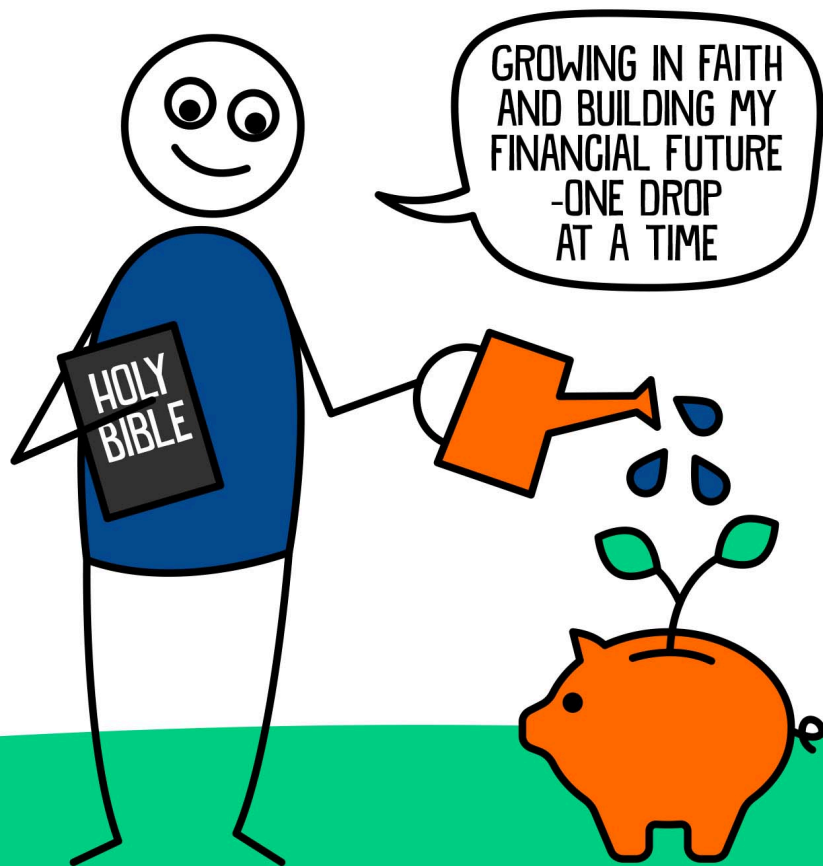


NEXTGEN STEWARD



C. J. CAGLE

NEXTGEN STEWARD

Faith-Filled Stewardship for Your Financial Future

C.J. (Chris) Cagle

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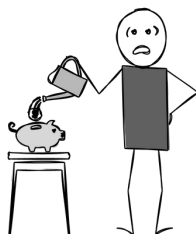
Acknowledgements

This book holds personal significance for me because it originated from my involvement with my home church. Thanks to all the “young adult pros” (as we call them) and others in my church who encouraged me to teach a weekend seminar on this subject, which became a long series of Substack posts and then this book. Your love for God, His Son Jesus Christ, and His Word, and your desire to steward the resources He has (and will) bless you with, has been a great inspiration and encouragement to me. Thanks also to Gail Walker, my seminar co-presenter and sister-in-Christ, for teaching in the seminar, providing follow-up coaching and counseling, and proofreading the original series of articles that I compiled into this book. And thanks to the Walker family for “loaning” Gail to me over the several months she was reading the articles. Finally, thanks especially to my wife, who has been patient, kind, encouraging, and long suffering in letting me write another book after I told her I would cut back on my writing.

“He who finds a wife finds a good thing and obtains favor from the LORD”
(Proverbs 18:22).

INTRODUCTIONS & FOUNDATIONS

1 – Introduction



“One drop at a time? More like one drip of sweat at a time.”

This book is for the “next generation.” Of course, that term is relative, depending on which generation one is part of and the one that is “next.” Since I’m a “Baby Boomer” (I know, “thanks, Boomer...”), the next generation after mine is “Gen X,” the generation my children are in. (They’re middle-age now—wow, when did that happen?!) This book has something for them, but it’s mainly targeted at Gen Y and Gen Z. (By the way, was there a Gen A thru W?)

So, I am using the term “*NextGen*” to refer to college students, young adults, and young married couples (age 18 to 35) who either will soon enter the workforce or already have and are therefore just starting their financial journey.

The other part of the title is Steward. It’s a word you don’t hear every day, referring to someone who oversees and cares for the material goods entrusted to them by another. In this case, since we’re focused on Christian stewardship, the “other” in this case is none other than God Himself.¹

“As each has received a gift, use it to serve one another, as good stewards of God’s varied grace” (1 Peter 4:10).

¹ There’s a whole chapter on stewardship in the book, so don’t worry if you don’t know much about it—you will.

“This is how one should regard us, as servants of Christ and stewards of the mysteries of God. Moreover, it is required of stewards that they be found faithful” (1 Corinthians 4:1-2).

What I have attempted to do in this book is to share the material that I first put together for a weekend stewardship seminar that I presented to the young adults/professionals in my church in 2024, but for this book, I have expanded both its depth and breadth significantly.

I wrote this book to educate and inspire the next generation of young Christian adults to become wise and faithful stewards of God’s material resources.

I’ve also counseled and coached others on stewardship and personal finance, written a retirement stewardship blog, and published several books on the subject (check them out if you’re interested; of the three, *Reimagine Retirement* would be my recommendation to most of you). I’ve also written articles for “The Gospel Coalition (TGC)” and “Desiring God,” and have discussed stewardship on a few podcasts, notably “Redeeming Productivity” with Reagan Rose.

My basic views on personal finance are that I value simplicity over complexity and pragmatism over sophistication. I try to take a balanced approach to controversial topics, and I believe money is a gift from God and a means to an end, not an end in itself.

But my core message to you is simple yet powerful: Everything you have belongs to God, and your early financial decisions matter greatly. Approaching this subject with wisdom, humility, and discipline can alter your financial trajectory.

Let’s get real

No, this isn’t a philosophy book. Sorry. It’s not about metaphysics—the origin, nature, and essence of reality. It’s about the reality of money and the fact that you’re ultimately responsible for managing it well.

This book is about money, which is kind of a real thing, but in some ways not really; it’s just paper, mostly, and certainly something we all need in real life.

But here’s the thing about money: it can quickly become stressful whenever the subject comes up. You may already be tense, and your mouse or finger may

be heading for the red dot or little “X” at the top of the screen to shut this whole thing down. That’s understandable.

I could tell you to “suck up, buttercup,” but I get it. Managing your money can be tedious, exhausting, and stressful. Despite our best efforts, we can feel like we’re getting nowhere.

That’s why discussing or reading about money (especially your money) often stirs up feelings of frustration, insecurity, guilt, and even fear. You’re not alone if this topic makes you more than a little uncomfortable. And it doesn’t help that there’s so much information out there. There are many loud (and sometimes conflicting) voices telling you how to manage your money.

Of course, there are well-known financial gurus (Dave Ramsey, Suze Orman, Robert Kiyosaki, Tony Robbins, and others), but also tons of books, podcasts, and blogs from all the “experts” out there. And there are a lot of them out there.

(Side note: There are experts, but avoid anyone who says they have the “secret” to... [you fill in the blank].)

Sure, it can all be overwhelming at times, but believe me, it doesn’t have to be that way—well, maybe a little, sometimes, but you don’t need to be that stressed out about it. I’m going to do my best to prove that to you. But first, you have to give me a chance.

Why me?

With all the “gurus” and books out there, you may be thinking, “Why you?”. Well, that’s a fair question. I am, after all, a pretty average and—dare I say—older guy (some prefer to say “seasoned,” but that sounds like a hamburger). But I’m also a husband, a father, a grandfather, and most importantly, a follower of Jesus. I’ve never been a financial professional, although I’ve worked most of my professional life as an IT professional for major banks.²

I have a couple of college degrees, including an MBA, as well as some other post-graduate work and training, but most of that was decades ago and means little or nothing now. What I’ve done that’s more relevant to this topic is a ton of self-education on Christian stewardship and all areas of personal finance. I did that mainly to counsel others, but it helped with the blog and books. I

² View my LinkedIn page: <https://www.linkedin.com/in/cjcagle/>

admit that I can get “nerdy” about this stuff, and that will come out in this book, but sometimes it’s necessary to get into the details.

My personal study and experience, along with a pretty good understanding of God’s Word on the subject, are all I have; hopefully, that’s enough.

The “levers”

After some introductory and foundational chapters, the core of the book is structured around the financial “levers” you can pull to improve your financial condition (in the broader context of what I will call your “financial life equation,” or FLE) over your lifetime. I am using the term “levers” because they provide “leverage” (duh!). In personal finance, leverage can take different forms, but here it generally means doing the small things to make a large impact.³

Consider how you might use a physical lever, such as turning on a switch. The switch itself may be small, requiring a quarter of an inch of movement to flip from off to on. But by using a lever — which is much bigger, physically, than the switch itself (in this case, the entire electric grid and light fixture)—the work becomes easier. You don’t have to generate the electricity—you just have to throw the switch.

The “levers” are the categories of things you have some control over (i.e., that you can “pull”) that enable you to improve your financial outcomes. We’ll mainly be talking about financial levers, but they could also be time, existing assets you’re your ability to generate income (or increase your income) for financial growth. Essentially, it involves maximizing available resources to achieve greater financial results without incurring debt to do so.

There will be math

A fair warning: learning this stuff involves some math, or at least working with some basic math concepts. But before you freak out and shut down your computer (or go back to Instagram or whatever app you were using), I promise you, it’s mostly simple math, and certainly not calculus (which I almost failed as a freshman in college, even though I was pretty good at math in high

³ “Leverage” usually means borrowing a relatively small money (capital) to make larger purchases or investments, potentially increasing growth of capital over time.

school). Yes, that's true; my sad excuse is that it was an over 100-person class at 8–9 a.m., Monday through Thursday—a killer!

I'll apply the math to help explain concepts and for examples throughout the book. These examples will help you understand and apply the concepts by showing them in action, making them practical and relatable. I'll also introduce you to some good online resources and tools you can use if you want (or need) to do more sophisticated calculations, projections, or ongoing money management in the future.

So, if you're stressed out about money, don't worry, we'll take it one step at a time. I'll do my best to demystify complex financial concepts and give you the biblical and practical knowledge you need to become a wise and successful (and non-stressed-out) steward—for your benefit, the benefit of others, and the glory of God. “And the peace of God, which surpasses all understanding, will guard your hearts and your minds in Christ Jesus” (Philippians 4:6–7).

2 – You’re on Your Own (Kinda)



I'm what???

Okay, you’re not totally on your own. If you’re a Christian, you know God is always with you and wants to help with even the most mundane parts of your life. Jesus said, “I’ll never leave you or forsake you” (Matthew 28:20), and he has promised to help you with your finances (Matthew 6:26).

Still, it’s somewhat accurate based on how personal finance works “on the ground” in the real world. We depend on God and follow His wisdom. Still, we can’t abdicate our responsibilities and expect our families, the government, corporations, or anyone else to care for us if we don’t. In that sense, we’re “on our own” when it comes to securing our financial future.

Your new job titles: CFO and CIO

You’re your own personal Chief Financial Officer (CFO) and will also need to be your own Chief Investment Officer (CIO) in some respects. Even if you find ways to delegate some of these roles to paid professionals, you still have to manage your income and pay your bills on time. You also need to figure out how to save money for short- and long-term needs. And you need to build generosity into your plans. And no one is going to do all this for you.

With the decline of traditional pensions—according to the U.S. Bureau of Labor Statistics (BLS), only about 15% of private-sector workers had access to a defined-benefit pension in 2023—and the rise of self-funded and self-directed retirement accounts (sometimes with a little help from your company), we’ve

all been thrust into the role of CFO and personal retirement fund manager whether we're ready for it or not.

The education gap

As your CFO/CIO, you have to decide how much to spend and save, how to invest, and how to navigate the tax code to your advantage. These aren't easy tasks; they can feel overwhelming without the proper knowledge and wisdom.

From my perspective as a financial counselor and coach, it's clear that our secondary and higher education systems are failing to prepare students and graduates for these critical responsibilities. You may have experienced this shortfall firsthand—many young people today are products of these educational gaps. It amazes me that you can go through high school and college, earn a degree in engineering, math, or science, and still be mostly unprepared to manage your finances. That ends now—if you keep reading and applying the contents of this book.

Onboarding day

When you finally graduate from college and start your first job, you'll be bombarded with information about insurance, health benefits, and retirement options. It will be fun and exciting at first, and it should.

If you haven't already, you'll likely go through an 8-hour HR onboarding session that covers retirement options, health insurance benefits (including health, dental, and vision), vacation policy, parking instructions, and other topics.

But here's the problem: You've most likely received little or no training in personal finance, and you could be very confused about choosing from all the options. Some people get help, others just guess. No matter what, it's good to enter the process with some understanding of what you're doing.

The sales pitch trap

Later, as you earn more, you'll be a target for insurance and stock brokers, some of whom call themselves "financial planners," "financial advisors," "wealth managers," or "portfolio managers," but some are mostly just salespeople. (To be fair, many are legitimate trustworthy professionals who will act in your best interest, but you have to find them—the other kind will find you. We'll discuss this further in later chapters.)

