The Family Finance Workshop

Facilitator’s Guide

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Teaching financial literacy requires a systematic approach. It is not just about teaching important financial concepts, it is about teaching them in a step-by-step systematic order.

A systematic approach to finances could be likened to baking a cake. If the desired outcome is a good-tasting cake, you must:

• Have the proper ingredients.

• Have the right amount of ingredients (too much or too little will ruin the cake).

• Know how to add each ingredient in the right order (adding the egg after the cake is baked would not yield a very good-tasting cake).

Just as applying a systematic approach helps those baking a cake, those learning to apply a systematic approach to finances will enjoy greater success as they follow counsel from Church leaders and rely on ageless foundational principles rather than on popularly accepted financial trends, products, or people.

To help workshop participants gain a better understanding of the counsel given by Church leaders, invite them to review the pamphlet All Is Safely Gathered In: Family Finances before they begin the workshop. You may do this when they enroll in the workshop. If possible, give them a copy of the pamphlet, or inform them that it may be downloaded at ProvidentLiving.org.

**Four Principles of Family Finance**

**Principle 1: Spending Is Emotional**

Money is more about the emotions that surround it than it is about the math. If money were simply a mathematical problem, making more money would solve financial problems. It is not about how much a person will make, but how he or she manages it that counts.
Principle 2: When You Track Your Money, You Control It

Financially speaking, a person can have anything he or she wants—but not every-thing he or she wants. This principle teaches how to discover what is truly valued, how to make proper financial choices, and then how to spend according to a plan.

Principle 3: Savings Is Actually “Delayed” Spending

There actually is no such thing as “savings” because every dollar earned is meant to be spent. What matters most is how it is spent. This principle teaches a person how to “spend” money for the future by regularly paying himself or herself first.

Principle 4: Power Down Your Debt to Power Up Your Future

Most people do not understand the real cost of compounding interest. By applying this principle, a person can avoid paying others interest and learn how to pay it to himself or herself instead.

About the Participant’s Guide

In this workshop, you will apply a 12-step, hands-on, systematic teaching approach. The Participant’s Guide is designed primarily as a reference guide providing a more complete understanding of each of the 12 steps and principles taught.

Throughout the workshop, participants will refer to the guide in order to complete the following assignments:

1. Verify monthly spendable income
2. Compute average monthly expenditures
3. Balance income with expenditures
4. Track and record all current expenditures
5. Balance and adjust spending
6. Make savings an expense
7. Create future spending accounts
8. Calculate real debt
9. Power down debt
10. Accelerate debt elimination
11. Sell assets to further reduce debt
12. Create a financial action plan
Preparing to Lead This Workshop

Your preparation is a critical part of the results you will achieve from the workshop. Days before the workshop is scheduled to begin, review this manual to familiarize yourself with the materials and background information for each session.

Selecting a Site

Every training site creates its own special climate or mood. The good news is that most training sites can be easily modified to best suit your training needs.

A good training site will:

• Be comfortable and accessible.
• Be quiet and free from interruptions.
• Have ample space to relax and move about the room.
• Be cool and well ventilated.

It is always a good idea to verify:

• The number of participants the room can comfortably accommodate.
• The location and number of outlets within the training room.
• The ease with which the room can be heated or cooled.
• The adequacy and adjustability of the lighting.
• The location or accessibility of other needed facilities and equipment.

Setting Up the Room

The size and shape of the training room, the seating arrangements, and the instructor’s position in relation to the audience are all key factors to consider before any training is conducted.

_There are a number of room layout plans to choose from. The diagrams to the right illustrate a few options; the chart provides some pros and cons of each._
<table>
<thead>
<tr>
<th>Style</th>
<th>Pros</th>
<th>Cons</th>
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<tbody>
<tr>
<td>Theater</td>
<td>Good for large groups</td>
<td>Limits discussion between participants</td>
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<tr>
<td></td>
<td>Maintains effective control</td>
<td>Not good for visual aids</td>
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<td></td>
<td></td>
<td>Limits interaction within the group</td>
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<tr>
<td>Classroom</td>
<td>Good for displaying visual aids</td>
<td>Creates a lecture-oriented atmosphere</td>
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<td></td>
<td>Instructor is the focus of attention</td>
<td>Limits interaction within the group</td>
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<td></td>
<td>Instructor can move among the group</td>
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<tr>
<td>U-shape</td>
<td>Everyone can see the instructor</td>
<td>Can limit the number of participants</td>
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<td></td>
<td>Instructor can easily move among the group</td>
<td>if the room is small</td>
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<td></td>
<td>Encourages dialogue with the instructor</td>
<td>Might not be practical for a large group</td>
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<td></td>
<td>Encourages dialogue between participants</td>
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<td></td>
<td>Good for displaying visual aids</td>
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<td>Can limit the number of participants</td>
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<td>Might not be practical for a large group</td>
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<tr>
<td>Conference</td>
<td>Establishes a formal atmosphere</td>
<td>Can be awkward for some participants</td>
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<td></td>
<td>Enhances a structured format</td>
<td>to view visual aids</td>
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<td></td>
<td>Encourages interaction between participants</td>
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**Five Kinds of Instructional Activities**

In order to ensure that participants retain the information and skills they learn, implement the following instructional activities throughout the workshop:

1. **Explain**: Use this mode of instruction to introduce unfamiliar concepts and give directions for activities.

2. **Demonstrate**: By demonstrating an activity or skill, you give participants an example to follow.

3. **Practice**: People usually remember what they do better than what they hear. Give participants many opportunities to practice their skills so they can use them in genuine situations. Practice also changes the pace of the workshop and helps participants feel involved. Remember that practice activities are most effective when they have been explained and demonstrated well.
4. **Verify**: While the participants are practicing, observe them closely to verify that they understand the activity and are improving their skills. Walk among the participants to offer suggestions and answer questions.

5. **Evaluate**: After a practice activity, it is important to evaluate practice exercises and the concepts you’ve presented. Ask participants to discuss why they think a particular concept or skill is valuable. This helps participants see for themselves how the workshop is helping them. It is also vital to discuss how a skill might be adapted in different situations.

Each of these five activities is important; the amount of actual learning that takes place will diminish if you rely on only one or two. Even so, people learn and retain the most from practice, verification, and evaluation. This is why it is recommended that you spend no more than 20% of the workshop talking and reserve the rest of the time for active participation.

**Suggested Workshop Schedule**

This workshop is designed to be delivered over the course of five weeks, each week consisting of a 1 ½-hour interactive session. The agenda provided here is only a guide; it can be adjusted to suit a group’s particular needs. The workshop can be extended beyond the times indicated below to focus on full participation, extensive discussions, general feedback, and exercise debriefing. The timetable can also be extended to allow for shorter class periods and more time to apply the principles taught with the help of the instructor. Ultimately, the system is designed to be flexible.

**Week 1**

**Introduction**

- Money Is Emotional, Not Mathematical
- Missing Square Puzzle (see appendix A)
- What Counsel Have Latter-day Saints Been Given Regarding Family Finances?
- The Blessings of Paying an Honest Tithe

**Use a Budget**

- Verify Your Monthly Spendable Income
- Compute Your Average Expenditures (through step 8)

**Week 2**

**Use a Budget**

- Compute Your Average Expenditures (starting at step 9)
- Balance Income and Expenditures
- Introduce: Record All Expenditures
Week 3

Use a Budget
   Review: Record All Expenditures
   Spending Register Activity (see appendix C)

Build a Reserve
   Make Savings an Expense
   Time/Value of Money (see appendix D)
   Create Delayed or Future Spending Accounts

Eliminate and Avoid Debt
   Calculate Your Real Debt

Week 4

Eliminate and Avoid Debt
   Strategy 1: Power Down Your Debt
   Strategy 2: Accelerate Your Debt Elimination
   Strategy 3: Sell Assets to Further Reduce Debt

My Financial Plan
   Introduce: Create Your Financial Plan

Week 5

My Financial Plan
   Review: Create Your Financial Plan
Introduction

I think it is safe to say that we have all struggled at one time or another with money management. It seems that we all have been given far more opportunities to spend than money available to spend. Most of us would agree that if we just made an extra 5 to 10 percent each month, our money problems would disappear. When seen this way, spending is all about the math. Wouldn’t you agree?

