FINISH LINE PLEDGE

SPRINT Program | **WEEK 6**

6 DEBT AND RETIREMENT

Have someone open in prayer.

Welcome back for Week 6.

Last week, we started to put together some of the building blocks that are required to set a financial finish line. However, two of the topics that we specifically deferred were debt and retirement planning. Today, we're going to take a look at each of these in detail.

PART 1: Existing Debt

For many people who are trying to tackle the question "How much is enough?", one of the first questions that arises is how debt factors in. Over the last week, we each should have taken some time to read about how we should think about our existing debt. For those of us with debt, we also should have looked at the Debt Calculator to get an idea for how defining "enough" might affect our ability to pay off our existing debt.

Let's review the main points:

1. Our existing debt falls into 2 main categories. Secured debts are backed by collateral, like a mortgage or auto loan. Unsecured debts are not backed by collateral, like student loans or credit card debt.

SECURED DEBTS (WITH COLLATERAL)	UNSECURED DEBTS (NO COLLATERAL)
MORTGAGE (HOUSE) AUTO LOAN (CAR)	STUDENT LOANS CREDIT CARD DEBT

2. We can always technically choose to get rid of a secured debt by selling the collateral, like a house or car. For example, if we had purchased a house that was far too expensive, and therefore have a very high mortgage, we could choose to sell the house and buy a smaller, more manageable one with a smaller mortgage. Therefore, these debts require an ongoing decision that the item we have is still worth the debt we carry.

3. Since secured debts require this ongoing decision, these items should be part of our operational expenses, our monthly spending budget.

4. Unsecured debts only go away when they are paid off. There is no way to get out of them sooner, because there is no item to sell (like a house or car). These kinds of debts make it difficult to choose a finish line for our spending.

5. Because unsecured debts pose a barrier to giving, start by using any margin above your finish line to pay off these debts quickly. Once the debts are paid off, start using that margin for the purposes God lays on your heart.

In summary:

SECURED DEBTS (WITH COLLATERAL)	UNSECURED DEBTS (NO COLLATERAL)
PAYMENTS ARE PART OF MONTHLY SPENDING BUDGET IF PAYMENTS ARE TOO HIGH, SELL YOUR HOUSE OR CAR AND DOWNSIZE	PAYMENTS ARE MADE FROM THE "EXCESS" OUTSIDE OF YOUR MONTHLY SPENDING BUDGET UNTIL THE DEBT IS PAID OFF WHEN THE DEBT IS GONE, GIVE AWAY THE EXCESS INSTEAD

Let's discuss some of these ideas as a group:

> ***For those with unsecured debt like student loans or credit card debt, how does this plan compare to your current plan?***
>
> ***Do you have any secured debts like a mortgage or car loan that pose a significant barrier to reducing or capping your budget? If you were making these purchases from scratch again, would you do anything differently now?***

PART 2: New Debt

Once we've determined our operational costs, paid off our unsecured debts, and started giving away any money over our operational costs, any new debt should be considered as part of our operational expenses.

That means if we ever plan to purchase a house or car, or take out student loans, we need to do some careful math beforehand to make sure that the loan payments will fit into the budget that we have set, our operational expenses. In this manner, we ensure that debt never hampers our ability to build God's kingdom in the future.

Paul reflects this concept in his letter to the Romans (13:7-8, ESV):

> *Pay to all what is owed to them: taxes to whom taxes are owed, revenue to whom revenue is owed, respect to whom respect is owed, honor to whom honor is owed. Owe no one anything, except to love each other, for the one who loves another has fulfilled the law.*

While Paul probably isn't commanding all Christians to avoid borrowing money ever, he illustrates an important concept: that debt inevitably enslaves us to our lender. We are repeatedly called to avoid becoming slaves to anything but God, or as Paul puts it, slaves to each other in love.

Discuss as a group:

> ***How can we ensure that any money we borrow in the future does not enslave us and limit our ability to be used by God? Can you think of any examples?***

One particular type of debt warrants singling out: *credit card debt*. Credit cards can be a useful tool and if used properly, can come with a variety of cash-back rewards and benefits. However, there is not really any situation where carrying a balance on a credit card is a wise financial decision. If you need to carry a balance to another month on a credit card, then you should take the following steps immediately:

1. Stop all credit card spending and use only cash or debit.

2. Analyze the purchases you made in the last month on credit. Which of these could be avoided?

3. Reanalyze your budget. If you need to carry a balance on a credit card, then your budget is likely too high for your income. You need to reduce your monthly spending budget immediately.