The bottom line is that without information and education, it can be very challenging to know how to make decisions, where to go for help, and who to trust. Plus, you may be receiving your first big paycheck. I realize that “big” is relative, but you may suddenly find that you don’t know how to set up and manage a spending plan or if you even need one. And you probably don’t know much about retirement accounts or investing either.

What the Bible says

If you’re a Christian, you may have heard very little about what the Bible teaches about money, except perhaps that you should “tithe.” You could do that if you actually understood it. You may have questions like, “How much should I spend, save, and give? Is borrowing a sin? Is saving for retirement biblical?”

The Bible has a lot to say about giving and money—more than you might think. It offers practical wisdom about money: work hard, avoid debt, give generously, save wisely, and be content, but its ultimate message is aimed at our hearts, not just our heads and wallets.

Jesus summed it up best in Matthew 13:44-46 when he basically said: “Sell all you have and buy the kingdom” (a paraphrase). This verse doesn’t mean emptying your bank account; it means offering your whole life, including your finances, to God and His purposes. That is the essence of biblical stewardship—if you start there, you’ll immediately be on the right path.

For reflection

How would you describe the level of responsibility you’ve taken toward managing your financial affairs: too much or too little? If it’s too much, perhaps you’re overly obsessed. If you’re not doing enough, are you eager to start doing the things you know you should? Pray and ask God to grant you patience and wisdom as you deal with either of these extremes.

Verse

“Fear not, for I am with you; be not dismayed, for I am your God; I will strengthen you, I will help you, I will uphold you with my righteous right hand” (Isaiah 41:10).

3 – Stating the Obvious



“Apparently the obvious isn’t obvious enough.”

Whole books have been written about the history and nature of money, and most people know what it is basically from an economic point of view. First, it’s a **store of value** (although inflation messes with that). Second, it serves as a **unit of account** for comparing the value of one thing versus another. And third, money is a **medium of exchange**. You can exchange it for a cup of coffee. You can also use it to help someone in need or save and invest it to buy a house, pay for college, or retirement. It has a *lot* of good uses!

Money is a gift and a tool

I’m stating the obvious when I say that money is essentially a gift and a tool for Christians. Money is a gift, as the Bible teaches us that everything we have has been given to us by God. 1 Timothy 6:17 tells us not to put our hope on the uncertainty of riches, which is idolatry, but on God, who “richly provides us with everything to enjoy.” We often hear that first part: don’t put your hope in money, but it’s easy to miss the “God gives us everything to enjoy” part.

Of course, this doesn’t mean we should idolize money or let it take God’s place as our ultimate source of joy. As C.S. Lewis said, human history is filled with people chasing after things other than God to make them happy, only to end up disappointed.

But the verse from Timothy and others like Ecclesiastes 5:19 tells us that it’s okay to enjoy money: “It is a good thing to receive wealth from God and the ability to enjoy it.” That’s right—enjoying God’s blessings isn’t just okay; it’s part of His gift to us.

Balance is key

When we enjoy money as a gift from God—without guilt or fear—it can become a source of joy, peace, and generosity. Imagine loving your work, spending wisely, and finding joy in giving. It's an excellent way to live.

Money is also a tool. When we see money as a tool God gives us to draw closer to Him and build His kingdom, it frees us from the stress and anxiety that often accompany it. Instead of chasing “financial success” as the world defines it, we'll experience true freedom—peace, contentment, and joy in managing what God has entrusted to us.

Because it's a tool, money isn't inherently good or bad; it's neutral. But in our culture, it's often tied to power, status, and control, which can lead to unhealthy or even sinful attitudes. The Bible warns us about the “love of money,” which can become idolatry. Jesus even calls money a potential rival to God (Matthew 6:24). Putting money above God brings fear, worry, and pride into our hearts.

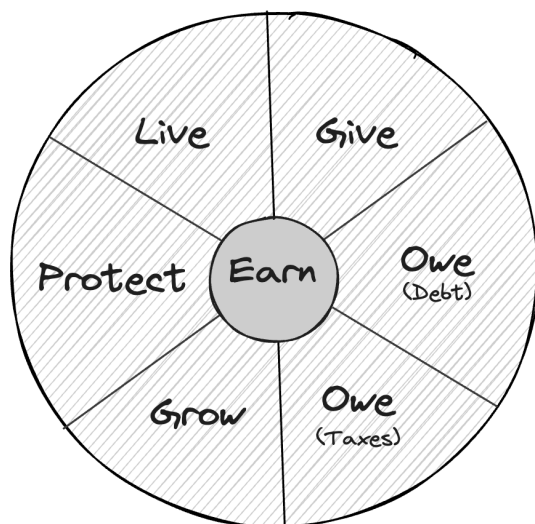
Seven things you can do with money

But there's some more good news: God gives us the wisdom and grace to use money as a tool for various good purposes. Here's a graphic that shows all the things you can do with money (we'll cover all of them) and then a list with some comments from yours truly.

When some people think about money, they think about one thing: spending. Others think of saving or investing. And then there are those whose thoughts immediately go to the money they owe—their debt.

Even though you may use more of your money for one purpose than others (most people spend more because they have to live), all of the things on the “money list” are important. And I would suggest that all are “good” uses, including the “owe” ones—we pay taxes as part of living in a civilized society, and we are obligated to pay back any debts we owe.

It's essential, however, that we keep all of these things in balance. If we spend too much, we'll have too little to give, save, or invest. If we save too much, we won't give as freely as God desires or we may not wisely save for known expenses we'll have in the future.



Source: Ron and Michael Blue, "God Owns it All," Lifeway, 2016

So, what if the first thing that comes to mind is “how can I use what I have to bless others and bring glory to God”? Giving is probably the best use of our money, but here’s a simple truth: You can’t give what you don’t have. To have money to give, you have to earn it (unless someone gives it to you). And you have to live to give, so you have to take care of your essential needs at a minimum, which means spending. If you want to live a long life of giving, you may have to think about retirement too.

- **You can earn it.** Most people will work and earn an income as their primary source of money to spend.
- **You can spend it.** That’s the “living” part, which can be fun, but you need to spend less than you earn to live, because every future financial success depends on it.
- **You can give it away.** If you give generously, you reduce the power that money can have over you. But more importantly, you can have MORE fun than just spending it all.
- **You can grow it.** You need to save for the short term because the unexpected will occur (think “emergency fund,” and Christmas isn’t an emergency, as Dave Ramsey says). You should also save and invest for long-term goals because there is always a tradeoff between the short and long term (the short term almost always wins if we let it).

- **You can owe it to creditors.** That means you're a borrower and are in debt, but it's usually best to avoid (or pay off) most debt because it always mortgages the future. (There is some bad and "not so bad" debt; we'll get into that later.)
- **You can owe it to the IRS.** Rule number one is don't mess with the IRS (pay your taxes).
- **You can use it to buy "protection."** I use the term loosely; I'm not talking about a personal bodyguard or the mafia. I'm talking about insurance, which means you do what you can to protect what you have from catastrophic loss because we live in a fallen world.

This very general, high-level framework gives us an overall context for discussing money and how to manage it according to biblical teachings.

So, a reasonable question might be, "How is it going with your money at this stage in your life?" You've got to answer that question—in context—before you can chart a path forward.

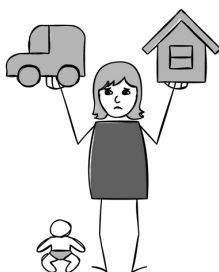
For reflection

Author Jaime Munson wrote an excellent book titled *Money God or Gift*. Which of those (your god or a gift from God) would best characterize your view of money? What would your life look like if you viewed money as a gift *and* a tool; how could you better use it for your good, the good of others, and God's glory?

Verse

"As for the rich in this present age, charge them not to be haughty, nor to set their hopes on the uncertainty of riches, but on God, who richly provides us with everything to enjoy" (1 Timothy 6:17).

4 – Where Are You Right Now?



“Somewhere between nap time, auto repairs, and a mortgage.”

For our purposes, we need to consider the “life stage” context of money and stewardship. A 25-year-old is in a different stage of life (or “time of life”) than a 45-year-old, and a 45-year-old’s situation is different than a 65-year-old’s. You get the picture (and I’m not talking about hair loss).

Financial life changes

In your teens and early 20s, you likely relied on your parents, the Federal Direct Student Loan Program (FDSLP), and possibly some part-time work during high school and college. Because you didn’t have much money to manage, you didn’t have many money management problems—other than the “not much” part, of course.

You may still be in that situation. It’s not a sin; and it should (probably will) improve as you age. I suspect (hope) that your goal (and your parents’) is for you to acquire a skill or a profession, earn a living, become financially independent, and depend on God instead of them.

Maybe you’ve finished school and are getting your feet wet in your first “real” job. Still, it’s probably a job you won’t have for long. Not because you’ll get fired (although that happens), but because job changes are inevitable. The U.S. Government Bureau of Labor Statistics data shows that the average millennial changes jobs every 2.8 years. Over a 40-year career, 12–15 jobs are typical so that you could have 20 or more at a dozen different companies in your lifetime.

As you move through your 20s into your 30s, you may get married, start a family, buy your first house (whether you get married or not), etc. These can be fun, but they are also financially challenging.

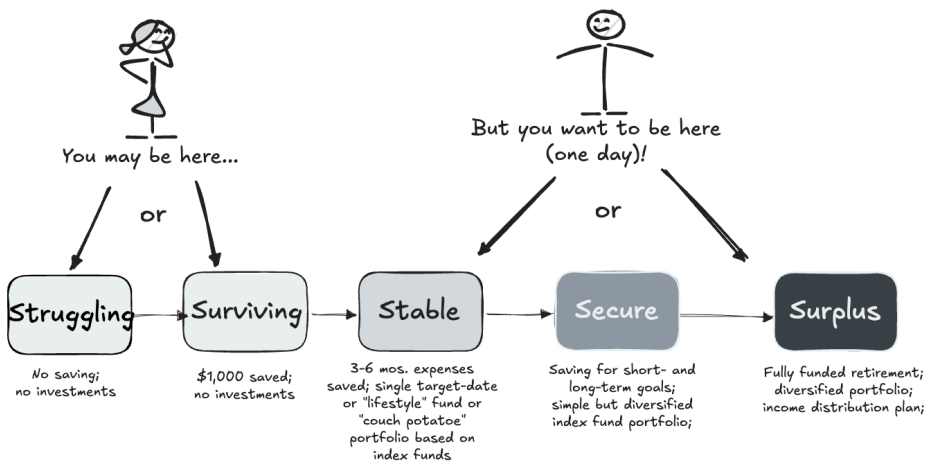
You may have debt (student loans, credit cards, car loans) hindering your financial progress. Your income may not be what you had hoped or needed. You may not have a spending plan or be able to save much.

Plus, there's a tendency (sometimes a seemingly urgent need) to take on additional debt due to overspending, but also occasionally due to unexpected circumstances or even a crisis (health, job loss, helping loved ones, etc.). You may not have the insurance you need.

Assessing your financial condition

As you read through the chapters in this book, think about your specific situation (it's hard not to, isn't it?). Where are you financially? Understanding where you are is wise because it helps you better visualize where you want to be and what you can do to get there with God's help.

Here's a "continuum." It shows different levels of financial health along several dimensions. Where are you versus where do you want to be?



You'll fall (or sit, if you prefer) somewhere on this continuum based on your:

- Cash flow (your expenses in relation to your income)
- Level of saving (both short-term and long-term)

- Level of giving (none, very little, sacrificially, radically)

Many of you will be in the “struggling” or “surviving” stage. That’s not uncommon, but it’s not where you want to stay.

The goal of this book is for you to get to “stable” as quickly as possible; and it can happen faster than you might think. And, if God’s blesses you and you do the work, you’ll probably get to “secure” or “surplus” one day as well. (Even if you don’t, if you’re “stable,” you’re better off than most of the world’s population.) Also remember: The major goal in those stages isn’t security and abundance, it generous and even radical levels of giving for the Kingdom.

The path forward

It’s pretty simple yet paradoxically complex: When your cash flow improves because of better expense control, an emergency fund for unexpected expenditures, paying off debt, and increased income, your levels of giving and saving can increase. Consequently, your overall financial status improves.

That’s your goal. But before we dive into the financial details, I want to lay out the most important biblical principle guiding our attitudes and actions toward money: STEWARDSHIP. That’s what the following chapter is about.

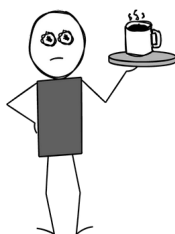
For reflection

What stage are in you in? If it’s less than desirable, are you hopeful for your financial future? Why or why not? How can you do your part to chart a more promising path forward, and what do you need to ask God for to help you with that?

Verse

“I can do all things through him who strengthens me” (Philippians 4:13).

5 – What's a Steward?



"I thought this was "stewarding."

The whole concept of stewardship is based on these simple truths: God created everything, and therefore owns it all, and all you have has been God-given. Stewarding is simply recognizing that and managing what God entrusts to you in ways that honor, obey, and glorify Him.