I’m going to propose that spending is more about the emotions that surround it than it is about the math, or the amount of money. The key is to maintain positive emotions to help us see that we have choices. Spending is about a decision-making process and our ability to choose something better or something worse. Let me demonstrate.

Steps

1. Introduce the “Missing Square Puzzle” (see appendix A in both the facilitator’s guide and the participant’s guide) by arranging the shapes on page 43 to form a right triangle that is 13 units high and 5 units wide (see page 43, figure 1).

2. Define each specific block as representing a unit of money whose combined total equals the total monthly spendable income available.

3. Define each colored grouping as representing separate spending categories (for example, tithing, debt, groceries, and so on).

4. Ask participants what would happen if a new spending category were suddenly required (such as supporting a missionary, having an unexpected car repair, paying for a child’s wedding, and so on).

5. Explain that mathematically it would be impossible to cover the new expense without going into debt.

6. Next, realign each of the shapes to again form a $13 \times 5$ triangle, this time with a $1 \times 1$ hole (see page 42, figure 2).
7. Explain that by changing the way we think of and prioritize our money (getting our emotions under control), we can stick to a financial plan in spite of changing circumstances.

8. Identify current local or national financial statistics (see samples below) and discuss how each relates more to the emotions surrounding money than the math.

> More than 80% of financially stressed workers spend time at their jobs dealing with or worrying about money issues (Financial Distress among Americans survey, 2005).

> Money is the number-one cause of stress for 75% of all Americans (American Psychological Association [APA] survey, 2004).

> Average U.S. credit card debt per household in 2007 rose to a whopping $14,500, up from about $2,900 in 1990 (Bankrate.com, 2007).

> Up to 50% of all consumer purchases are made on impulse, according to Richard A. Feinberg, professor of retail management and director for the Center of Customer-Driven Quality at Purdue University.

> As a nation we’re saving just under 1 percent of disposable income, which is 6 percentage points lower than the average savings rate for the past three decades (U.S. Department of Commerce, Bureau of Economic Analysis, 2007).

**Conclusion**

So, is spending more about the math or the emotions? (Solicit responses.) Mathematically, if you add one dollar to another you will always have two dollars. However, there are many forces at work that determine the true value of each dollar. Once you understand the emotional forces that influence spending, you can apply a system to these forces that will help you multiply your money beyond what you ever thought possible.

To illustrate, pretend you have just inherited $100. What you do with that money is your choice. Let’s say you decide to go out for a nice dinner. How much was that $100 worth? $100 and a great evening, right?

Now, let’s pretend that rather than spending the money, you save it for 15 years at a 6% interest rate. That same $100 would then be worth $211.

Financial stress is not caused by a lack of pay, but by not having a system that causes us to make wise decisions about the way we spend money. All of the forces at work on our money make it difficult to make prioritized decisions if we simply consider it a mathematical problem.

Throughout this workshop you will learn how to apply a system designed to help you become financially wise.
What Counsel Have Latter-day Saints Been Given Regarding Family Finances?

Transition

Decisions made today have consequences tomorrow. We can’t afford to be caught up in the emotions of the moment. Isn’t that the counsel Latter-day Saints have always received? Does that counsel apply to family finances as well as all aspects of the gospel and our lives? What exactly have Latter-day Saint families been taught regarding money management?

Steps

1. Prayerfully select from the following list those quotes and scriptures that you feel best meet the needs of the people in the workshop (through prayerful study, you may also find and share additional quotes and scriptures). Invite participants to read and discuss the specific counsel given to Latter-day Saints.

> “We have been encouraged at almost every general conference of the Church I can remember not to live beyond our means” (L. Tom Perry, “Let Him Do It with Simplicity,” Liahona and Ensign, Nov. 2008, 9).

> “From my earliest recollections, from the days of Brigham Young until now, I have listened to men standing in the pulpit . . . urging the people not to run into debt; and I believe the great majority of all our troubles today is caused through the failure to carry out that counsel” (Heber J. Grant, in Conference Report, Oct. 1921, 3).

> “I want to make it very clear that I am not prophesying, that I am not predicting years of famine in the future. But I am suggesting that the time has come to get our houses in order. So many of our people are living on the very edge of their incomes. In fact, some are living on borrowings . . . .

“There is a portent of stormy weather ahead to which we had better give heed . . . .

“I urge you, brethren, to look to the condition of your finances. I urge you to be modest in your expenditures; discipline yourselves in your purchases to avoid debt to the extent possible. Pay off debt as quickly as you can, and free yourselves from bondage . . . .

“That’s all I have to say about it, but I wish to say it with all the emphasis of which I am capable” (Gordon B. Hinckley, “To the Boys and to the Men,” Liahona and Ensign, Nov. 1998, 53–54).

> “Remember this: debt is a form of bondage. It is a financial termite. When we make purchases on credit, they give us only an illusion of prosperity. We think we own things, but the reality is, our things own us” (Joseph B. Wirthlin, “Earthly Debts, Heavenly Debts,” Liahona and Ensign, May 2004, 40–41).
Interest never sleeps nor sickens nor dies; it never goes to the hospital; it works on Sundays and holidays; it never takes a vacation; it never visits nor travels; it takes no pleasure; it is never laid off work nor discharged from employment; it never works on reduced hours. . . . Once in debt, interest is your companion every minute of the day and night; you cannot shun it or slip away from it; you cannot dismiss it; it yields neither to entreaties, demands, or orders; and whenever you get in its way or cross its course or fail to meet its demands, it crushes you” (J. Reuben Clark Jr., in Conference Report, Apr. 1938, 103).


2. As appropriate, read and discuss the parable of the talents in Matthew 25:14–30. Lead the class in a discussion on how this parable relates to family finances. You may wish to introduce participants to the following scenarios in your discussion:

> Suppose that all of the money in the world were gathered and redistributed equally. Would it stay that way? Why or why not?

> Suppose you took away all of the money from a rich, successful businessman. Would he ever get it back? Why or why not? (Since a successful businessman understands the principles surrounding money, it is logical to believe he would indeed get it back.)

3. As appropriate, assign participants to read and discuss One for the Money: Guide to Family Finance with their family. A printed version of the guide is available through Church distribution centers, or an online version can be found at ProvidentLiving.org. This assignment will not only provide sound counsel but will also provide a foundation for what is to be taught throughout the workshop.

Facilitator's note: You may wish to discuss James 2:20 with the class. Encourage participants to commit to setting aside the necessary time required to complete each homework assignment.

Conclusion

Counsel given to Latter-day Saints who struggle with money management does not necessarily promote a mathematical solution or the need for members to earn more money. Rather, the encouragement has been that of discipline, of modesty in spending, and of freedom from financial bondage and debt. The counsel focuses on emotional control. This workshop will help you adopt proven spending, saving, and debt-elimination systems to help you gain that control.
The Blessings of Paying an Honest Tithe

Transition

Successful financial management in every Latter-day Saint home begins with the payment of an honest tithe. None of us would intentionally reject blessings from the Lord. However, when we fail to pay our tithing, we deliberately decline the blessings we are praying to receive.

Steps

1. Relate the following experience shared by President Gordon B. Hinckley:

“I recall an experience I had as a stake president some years ago. A man came to get his temple recommend signed. I questioned him in the usual way and asked, among other things, whether he was paying an honest tithing. He candidly replied that he was not, that he could not afford to because of his many debts. I felt impressed to tell him that he would not pay his debts until he paid his tithing.

