

MODULE 7 MONEY MANAGEMENT

SESSION 2: HANDLING MONEY

Key Ideas for This Session:

- Living within your means and saving for the future are two simple ways of being a good steward.
- Understanding how money works (E.g., credit, debit, interest) can help you manage your money responsibly. This includes growing your savings and protecting yourself from major loss.
- Key verse: Matthew 25:23:
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.'

What Does Good Stewardship Mean?

If you manage your money well, you are considered to be a good steward. You live within your means, not driving up debt and also budgeting for expenses. You also save for the future. This includes earning interest on your savings, investing responsibly, putting a sensible amount of money away, ensuring you are employable and then doing an excellent job at whatever you are asked to do. A good steward is responsible, avoids splurging, anticipates needs and is honest.

Proverbs 13:11

Whoever gathers money little by little makes it grow.

In this session, we will look at some of the ways in which we handle money. Whether you consider yourself a money expert or a beginner, it is good to consider these basic facts.

Helpful Banking Terms:

- **Security**—Depositing your money into a bank account means that it is protected against loss or theft. Even if someone robs the bank, you will not

lose your money. When you carry money around with you and it is lost or stolen—you can lose whatever you had.

- **Expense**—It costs more to use a cheque-cashing service that charges a fee to cash your cheques than it does to open a bank account and deposit your cheques in the bank.
- **Credibility**—Opening and using a bank account is a good way to establish a financial track record or financial history. It is important, however, to always make sure you have more money in the account than you withdraw or spend to pay bills.

Earning money (getting a job that pays a salary) and having a plan for how to manage your finances are a top priority when you leave prison or jail and start over in the community. Banks and credit unions can offer helpful advice on managing your money. Don't be afraid to ask for help if you need it. Following are some of the services that banks provide in addition to various kinds of chequing and savings accounts:

- **Direct deposit**—If you opt to have your employer directly deposit your paycheck in your bank account, you save time and ensure your money is safe.
- **Online banking**—If you have computer skills and an internet connection you can do much of your banking without actually going to the bank.
- **Automated Teller Machines (ATM)**—These are usually found in convenient locations allowing you to withdraw money from your account. You can do this by using a bank Debit card and a personal identification number (PIN).
- **Debit cards** are linked to your bank account. When you use a debit card, it is like paying in cash (but safer than carrying cash in your pocket). Your money is immediately deducted from your bank account.
- **Credit cards** enable you to spend money when you may not have enough funds in your bank account for a particular purchase—but unless you are able to pay off the balance in full every month, they can land you in great financial difficulty quickly. If you are not able to pay the balance in full, the credit card company will immediately begin charging you interest. Credit cards carry a high interest rate. Some credit cards charge 25% or

more, a much higher rate that you would pay for a loan at the bank. A 25% interest charge means that if you owe \$1,000 on your credit card, the card company will charge you an additional \$250 a year interest. So even if you made \$25-a-month payments on your card, in one year you would still owe \$950 and if you miss a payment you will end up paying an additional penalty.

You are not managing your money well if you are paying out money every month just in order to keep up with your interest payments for purchases on credit. When you get deeper and deeper into debt, your financial problems compound and it impacts every part of your life. Financial problems create a lot of personal stress and can ruin marriages, businesses, and other relationships.

What has been your experience with using credit cards?

Consider Luke 14:28 in the Bible. What is it saying?

Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?

A debit card is a much better choice than a credit card. A debit card looks like a credit card and can be used in nearly every business that takes credit cards.

Debit cards do not charge interest because you are using money you already have. With most debit cards, you cannot spend more money than is in your account. In some cases, it is possible to overspend and then the bank will charge a penalty called an overdraft fee. This is not good and will hurt your credit rating. Over all, debit cards are a better option than using a credit card but you still need to pay careful attention to the balance of money in your bank account so that you have enough left in the bank to cover your other bills and expenses.

What has been your experience (if any) with using debit cards?

Establishing Good Credit or Financial History

Employers and businesses make a point of looking at your financial track record or credit history. This is always the case when you are buying a car (loan) or a house (mortgage) or purchasing an item on credit that you will only be able to pay off over time. To establish a good financial track record or credit rating, you must have a history of managing your money well by repaying your credit card balance, your loans, and other debts in full and on time.