The responsibilities of a steward

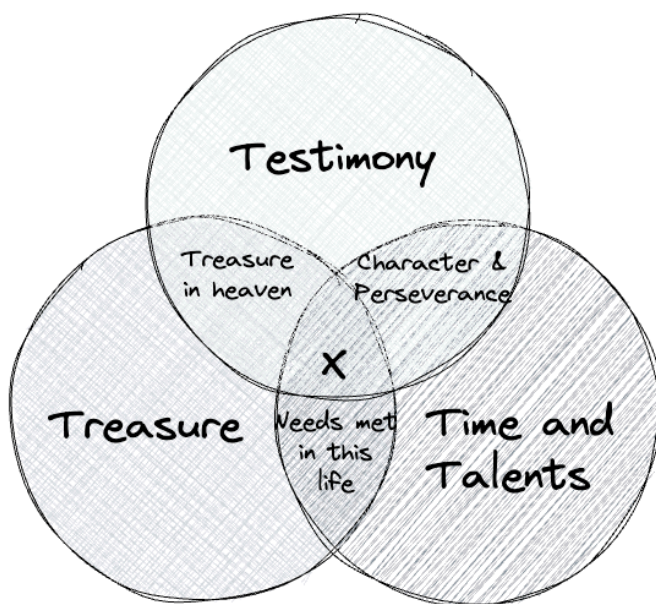
If God owns it but gives things to you to manage, it's reasonable to assume that he cares a lot about what you do with what he entrusts to you. That's the responsibility of stewardship he places on us.

I realize that "stewardship" sounds a little stodgy, and when you hear it in the introduction to a Sunday sermon, your first thought is, "Oh boy, here comes the annual "money talk" about giving. Zzzzzzzzzz.

(It's like that friend from college you haven't heard from in a few years, who just got a job selling life insurance, who calls you out of the blue and asks you to have lunch so they can "catch up and maybe talk a little bit about your financial future"—you know where this is going).

In today's culture, stewardship is hard to comprehend because of our "what's mine is mine" attitude. But we could put it more simply by saying that it means taking responsibility for something that doesn't really belong to us—in this case, all of God's gifts and resources: our time, talent, treasure, and testimony (which is our gospel witness to others based on our character, influence, relationships, etc.)—see Psalm 24:1.

As you can see in the graphic following, stewardship is “holistic” in the sense that it involves much more than money. Although that’s the primary focus of this book, how we use our time and talents matters just as much to God as how we manage our financial resources. I added “our testimony” to this list because the gift of grace we have received in Christ—our salvation —our greatest treasure is Christ himself and membership in His Kingdom, the “pearl of great price” in Matthew 13:45-46.



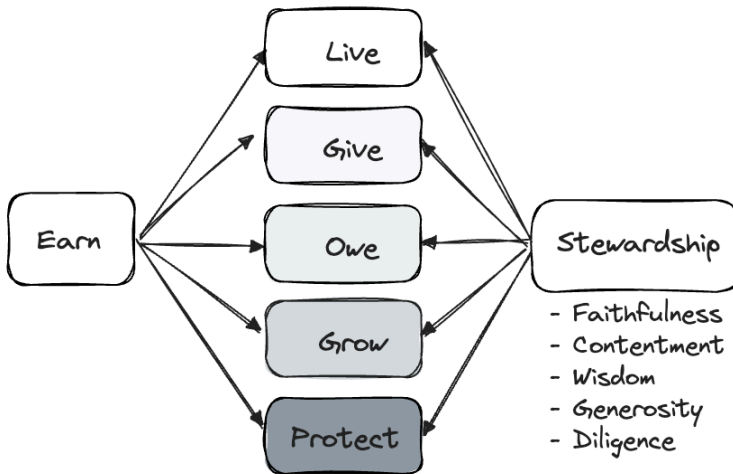
So, for purposes of this book, we're mainly focused on our "treasure"—not buried treasure, unless your savings are buried in a coffee can in your backyard (do they even make coffee cans anymore?). No, we're talking about mullah, cheddar, dough, bucks, cash—those types of thing.

The characteristics of a steward

As shown in the next graphic, stewardship and its components of faithfulness, contentment, wisdom, generosity, and diligence guide our decisions and practices in each of the ways we can use our money (spend, save, borrow, grow, and give).

As the graphic also shows, before we do any of those things, we have to first get some “treasure.” Most of us will have to earn it unless we are given a

lifetime income. That means taking up some kind of vocation, be it a skilled trade or profession. We'll talk about that too.



These stewardship attributes reflect the broad definition of the term:

- Faithfulness: We hold our finances loosely, trusting God to guide our decisions;
- Contentment: We rest in God's provision for us, even when we face financial challenges;
- Wisdom: Because God owns it all, every decision is a spiritual decision, and God wants to guide us in what we do.
- Generosity: Because we hold them loosely and are grateful to God for all his good gifts, we freely give to God and others as God has freely given to us;
- Diligence: Because we have been entrusted with many gifts, we devote the time and effort to manage them well.

Stewardship as a lifestyle

This may all sound very theological and abstract, so perhaps you're wondering what biblical stewardship looks like in practice. To stay in the abstract for a bit, stewardship is LIFE. It frees us to live a life of love and gratitude. Stewardship isn't just a financial concern; it's a way of life for Christians. It's not just something we do (e.g., giving); it's how we live (i.e., with generous hearts and open hands and wallets).

A stewardship lifestyle requires a change in attitude toward accumulating and disposing of assets. We do have some freedom here, but we're not free to

do whatever we want, whenever we want, with all that we have; the highest purpose of our resources is to use them to serve God's kingdom (1 Peter 4:10–11).

Stewardship frees us up

Embracing a lifestyle of stewardship means living a life characterized by gratitude and a desire to use God's gifts for his glory. We're grateful because we recognize that God bestows these things upon us because of His grace and benevolence, not because we "deserve" any of them.

God is glorified whenever we use what he has provided following biblical principles. This means we use our financial resources to provide for ourselves (and our families when we have one), enjoy God's good gifts, which include nature and material things (in moderation, of course), and primarily when we use them to bless others through generosity.

Stewardship frees us from the love of money. As disciples of Jesus Christ, we want to be good stewards, so we commit ourselves, our money, and our possessions to God (Luke 14:33).

Godly enjoyment and generosity

But we don't renounce money and start bartering or buying things with wampum (it was a thing; you can Google it) or put all our money into gold bullion or a coffee can in the backyard. No, we renounce the LOVE of money, the WORSHIP of money. We may do this at conversion as part of our repentance, but it's not just a "one-and-done" thing. We have to do it every day.

In Matthew 6:24, Jesus tells us we cannot serve God and money. We have to make an either/or choice. In Christian liberty, we use money for our good, but we avoid the idolatry of money by also using it for kingdom work and the service, care, and welfare of others.

Freedom from guilt

Stewardship frees us from "money guilt." God wants us to enjoy His gift of money. Yes, you read that right. Stewardship helps us experience "Godly enjoyment" by recognizing that everything belongs to God and by prayerfully managing the funds entrusted to us to the best of our ability. When we keep our hearts tuned to God (this is the key), we can spend our money guilt-free and enjoy the fruit of our labor.

Everything that God provides us is also for our enjoyment. Consider 1 Timothy 6:17 (Chapter 6 is fantastic about giving), where Paul said that God “richly provides us with everything to enjoy.” Yes, we must pay attention to the first part of the verse; we should not set our hope on riches, but we can also focus on the last part, which is enjoying God’s good gifts. God wants us to enjoy the spending, the giving, and the saving because he “richly provides us with everything for our enjoyment.” That’s also part of good stewardship.

Now you’re ready to run out and have fun with your money, right!? Okay, but before you do, there is more to learn; there are wise and unwise ways to do that.

For reflection

Have you really considered what it means to be a “steward”? What do you need to change in your current financial habits to better align with stewardship principles? Pray and ask God for His help.

Verse

“As each has received a gift, use it to serve one another, as good stewards of God’s varied grace; whoever speaks, as one who speaks oracles of God; whoever serves, as one who serves by the strength that God supplies—in order that in everything God may be glorified through Jesus Christ. To him belong glory and dominion forever and ever. Amen” (1 Peter 4:10–11).

6 – Starting with the Basics



Can I have money problems if I don't have any?

How are you feeling about your finances? If not so great, then you're not alone. Many studies find that most Gen Zers feel their financial situation is just "fair" or worse, and some even describe it as "poor" or "very poor." It's not just Gen Z, though; many Gen Xers and Baby Boomers also worry about their finances. However, for those in the 18–35 age group, the challenges seem particularly great right now.

That's depressing, so why talk about it? Well, there are lots of reasons for those problems. But many people struggle with money problems because they fail to manage their finances wisely; they're not acting as stewards. Others have them because of circumstances outside of their control. So, in this book, we'll focus on the former—the things you *can* control.

The "insanity" of doing what everyone else does

You've probably heard the saying, "The definition of insanity is doing the same thing repeatedly and expecting different results." Let's tweak that a bit for this context:

The definition of insanity is doing the same things as your broke peers and expecting different results. Here's the truth: We live in one of the world's wealthiest countries, yet many people are "broke." I'm defining "broke" as having a negative cash flow or net worth (according to the Federal Reserve, U.S. household debt hit an all-time high in Q4 2024).

Why are so many broke? There are many reasons, but one reason is that a lot of people are making the same financial mistakes over and over, driven by little (or bad) information, poor habits, and short-term thinking.

A better way forward

But you don't have to follow the crowd. If you want a different outcome, you've got to think and act differently. This book can be your guide to help you forge a wiser, smarter, more sustainable path to financial stability and security that honors God.

You have to start with the basics, or at least know what they are. This itself will set you on a better financial trajectory than your broke peers (if you do them, of course), so here they are:

Live below your means, or better yet, well below your means if you can. Be content with what you have and avoid comparing your possessions, such as clothes, home, car, or vacations, to others. The Joneses next door are probably “broke”; i.e., the bank owns their house and vehicles.

Pay off high-interest debt aggressively. This means going all “Dave Ramsey” on your debt,⁴ which he suggests includes credit cards, student loans, and auto loans. He also advises that you avoid taking on new debt, especially revolving credit and borrowing against depreciating assets.

Understand and then leverage the tax code. Maybe you're surprised at this one, but trust me, it's a biggie, especially over a lifetime. You don't have to be a CPA to take advantage of tax-advantaged accounts like 401(k)s, IRAs, and HSAs. Every tax dollar saved is money you can invest and grow, give, or spend if needed.

Minimize investing costs. This is another issue that's more significant than most people realize, and it doesn't get enough attention. High fees eat into your returns over time. Keep costs low and let compounding work its magic.

Stay calm in the market. Everybody says this, but few do it. If you're going to grow wealth over the long term, you need to ignore the daily, weekly, and even yearly fluctuations in the stock market.

⁴ Dave Ramsey is famous for his teachings about debt and the “snowball” debt repayment strategy

Stick to a dollar-cost averaging strategy. Think of this as the “slow and steady” approach to investing. It will let you ride out market downturns without panicking and avoid chasing returns when the market is high.

Purchase the right kinds of insurance. You’ll face many decisions in this area, and insurance is costly (and an ongoing expense), so choose wisely and take full advantage of employee benefit plans.

Think long and hard about major purchases. This is especially true for houses, cars, and other real estate. Not that you should never buy them, but timing and price, whether you genuinely have to borrow, and on what terms, matter a lot.

Stay focused on generosity. If you do the things listed above but don’t cultivate a generous heart and give generously as the Lord leads, you may become the rich fool Jesus talks about in Luke 12:13–20.

You may be tempted to stop here. “Okay, you had me with ‘insanity’ and gave me the basics; you don’t seriously expect me to read the rest of this book, do you”? Well, I would implore you to because we won’t just touch on the what, we’ll get into the how and why. That’s how real growth and change can happen.

A different path

When you break free from the “live for today” habits that the culture seems to promote and the things your broke peers are doing and humbly follow practical and biblical wisdom instead, your financial future can change—big time. Over the years, these strategies can add up to a huge difference. We’ll break these down in future chapters for you in greater detail, but it’s good to have the big picture of where we’re headed.

Many personal finance writers want to share their “secret.” The “secret” is there is no secret. It’s the incredible power of moderation in spending, tax efficiency, saving and investing regularly, and compounding interest, along with a generous heart. The sooner you implement these principles, the more dramatic the results will be.

For reflection

Are you doing “the basics”? Do they seem beyond your reach right now? It can all be overwhelming, so consider what you need to focus on most and ask God for His help.

Verse

“For which of you, desiring to build a tower, does not first sit down and count the cost, whether he has enough to complete it? Otherwise, when he has laid a foundation and is not able to finish, all who see it begin to mock him, saying, ‘This man began to build and was not able to finish’” (Luke 14:28–30).

7 — The Why of Wealth



"I'm worried about the whole 'the camel-through-the-needle' thing."