“He went along for a year or two in his normal way, and then made a decision. He talked about it some time later, telling me: ‘What you told me has proved to be true. I felt I could not pay my tithing because of my debts. I discovered that no matter how hard I tried, somehow I could not manage to reduce my debt. Finally my wife and I sat down together and talked about it and concluded we would try the promise of the Lord. We have done so. And somehow in a way we can’t quite understand, the Lord has blessed us. We have not missed that which we have given to him, and for the first time in many years we are reducing our debt. We have come to the wisdom of budgeting our expenditures and of determining where our funds have been going. Because we now have a higher objective, we are able to curtail some of our appetites and desires. And above all of this, we feel we can now go to the house of the Lord with those deserving of this wonderful blessing’” (“The Sacred Law of Tithing,” Ensign, Dec. 1989, 4).

2. Discuss how paying an honest tithe and having a “higher purpose” actually helps families curtail spending.

3. Share the following quotes and discuss the many ways the Lord blesses those who pay an honest tithe.

Facilitator’s note: As needed, encourage participants by reminding them that this workshop will teach them to create a balance between what they earn and what they spend. This balance will always allow for the payment of a full tithe.

> “The Lord will open the windows of heaven according to our need, and not according to our greed. . . . [The blessing to the giver] may not always be in the form of financial or material benefit” (Gordon B. Hinckley, “The Sacred Law of Tithing,” Ensign, Dec. 1989, 4).
“Tithing... teaches us to control our desires and passions for the things of this world. Payment of tithing encourages us to be honest in our dealings with our fellowmen. We learn to trust that what we have been given, through the blessings of the Lord and our own diligent efforts, is sufficient for our needs” (Robert D. Hales, “Tithing: A Test of Faith with Eternal Blessings,” Liahona and Ensign, Nov. 2002, 27).

4. Testify of the law of tithing. Exhort participants to pay an honest tithe and to accept the promised blessings the Lord has prepared for His faithful children.

Conclusion

*Just as we have discussed in previous sections of this workshop, obeying the law of tithing is not about the mathematics surrounding it. It is simply a matter of faith and works combined with the desire to receive all of the blessings the Lord has prepared for His children.*

**Facilitator’s note:** You may wish to explain that the “works” discussed here refer to specific tools that will be shared throughout the workshop, such as the spending plan, the spending register, the real debt report, and the debt-elimination report.
STEP 1 Verify Your Monthly Spendable Income

Facilitator’s note: Italicized text suggests what you can say to the group at various points. You can also use your own words to cover the same ideas. Text that is not in italics contains instructions of what you need to do.

Transition

Earlier in this workshop, we discussed how a financial management system can help us make well-thought-out spending choices. The secret to true financial freedom comes from defining our own needs and desires and learning how to meet those needs appropriately. It also comes from having a system in place to help manage our emotions.

When we do not organize our thoughts based on a plan, emotions can pull us in a variety of directions, causing us to spend money in ways that might not be of highest priority for the family.

Steps

1. Explain that almost everyone has been taught that the way to control spending is to follow a budget. Discuss common concerns with traditional “budgeting” (such as, budgets are depressing, they tend to focus on what you can’t have, and so on).

2. Invite participants to change their perceptions of traditional budgeting by viewing it as a three-pronged approach:

   > Forecast or plan how money is to be spent within prescribed categories based on priorities, needs, and wants. Forecasting begins by studying how money has been spent in the past.

   > Track how money is actually spent within each category.

   > Compare tracked spending with the original forecast and adjust spending priorities to balance spending with income.

3. Explain that when viewed in this way, the budgeting process becomes less about what you can’t have. It becomes more of a “spending” plan allowing for freedom to alter spending according to areas of highest priority (such as, daily...
needs, emotional wants, and long-term financial security). Spending plans focus on the positive aspects of life and can help instill confidence in the future.

4. Explain that throughout the workshop, participants will be introduced to a hypothetical couple (Ruth and Elliot). Through their story, participants will gain a greater understanding of how to control spending.

5. Relate the following story in your own words. Be sure to discuss the emotions behind Ruth and Elliot’s current financial situation.

**Ruth and Elliot (Part 1)**

Ruth and Elliot consider themselves to be an average couple. They are in their mid-thirties and have three small children.

Elliot is a hard worker and has progressively received additional assignments and responsibilities at work. Currently, he makes just as much money as any of his neighbors—an amount he feels is more than enough to support a family. Yet Ruth and Elliot have accumulated $16,962 in consumer debt* alone. When added to their mortgage and combined with all interest scheduled to be paid, Ruth and Elliot owe over $400,000.

Increasingly, the couple’s discussions about money have evolved into more frequent arguments. They both know they are out of control but can’t fully understand why. To compound the problem, both insist on using their own system for paying bills and managing their money. Any discussions about finances typically end in emotional outbreaks, finger-pointing, and failure to take personal responsibility.

While Ruth prefers to stay at home with the small children, she wonders if an additional income might help them regain control by paying off debt faster and by reducing the number of arguments between her and Elliot.

6. Ask: Was this story more about the math behind Elliot’s paycheck or the emotions of how it was spent? (Solicit responses. Remind participants that Elliot felt he made “more than enough to support a family.”)

7. Explain that through Ruth and Elliot, the class will identify key steps in alleviating financial stress and controlling spending. The first step is to establish a spending plan to determine the amount of available monthly spendable income.

8. Refer participants to page 8 and to appendix B (Spending Plan) of the participant’s guide. Ask them to complete the top section (section A) of their blank Spending Plan as follows:

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*Consumer Debt: Outstanding debt incurred primarily for personal, family, or household purposes (such as credit card debt, store-financed purchases, auto loans, and so on). It does not include mortgage or other interest-deductible investment debt.
First, record their combined gross monthly income. If they have an irregular income, have them use their average monthly income based on the past 12 months.

Second, subtract how much is withheld in combined tax.

Third, record the remaining amount as the total spendable monthly income. (Explain that this is the amount that participants can fully control and that should be spent each month.)

**Facilitator’s note:** When identifying the amount to subtract for tax, remind participants that it is not as simple as subtracting net income from the gross income. Have participants focus only on tax for the “Less Tax” line. Other amounts deducted (such as insurance premiums, retirement investments, and so on) should be recorded in their appropriate spending categories. These categories will be discussed in greater detail in the next section.

It is important to record all money in designated categories. For example, temporarily suspending 401k contributions can help some participants balance their spending. Once spending becomes balanced, they will discover new ways to place money back into priority categories.

**Conclusion**

Completing the top part of the Spending Plan form reveals that our finances can be positively impacted in one of three ways:

- We can increase our gross income.
- We can decrease our tax liability.
- We can learn to better manage our spendable income.

Ruth wondered if going back to work would help their financial situation. Based on what you have learned, what do you think? (Solicit responses.)

By going to work, Ruth would certainly increase the family’s gross income and potential spendable income. But wouldn’t she also increase their tax liability? Research shows that this increase in tax contributes to the loss of most of the additional income. Now, if we were to add the other costs that would come with a second job (such as babysitting, transportation, lunches, new clothing, dry cleaning, and so on) we would discover that it isn’t guaranteed to have a positive impact on a family’s spendable income.

Besides, until Ruth and Elliot learn to manage the emotions surrounding how they spend their money, wouldn’t an increase in gross income just escalate their financial problems? So, what can we do? Let’s continue building our spending plan.
**STEP 2 Compute Your Average Expenditures**

**Transition**

*Once total monthly spendable income has been verified, it is important to review exactly how the money is being spent. It is surprising how many people today spend more than they actually bring home and don’t even realize it!*

**Steps**

1. Assign participants to determine their average monthly expenditures for the past 12 months. This is done by gathering canceled checks, bank or credit card statements, receipts, and all other spending records. Once these records are gathered, participants should lay them out on a large table or on the floor. *(This is a homework assignment, not an activity that participants will do during the workshop session.)*

2. Refer participants to page 11 of the participant’s guide and point out that most expenditures will naturally fit within basic categories. Show how Ruth and Elliot named each identified spending category and transferred each to their spending plan.

