



MONEY MATTERS GETTING OUT OF DEBT

WARM-UP:

1. What is the most “questionable” thing you have purchased on credit?
2. Has the debt in your life ever made you feel like you are being hunted?

WORD:

Last time, we learned that we should have a vision for our finances. To do this, we discovered that we first have to be good stewards of God’s finances by employing the 5 basic biblical principles of getting out of debt, acting on our wage, getting a budget, saving as well as investing, and lastly, giving.

Now, we are going to focus on the process of getting out of debt. There a lot of things to know and to be said about this topic but we would like to focus on two general things:

- Debt turns us into slaves. Slaves do not have any option. They are controlled by their owners. In the same way, when we have a debt, our creditors control us. In a way, they “own” us. Proverbs 22:7 says that *“the rich rule over the poor, and the borrower is the slave of the lender.”* (Proverbs 22:7 NRSV). This is the absolute truth.
- God does not desire us to be slaves to any creditor. Jesus died for us so we can be free - free to do God’s will. God’s will is for us to be blessed and for us to be a blessing. If we are slaves to debt, we cannot be a blessing.

In other words, being in debt is definitely NOT God’s will for us. The only debt that we should have is what the Apostle said in his letter to the church in Rome: *“Let no debt remain outstanding, except the continuing debt to love one another, for whoever loves others has fulfilled the law. (Romans 13:8)”*

If you currently are in debt, do not despair. Our heavenly Father is more than willing to get us out of this trap. If you currently are not in debt, then you are off to a good start! Whether in debt or not, Proverbs 6:1-5 tells us how we break the bondage of debt.

“My son, if you have put up security for your neighbor, if you have shaken hands in pledge for a stranger, you have been trapped by what you said, ensnared by the words of your mouth. So do this, my son, to free yourself, since you have fallen into your neighbor’s hands: Go—to the point of exhaustion—and give your neighbor no rest! Allow no sleep to your eyes, no slumber to your eyelids. Free yourself, like a gazelle from the hand of the hunter, like a bird from the snare of the fowler. (Proverbs 6:1-5)”

1. Have the attitude of “Gazelle-like intensity.”

“...like a gazelle from the hand of the hunter...”

- Gazelles are known to be very fast sprinters. They can run up to 70 km/hr (and some up to 100 km/hr). Not only are they undeniably swift but their greatest asset is endurance. Gazelles, when being hunted, can run fast and maintain their speed for longer than half a kilometre! By this distance, the predator would have already given up because of fatigue.
- In the same way, if you are in debt, you should FLEE any predator that would trap you into debt! Run as fast as you could! These predators could hide under the disguise of “sale,” “0% interest,” “4-easy payments of €20,” “more credit cards or loans,” “no down payment on a house or car,” etc. Almost always, people do not pay on time and they get penalised with interest that they pay almost double the original price of a purchase. If Gazelles are this intense when they see a predator, our attitude towards a possible debt should be the same. Be intense about it! Say no to it. Period.
- It is amazing how people are willing to be in debt just to impress people who they do not even know. It is not worth it.

2. Free yourself using the Debt Snowball Method .

“...Free yourself...”

- What is a debt snowball method? In the same way that snowball starts off very small and then as you roll it it becomes bigger, you pay your debts starting from the smallest debt until the biggest debt. Here’s exactly how you do it:

Step 1: List your debts from smallest to largest regardless of interest rate.

Step 2: Make minimum payments on all your debts except the smallest. (How? By getting extra money. You may lower your expenses, or cut spending, sell things or get an extra job.)

Step 3: Pay as much as possible on your smallest debt.

Step 4: Repeat until each debt is paid in full.

Now, before you start arguing about the interest rates, hear us out. If your largest debt has the largest interest rate, it's going to be a *long* time before you start to see a dent in that crazy balance of yours. But when you stick to the plan (without worrying about interest rates), you're going to be jumping up and down when you pay off that smallest debt super quick. That excitement is what's going to motivate you to keep working hard—all the way to that debt-free finish line.

An Example of the Debt Snowball:

The easiest way to learn this method is to work with a real life example. Let's say you have four different debts:

1. €350 Vodafone—€50 monthly payment
2. €1.000 Credit Card—€50 monthly payment
3. €2.000 Media Markt—€100 monthly payment
4. €5.000 Bank Loan —€150 monthly payment

La deuda	Importe total adeudado	Pago mínimo	Pago nuevo
Vodafone	350 €	50 €	50 + 300 = 350
Credit Card	1.000 €	50 €	50 + 350 = 400
Media Markt	2.000 €	100 €	100 + 400 = 500
Bank Loan	5.000 €	150 €	150 + 500 = 650

Using the snowball method, you make minimum payments on everything EXCEPT the €350 Vodafone bill. And since you are very focused on your goal, you decide to get an additional job that gives you an extra €300 each month and you add it to your snowball.

Since you are paying €350 per month on your Vodafone bill (the minimum payment of €50 plus the extra €300), that debt is completely gone in

one month. Then, you can take the released €350 and attack your credit card debt by paying a total of €400 (€350 plus the €50 minimum payment). In 2 and a half months, you will be saying goodbye to that credit card with such happiness.

Next is the loan from Media Markt. You are going to remove this debt by paying €500 per month (€400 plus €100). In 4 months, you no longer owe Media Markt. And finally, the bank loan. Using the same method, you are going to pay the bank €650 each month (€500 plus €150). After 8 months, you're going to run at Parque de Retiro like a gazelle because in the end, you're free from all the debt in the universe!

With all your work and sacrifice, throwing extra money to your snowball debt method and focusing on the goal, you will have paid €8,350 in just 15 months using the snowball method. *Isn't that amazing?!*

* *If your Life Group meeting is already out of time, you may stop here and continue talking about this at the next LG meeting. There is no application yet but go ahead and proceed to prayer. But if your Life Group still has time (or everyone of you would still like to go on), then you may do so.

For the debt snowball method to work, you must observe these 5 things:

1. You must FIRST save money before starting the debt snow method.
 - Save at least a mini fund equivalent to a month of rent or better, a month of expenses (rent or mortgage, household services, food, transportation, entertainment, etc.). The idea is to have a little money saved in case you have to make an unexpected expense. The last thing you want is to have to go into debt to pay for an emergency expense. This is your start-off emergency fund.
2. Quit borrowing more money.
 - As you start this method, decide to not get any money that you do not currently have: no matter what. The worst thing to do is to accumulate more debt as you work on your debt snowball.

4. Fill out the budget worksheet below. If you are married, do this with your spouse. (*this worksheet is a general budget worksheet. Feel free to edit it to suit your needs)

Item	Monthly Cost
GIVE: Local church 10%	
SAVE: 10-15% of monthly income OR MONTHLY DEBT PAYMENT	
SPEND: Housing	
Utilities	
Food	
Transportation	
Clothing	
Insurances	
Personal	
Recreation	
Miscellaneous	
Grand Total	
Monthly Income	