Many Christians don't like to use the word "wealth." Why? It sounds too "wealthy," which sounds too worldly—greedy, stingy, and snobby. But wealth is a biblical word often used interchangeably with "riches." Consider these verses from Psalm 112:1-3: "Blessed is the man who fears the Lord, who greatly delights in his commandments! His offspring will be mighty in the land; the generation of the upright will be blessed. Wealth and riches are in his house, and his righteousness endures forever."

We know that the wealth and riches referred to here don't just mean material things; they also refer to the blessing of knowing God Himself and experiencing His goodness. But His material blessings are also expressions of His goodness.

In this context, I'll use the term "wealth" interchangeably with the term "net worth," which is calculated as the sum of your assets (cash, investments, home value, etc.) minus your liabilities (credit card debt, student loan debt, mortgage debt).

The usefulness of wealth

Now that we understand wealth, let's discuss its usefulness.

If you're reading this in your early 20s, you may envision your future wealth funding a luxurious lifestyle with a big new house, nice cars, and travel to exotic locations. Some of you may even pursue an "early retirement," participating in the "Financial Independence Retire Early" (FIRE) movement.

Most of you probably have more modest goals. Perhaps you'd rather own a home than rent, but you don't want to be "mortgage-poor." You'd be happy with an economical used car, but you'd rather have one with fewer than a gazillion miles on it. You'd like to build a nest egg and maybe one day retire with a paid-off home and enough passive income to pay the bills, visit your grandchildren as often as you want, volunteer in your church and community, and take the occasional trip.

And then some of you may want to accumulate as much wealth as possible so that you can give it all (or most of it) away. Using our wealth to honor God and bless others is why God gives it to us. Everyone should give some away, and some will give more than others.

Blessing or curse?

Whatever your reason for wanting wealth, I hope we can all agree that wealth can be both a blessing and a curse.

Wealth can be a blessing because we can use it to buy material needs and wants, and also "fun" (experiences). Other blessings of wealth include flexibility; it gives you more options in what you do with your life and how you spend your time (which is a finite resource).

If you reach your 30s or early 40s and decide that being an engineer isn't really your life's calling and that you want to be a Llama farmer instead, your net worth at the time could make all the difference in your ability to make a change (you'll need some money to buy the llamas—at least one "Adam and Eve" to get things going).

Building wealth also gives you "margin," which is the ability to withstand financial shocks, such as job loss or a significant health crisis. Margin also provides the ability to save and give, which is a great blessing.

Hidden dangers

Wealth can also be a "curse" when it commands too much of our time, energy, and affection. I alluded to this in an earlier chapter. The Bible warns about money and the dangers of making it an idol. Check out these verses: Matthew 6:24, 1 Timothy 6:9–10, Mark 10:23–25, and Proverbs 11:28.

It may seem as though I'm talking out of both sides of my mouth—extolling the virtues of accumulating wealth and simultaneously saying that wealth can be a curse. There is a solution to these seemingly contradictory statements.

Wealth can indeed be a blessing from God because He intends for us to enjoy it and use it according to His purposes. That's where stewardship comes in; we use wealth for our benefit, to honor God, and to help others. If we manage our finances by biblical values and guidelines, we'll prevent ourselves from falling into the trap of "the love of money," which is idolatry.

For reflection

How can Christians redeem the words "wealth and riches"? What in our hearts' attitudes and actions have to change? Apply this specifically to your own life.

Verse

"No one can serve two masters, for either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve God and money" (Matthew 6:24).

GIVING: YOUR STARTING MINDSET

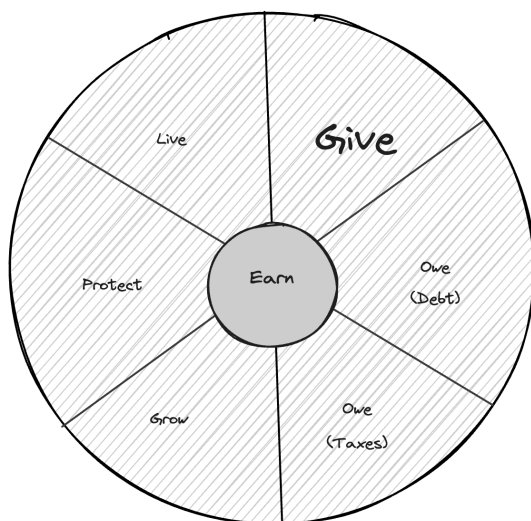
8 – Why Give?



"Giving is the most fun I can have with my money—while also jumping."

God is a good and generous Heavenly Father, and as Christians, we've received many good gifts from him. Those gifts are our time, talents, and treasures, the latter being "wealth," as we've been discussing. His greatest gift to us is, of course, the gift of salvation through His Son, Jesus Christ (Romans 6:23).

These are meant for our enjoyment, but they should also be used generously for the good of others and to fund God's kingdom-building mission here on earth. As faithful stewards of our financial resources, we are to give in grace through faith and in proportion to how God has blessed us. We are also to be concerned for the deserving poor among us, especially our earthly and spiritual families.



Giving is included in our “things you can do with money” graphic, I would suggest that it’s not only that, it’s also the highest use of it.

Giving is foundational

Giving breaks the power of money over us and releases it to use for God’s Kingdom. We should honor God with our wealth as the “first act” of stewardship, including compassion for the poor.

Therefore, you could think of giving as “withholding for God,” similar to what you do in cooperation with your employer’s withholding, except in this case, it’s voluntary and done with different motives. And it’s done intentionally, in our hearts and minds, before we do anything else with our income.

This is only helpful in emphasizing that giving occurs before anything else. However, as a practical matter, that’s not always the case; your taxes will be withheld before you can give or spend anything from your paycheck. This is more of a heart-and-mind thing than a simple formulaic.

So, the best answer to the question above is found in Matthew 6:19-21: “Do not lay up for yourselves treasures on earth, where moth and rust destroy and where thieves break in and steal, but lay up for yourselves treasures in heaven, where neither moth nor rust destroys and where thieves do not break in and steal. For where your treasure is, there your heart will be also”.

These verses don't suggest that we should not build any wealth at all. In fact, it doesn't address "wealth" specifically; it talks more broadly about "treasure," and Matthew 6:21 says, "For where your treasure is, there your heart will be also".

They mean that if we have wealth that we *love*, it has become our treasure; it has our hearts and affections, and we will guard and protect it with all our might. In doing so, we become hoarders who love our treasure more than we love God and others; this is what God, in His love and wisdom, is warning us against.

This verse also speaks to another "net worth" that no equation can solve for: treasures in heaven. The treasures being spoken of here are not an "account"; it's not treasure we have on deposit in heaven that's earning us brownie points with God.

Put succinctly, it's the ultimate treasure of knowing and experiencing God's kingdom and more and more of Christ himself for eternity. There appears to be a remarkable connection between our generosity with our time, talents, and treasure and the richness and fullness of our experience of Jesus in eternity.

I certainly can't explain it, but I believe it's true.

Treasures in heaven

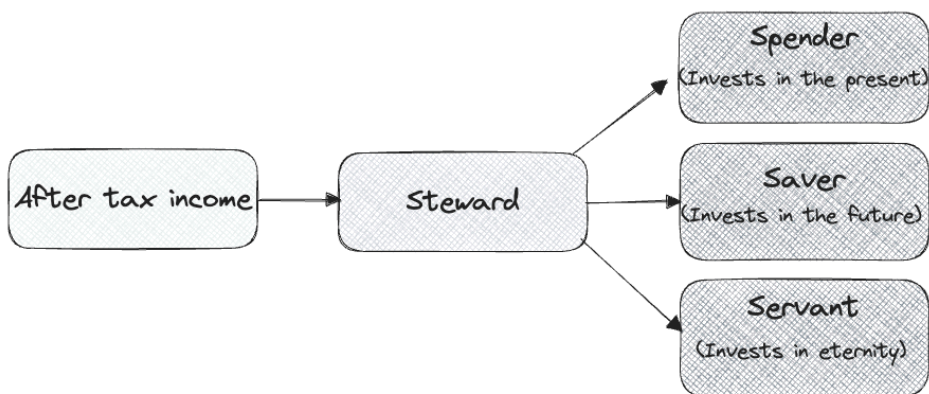
Payments may come out before anything else from your paycheck, but giving is a heart-and-mind decision first.

Matthew 6:19–21 says: "Do not lay up for yourselves treasures on earth, where moth and rust destroy and where thieves break in and steal, but lay up for yourselves treasures in heaven... For where your treasure is, there your heart will be also".

If we love our wealth, it becomes our treasure. In doing so, we become hoarders and risk loving our treasure more than God and others. This speaks to a "net worth" no formula can solve: the treasure of knowing God and experiencing Christ for eternity.

Three money mindsets

Consider three heart-level money mindsets:



Source: "God and Money," by John Cortines and Gregory Baumer, Rose Publishing, 2016

- Spender: Lives for present consumption, even if mindful of saving or giving
- Saver: Focuses on wealth accumulation and limits spending and giving.
- Servant: Limits both consumption and accumulation, focusing on giving.

We need all three to be healthy stewards, balancing present enjoyment, future planning, and eternal focus.

Where do you land?

At this stage, would you say you're a spender, saver, or servant?

These are not mutually exclusive, but your core mindset is often revealed by what you value most. Younger people tend to be spenders, middle-aged people lean toward saving, and older folks begin to think more about giving if they're able.

The gospel motivation to give

We give because God gave first. "We love because Jesus first loved us" (1 John 4:19). Love for God and others—and gratitude for His grace—should be our primary motivations.

We're also called to give for the sake of others (Matthew 22:37–39), especially the poor (Proverbs 19:17), and to advance the gospel (Matthew 6:33).

The blessing of generosity

Sometimes we hold back in giving and miss out on the blessings Scripture associates with generosity. Verses like Proverbs 11:24–25, 22:9, 28:27; Malachi 3:10; and Luke 6:38 offer encouragement—not guarantees—but general principles about God’s good design.

You rarely meet unhappy, generous people. But unhappy misers or stingy wealthy people? Sadly, we all know some.

The bottom line is that giving is good (and good for you) if done with a heart aligned with God’s Kingdom. It’s not about giving to get, but giving because of love. Once you understand why we give, the following questions are how much and where. We’ll tackle those in the next chapter.

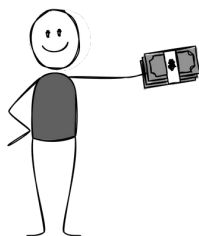
For reflection

Giving is a complex and confusing topic for many Christians, mainly due to the differences between law and grace. Which of those two most influences your motivations for giving? What would grace-filled looking like in your life?

Verse

“Remember this: Whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. Each one should give what he has decided in his heart to give, not out of regret or compulsion. For God loves a cheerful giver. And God is able to make all grace abound to you, so that in all things, at all times, having all that you need, you’ll abound in every good work” (2 Corinthians 9:6-8).

9 – How Giving Fits into Your Financial Life



“Giving is the only thing that subtracts from my “FLE” that also adds up”

One of the biggest challenges, even for Christians who want to be as generous as possible, is to know how to balance their giving with the other things they need to do with their money.

Whether young or old, most Christians want to honor and obey the Lord in their stewardship. However, one challenge is not often discussed: making sure that our spending, saving, and giving are at the proper levels relative to each other, according to what the Bible teaches. It’s the biblical principle of proportionality.

Giving and your “financial life equation”

I mentioned the “FLE” in the introductory chapter. We haven’t looked at it in detail yet,⁵ but you may be thinking, “Hey, so far, you’ve talked about wealth-building but now you’re telling me that I should be (generously) giving away my hard-earned and saved wealth, so what gives?”

Well, as you’ll see, giving fits neatly into the financial life equation (FLE), but it’s not lumped in with expenses. Although giving is technically a negative in the FLE (i.e., a “subtrahend”), we shouldn’t view it that way. I would suggest that it’s a “positive” in a most unique way in that it provides the spiritual grounding for every other lever we pull. It’s the greatest joy that money can provide (Proverbs 22:9). It’s the “heart power” behind our stewardship, and as we’ll see, it *may* also result in financial blessings from God (Luke 6:38).

⁵ We’ll discuss it in detail in chapter eleven, which is about your “net worth.”

Biblical principles of proportionality

Deuteronomy 16:17 says it this way: “Every man shall give as he is able, according to the blessing of the LORD your God that he has given you”. The Apostle Paul describes it this way in 2 Corinthians 8:12: “For if the readiness is there, it is acceptable according to what a person has, not according to what he does not have”.

The early church practiced proportional giving, as seen in Acts 11:29, where “the disciples, each according to his ability, decided to send relief to the brothers living in Judea”. That reflects a community-oriented approach to giving, where believers contributed according to their means to support those in need, especially in the church.

These passages highlight that in God’s sight, the value of a gift is not in its amount but in the giver’s ability and willingness to give.

Cultural pressures

If you haven’t already experienced it, you’ll experience the relentless pull of the world telling you to spend more and more. There are also voices urging you to save more, especially for emergencies, a major purchase like a house, or retirement. There are also voices suggesting you must take significant risks: trade stocks and options, buy commodities and crypto, etc.

But you also know that the Bible teaches sacrificial generosity, so you need to find the right balance between these things in a way that is true to the teachings of Scripture and God’s will for you and your family.