3. Instruct participants to do the same by arranging their expenditures according to their natural categories (such as auto expenses, housing, groceries, and so on), naming each and transferring them to their spending plan.

**Facilitator’s note:** Obviously, participants will not be able to re-create the emotional experience of the last 12 months, but they should have records of their spending. If participants do not have 12 months of records, kindly but clearly point out that when we have no records, it is further evidence that our spending has been out of control and based largely on emotion. Then, encourage participants to use the last three months’ records. Or, instruct participants to make their best guess and to begin tracking their spending. After three months, they can compare their best guess with their actual expenses.

Remind participants that some purchases might span several categories. For example, when they buy groceries, they might also buy other nongrocery items. Encourage them to balance their plan.

4. Explain that initially, tracking how money has been spent may appear to be tedious and time-consuming. However, the process will prove to be quite rewarding and will help participants gain control of their finances. It is the key to financial freedom.

5. Referring as needed to the example of Ruth and Elliot, instruct participants to write the total amount spent for each category in the appropriate column on their spending plan.
6. Next, have participants divide their 12-month totals by 12 to obtain the average monthly amount spent by category.

7. Have participants add the amounts in both the “Last 12 Months Totals” column and the “Last 12 Months Average per Month” column. They should write these totals in “Total Expenses.”

8. Finally, instruct participants to compare their average monthly spending with their total spendable monthly income.

9. As appropriate, invite participants to share the range of emotions they felt while completing the activities associated with this section of the workshop.

**Facilitator’s note:** Encourage participants to pay attention to their feelings while completing these exercises. They should plan to be shocked about how much and where money was actually spent.

## Conclusion

*I’m sure that going through this process provided each of us with an emotional experience that will, undoubtedly, alter the future spending decisions we make.*

*If your experience was anything like mine, you probably realized that you were wasting more money than you ever thought possible. You probably even caught yourself asking, “Why did I do that? That was a waste of money.”*

*Hopefully, this exercise has taught us all to reprioritize our spending to stop the waste.*

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### STEP 3 Balance Income and Expenditures

#### Transition

*Ultimately, our goal is to balance spending with our net spendable income. With average spending totals in place, we can now forecast how much money we will need for the next 12 months. This is where most people have the greatest emotional difficulty—especially if they have been overspending.*

*To be successful, this process requires that families set priorities together. For example, in setting priorities, Ruth and Elliot may have discovered that they ate out frequently during the past 12 months. If eating out is not a high priority, they would in the future reduce the amount spent eating out in order to use the same money in a higher-priority category.*

#### Steps

1. Refer participants to page 11 of the participant’s guide to show how Ruth and Elliot plan to balance spending.
2. Instruct participants to discuss family spending priorities and to identify each spending category as being either fixed* or variable.*

3. Encourage participants to look at and adjust spending within the variable spending categories first. Adjusting these categories may bring participants in balance with their available net spendable income. Help participants focus on their priorities. Sometimes variable categories must be temporarily sacrificed in order to free up money for higher-priority spending. Have participants enter their adjustments in their Spending Plan form.

4. If participants are still unable to balance income and expenditures, have them reexamine and adjust their fixed spending categories. This can be done by:

> Shopping for better insurance rates or selecting higher deductibles while increasing savings to cover the difference.

> Eliminating unnecessary utilities (such as extra telephone features, cable television, and so on).

> Working with lenders to identify less-expensive loans or interest rates.

> Adjusting federal and state tax withholding rates.

**Facilitator’s note:** Some participants might also find it necessary to increase earnings. LDS Employment Resource Services can help through career or self-employment services.

Remind participants to be cautious. The goal is to reduce fixed debt payments, not to free up money to acquire additional debt. Have participants enter any adjustments in the Spending Plan form.

5. After all adjustments have been made, invite participants to enter (forecast) their new monthly spending amount in the final column on the Spending Plan form.

6. Invite a participant to read the final paragraph on page three of *One for the Money: Guide to Family Finance* (“New attitudes and relationships toward money should be developed constantly by all couples. . . .”). As a class, discuss the importance of couples sharing the responsibility of the family’s finances.

7. Invite participants to divide the responsibility for each spending category by determining who will be responsible for each. Encourage the wife to go first; the husband will then get all remaining categories. (If a participant is single,

**Fixed Expense:** Payments with amounts that are constant and that must be paid (such as loan payments, insurance payments, and so on). Treat tithes and offerings as fixed expenses.

**Variable Expense:** An expense that can regularly increase or decrease (such as clothing, food, entertainment, and so on).
he or she will have responsibility for all spending categories.) As appropriate, describe how your family has divided responsibilities for spending categories.

**Facilitator’s note:** When only one person in a marriage is handling all of the financial responsibility, there is no communication or sharing. In such cases, resentment and mistrust may quickly follow. By sharing the financial responsibility, participants will find that financial burdens become lighter, they will be happier, and communication on financial matters will become an enriching experience.

Both single and married people should take the time to evaluate finances each week to review available income, analyze past expenditures, and plan for the following week.

This weekly meeting should be brief and noncondemning. Participants should learn to practice “instant forgiveness” of mistakes made during the week. Tell them not to worry about who spent what or didn’t keep track of this or that. Tell them to instantly forgive any errors made. Then go on to plan what will be done in the future. After all, few spending errors committed in a week’s time will have lasting, irreparable effects.

8. Stress the importance of having a weekly meeting to review available income, analyze past expenditures, and plan for the coming week. Over time, participants will see improvement in their financial situation and in their communication with each other.

**Conclusion**

*Those in serious financial difficulty might have to sell an asset, make more money, cut expenses, work as long and as often as they are physically able, or apply a combination of these strategies. Any proceeds from these strategies will not only help financially, but will likely provide the emotional incentive to become financially free.*

Regardless of the strategy we use, we must create a balance between our expenditures and our net spendable income. By prioritizing our family’s spending needs and wants first, we can more easily see how and where to adjust spending.

As we share our financial responsibilities, we will find that our financial burdens become lighter. We will be happier. Our communication concerning our financial matters will become an enriching experience.

**STEP 4 Record All Expenditures**

**Transition**

*Once we have forecast where our money will be spent, we must track where it goes. To help, I would like to give each of you a small supply of spending registers. In this section of the workshop, I will explain in detail how to use the new register. You will find that in many regards it is similar to a traditional checkbook register.*
However, its added sections will greatly enhance your ability to track the money you spend by category and compare it to what has been forecast.

**Steps**

1. Begin by encouraging participants to transfer their spending categories to the spending register’s index as shown on page 12 of the participant’s guide. If participants divided the responsibilities of specific spending categories as described earlier, have them transfer according to their divisions into two separate spending registers.

   **Facilitator’s note:** Provide participants with a three-month supply of registers to help them get started. Also, be sure to explain to them how to order additional registers.

2. Instruct participants to use the marked tabs to find the appropriate section for each spending category and write the category name at the top of the spending section on the left.

3. Have participants transfer each category’s spending total into the “Amount to Spend” section under the appropriate tab for each category as shown on page 13 of the participant’s guide. The amount to spend should include the planned monthly spending amount and any carryover* amount.

   For example, if Elliot had $95 in his Auto category in January, but only used $85, the difference of $10 should be added to February’s planned total ($95), creating $105 for February. The same would be true for any negative starting amounts.

4. Explain that each time a purchase is made, participants must record that purchase in the spending register according to the steps outlined below and on pages 13–15 in the participant’s guide.

   **Facilitator’s note:** Encourage participants to use the spending register’s index as a quick reference for finding categories. This process requires two simple steps and only takes an average of seven seconds to complete.