Why having a good credit history is important:

- It can be helpful in an emergency when you are faced with an unexpected expense and need extra money to get you through a difficult time. You may need to borrow money from the bank and the bank will only lend you money if you have a good financial track record.
- It allows you to make large purchases, such as a house or a car for which you may need to borrow money.
- A good credit rating can help you get employment, insurance, rental housing, etc.
- Most employers and landlords will do a credit check when you apply for a job or when you apply to rent a house or an apartment. Most phone companies and utility companies will also check your financial history to see if you are reliable in paying your bills.

Borrowing Money (Loans and Credit Cards)

Borrowing money from the bank or a credit union and making your payments on time is one way of developing a good financial history and credit rating. There are also other things than loans that contribute to your financial track record such as:

- Having a credit card and paying your monthly balance in full on time.
- Paying your monthly phone bill and other utility bills on time.

- Paying your rent on time.
- Not co-signing for others who want to borrow money and may end up not being responsible.

If you find yourself getting into financial trouble, get advice and help sooner rather than later. A credit counselor can help you re-organize your debts and help you develop a strategy to manage your money effectively. Also make sure to obtain a copy of your credit report every so often to make sure that it accurately reflects your financial history. If there is an error make sure you get help to have it fixed.

Read Romans 13:7-8

Give everyone what you owe him: If you owe taxes, pay taxes; if revenue, then revenue; if respect, then respect; if honour, then honour. Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellow man has fulfilled the law.

What does this verse say (in your own words)?

Why does this verse speak of love and what does it mean?

Your credit history affects your reputation. Are you trustworthy and dependable? If in the past you have established a history of bad credit, it is time to turn that around by establishing a new track record, but that can only be done over time. You will need to prove yourself. It may be helpful to take out just a small loan from the bank for a small purchase like a used car. By repaying the loan on schedule you can show that you are responsible and can manage your debts.

Be cautious, however, with borrowed money. Do not let yourself get into a situation where you can't pay back your debt fully and on time.

Proverbs 22:7

The rich rule over the poor, and the borrower is slave to the lender.

Make a list of some of the lessons you have learned about credit cards and financial debts from your past experiences, both good and bad.

- _____
- _____
- _____
- _____

How can you avoid bad money habits in the future? How can you be accountable?

Matthew 25:14-29

Again, it will be like a man going on a journey, who called his servants and entrusted his wealth to them. ¹⁵ To one he gave five bags of gold, to another two bags, and to another one bag, each according to his ability. Then he went on his journey.

¹⁶ The man who had received five bags of gold went at once and put his money to work and gained five bags more. ¹⁷ So also, the one with two bags of gold gained two more. ¹⁸ But the man who had received one bag 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 five bags of gold brought the other five. 'Master,' he said, 'you entrusted me with five bags of gold. 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 two bags of gold also came. 'Master,' he said, 'you entrusted me with two bags of gold; 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 one bag of gold 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 gold 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 "So take the bag of gold from him and give it to the one who has ten bags. 29 For whoever has will be given more, and they will have an abundance. Whoever does not have, even what they have will be taken from them.

In this parable, who do you think the Master is and what might be the lesson?

Break into small groups and discuss the following if there is time, or consider these topics this week:

- *Consider your budget over the coming weeks and plan ahead for when you are released. If you have income, use the worksheet provided to ensure you allocate your funds appropriately.*
- *Proverbs 21:5 The plans of the diligent lead to profit as surely as haste leads to poverty.*

BUDGET WORKSHEET			
MONTHLY EARNINGS	\$	MONTHLY EXPENSES	\$
Monthly income after taxes		Electricity	
Other income _____		Phone/cell	
Other income _____		Groceries	
Other income _____		Eating out	
		Toiletries	
		Household items	
		Rent or mortgage	
		Clothing	
		Child support	
		Daycare	
		Car payment	
		Car insurance	
		Fines/restitution	
		Gas	
		Savings	
		Donations	
		Entertainment	
		Other: _____	
		Other: _____	
		Other: _____	
		Total Expenses	
Net Income or Profit/Loss		Income Minus Expenses	