I wish I could give you a black-and-white solution, but I can’t. The Bible doesn’t assign numbers or percentages to spending categories—it doesn’t draw a line that says you can’t spend more than “X” or save more than “Y.”

Jesus’ teachings about money and giving are pretty specific. Still, as we saw in the last chapter, we can’t always get the exact number or percentage that the little legalist in each of us is looking for.

Although God leaves the details of these decisions up to us, we are not without guidance; the Bible does say to love God and people, not money and possessions (Mark 12:30-31). It calls us to generosity: sacrificial giving out of a heart of love and gratitude to God for all the gifts He has given us. (2

Corinthians 9:11). The Bible also reminds us of the need to provide for our families and save wisely for needs we know we'll have (1 Timothy 5:8).⁶

Stewardship lens

So, as always, my approach to answering this question is to look at it from a stewardship perspective: the principle that God owns everything and that everything we have is given to us by God to manage on His behalf.

As I've studied and written on this subject, I've found that there can be extremes, as with many things in the Christian life. Wealth can be deceiving and even ruinous to the Christian, but does this mean it's sinful to acquire some? No, by no means.

Hoarding wealth is idolatrous, but does that mean you shouldn't save for a house, your kid's college, or retirement? No, it doesn't.

Scripture highly commends giving generously, especially to those in need, but does that mean you can't spend money on a family vacation? No, take that vacation (but please don't charge it). Just don't spend *all* your money only on yourself and your family; leave some for generosity.

Once we accurately assess our stewardship based on God's Word and Jesus's teachings and the Holy Spirit has shown us where we are out of balance, we can repent and realign ourselves with God's will for our lives.

The Bible emphasizes giving

And if there's something the Bible is abundantly clear about, it's giving. Scripture mentions giving and generosity approximately 2,300 times, but says much less about spending and saving. It even says less about love, which is mentioned about 700 times. Still, all three are an essential part of the Christian life.

John Wesley is credited with saying: "Get all you can, save all you can, and give all you can." That's a good way to look at this question.

On the one hand, the Bible condones saving for future needs, such as retirement, but also admonishes us not to become hoarders or cheapskates (i.e., too much saving and not enough giving or wise spending). Saving for

⁶ In the chapters on consumption and spending, we'll look closer at lifestyle and spending decisions and how to make them based on biblical wisdom.

short-term emergencies and longer-term needs, such as paying the bills when no longer working for a living, can be very wise (Proverbs 21:20).

However, we are also strongly cautioned not to become like the rich fool in Luke chapter 12, who was not rich toward God through generous giving; he instead wanted more and more for himself.

One way I approached this when I was working and saving was to give more than I saved. For example, if I were saving 12%, I would give more than 12%. That was my practice, not something the Bible commands; it just worked for me as a discipline to keep things in their proper balance. It's just something to consider.

Responding to future needs and opportunities

Although retirement isn't explicitly addressed in the Bible and seems light years away to you today, it will be a reality for most of us in one form or another one day. It will come sometimes by choice but also for reasons outside our control. Therefore, a reasonable amount of planning and saving for that time in life is warranted and wise. Consider setting a "savings finish line" to mark the point when you think you've saved enough.

Also, how do you respond when opportunities come up (e.g., a church plant needs funds, a family has a medical need they can't meet, or you encounter a homeless person)?

If the Holy Spirit prompts you to give, do you do so willingly, joyfully, and gratefully? Or do you give out of obligation or feel guilty if you don't? The latter may indicate that you're out of balance in terms of being "rich toward God."

Generosity does not mean neglecting saving or investing, for future needs or opportunities. When guided by a Christ-centered mindset, these financial practices become tools for sustaining a life of giving rather than ends in themselves.

A new perspective

Before knowing Christ, saving often serves as a way to seek security or comfort by setting aside funds for future consumption when "things get bad." That's not a bad practice (the "emergency fund" is an excellent idea), but the problem is our heart's motivation; we're putting our trust in our savings, not God.

But as new creations in Christ, our hearts change. We view saving as a response to God's gracious generosity toward us, not something we do out of fear or greed. Furthermore, instead of a means of future comfort and security, it becomes a means to support ongoing giving, not just consumption, even when "things get bad."

Pursue lifelong generosity

As you know by now, I am a retiree, but that doesn't mean I'm on the other side of this. I view my retirement savings like a water reservoir that sustains us during good times and bad, such as drought and fires (which happen to be very much in the news as I write this). When I retired, I resolved by the grace of God not to reduce my giving and, if possible, to increase it year by year.

Without adequate savings, financial crises or emergencies can drain resources, hinder our ability to give, and trap us in debt cycles that diminish our ability to serve others.

We'll discuss this later, but with a spending plan that allows us to live below our means and a holistic, well-integrated strategy that includes savings, investments, tax planning, and debt avoidance, we can build a foundation for generosity throughout all the seasons of life, including retirement.

Each person's balance between income, savings, spending, and giving will differ. However, the common denominator should be an attitude of awe and gratitude for God's provision.

Generosity is not about rigid rules, such as giving precisely 10% of one's income to satisfy God. Instead, it's about embracing giving as an exciting, joyful response to our identity in Christ. As we receive His grace and blessings, we are empowered to share them freely with others.

For reflection

Evaluate your current level of giving versus saving and spending. Do you think it's reasonably aligned with biblical priorities? If not, what can you do to bring it into greater balance?

Verse

“For the grace of God has appeared, bringing salvation for all people, training us to renounce ungodliness and worldly passions, and to live self-controlled, upright, and godly lives in the present age” (Titus 2:11–12).

10 – How Much to Give and Where to Give



"I give and give until I feel it and then I quit—just kidding."

Is tithing an Old or New Testament thing? Should I tithe, or shouldn't I? Is it before taxes or after? How much should I tithe? What if I can't afford ten percent? These are common and understandable questions.

When discussing giving, most people think of the "tithe." Tithing in the Old Testament was like an income tax; the Lord set apart a tenth of your income. In ancient Israel, three different tithes were collected, totaling between 20 and 25 percent (not just the 10 you usually hear about today, which was the "temple tax"). That's a lot of shekels!

However, the 10% tithe Abraham gave to Melchizedek and Jacob promised to God seems to set the biblical precedent, echoed in the Old and the New Testaments. But set aside the tithe as a strict percentage question and look at Proverbs 3:9–10: "Honor the Lord with your wealth and with the first fruits of all your produce, then your barns will be filled with plenty and your vats will be bursting with wine".

First of all, this isn't an ironclad guarantee. It's not cause and effect: input/seed money, output/prosperity. But there it is in the Bible, which tells us how things usually work in God's economy: Honor God, give Him your first fruits (as we've discussed, "off the top" before you do anything else), and see what happens. It sounds a lot like a tithe, doesn't it?

So, there seems to be this "first fruits" principle, but nowhere in the New Testament are Christians commanded to give 10%. Neither Jesus, Paul, nor any of the apostles specifically repudiate or command a tithe. (Though well-

intentioned Christians, theologians, and scholars have some disagreement here.)

Some verses suggest that the tithe, or something comparable, was very much alive in the New Testament Church, especially concerning the financial support of the under-shepherds of Christ—see 2 Corinthians 11:8–9 and 1 Corinthians 9:6–18.

In any case, the core message of the New Testament seems to be that rather than following a strict legal formula, Christian giving should exhibit a set of qualitative traits that honor and exalt God's character. The Bible offers blessings to those who do, but again, this is an offer, a possibility (and maybe even a probability), but not a contractual guarantee.

How much to give?

You may wonder, “How much money should I give the church?” or “What about missions and giving to the poor?” Sorry, I can't answer those questions, but it's possible that I can do more than you can today. The New Testament norm seems to be *lavish generosity* to the work of your local church and beyond.

With generosity as the “first principle,” the Bible teaches first fruits and *sacrificial giving* (we give up something when we give—we *feel* it) and *proportionality* (someone who makes \$30K a year may give 3%, whereas someone earning \$100K may give 10% or more—see Luke 12:1–4; 2 Corinthians 8:1–3; and 1 Corinthians 16:2).

So, to summarize: Are you breaking God's law if you don't give 10% of your income to the Lord? Not necessarily. For some, God is very pleased with their 2, 3, 4, or 5 percent (remember the widow's coin—Luke 12:1–4). But for others, given how God has blessed them financially, they may disobey God if they don't give 20, 30, 40, or 50% of their income away.

Our responsibility isn't to meet a particular percentage (although I think a target of 10% is a great place to start—a “first principle,” if you'll) but to give whatever we're able, *sacrificially* and in *proportion* to how God has blessed us. And then work to increase it over time.

You may also hear the phrase “tithes and offerings.” Generally, this refers to money given to the church (tithe) and money provided for other purposes (offerings), which can be to the church or elsewhere (outreach, mercy

ministries, missions, etc.). Looking through all these verses, you'll see biblical support for both, but I think Matthew 22:37b–39 addresses it well.

The prosperity gospel deception

We must avoid succumbing to prosperity gospel theology. The prosperity gospel crowd uses most of the verses I listed in the “Why Give” chapter to make their case. And you may be thinking, “Well, those verses sure sound like the prosperity gospel to me.” Yes, taken on their own, totally out of any other biblical or theological context, they may. But it's hard to take any of them and get “Give to God, and he'll fill your garage with Teslas.”

We can't take a few promises from the Mosaic covenant, the promise from Malachi about bringing in your tithes and the storehouses will be full, and verses like that from Proverbs. Or even Jesus' statements, such as “You'll receive whatever you ask in faith,” which are taken out of context and combined to form a cohesive prosperity theology. “Just give some seed money, you're gonna be rich, you're gonna be blessed.”

There's a significant danger here: It's a *false gospel* that offers *false hope*. We know God is sovereign. We know that generous people face hardship and pain. Some generous people will have financial difficulty. You can't reconcile prosperity gospel theology with that.

I'm being repetitive, but these verses (and others like them) are biblical wisdom; principles, yes, but not ironclad guarantees. There are some conditional promises in the Bible and some unconditional ones. Then, some principles aren't absolutes; they're not “formulas for financial success.” Input/seed money, output/health, and wealth—nope, it doesn't work that way.

These principles are in the Bible to tell us the way things usually work; they don't obligate God to do anything in particular. *He does as He pleases*.

The sowing and reaping principle

So, love and honor God, give Him the first fruits of your labor, bless others, and you'll probably (almost certainly) be blessed. You'll probably prosper, but you may not. And even if you don't, you'll be blessed in non-monetary ways. That's the way God's economy works. Like I said, God is sovereign. He does what He wants.

Do you want to make progress with your finances? Do you want your career or business to prosper? Listen to what Paul wrote: “Whoever sows sparingly will also reap sparingly, and whoever sows bountifully will also reap bountifully” (2 Corinthians 9:6).

This timeless principle applies to almost everything God creates and initiates. And guess what? Paul wasn't giving us a farming lesson. In this context, he was specifically talking about giving. Paul made it plain and simple for us: *we reap what we sow with our giving*.

Giving with joy

It's, however, a farming truism that if you plant just a little, you won't get a large harvest. God loves it when we take “righteous risks” and bet fully on Him by giving generously.

Liberality should mark the life of every Christian; we live with generous hearts and lives, especially with our money. We should give generously to support our local church, missions, and those in need, to love our families, and to encourage our brothers and sisters in the Lord.

But here's the thing: You can do good with almost any amount of money, but the more money you have, the more you can do. That's the good side of wealth. I don't claim any exceptionalism here, but I can tell you this: *When you get to the point where you have something to give, and giving is joyous, you're where God wants you to be*. (God loves a cheerful giver! See 2 Corinthians 9:8.)

As you prosper (and I believe you probably will), your giving should (and will likely) change as you transition from one financial condition to another. You may currently be giving and saving very little. Even so, if you're doing it cheerfully, you're right where God wants you to be.

But I hope that over time, as your income grows and you manage your money wisely, you'll give a more significant portion of it to the Lord and save more, bringing greater joy.

Where giving and income meet

So, the big question is this: If I've convinced you that giving is a top priority, and you understand how it fits in your total financial life equation, and that stewardship is all about building our heavenly “net worth” while also increasing our financial net worth while we're on earth, how can you do both?

Well, I'm glad you asked. (You didn't actually; I did, but I asked for it for you since I'm the writer.) *It all starts with your income and your ability to increase it over time.* We'll pick that up in a later chapter.

For reflection

Do you have a systematic plan for giving with priorities and amounts? If not, why not? How do you view giving to your local church versus other ministries? Search the scriptures and ask God's help as you grapple with these challenging decisions.

Verse

"On the first day of every week, each of you is to put something aside and store it up, as he may prosper, so that there will be no collecting when I come" (1 Corinthians 16:2).

LEVER #0 – YOUR STARTING WEALTH

11 – Calculating Net Worth



"Oh, great—spreadsheets and sadness."

In this chapter, we'll start getting into the "nitty gritty." We begin our discussion of the "*levers*" (the things that give you financial leverage) you can pull to increase your future net worth (or wealth if you prefer that term; most Christians don't care for it, but as I noted in an earlier chapter, it shows up quite often as "*riches*" in the Bible.)

