 is "The borrower is servant to the lender." Proverbs 22:7 NIV. This turns our focus to reducing your debt levels. It mentions the debt snowball on your consumer debt to reduce your debt payments to help you meet your financial goals. Crown has an online tool called the Debt Snowball. You list your 5 debts and pay as much as possible on the smallest debt to get it paid to ultimately free up more income for other purposes. When you get the \$5,700 debt (smallest) paid you free up \$189 per month. Then we would add the \$189 to what you are paying on the second and so on.

Because you currently have more than one month's expenses in savings you may want to consider using part of the savings to reduce your credit card debt. The interest you are paying to your creditors could be better put toward more productive steps to your financial goals. Crown has an online tool to help you see just how much the interest you pay the lenders is costing you. Sometimes we would also have you look around your home to see if you have anything that

could be sold and the proceeds applied to the debt. After you get the credit cards paid off you can work on paying off your car loans in the next step as you expand your savings back to a three month level.

If some of your credit card debt is from your vacations maybe you could save half of your bonus to pay towards your next vacation. The other half of the bonus could be used to reduce your debt.

Step two will be complete when your credit cards are paid and you review your level of your tithing. You may want to see if it would make sense to take on some extra work to generate some additional income to help accelerate your debt reduction. Sharon may be able to take on some baby sitting while at home with the kids. Matt may be able to do some technical support those who need help managing their computers. Remind yourselves that this extra work may only be needed to reduce your consumer debt.

Your confidence in managing your finances will be stronger once you complete step three. You will be out of consumer debt. You will have reduced your monthly expenses by \$1,700 per month. You will have seen God's faithfulness to your commitment to tithe. When you get to step 3 the map verse is "Keep out of debt and owe no man anything." Proverbs 22:7 NIV. You will have a new appreciation for that verse and be on your way to greater financial freedom and those family goals we wrote down in step one.

1. Begin to make recommendations to reduce expenses.

(a) Reducing expenses is gradual process that requires a "heart" change. How would you encourage your client regarding this process?

(b) Critical to a lifestyle change is a teachable spirit. How can you encourage your client to be open to God's teaching? (Example: Make God first in giving.)

(c) Apply biblical principles to support the process. (What principles/scriptures will you share?)

(d) Make recommendations for savings and bonus.

2. Using a-d above, create a document with your recommendations. Feel free to copy and paste any applicable answers from the Case Study test questions in this document. Upload your recommendations in the My Doc Vault below.