4. Start building an emergency fund (see Week 5). If you have a credit card balance because of an emergency, then the amount you have been saving in your emergency fund for emergencies may not be enough. Set a higher emergency savings goal and work up to that level.

PART 3: A Vision for Retirement

The final topic for today is retirement planning. As we discussed in week 2, we are managers of God's wealth. Every penny that comes into our hands belongs to Him, and He has trusted us to use it wisely.

Before we get into the details, let's start with a segment from John Piper's message at Passion's OneDay conference in 2000.

Have someone play the video at the link below on a laptop, computer, TV, or other device. (4 min 38 sec)

www.finishlinepledge.com/media/john-piper/

Afterwards, discuss the following as a group:

> ***What do you envision for your retirement? Does this message stir up any thoughts or ideas?***

God has a deeply rooted purpose for each of our lives. And He is constantly calling us into that purpose. When we retire, our circumstances change significantly - our time, our income, our health, and our responsibilities. But it doesn't take away at all from our sense of purpose and calling.

PART 4: Planning for Retirement

Now that we have taken some time to consider God's calling for our retirement, we need to discuss how to prepare for it. Like debt, mismanaging saving for retirement can completely derail much of the purpose and mission that was meant for your life. Trying to catch up on retirement savings later in your career can cause you to lose much of the wealth that God empowered you with to build His kingdom.

In order to build a plan to save for retirement, we first need to answer two big questions. The first question is when should we retire? The Social Security Administration makes the clear statement that 67 is the expected age to retire. But it might not be as simple as that. Consider a doctor who enjoys her job, and has a relatively high income. While a traditional financial planner might tell her she could retire at 53 if she wanted to, maybe she is called to work well into her 70s in her job that she enjoys to continue serving her patients and to increase her ability to give financially.

Maybe another couple has a passion for serving the homeless in their city. With some careful retirement planning, they are able to retire from their office jobs at 55 in order to dedicate their full attention and time to their ministry with the homeless.

Take 2-3 minutes and consider the following question. Then discuss as a group.

> ***In light of the gifts, skills, and income God has given you, when should you retire to bring God the greatest honor and glory with your life? For some, that may mean retiring a little later than planned. And for others that might mean retiring a little earlier, at least from your current career.***

Once we have an idea when we should retire, we need to determine how much we will need in retirement. And determining how much we need in retirement brings us right back to the question "How much is enough?".

We're not going to answer that question today, but over this next week, we will each have the chance to see how different answers to "How much is enough" affect our plan for retirement.

Using the Retirement Calculator on the Finish Line Pledge website, we'll be able to see how changing our retirement age and our monthly operational costs affects the total we will need to have saved by the time we retire. We'll also get a sense for roughly how much we should be saving now to get there.

PART 5: Putting Your Plan to Action

By the end of this SPRINT, we will each have a much better idea for how we would answer the question "How much is enough?" and determine our operational expenses. And using the calculator, or a financial planner, we can get an idea for how much we should be saving each month now so that we can maintain our operational expenses in retirement.

It is important to note that monthly retirement savings *should come out of the margin* which is set aside, not out of our monthly operational expenses. This may sound counterintuitive at first.

The main reason for keeping retirement savings out of our operational expenses is that it makes setting a finish line for our expenses much more complicated. If retirement savings were part of our operational expenses, then we would have to do quite a few calculations to determine how much we need in retirement and how much we should be saving each month.

It is much easier to simply ask "How much money do I need each month to live on right now". After determining our day-to-day operational expenses, then we can figure out how much we need to be saving each month so that we can continue meeting those expenses in retirement.

Once we reach retirement and no longer have a primary income, we can start taking money out of our retirement savings each month in order to cover our operational expenses. In this manner, our standard of living doesn't actually change much before and after retirement. We are already used to living at the finish line that we set, and are comfortable there.

This is actually a great reason to set a finish line early in life, before retirement. For those who don't have any spending limit while they are working, it can be a bit of a shock to suddenly have to live on a budget in retirement to ensure that their savings last for the rest of their life.