   Remind participants that items should be recorded in the proper place even when a purchase spans several categories. Since entries are to be made from a receipt, encourage participants to always gather receipts.

   **Purchases made by check:**

   > For each check participants write, they should go to the spending category representing the purchase (found on the left side of the spending register) and enter and subtract the expense to show the amount of money left in that category.

   * **Carryover:** Any sum of money, either positive or negative, to be transferred into the following month’s spending total.
Next, they should record the check number, date of the purchase, description of the purchase, and the amount of purchase—and then calculate the account balance. This step is to be done using the right side of the spending register. Explain that this process is no different than what is traditionally taught about balancing a checkbook.

**Purchases made by debit card:**

> When participants make purchases using a debit card, they should go to the spending category representing the purchase (found on the left side of the spending register) and enter and subtract the expense to show the amount of money left in that category.

> Next, instruct participants to record the expense on the right side of the spending register just as they would for a purchase made with a check. Instruct participants to substitute “DC” (debit card) for the check number, and remind them to calculate the bank account balance when recording these purchases.

**Purchases made with cash:**

> When participants withdraw cash to make purchases, they should not record an immediate spending category entry on the left side of the spending register until the cash has actually been spent. At the time they spend the cash, participants should enter and subtract the expense to show the amount of money left in that category. Remind participants that since the cash withdrawal was previously recorded on the right side of the register, the information should not be re-recorded there.

> Instruct participants to record withdrawals using the right side of the spending register as described previously when recording a purchase made with a check. Instruct them to replace the check number with “CA” (for “cash”). Participants should immediately calculate the bank account balance. Again, this step is to be done using the right side of the spending register.

**Purchases made on credit:**

> Explain that purchases made on credit will need to be treated a little differently than other purchases. These purchases do not immediately affect a checking account balance. Therefore, when a purchase is made on credit, participants should first go to the left side of the spending register and enter and subtract the expense to show the amount of money left in that category. Participants will need to substitute “CC” (credit card) for the check number.

> Explain that participants must also record these expenses on the right side of the spending register in order to match purchases against the card’s monthly statement. This entry is similar to other entries, except that participants will put a line through the balance column since these purchases will not affect their checking account balance at this time.
Once participants receive their credit card statement, they should verify the expenses by placing a checkmark in the column found on the right side of the spending register. When participants write a check to pay for the purchases, they should follow the instructions for recording a check in the right side of the spending register and then calculate the account balance.

Facilitator’s note: Recording purchases made on credit on the right side of the spending register is an important step. Since the receipt of credit card statements always lags behind the actual purchase, this simple step helps participants determine when purchases were made and helps them stay within their planned monthly spending amounts.

All new purchases made on credit should be paid in full each month. If participants have pre-existing balances when payments are made, they should include the full amount of these new purchases to the regular payment schedule.

For example, if Ruth has an existing balance of $1,490 on a retail credit card, her regular monthly payment would be $62.01. If she then made a $25 purchase in February (and that amount shows on her March credit card statement), she should add the $25 to her regular payment of $62.01 for a total payment in March of $87.01.

5. Encourage participants to compare their actual and planned spending at the end of each month. They should also forecast the next month’s spending, making any necessary adjustments. Remind them to forward any carryover amounts to their next month’s spending register.

Conclusion

Tracking each expense by using a spending register provides an accurate picture—before making any purchase—of the total available money that can be spent. We can then more easily set our emotions aside and make spending decisions based on our predefined priorities.

STEP 5 Balance Your Checkbook and Adjust Spending

Transition

When comparing our tracked purchases with our spending plan, we will find ways to refine spending even further. As we do, we can reallocate the money made available during these refinements to meet our spending, savings, and debt-elimination goals even faster.

Steps

1. Encourage participants to balance their checkbook with their bank’s history of transactions each month when their bank statement arrives.
2. Next, instruct them to match their check register with their monthly spending amounts. They should verify that total spending amounts did not exceed their monthly income.

3. Participants should then prepare a new spending register as outlined on page 12 of the participant’s guide. They will forward any leftover amounts (both negative and positive) into the appropriate spending categories.

**Conclusion**

Tracking *our monthly spending is one way to become aware of how and where we spend money*. Periodically, *it may be necessary to adjust spending amounts*. *Spending amounts are adjusted by comparing the total amount spent with the amounts that were previously forecast*. *All changes should be recorded on the Spending Plan form and in the spending register*. 
Build a Reserve

Transition

As our spending becomes more refined, we will undoubtedly discover we have more money than we once thought. This is good, but it is not the end goal! What is the first thing we typically do when we discover a surplus of funds? We spend it.

What we should do is set that money aside for future use. Now, what if I were to tell you that there is no such thing as savings and that all money is to be spent? (Solicit responses.) Allocating money to savings is actually “spending” money by putting it aside to use at a later date to pay for our needs and wants. Savings, therefore, are actually delayed spending.

Steps

1. Explain that savings categories should be viewed no differently than any other category in which participants allocate funds for the month. They must learn to “spend” money each month into savings, just as they would for groceries. However, the balance for a savings category should go up—in contrast to other categories that naturally go down.

2. Relate the following story in your own words. Be sure to discuss the emotions behind Ruth and Elliot’s current financial situation.
Ruth and Elliot (Part 2)

While Ruth and Elliot were pleased with the visible progress they had made in learning to control their spending, they were still concerned. Discussions regarding the family’s finances were certainly less argumentative than before; however, the family had never been on a vacation together. With their debt load, Elliot had a hard time accepting that they would ever be able to find any extra money that could be put away for such things.

But as the couple began tracking their spending, Ruth identified $100 a month that was being spent on unnecessary items. They began depositing that money into a newly created savings account. With time, as they controlled their spending even more, they began depositing even more money into the vacation category of their savings account until they finally reached the point of being able to pay cash for their family’s dream beach vacation.

3. Explain that keeping a big-picture view of what participants value will help keep them from remaining trapped in the moment. It will allow them to let their money grow in value over time.

4. Ask participants to turn to the Time/Value of Money Work Sheet in appendix D. Discuss how a dollar’s present value can grow over time if given the opportunity and that people in debt strip their money of value over time because they must pay interest to others.

5. Explain that the ultimate goal is for participants to save at least 10 percent of their monthly income. For those who have not been saving regularly, suggest that they start by saving at least one percent monthly. Then, each month that they are able, participants should increase savings until they reach their goal.

Conclusion

*Living in a cycle of perpetual overspending eliminates all possibility of seeing money grow in value over time. It prevents us from creating a cash surplus and all of the advantages that come with that surplus. Even a little bit of surplus will multiply quickly.*

*At some point, we will all have to make a choice: we can either prioritize the way we spend our money so that we can be prepared for upcoming events, or we can spend every cent and have nothing for the future.*
Create Delayed or Future Spending Accounts

Transition

The next step in prioritizing spending is to create additional categories that will be used for delayed or future spending.

Steps

1. Refer participants to the pie chart on page 18 of the participant’s guide. Explain that each section of the chart represents a recommended percentage of money that participants should be “spending” for emergencies, emotional wants, and longer-term needs as described below and in the participant’s guide:

Emergency Spending (20%):

> Discuss how unpredictable life can be (for example, illness, job loss, repairs, divorce, and so on).

> Explain that simply balancing spending with income isn’t enough; participants must learn to live on less than they earn.

> Discuss that in order to be prepared when emergencies occur, participants should look at emergency savings as a form of self-insurance on themselves and their loved ones. When insurance is purchased for a home or automobile, its purpose is to prevent financial hardship in the event of an accident or some kind of damage—things just happen. Participants can avoid all kinds of economic hardship by paying regular “premiums” into this emergency category. If the unexpected doesn’t happen, great! Participants will be left with a sum of money.

> Invite participants to begin depositing 20 percent of their monthly savings into an emergency category. They should continue doing so until they have accumulated enough money to cover at least three to six months of regular monthly spending.