The Bible teaches that all Christians are rich in many ways, differentiating between material riches and the spiritual riches that we have received in Christ. The former can be a blessing, but the latter is much more desirable. Read 1 Timothy 6:17-19 and Ephesians 1:3—these verses highlight the contrast between the temporary nature of material wealth and the eternal value of spiritual blessings.

The first "*lever*" (what I'm calling "*Lever #0*") is your "*net worth.*" It's actually not a "*lever*" at all—at least not in the same way as the others are (I just liked calling it *Lever #0* because it makes no sense.) It is, however, a good way to assess how well the others are working; it's an indicator of financial progress. A positive net-worth is good, a negative net-worth, which is what many young adults start with, not so much. Since it's also important to "*lay up treasures in heaven*"—our "*heavenly net-worth,*" whatever that looks like in God's

accounting system—is much more important than our earthly net-worth. Still, because it's a key financial indicator in this temporal realm, you need to understand how it's calculated. And that, my friends, will involve some math.

I told you there would be math.

I've been upfront with you: this book includes some math (or at least understanding some basic math concepts and relationships). But don't panic or start thinking this is calculus-level stuff (although I'm sure some of you could handle it). It's basic arithmetic, and trust me, it can seriously change your life (or at least your perspective on your finances).

Math is the language of finance; we have to get into the numbers. We'll also explore real-life examples to help clarify things. Why? Understanding these ideas becomes much easier when you see them in real-life situations.

Let's start with our first elementary example: we'll estimate someone's net worth one year from now. First, a couple of short definitions from Investopedia:

Asset: “A resource with economic value that an individual owns or controls with the expectation that it will provide a future benefit.” Examples include home equity, real estate, cars, jewelry, stocks, bonds, and bank accounts.

Liability: “Something that is owed to another person, company, or government.” Examples include home or car loans, taxes payable, credit obligations, parking tickets, etc.

With that, here are our starting assumptions:

Assets: \$50,000 in earnings, a guaranteed 5% per year (a conservative historical market average or fixed deposit/CD yield). Note: We'll discuss how assets like home equity fit in these calculations in another chapter, but that is not highly relevant to young adults just starting out.

- Liabilities: \$0 (good for them)
- Net Worth: \$50,000 (assets minus liabilities; $(\$50,000 - \$0 = \$50,000)$)
- Annual Income: \$50,000
- Taxes: \$4,000/year (est.)
- Giving: \$4,000/year
- Living Expenses: \$30,000/year

Thus, starting wealth is \$50,000. What will this household's net worth be in a year? Let's break it down:

Starting Wealth (Savings): \$50,000

+ Income: \$50,000 = \$100,000

-Taxes: \$4,000/year (est.) = 96,000

- Giving: \$4,000/year = \$92,000

- Living Expenses: \$30,000/year = \$62,000

+ Interest Earned: $\$50,000 \times 0.05 = \$2,500 = \$64,500$

This household's net worth ("wealth") has increased by \$14,500, from \$50,000 to \$64,500; \$2,500 from interest and \$12,000 from surplus income (after taxes and expenses) have added to the starting wealth of \$50,000.

See? That wasn't so bad; it's really just adding and subtracting numbers. This example leads us to a simple (but long) formula, which I mentioned earlier and called our "financial life equation," or FLE:

Next year's wealth = Current wealth + Next year's income – Next year's taxes – Net year giving – Next Year's expenses + Next year's interest earned – Next year's interest paid

Or, we can express it with some fancy math symbols:

$$W_{t+1} = W_t + \sum I_{t+1} - \sum T_{t+1} - \sum G_{t+1} - \sum E_{t+1} + \sum IE_{t+1} - \sum IP_{t+1}$$

Where:

Σ = Sum of

t= Current date

W= Current wealth

t+1 = Current date plus one year

Wt+1= Next year's wealth

I = Next year's income

T = Next year's taxes

G = Next year's giving

E = Next year's living expenses

IE = Next year's interest earned

IP = Next year's interest paid

There's no magic here; it's just simple math. Most people think wealth is "what you save" after diligent budgeting. Expressed symbolically, it could look like this:

$$W_{t+1} = W_t + Savings_{t+1}$$

Where:

t= Current date

t+1 = Current date plus one year

W= Current wealth

Savings = Next year's savings

But I'd like us to think of the savings equation this way: Savings is not just something you do; it's simply what's left over after you earn money, pay taxes, give, pay for living expenses, earn interest, and pay interest:

Savings = Income – Taxes – Giving – Expenses + Interest Earned – Interest Paid

Or symbolically as:

$$Savings_{t+1} = I_{t+1} - T_{t+1} - G_{t+1} - E_{t+1} + IE_{t+1} - IP_{t+1}$$

Note: Some mathematical “magic” is assumed in the formula for compound interest. It's the “interest on interest,” the growth of our net worth year by year. We'll get into that later when we discuss investing.

The FLE shows the importance of expenses, taxes, and interest, not just income, in the total net worth equation. The former are often afterthoughts in how many people approach their finances. Let's see how this works if we look out two years:

Starting net worth (after 1 year): \$64,500

+ Income: \$50,000 = \$114,500

– Taxes: \$4,000 = \$110,500

– Giving: \$4,000 = \$106,500

– Living expenses: \$30,000 = \$76,500

+ Interest earned: \$64,500 × 0.05 = \$3,225 = \$79,725

Their new net worth at the end of the year has increased by approximately 20%. Things are moving in the right direction! You can keep this going for as many years as you like, and the formula holds up. It boils down to this:

Future wealth = Starting wealth + Sum of all income – Sum of all taxes – Sum of all giving – Sum of all living expenses + Sum of interest earned – Sum of interest paid

Or, expressed symbolically,

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Even though you may never use it, this, my friends, is the most critical formula to understand your financial life! It shows we could calculate our net worth for 50 years from now ($t + 50$):

Current wealth + all of the following over 50 years: (Sum of income – Sum of taxes – Sum of giving – Sum of expenses + Sum of interest earned – Sum of interest paid)

Formulaically, it would be:

$$W_{t+50} = W_t + \sum I_{t+50} - \sum T_{t+50} - \sum G_{t+50} - \sum E_{t+50} + \sum IE_{t+50} - \sum IP_{t+50}$$

This chapter concerns calculating our “current net worth” (or “net worth”), which is represented by (W_t) in these equations. So, we begin with our starting wealth, but other things—we’ll call them “levers”—contribute to determining your future wealth and align with the “earn, save, spend, owe, give” model I shared earlier.

No one would be eager to work these equations out manually. But here’s the good news: Some online tools are available to help you with this. There’s a list of a few you can check out in the Resources below. If I were to recommend one, it would be Empower (formerly Personal Capital).

Subsequent chapters will discuss the six areas I listed above and how to understand, manage, and optimize them. I don’t list giving because it’s not a financial “lever” in the sense that the others are, but it’s a potent force in driving overall financial success. We’ll discuss why in the following chapter before discussing the six levers.

For reflection

Even if you don’t like math, isn’t it interesting that God created math in a way that we can use to describe real life, even the basic day-to-day things like personal finance? Instead of fearing math, consider embracing it as a gift from

God to help you understand and apply biblical principles and practices of stewardship to your situation.

Verse

“Every good gift and every perfect gift is from above, coming down from the Father of lights” (James 1:17).

Resources

Automated Net Worth Tracking: [Empower.com](https://empower.com)

Investing Integration: [Betterment.com](https://betterment.com)

Collaboration with Spouse or Financial Advisor: [MonarchMoney.com](https://monarchmoney.com)

Net Worth Calculator: [Bankrate.com](https://bankrate.com)

Budget Integration: [YNAB.com](https://ynab.com) (You Need A Budget)

12 – Your Starting Net Worth



"With a net worth of about zero, I've got nothing but time and upside."

Unfortunately, you can't *literally* pull this lever on day zero; your net worth (W_t) starting out "is what it is." In that respect, it's not a lever at all. That phrase, "it is what it is," sounds like resignation, capitulation to a situation that isn't going to change.

But you know what? For most of you, while "it is what it is," we can add "for now." You can change it (hopefully increase it and not go the other direction). And even if it goes in a different direction for some unexpected reason, it won't be forever. God is always at work in our lives, and He can change things as we patiently cooperate with Him and His sovereign will.

God's sovereignty over your finances

God is sovereign over all things, including our lives and finances. That means things may not always be as we want them to be, but we trust God that things are as He has ordained them for our good. Romans 8:28 says, "And we know that for those who love God all things work together for good, for those who are called according to his purpose".

So, we accept our current situation as coming from God, who is good, gracious, and all-wise. But we also do what we can to improve it wisely. It's not either-or but both-and. See Psalms 145:8-17 to understand how God is predisposed to draw near and care for His children.

The financial life equation (FLE)

Here's our fun "financial life equation" (FLE) again. Note how the "current wealth" variable (W_t) fits. (Remember, I'm using the Greek sigma Σ symbol for "the sum of" and $t+n$ = the current year (t) plus (n), which signifies a variable number of years in the future.)

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

To refresh your memory, the simple translation of this fancy looking equation is: Future Wealth (W_{t+n}) is current Wealth (W_t) plus the sum of your income over the next N years (ΣI_{t+n}) minus the sum of your taxes over the next N years (ΣT_{t+n}) minus the sum of all your giving over the next N years (ΣG_{t+n}) minus the sum of your expenses over the next N years (ΣE_{t+n}) plus the sum of your interest earned over the next N years (ΣIE_{t+n}) minus the sum of your interest paid over the next N years (ΣIP_{t+n}).

The whole point of this equation is to illustrate the critical mathematical relationships between income and expenses and how they affect total wealth over a lifetime.

It's only the starting point

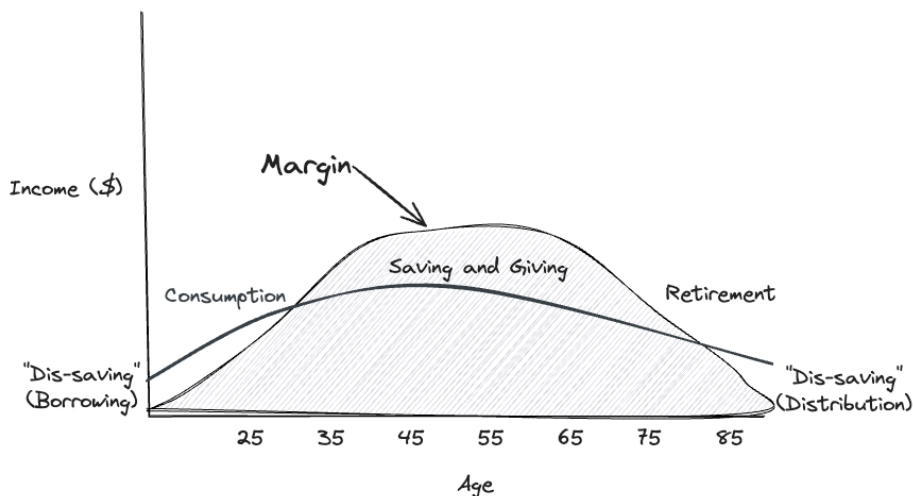
I'm trying to make a key point here: Current wealth certainly factors in, but since we don't necessarily have much control over it, the other variables matter the most. While it usually helps to start with more in the present to have a higher net worth in the future, that is not always the case. Some people may start with a large inheritance and squander it early.

But most young people come out of school with low, zero, or negative starting wealth. If that's you, you can probably see how the FLE hasn't worked for you yet. But as I said in the title, don't sweat it. You're just starting! Yes, you may have either had low earnings, consumed a lot, earned little interest, or paid a lot of interest (mostly on student loans), but that will change. I can almost guarantee it unless you go off the rails for some reason.

Your situation can (and probably will) change

I also recognize that some individuals may have significantly different backgrounds than others, facing challenging circumstances that have hindered their ability to accumulate wealth early in life or to avoid "negative" wealth.

The same applies to you: your situation can change! Many young adults will see their financial condition improve dramatically as they move from dependence (on family and student loans) and “dis-saving” to independence, generating an income, saving, and giving, thus creating that “margin” I’ve been talking about. It’s the surplus above the consumption curve on this diagram:



Starting with a positive net worth

On the other hand, if your net worth is positive starting out (which is unique), that is good for you, but you could still mess it up. Unless you’re a “trust baby,” (I don’t know any) the equation’s relationships suggest that you’ve been in the workplace for a while, that you’ve been earning a little more each year (hopefully enough to keep up with inflation, which can be tricky), paid relatively low taxes, kept your spending in check, earned some interest (more with higher rates lately), paid very little interest (on loans or credit cards) and perhaps done some investing in an IRA and maybe even purchased a home and built up some equity (more on that later in the chapter).

Your current versus your future self

You also may need a different perspective. A few years ago, I read an excellent book on Ecclesiastes titled, *Living Life Backward: How Ecclesiastes Teaches Us to Live* (I highly recommend it). The idea behind the title is that we need to think about our future selves, both in terms of our finite time on this

earth and our eternal selves in the new heavens and new earth, and live our lives to the fullest today as we anticipate those days.