With this foundation in mind, a couple questions tend to come up regarding retirement:

1. WHAT IF I DON'T HAVE ENOUGH LEFT IN MY MARGIN TO COVER MY RETIREMENT SAVINGS?

In this case, you should probably tighten your budget so that you can meet your savings goals until your income increases. For example, if you determine that your ideal operational expenses are around the 50th percentile, but that leaves you with very little to put towards retirement, you may need to live closer to the 45th percentile in order to have enough margin for retirement savings. If your income increases, you can increase your operational expenses up to the 50th percentile and still meet your retirement savings goals. If it increases even more, then you would remain at the 50th percentile, save for retirement, and use the remainder to serve your community and advance the gospel.

2. IF I HAVE DEBT TO PAY OFF, SHOULD I SAVE FOR RETIREMENT OR PAY OFF THE DEBT FIRST?

In most cases, it makes sense to contribute to retirement before making extra payments on debts. Remember, of course, that you still need to make your minimum payments on each of your debts. The only exception to this rule is if you have very high interest debts with interest rates greater than 7% or so. These debts probably warrant paying off as soon as possible, even if you have to defer retirement savings for a short period.

3. HOW DOES EMPLOYER MATCHING FACTOR IN?

Some employers will match retirement savings up to a certain percentage. If you know how much you should be saving each month using the calculator or a financial planner, don't forget to include your employer's contributions towards that monthly savings goal!

Discuss the following as a group:

> ***How does this savings plan compare to your current savings plan?***
> ***Do you have any outstanding questions about saving for retirement?***

PART 6: Legacy and Inheritance

As we think about retirement and long term planning, there is one question that tends to come up at some point: What happens to our remaining money and assets when we die? This is called estate planning. Most people have some idea of what they would like to happen, but rarely do we consider this question in light of the fact that the wealth we have belongs completely to God, not to us.

For those of us with children, or who plan to have children, it can seem like the most loving thing we can do for them is to leave all of our wealth and assets to them when we die. Just take a look at Matthew 7:9-11 (ESV):

> *Or which one of you, if his son asks him for bread, will give him a stone? Or if he asks for a fish, will give him a serpent? If you then, who are evil, know how to give good gifts to your children, how much more will your Father who is in heaven give good things to those who ask him!*

But is that the best way we can love them? Remember Jesus' warning in Matthew 19:23-24 (ESV):

> *And Jesus said to his disciples, "Truly, I say to you, only with difficulty will a rich person enter the kingdom of heaven. Again I tell you, it is easier for a camel to go through the eye of a needle than for a rich person to enter the kingdom of God."*

Perhaps there is a way to handle inheritance that actually poses a barrier to our children's faith. The right answer, like so many things, most likely lies somewhere in between.

Discuss as a group:

> ***If everything we have belongs to God, how do we handle our wealth after we die in a manner that most honors God and best loves our children or those we leave behind?***

Have someone close in prayer.

BEFORE YOU GO

At Home: On Your Own This Week

1. Read the following blog post about tithing. We'll discuss some of these thoughts next week. www.finishlinepledge.com/tithing-while-percentile-living/

2. (10 min) Choosing a finish line for our spending changes how we view and plan for retirement. How much have you saved already? How much should you be saving? Whether you haven't ever thought much about retirement, or you have a detailed plan already in place, take a few minutes to see how setting a defined finish line for your spending might affect your retirement and the actions you take today.

www.finishlinepledge.com/retirement-calculator/

Before you start, gather the balance of any current retirement savings accounts: 401k, traditional or Roth IRA, other pretax or after tax accounts.

Also gather any fixed income sources that will begin in retirement: pension plans, annuities, etc.

3. For a more detailed look at saving for retirement with a finish line in place, check out the Finish Line Podcast episode on the subject: www.finishlinepledge.com/episode6. If you are already retired and are wondering how a finish line applies if you no longer have a salary, check out the episode on finish lines for retirees: www.finishlinepledge.com/episode10. The Finish Line Podcast can be found on Apple Podcasts, Spotify, or any other podcast platform.

Feedback

We'd love to hear your thoughts about this week's material. How can we improve? Leave us feedback at www.finishlinepledge.com/feedback.