> Explain that because of the nature of how this money will be spent, this money should be deposited into a fully accessible, liquid, guaranteed, safe savings account.

> Participants should understand that once a three- to six-month surplus has been created, they might consider adjusting the percentage of money going to their emergency category and reallocate it to either the emotional or long-term savings.

Emotional Spending (20%):

> By this point in the workshop, participants should fully understand that money is more about the emotions than the math and that people often spend money for purely emotional reasons. Help them understand that this is not a bad thing, in and of itself.
Since many people spend money whether they have it or not, encourage participants to begin planning for emotional spending by creating and depositing 20 percent of their monthly savings into an emotional spending category.

Instruct participants to deposit this money into any type of accessible and safe savings account.

Discuss examples of emotional purchases that can be covered by this type of saving (clothing for a special event or occasion, novelty décor for a home, surprise gifts or getaways for family members, and so on). Explain that this money should be spent on something fun and not for routine, daily sustenance.

Explain that emotional savings simply takes into consideration that there will be times when participants will need to spend money for reasons that go beyond their defined spending categories. Preparing for a need to spend money for purely emotional reasons eliminates reckless spending of money that has been set aside for daily survival or for long-term investments.

Describe how emotional savings can help curb debt while providing families with wonderful psychological rewards. Emotional savings eliminate the feelings of guilt that come from spending money on emotional impulse.

**Long-Term Spending (60%)**:

Ask participants to describe what they hope to do during their retirement years (for example, serve a mission, travel, and so on).

Explain that many people know they don’t have enough money for the future. In fact, the average person in the United States retires with less than $60,000 in total assets. Yet, instead of fearing what the future might hold, they are more fearful of the present. They worry unceasingly that they will not have the latest technological gadget or other popular items.

Explain that regardless of age, spending money into a long-term investment account will eliminate the fear and dread of getting older. It will help participants feel more confident and more empowered.

Explain that because participants will need more money for this savings category than either of the other two, it is important that they allocate 60 percent of available surplus funds into this long-term category.

Encourage participants to deposit this money into any secure long-term retirement account.

Some participants will not believe they can save any money initially. Explain that everybody can save at least one percent monthly. As a class, discuss how this might be possible and remind participants to always keep their long-term spending priorities in mind. This discussion could include, but is not limited to, the following suggestions:
> Take advantage of all employer-sponsored benefits, such as retirement plans or flex-spending accounts, especially if the employer matches any of these contributions.

> Save tax refunds, bonus checks, gift money, and so forth.

> Shop for cheaper insurance rates with competing companies. If rates are already low, consider raising deductibles. If you choose to raise deductibles, make sure you have enough money in your emergency category to pay for emergency expenses that are not covered by the policy.

> Consider adjusting utilities. For example, a family with both a land line and a cell phone might consider canceling one or the other. This will provide immediate savings.

> Ask credit card companies to lower their interest rate. Most are willing to honor a cardholder’s request.

> Rather than renting or purchasing, check out movies and books from the public library.

3. If they haven’t already done so, encourage participants to add emergency, emotional, and long-term savings categories to their spending plan. This might require that they reprioritize spending and cut back in some spending categories.

**Conclusion**

*If you are still spending more than you make and think it is impossible to save, don’t give up. As you follow the principles taught in the “Use a Budget” section of this workshop, you will soon find ways to cut spending and begin saving.*

*It doesn’t matter at first that you may be saving only one percent of your monthly income. What is important is that you start the process. And as you follow the principles taught in the next section of the workshop, you will learn how to find and save even more money.*

**Facilitator’s note:** The key to financial freedom is to balance spending. Remind participants that there is no plan unless spending and income balance.
Eliminate and Avoid Debt

STEP 8 Calculate Your Real Debt

Facilitator’s note: Italicized text suggests what you can say to the group at various points. You can also use your own words to cover the same ideas. Text that is not in italics contains instructions of what you need to do.

Transition

The staggering burden of debt is the main cause of most financial struggles families face today. In fact, as quoted in One for the Money: Guide to Family Finance: “The American Bar Association has indicated that 89 percent of all divorces can be traced to quarrels and accusations over money. Others have estimated that 75 percent of all divorces result from clashes over finances. Some professional counselors indicate that four out of five families are strapped with serious money problems.” Yet as a society, we have been conditioned to accept debt as a necessary part of life.

The key to finding the motivation to eliminate debt is to have a clear picture of the true cost that compound interest* creates. Remember the Time/Value of Money Worksheet discussed in our previous lesson? Paying rather than earning interest is like trying to go up the “down” escalator—lots of effort is being made, but you’re not going anywhere! That is why it is so critical to get out of debt as quickly as possible so you can stop paying compound interest and have the time you need to earn it instead.

Steps

1. Explain that most people do not view their debt in terms beyond their monthly payments.

2. Describe how a “real debt report” displays the total amount of money required to retire all debts after adding compound interest to the principal. A real debt report also calculates the total number of payments needed to retire all debts.

3. Illustrate the negative effect that debt and its accompanying compound interest can have by discussing the Real Debt Report of Ruth and Elliot, found on page 19 of the participant’s guide.

* Compound Interest: Interest calculated on both the principal and the accrued interest. Interest may be computed daily, monthly, quarterly, semiannually, or annually. This interest can be earned (through savings and investments) or paid (through debt). If you are in debt, you are paying interest on top of interest for the privilege of using someone else’s money.
4. Show how Ruth and Elliott have five debts totaling $204,434. If they were to pay all five of their debts using a monthly minimum payment, they would pay an additional $227,136 in interest, bringing their actual total debt to $431,570! That’s nearly two and a half times what they borrowed.

5. Commit participants to begin calculating their “real debt” by listing all known current debt information. This should include information such as loan descriptions, monthly payment amounts, interest rates, remaining number of payments, and remaining principal.

6. If necessary, explain that the information mentioned in the previous step can be obtained by reviewing past statements or calling creditors.

7. Explain that once the information has been obtained, participants should calculate their real debt by using online financial calculators. The Church’s Web site ProvidentLiving.org has many calculators that could also be used to help.

8. Once participants have completed the report, they should also list the total interest that would be paid and the number of years required to repay all debts.

Conclusion

We have repeatedly discussed how spending is more about the emotions than it is about the math. This will likely be one of the most emotional activities you will do as part of this class. If you are like most people, you might even feel sick to your stomach and ask yourself, “How could I have possibly gotten so far into debt?” or “How will I ever get out?”

While compounding interest is relentless for those who are a slave to it, the beauty of it is that it can also work in your favor if you understand how to harness its power. Generally, you should pay off debt before you invest.

At some point we all have to make a choice—we can either prioritize the way we spend and pay down debt so that we can take advantage of the power of compound interest, or we can continue to recklessly spend and remain in debt and have nothing for the future.

STEP 9 Power Down Your Debt

Transition

Once you have calculated your real debt, you are ready to learn strategies that will eliminate your debt and help you avoid new debt. Remember, the more aggressive the approach, the sooner you will live debt free.

As we begin exploring the first strategy to get out of debt, I hope you will find great strength and encouragement from the inspiring story of one young man. Listen as,
in his own words, he tells how through a tragic accident he learned firsthand the power and peace that come from eliminating debt.

Steps

1. Ask for a volunteer to read “Peter’s ‘Power Down’ Story” (see appendix E).

2. Explain that “Powering Down” is a systematic approach to paying bills. It applies a debt-elimination calendar to reduce debt without requiring additional out-of-pocket money (see One for the Money: A Guide to Family Finance, page 5).

3. Refer participants to page 20 of the participant’s guide and encourage them to use the following steps to power down their debt:

   > Prioritize all debts in a list.

   **Facilitator’s note:** Debts can be prioritized by highest to lowest interest rate, shortest to longest maturity, or smallest to largest principal—or they can be prioritized for emotional reasons.