I'll be the first to acknowledge a real battle here, especially when we're young. Academics refer to this as the psychological and emotional struggle between our "current self" and a more prudent, forward-thinking "future self."

In some ways, our current self is the world, our flesh, and the devil telling us to do this or do that and to do it NOW, whereas our future self is godly wisdom speaking to us as a good angel concerned for our future well-being.

We fight this battle every day regarding what we eat, what we spend our money on, whether we exercise, and so on. The current self is impulsive and short-sighted and typically wants to maximize pleasure RIGHT NOW. The future self says, "No, stop, think about it." It aims to curb the current self's short-term impulsiveness and draw our attention to the future self's long-term goals.

For reflection

The key message is to take responsibility for your financial condition, no matter your past or present circumstances, while trusting God, your Jireh (Provider), who cares for you. Because God is in control, whatever your situation, it can change. How? Not because He will make all obstacles and headwinds disappear; you still need to do your part to fight the good fight in all areas of your life. but because God cares for you, including your finances, you can pray and trust God to do His part. Will you do that?

Verse

"In the house of the wise are stores of choice food and oil, but a foolish man devours all he has." (Proverbs 21:20)

LEVER #1 – YOUR INCOME: BUILDING YOUR ENGINE

13 – Work as Your Income-Generating Engine



*“They say ‘find something you love to do and you’ll never work a day in your life.’
Does napping count?”*

The most critical aspect of work is that it generates *income*, usually in the form of a paycheck. You could work for no pay, but it’s hard to pay the bills that way. Plus, your current and future income are significant components of the “financial life equation” (FLE).

We’ve discussed your starting wealth, whether positive, zero, or negative. I called it Lever #0 because it’s not a lever you can pull; it is what it is at any point in time, but it doesn’t have to stay what it is indefinitely.

In this chapter, we’ll discuss Lever #1, your income, and we’re focused not only on your current income but lifetime income, i.e., the sum of your income over the next N years ($\sum I_{t+n}$). Of course, we don’t know precisely what “ n ” will be, only God does, but probably 50 years or more.

Work, income, and the financial life equation (FLE)

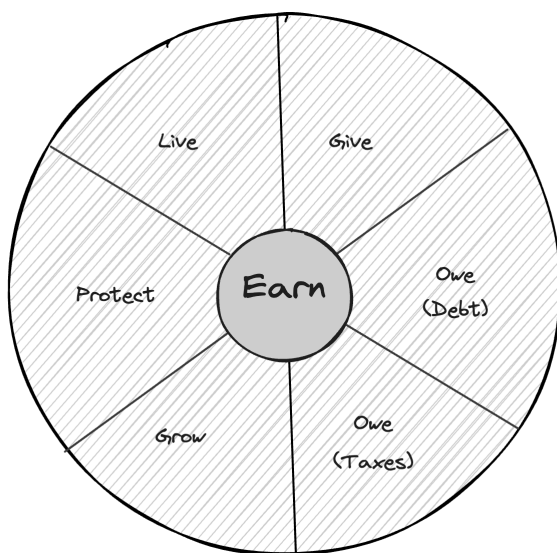
Remember how income fits into our financial life equation (FLE)? Of course you do, but here’s our handy-dandy formula again anyway:

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Future wealth = Starting wealth + **Sum of all income (ΣI_{t+n})** – Sum of all taxes – Sum of all giving – Sum of all living expenses + Sum of interest earned – Sum of interest paid

Income is one of only two things that add to starting wealth (the other is interest earned). (I discussed earlier in the book how giving adds to our FLE but in different ways since it's actually a "subtrahend.") That's why income takes center position in the "things you can do with money" graphic. Before you can do things with money, you have to have some. (As comedian Steve Martin once say, "The way to become a millionaire is, first, get a million dollars.)

The money has to come from somewhere, and when you're young with few savings or investments, work is what generates it. (We'll leave the "creating it" part to the U.S. Government.) Therefore, your goal is to increase your income at a rate that at least keeps up with inflation.



Regardless of your choice of profession, vocational success comes through skill, hard work, and wisdom. Your income and ability to increase it during your lifetime will significantly help you build wealth (as long as you don't spend it all, let it get eaten up by taxes, or spend it all on loan payments, but we're getting ahead of ourselves).

The recipe is pretty simple:

- Acquire valuable (meaning someone will pay for) skills.
- Get a good job/position at a company (or start your own).
- Work hard.

There are other dimensions to success and joy. As I used to tell my kids each day before school: “B-G-W-H-H-F”: *Be good, work hard, and have fun*. That’s good for kids and maybe adults too, I think. (Notice I had a moral/ethical component and also the “work hard” piece in there as well.)

Other things matter, but one thing’s for sure. You aren’t likely to go very far if you don’t work hard: “A slack hand causes poverty, but the hand of the diligent makes rich” (Proverbs 10:4).

A biblical view of work

Hard work is a virtue, but we need a broader biblical perspective on work before examining the financial side. And fortunately, the Bible has a lot more to say about it.

This chapter’s tagline (from Shakespeare’s *Macbeth*) mentions “double, double toil and trouble.” A biblical perspective sheds light on the human condition and our relationship with God. In the Bible, *toil* refers to difficult or exhausting labor resulting from the curse placed on the ground after Adam and Eve sinned. Genesis 3:17 explains: “Cursed is the ground because of you; in pain you shall eat of it all the days of your life” (Genesis 3:17).

All forms of work, not just food production, became more difficult. Modern-day work has also been “cursed,” more so due to sin and its effects on the human heart than the curse of the ground.

But that’s not all the Bible says about it. Work isn’t from the devil; God created it. We were made to work because we are made in God’s image. See Proverbs 6:6-11 for insight on diligence.

The role of contentment

Job satisfaction often correlates with income, but maybe it has more to do with contentment. According to the Empower Financial Happiness Survey (August 2023), “most people said delivering contentment would take a significant pay bump. The respondents, who had a median salary of \$65,000 a year, said a median of \$95,000 would make them happy and less stressed. The

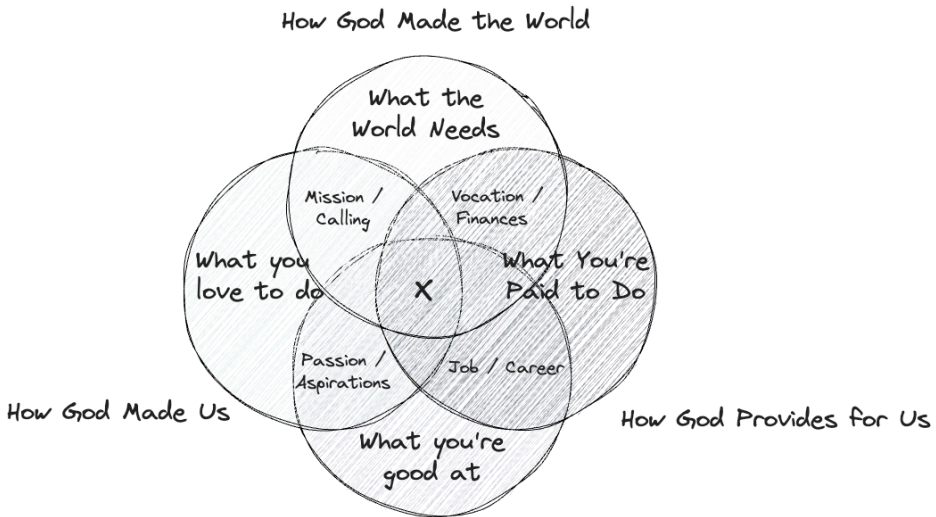
highest earners, with a median income of \$250,000, gave a median response of \$350,000.”

The keys to growing income are acquiring good skills, finding the right career/job, and working hard. And ideally, doing work that serves others and brings fulfillment. “And whatever you do, in word or deed, do everything in the name of the Lord Jesus, giving thanks to God the Father through him” (Colossians 3:17).

Tim Keller put it well in his book *Every Good Endeavor*: “If God’s purpose for your job is that you serve the human community, then the way to serve God best is to do the job as well as it can be done.”

Work as a mission and a calling.

Below you’ll see how a Christian perspective of the intersection of “what you love to do” and “what the world needs.” To paraphrase Jeff Goins in *The Art of Work*: A calling is what you [come to] when you look back at your life and make sense of what [God] has been trying to teach you along the way.



Adapted from Aristotle Bancale's Career Choice Venn Diagram

God also created many different kinds of work. Some are more difficult than others. Still, work can be fulfilling but challenging. That’s not because working is bad, but because we live in a fallen world with sinful people (including us!).

Work is also the primary way we provide for ourselves and others: “But if anyone does not provide for his own, and especially for those of his own household, he has denied the faith and is worse than an unbeliever” (1 Timothy 5:8).

So, when it comes to finances, your “human capital”—your God-given ability to earn income—is your greatest asset. Not your money or investments, which are essentially byproducts.

Guarding against idolatry

Work is essential, but it’s not your identity. Your identity is in Christ: “I have been crucified with Christ. It is no longer I who live, but Christ who lives in me...” (Galatians 2:20).

The primary purpose of life is to glorify God because of the Gospel. Like all the other areas of life, work is to be done for God’s glory.

For reflection:

What is your perspective on your work? Is your job something you dread when you get up in the morning? If so, what’s “out of whack” regarding your career (or position) choice based on the dimensions discussed above? What do you need to do to address it?

Verse:

“For I know the plans I have for you, declares the LORD, plans for welfare and not for evil, to give you a future and a hope” (Jeremiah 29:11).

Resources

Books:

Every Good Endeavor by Tim Keller and Katherine Alsdorf

48 Days to the Work You Love by Dan Miller

Article:

“Work is a Glorious Thing” by John Piper (Desiring God Ministries)

14 – Your Earning Potential and Lifetime Income



“They said money isn’t everything—judging by my pay stub, they meant it.”

Most people don’t work for fun; they do it in return for a wage or salary, an income to live on. That doesn’t mean work is never fun or satisfying, but it’s why one author titled his book, *It’s Called Work for a Reason*.

Did you know the Bible says employees should be paid a fair wage? Check this out (and take a look at Luke 10:7 also): “For the Scripture says, ‘You shall not muzzle an ox when it treads out the grain,’ and, ‘The laborer deserves his wages’”(1 Timothy 5:18).

Revisiting the financial life equation

Since this chapter is about work and income, here’s our financial life equation (FLE) again, and as before, you can see how income fits. And by way of reminder, it’s not just this year’s income, it’s the sum of your earnings over many years:

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Or if you prefer it in English: Future wealth = Starting wealth + **Sum of all income** ($\sum I_{t+n}$) – Sum of all taxes – Sum of all giving – Sum of all living expenses + Sum of all interest earned – Sum of all interest paid.

Note that in the formula, income is the amount that gets added to current wealth each year before anything else is added or subtracted. When it comes to building wealth, it starts with (W_t). However, unless your starting wealth is high (generating a lot of passive dividends or interest income), your wealth will

only grow with regular income, and this growth will also depend on how you pull the other levers in the FLE.

If your income is high and grows steadily, wealth will increase, especially if the other variables that can reduce residual wealth (consumption, taxes, and interest expense) stay relatively constant. In other words, if your annual income rises 20% but your spending only goes up by 5%, you can pocket the difference—15%).

The opposite is also true, at least mathematically speaking. If your income starts relatively low and doesn't increase dramatically, you'll still be okay if you pay attention to the other variables (a/k/a "levers"), especially consumption, taxes, and interest paid.

And if you want to be a generous giver, one way is to consume less than you earn, save some, and you'll have more to give.

Career choice and earning potential

I must state the obvious here: some careers typically pay more, sometimes significantly more, than others. There seems to be a close correlation between the rigor, complexity, and difficulty of training for a particular career and your income once you're in it.

Engineering, medicine, actuarial science, and computer science are challenging fields of study. If you want to study set design in the theatrical arts department, that's fine. I like plays, and I like them even more with nice sets. But it doesn't require the years of complex math and science courses that other majors do.

In reality, relatively few students are willing to endure the hardships of STEM⁷ curricula to master those subjects. So, it shouldn't be a big surprise that those who do tend to be more highly compensated after they graduate; it's simply a matter of supply and demand economics.

That doesn't mean a theater set designer (I think that's a thing people do) can't earn a living; they probably can if they get the right job. But they'll not earn as much over their lifetime as a skilled electrical engineer. It's also possible that their financial life will be more challenging than that of the average college graduate.

⁷ Science/Technology/Engineering/Math

Will they enjoy their work? They may not want the daily financial struggles that come with it, but yes, that's probably the case.

The value of skilled trades

The hourly wages for skilled trades (such as plumbers, electricians, welders, and HVAC technicians) can be very high. These jobs' monetary incentives may compel some to bypass college (with the time and expense) and go that route. If you're a business grad, you could run an electrical company. If you get the right personnel around you, it might work (lots of great tradespeople are not good at the business part of things).

If we think of all this in the context of our FLE, it means that some of the other levers must be pulled extra hard to progress in building your net worth.