   Typically, prioritizing by months remaining to repay the loan will free up additional money faster and speed up the power-down process.

   > Concentrate on paying off the first debt on the list.

   > Once the highest-priority debt has been paid off, add its monthly payment amount to the next debt on the list.

   > As each debt is paid off, continue adding its monthly payment amount to the power-down payment and apply the total to the next debt on the list.

4. Explain that Ruth and Elliot prioritized by putting the debts that could be paid the quickest at the top of their list.

   > They began working to pay off Major Credit Card 1 by making their regular $200 monthly payment.

   > After 12 months, when the card was paid in full, they applied the full $200 to the second bill of $62.01 instead of using that money for other needs or wants.

   > By applying this $200 to their next debt, retail credit, they were able to pay it off in 16 months rather than the originally scheduled 30.1 months.

   > By continuing this process, adding the combined amounts as each debt is paid off to the next prioritized debt, Ruth and Elliot will be completely debt-free in 15.83 years instead of the 27.97 years it would have taken if they chose not to power down.
5. Refer to Ruth and Elliot’s Debt Elimination Report on page 21 of the participant’s guide. Summarize and discuss the advantages of adopting a power-down strategy like the one they used:

> Accelerated debt repayment. Ruth and Elliot were able to shave 12.14 years off their debt-repayment schedule.

> Saved interest. While their principal will always remain the same, Ruth and Elliot also saved $102,687 in interest payments.

> Increased savings opportunity. Once debt free, Ruth and Elliot could invest the money they had previously paid toward debt. By investing for the 12.14 now debt-free years, they would be earning interest (rather than paying interest) and would save $372,815.

6. Invite participants to develop their own debt-elimination report by applying the power-down strategy. Encourage them to highlight their increased debt-repayment schedule, their interest saved, and their potential savings opportunity on their report.

Conclusion

_Congratulations! By applying the first debt-elimination strategy, I hope you have experienced an emotional change in the way you see your financial situation. This is an important milestone in your progression toward total financial control and security._

**STEP 10 Accelerate Your Debt Elimination**

Transition

_In addition to applying money from one paid-off debt to the next on their list, Ruth and Elliot decided to apply another strategy to their debt. Let’s call this strategy the “debt-accelerator payment.”_

As they built their spending plan and began tracking their balanced spending, Ruth and Elliot found an additional $100 that they could now apply to their debt as a result of prioritizing their spending.

Steps

1. Remind participants that most people misspend approximately one percent of their annual income monthly. If identified, this money could be reallocated to further accelerate debt repayment.

2. Explain that Elliot simply chose to limit the number of times he ate out for lunch at work and decreased the amount of snacks and sodas he purchased on break.
3. Describe how Elliot’s choice allowed him to identify an extra $100 per month. By applying the savings as an “accelerator payment” to his first debt, instead of making a $200 monthly payment to Major Credit Card 1, he could now pay $300 per month.

4. Refer participants to page 22 of the participant’s guide and explain how this $100 increase allowed Ruth and Elliot to repay Major Credit Card 1 in 8 months instead of the originally scheduled 12 months.

5. Explain that when a monthly accelerator payment is combined with the power-down strategy, results are dramatic. By combining these approaches to debt elimination, Ruth and Elliot reduced their total debt repayment by an additional 1.5 years.

6. Describe how a 1.5-year reduction in Ruth and Elliot’s debt-repayment schedule would lead to an additional $15,015 in interest savings and another $93,023 in potential savings.

7. As a class, discuss ways to identify misspent money and list them on the board. Encourage participants to expand this list by tracking their spending as outlined earlier and comparing what they spent to their spending plan.

8. Challenge participants to identify ways to implement an accelerator payment in their debt-elimination plan.

**Conclusion:**

Isn’t this exciting! When we more fully understand our emotions around money, conversations about money become exciting. As we continue to track all spending and compare what is spent with our spending plan, we will continue to refine our spending and will be able to more aggressively repay debt. In turn, we will naturally see an increase in how much we are able to save and what we can do with our money.

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**STEP 11**

Sell Assets to Further Reduce Debt

**Transition**

Perhaps the simplest strategy for reducing debt is to sell an asset. This approach represents quick action and enables us to immediately employ the other two strategies we’ve already discussed.

Let’s take another look at Ruth and Elliot’s example to see how this strategy really works.
Steps

1. Explain that Ruth and Elliot owned a family boat. Even though it was paid for, it had not actually been used for several years. Due to their financial situation, they were unable to license it or pay the taxes on it; they couldn’t even afford the gas to tow it to the lake. So, selling the boat to reduce debt just made sense.

2. Explain that Ruth and Elliot were able to sell the boat for $4,310.

3. Discuss how Ruth and Elliot might use the money. Explain that if used to completely pay off their retail and Major Credit Card 2 debts, they could then add the two monthly payments to their accelerator payment to reduce their total debt repayments by another seven months.

4. Refer participants to page 23 of the participant’s guide. Show that in addition to the time savings, this approach also saved Ruth and Elliot a total of $124,291 in interest payments. The approach could also provide them with a potential of $495,407 in savings at the end of their regularly scheduled debt-repayment plan.

5. Encourage participants to gather with their family to discuss and identify potential assets they might be able to live without in an effort to further reduce debt. Encourage them to help other family members see the benefits of applying this strategy and add it to their debt-elimination plan where possible.

Conclusion

With your spending plan in place, your efforts to track your spending under way, and your savings and debt-free plans put in motion, you are well on your way to obtaining financial freedom and peace.

Post your debt-elimination report and your entire financial plan in prominent places to remind you and your family of your priorities and goals. Doing so will help keep you on track.
Create Your Financial Plan

Facilitator’s note: Italicized text suggests what you can say to the group at various points. You can also use your own words to cover the same ideas. Text that is not in italics contains instructions of what you need to do.

Transition

Do you remember the puzzle that I shared the first day of class? (See appendix A, pages 43–44.) Do you remember what it represented? (Solicit responses.) Spending is more about the emotions that surround it than it is about the math. Do you believe it?

In the short time that we have spent together, I have seen a change in the way each of you sees money and your own personal financial situation. You have made so much progress. Really, you are doing much better than you think. In this final session, I’d like to summarize what we have learned.

Steps

1. Refer participants to page 25 of the participant’s guide and discuss how Ruth and Elliot prioritized their spending to gain control over their finances:

   > They balanced their income with their spending using a spending planner.

   > They tracked their spending using a spending register and began comparing it to their plan.

   > They began holding weekly meetings to review their available income, analyze past expenditures, and plan for the coming week.

   > They created a savings plan to prepare for emergency, emotional, and long-term needs.

   > They created a real debt report to understand the full cost of their debt (the principal and the compound interest).

   > They created a debt-elimination plan by implementing the power-down, debt-accelerator, and selling-assets strategies.
2. As a class, read again James 2:20 and Mathew 25:14–30. Ask participants to discuss their thoughts regarding these verses and how they relate to family finances. Emphasize that “faith [or knowledge of this financial system and strategy] without works is dead.”

3. Assign participants to compile all of their work into a financial action plan, similar to the one developed by Ruth and Elliot found on pages 25–27 of the participant’s guide.

Conclusion

The principles taught throughout this workshop have been understood and utilized for thousands of years. While new, perhaps, in the way they have been presented, they are timeless and unchanging.

The degree to which we apply this workshop’s principles will determine whether we thrive financially or not. The choice is ours. Changing the way we look at money will change our lives.

I have, in many ways, asked you to shift your thinking away from what others teach about applying quick fixes and partial solutions to help solve financial problems. Instead, I have asked you to adopt a more grounded and principled approach that will help you build a solid foundation upon which you can stand, regardless of how your circumstances or the world may change. A principled approach helps you understand that it’s not about the amount of money you make, but rather how wisely you use the money you already have. When you are principled, you are empowered to make better financial decisions—you can live your life the way you want to and not as a slave to others.
Appendix A
Missing Square Puzzle
## Appendix B
### Spending Plan

#### A. SPENDABLE MONTHLY INCOME

<table>
<thead>
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<tr>
<td>Gross Monthly Income</td>
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<td>Less Tax</td>
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<tr>
<td>Total Spendable Monthly Income</td>
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#### B. SPENDING CATEGORY EXPENSES

<table>
<thead>
<tr>
<th>Spending Category</th>
<th>Last 12 Months Totals</th>
<th>Last 12 Mo. Avg Per Mo.</th>
<th>New Budget</th>
<th>Next 12 Month Forecast</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fixed Expense</td>
<td>Variable Expense</td>
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</tbody>
</table>

| Total Expenses    |                       |                         |             |            |
In this activity, you will be helping Scott and Bobbi finish tracking their monthly expenses using their spending register. Some expenses have already been recorded for you. You may assume that all prior expenditures have been recorded, even if they may not appear on the spending register pages you will use for this activity. Follow the instructions below to complete their monthly spending register.

6/15: Johnny wakes up today with a fever. Bobbi takes him to see Dr. Jones. She pays the $25 co-pay with her debit card. Later she goes to the grocery store to pick up the prescription and a few groceries. She writes a check (#1136) to pay for both: $36.89 in prescriptions and $58.92 for groceries.

In preparation for the family's weekend activity, Scott visits the ATM and takes $100 from their checking account.

6/17: It's Wednesday night, the night before the long-anticipated family camping trip, and since Johnny is feeling much better the family decides to keep their plans to go. Scott tops the car off with $25 in gas so that it is ready in the morning. He pays in cash.

6/18: It's an early morning for all as they load the car and head to the family's favorite camping spot. Unfortunately, in their excitement to leave, Bobbi forgot to pack her jacket. They stop at a store along the way. She uses their credit card to buy a new jacket for $43.89.

They finally arrive at the lake. Once the camp has been set up, Scott pulls out his wallet and hands the campground manager $30 in cash to pay the site fees for their two-night stay.

6/20: After packing up, the family loads the car and heads for home. Along the way, they stop at the traditional hamburger place for a bite to eat. After everyone orders, Scott pays the $42 bill with cash. He then walks across the street to a convenience store and uses his remaining cash to purchase a few treats for the ride home.

6/25: Bobbi opens the mail and sees their credit card statement has arrived. The regular monthly payment is $68.97. She writes another check (#1137) and puts it in the mailbox.
### A-B

**Auto-gas & repairs**

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#### Check Register

<table>
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<tr>
<th>Item#</th>
<th>Date</th>
<th>Transaction Description</th>
<th>Pmt/Withdrawal</th>
<th>√</th>
<th>Deposit/Interest</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1134</td>
<td>6/12</td>
<td>Hillcrest 4th Ward</td>
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<td>Tithes &amp; fast offerings</td>
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<tr>
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### C-D

**Clothing**

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**Debt payments**

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#### Check Register

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<tr>
<td>1135</td>
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<td>Mortgage America</td>
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### E-F: Family Activities

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### M-N: Medical

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### Appendix D

**Time/Value of Money Work Sheet**

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**Total Invested $12,000**

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**Total Invested $70,000**
Peter’s “Power Down” Story

“As a young man just starting college, I was in a serious car accident. I was hit head-on by another car and trapped in my Volkswagen Bug, almost burning to death, until three drivers in passing automobiles stopped and pulled me from the wreckage. I spent over two years in and out of the hospital, depressed, broken, blind, and burned beyond recognition.

“At first I went in and out of a coma, fighting for my life. The doctors told my mother privately that I had no chance of living. Once I did stabilize, the doctors informed me that I would never walk normally again and that there was no chance I would ever see again, having lost my eyelids and most of the skin on my face.

“As the days came and went, I recovered enough to be out of danger of losing my life. But I became very despondent and discouraged. While in this terrible situation I received help from so many caring people who read to me, bathed me, played checkers with me, and gave me pep talks to buoy up my spirit. From this service I learned some of the most important lessons in life. I discovered that self-worth and self-esteem come from within and that beauty is what is on the inside.

“Over time, my health gradually began improving. Eventually I did walk again, and thanks to the many medical professionals who worked with me, my eyesight was saved. But as I initially lay in ICU for several weeks, the medical bills began to pile up. I did not have health insurance, and every Friday the hospital accounting office came to my room to review my bill with me. After every Friday’s meeting I would become so upset about the thousands of dollars of debt I was incurring and knowing there was nothing I could do about it, I would schedule a morphine shot for pain relief. Just a little calculation and anyone can figure that several months in ICU was costing me a literal fortune. Add to this another two years in and out of the hospital and 28 major surgeries, and I began to stagger under the weight of this tremendous financial burden. It was while under this incredible pressure that I learned the lesson that would change my life forever.

“My older brother, Bill, was at college and worried a lot about me. He felt impressed to bring me a book called The Richest Man in Babylon by George S. Clason. At that time I did not realize that my brother had just given me the answers to my prayers and concerns; he had also given me the foundation for great self-esteem. While I was in the hospital, I had visitors read this book aloud to me. The chapter on the ‘Clay Tablets’ about powering down debt was so impressive to me. At first the methods described in the book seemed too simple and too good to be true. I couldn’t fathom ever paying off all my debt. But then I found myself asking, ‘Yes, but what if this system really works?’
I certainly have nothing to lose! It’s easy to test the math—I can do that in my head.’ What I found by doing the math was that if I applied a power-down system to my debt load, I could completely eliminate it in five years. Then, I had different members of my family write down the math when they came to visit. Their numbers checked out with what I had figured in my head. In time, I was released from the hospital. But even with those debt-reduction methods still fresh on my mind, I was so overwhelmed by what I owed (besides my hospital bill, I owed money to seven different doctors), I didn’t know if I could ever get out from underneath it all. However, I once again tested the figures and found that I could, indeed, be out of debt in five years if I applied power-down principles. Receiving this information and this hope was truly a gift from the Lord.

“Bankruptcy was mentioned over and over by many friends and family members as a way to start a new life financially. My own father, who now had been divorced from my mother for three years, told me he was going to file bankruptcy himself. He thought I was still considered his dependent and that I could be included in his bankruptcy if I wanted and wipe my slate clean.

“His suggestion caused me to review all the work the wonderful doctors and nurses had done (and would yet do) to save my life and restore my eyesight, and I realized there was no way that I could bail out on my obligation to them. As I declined my father’s invitation, he told me he thought I was making a stupid decision, but I then thought about how money had ruined his marriage to my mother. I thought of all the arguments he had had with her about money. I thought about how upset it made me feel every time I heard them fight, and I determined to do something different financially with my own life. It was then that I committed myself to applying the systematic power-down approach to my debt.

“Five years later, I paid off my last medical bill. Even though my body was terribly scarred, those scars began to stand as a symbol of victory over my own personal debt and as a sign of triumph at beating impossible odds, both physically and financially.

“Although most people do not carry any outward scars, so many individuals today have scarring on the inside caused by a lack of self-esteem due to financial worries and crushing debt. I have learned, over 30 years of taking every opportunity to teach thousands of people about the power-down approach, that if you have five or more debts it is possible to eliminate all of them in nine years or less using this method. I learned it for myself personally all those years ago, and I have seen it work over and over again in the lives of countless people. It simply works—no matter how much debt you have, no matter how bad it is, no matter how high the interest rates are, no matter what! It works! I know that if I can do it, you can too! The Lord helped and strengthened me every step of the way, and I know He will do the same for you. Gaining the victory over debt is a huge accomplishment that I strongly encourage you to work towards. Begin now! Don’t wait another day to relieve yourself of this terrible burden that scars, destroys, and maims your life.”