Modern work challenges

As I often do, I want to offer a word of caution. I know many people want to chase the highest-paying job they can find in their field. But I think we have a problem in our current service-oriented economy. Many high-paying jobs rely primarily on intelligent people's ability to work with a computer, manipulate numbers in a spreadsheet, create engaging PowerPoint presentations, send professional emails, and navigate six layers of management.

I've had jobs similar to that myself (mainly in IT strategic planning and architecture) and did them reasonably well, sometimes really well (in my opinion, of course). Still, at times, I thought (like a lot of people in those kinds of jobs), "I've worked hard, but it's difficult to see what I've actually accomplished."

I had jobs where I replied to a ton of emails, put together and delivered a bunch of presentations, been in a bunch of meetings, but what did they actually accomplish? I really wanted to make an impact, but even if I did, it was hard to assess sometimes.

I have some friends who were (or are) house painters. Painting is hard work, but at least you can see the difference between an ugly wall and pretty one almost immediately.

The problem is that many white-collar jobs do not have a direct cause-and-effect relationship between the work inputs and the resulting outputs. Double, double, toil and trouble, and nothing to show for it except approbation and perhaps a nice bonus. Sure, the income, bonuses, and stock options are

significant (since money isn't inherently bad). But should there be more to work than that?

Meaningful work and Christian stewardship

I don't want to get too far off track here and be seen as suggesting that there is good work and bad work, depending on the inputs and outputs. I have already established that all (ethical, moral) work is good and a gift from God.

But, in addition to income considerations, try to find a job that offers rewarding work rather than just a day of distractions or adult daycare. The paradox of modern work is that the most prestigious jobs often involve the least actual work. If you can grind on tedious tasks longer than anyone else, you can get paid a lot of money. You gain material riches but may not find it intrinsically satisfying.

So, what's the solution? For some, it might be a career change. However, for most, it will involve being more thoughtful when finding work in the first place. If we put as much effort into finding work that will make a real difference as we do into finding a high-paying job, we'll be in a better place overall.

But no matter what, we all need a biblical perspective on our work. We must recognize that there is no "perfect" company or job and that our responsibility is to "work as unto the Lord" as we seek to serve others in the workplace. It just may be that serving provides the most satisfaction.

For reflection

Consider your job; did you take it mainly for the money? Is your job fulfilling? Is it satisfying? What is it missing? What can you do to change the situation, or does your heart attitude need to change?

Verse

"And whatever you do, in word or deed, do everything in the name of the Lord Jesus, giving thanks to God the Father through him" (Colossians 3:17).

Resources

Book:

Redeeming Productivity by Reagen Rose

Reagen’s Website: RedeemingProductivity.com

15 – Asking for a Raise Without Blowing Things Up



“But it’s not about the money (unless you’re willing to give me more of it).”

We’ve looked at income and its role in our lifetime net worth. It’s not insignificant, as our financial life equation (FLE) shows:

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Future wealth = Starting wealth + **Sum of all income** – Sum of all taxes – Sum of all giving – Sum of all living expenses + Sum of interest earned – Sum of interest paid

As I’ve said, our current wealth and income are the foundation for everything else in our FLE. Most of us would like to increase our income over time, and raises and promotions (and occasionally job changes) are often how that happens.

A (former) manager’s perspective

As an IT manager in the banking industry for over 30 years, I’ve had my fair share of salary discussions. These ranged from negotiating offers with new hires to performance reviews, awarding merit raises, and sometimes bonus and stock awards to high-performing employees. I mostly enjoyed them, but not always.

Occasionally, an employee would come to me with something like: “I think I’m underpaid compared to my peers and others in similar roles in the

industry. My performance is good, and I'd like a raise. If I don't get it, I may have to move on."

Often, they'd offer data or stats from Google or job search websites and sometimes provide anecdotal evidence: "I heard [Company A] is paying [\$X] for people like me"; or, "A coworker told me what they earn [\$X]—in confidence, of course—and I only make [\$Y]."

(Side note: I once worked for a senior director who wanted to post everyone's salaries in our department for "transparency." It never happened. I also worked with individuals who transitioned back to individual contributor roles from management, yet maintained their high salaries. These employees were typically "redlined," meaning no future raises.)

These kinds of conversations aren't inappropriate. But they can be uncomfortable. Most managers don't immediately assume they stem from entitlement or greed (even though they sometimes may).

Attitude, timing, and motivations matter

That said, poor timing or a lack of tact can harm your cause, especially for younger or newer employees. Jesus's words in Matthew 5:15–16 remind us what it means to be "salt and light": "Neither do people light a lamp and put it under a basket. Instead, they set it on a stand, and it gives light to everyone in the house. In the same way, let your light shine before others, so that they may see your good works and give glory to your Father who is in heaven".

If you want to ask for more money, examine your motives. It's not wrong to ask, but it can be if it stems from a desire for riches rather than a legitimate need or desire to bless others. "But those who desire to be rich fall into temptation, into a snare, into many senseless and harmful desires that plunge people into ruin and destruction." (1 Timothy 6:9).

That's strong language. Paul wants us to understand how dangerous the insatiable desire for more can be.

Things to keep in mind

Sometimes there is another problem: a misunderstanding of how compensation works in the real world. If you're a young professional just starting out or even a few years in, understanding compensation realities is crucial. Here are some of the "realities" to understand:

- Google can't define your value. Online salary data is often incomplete and fails to reflect company size, regional cost of living, or your unique situation.
- Salary is just one part of the compensation package. Health insurance, retirement contributions, and bonuses are substantial but sometimes overlooked.
- Companies use structured salary bands. These are based on market data, not hearsay or internet averages.
- Early-career employees typically start near the bottom of the range. That's normal. It's not a reflection of your worth but a starting point.
- "I heard that..." and "a recruiter called me..." aren't strong arguments. They may come across as threats and can backfire. Be careful here.

Experience and maturity matter

Work experience takes time; there are no shortcuts. Young professionals must demonstrate a willingness to serve customers, coworkers, and the company by doing the small things well. Consider these verses:

"If anyone would be first, he must be last of all and servant of all" (Mark 9:35).

"One who is faithful in a very little is also faithful in much" (Luke 16:10)

Technical skills are great, but relationships matter just as much. Familiarity with company culture and learning from mistakes also deepens your professional maturity.

Supervision and coaching cost time (and money). Early-career employees usually require more oversight. Managers invest their own time to guide your development. Until you can work more independently, salary increases may be modest.

Be humble but prepared

Humility is essential, but it's not passivity. Godly ambition is a good thing. Still, approach salary discussions humbly and respectfully. "Pride goes before destruction, and a haughty spirit before a fall" (Proverbs 16:18).

Do your research and use reliable salary data if you must. Highlight your value with clear examples. If you improved a process, saved time or money, or exceeded expectations, mention it. But be honest, and give credit to others where it's due.

In your annual review, don't just ask for a raise—ask what you need to do to earn one. Let your manager define the bar and work toward it. “Do you see a man skillful in his work? He will stand before kings; he will not stand before obscure men” (Proverbs 22:29).

Trust the process and have faith in God

Growth and raises take time. Focus on delivering consistent value. Ask for feedback. Learn new skills. Take on challenges. These things position you well for future rewards. But most importantly, work hard and trust God for the rest: “Let your work be shown to your servants, and your glorious power to their children. Let the favor of the Lord our God be upon us, and establish the work of our hands upon us; yes, establish the work of our hands” (Psalm 90:16–17).

For reflection

What is your level of contentment with your current job's salary? If you're unsettled, ask the Lord whether there's actual inequity or just discontent. Honestly assess your performance, seek input from others, and decide prayerfully on your next steps. Be open to the Lord saying, “Be patient. Trust me and wait.”

Verse

“Trust in the Lord with all your heart, and do not lean on your own understanding. In all your ways acknowledge him, and he will make straight your paths” (Proverbs 3:5–6).

16 – Maximizing Your Employer Benefits as Part of Total Compensation



"I get paid in experience, exposure, free coffee, and the occasional direct deposit to my checking account."

When you start a new job, especially if it's your first, it's natural to focus on the number on your paycheck. But while salary (a/k/a "income") is a significant part of your earnings, it's only one piece of the pie. Understanding employer benefits as part of your total compensation "package" is crucial to making informed job and financial decisions.

What are employer benefits?

Employer benefits are non-salary perks and provisions that employers offer to attract and retain talent. You may get them, even if you don't have a lot of talent, just because you're an employee. That said, it may be a little while before you get certain benefits; the company may want to see just how much talent you have and how you'll use it. (I'm kidding; I think they just want to make sure you'll probably stay there a while.)

These benefits may include health insurance, retirement plans, paid time off, and cool perks like gym memberships, health and wellness programs, or trips to exotic islands for paid sabbaticals (just kidding again, but I do have a friend who's a software developer gets free lunch every day—and we know how those guys eat). While these benefits may not feel as tangible as a paycheck, they often have significant value.

Why benefits matter

So why should you care? Doesn't everyone get this stuff? Isn't it "table stakes" in the employer competition for good talent? Well, yes, to an extent, but some companies provide much better benefits than others (just as some companies will pay more for the same job than others). If you can snag one with both—good pay and benefits—you've hit the jackpot, as many companies offer one but not the other.

Besides being highly beneficial, the cool thing about benefits is that most have "hidden value." For example, employer-sponsored health insurance or matching contributions to your 401(k) can add thousands of dollars to your overall compensation package each year. Others, like health insurance, life insurance, and disability coverage, protect you from unexpected events that could be financially catastrophic and otherwise derail your financial goals.

You may also receive paid time off (PTO) and wellness perks, which, although not directly dollar-valued (except for gym memberships), can contribute to your overall quality of life and job satisfaction. I have a young friend in my church who just got three months of PATERNITY LEAVE after his wife (not he) had a baby! Pretty sweet.

Evaluating the hidden value

The bottom line: When reviewing a job offer or your current employment situation, consider your benefits and their worth. Health insurance and retirement plans are the two "biggies" regarding your long-term financial success.

Unfortunately, the days of getting a "cadillac" healthcare plan with low premiums, no deductibles, and little or no maximums are long gone. Those are things to consider when comparing health plans. What would it cost you to get the same coverage independently? If the company offers a subsidized group insurance plan, you'll pay a lot more if you go it alone.

You could calculate the annual employer contribution to health insurance premiums or retirement accounts by subtracting what you're paying now for the employer plan from what you'd pay if you were doing it individually for a comparable plan. You may be surprised.

Retirement plans and other perks

Retirement plans are the next biggie. Does your employer offer a 401(k) plan (not all do)? If so, do they provide matching contributions? I used to work for a bank that matched my contributions dollar for dollar up to 6% of my gross income—very generous. That means if I made \$100k and contributed 6 percent (\$6,000), they'd match it with another \$6,000 for a total annual contribution of \$12,000, 12 percent of gross income in my retirement savings in one year—not bad!

Another way to look at it is that I got an immediate 100% return on my 6% investment. Personal finance rule #1: Don't refuse free money (if it's legit).

A few companies still offer pensions, but these are going the way of the dinosaurs. That's where they put money into a big pot, invest it, and then pay it out as an annuity to employees who retire after working there for a million years. Most of you'll never see one, so you must become your CFO/CIO and create your pension if you want to retire.

There are others. Paid time off is free money; you're getting paid for not working. This may also help make your work life easier—we all need some rest (R&R) sometimes. Some companies offer benefits like tuition reimbursement. I got an MBA on a company's dime, worth tens of thousands of dollars.

Look at the whole picture

I get it—it's tempting to focus on immediate cash flow, but benefits play a crucial role in your present and future financial picture. A job with a slightly lower salary but excellent benefits may be a better total compensation package than a higher-paying job with minimal benefits.

Understanding and using your benefits effectively is key. If there are things you don't understand, talk to a “human” (that's what we used to call HR reps; I'm not sure they were crazy about the nickname—they preferred “human resources consultant”). Before accepting a job or switching employers, look closely at the whole package. You might be surprised at the value hidden beyond your paycheck.

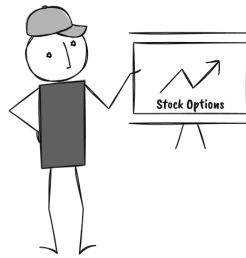
For reflection

If you're looking for a job, do you inquire about and then analyze the company's benefit package in addition to the pay? If you're in a career with benefits, how well do you understand them and the value that they provide? Also, when was the last time you expressed gratitude to the Lord for the blessings of benefits—remember, most people in the world don't get them.

Verse

“Bless the LORD, O my soul, and forget not all his benefits” (Psalm 103:2)

17 – Understanding All Types of Compensation



I'm not saying I'm rich—but I do own 0.00007% of the company!"

In the last couple of chapters, we've focused mainly on salary and also discussed benefits, which, for the majority of you, will be most of your total compensation. But for a fortunate few, there are other comp goodies that you may receive, and it's a good idea to know a little about them before you do.

You may recall that our financial life equation (FLE) includes lifetime income with the assumption that your year-by-year income will not be static:

Future wealth = Starting wealth + **Sum of all income** – Sum of all taxes – Sum of all giving – Sum of all living expenses + Sum of interest earned – Sum of interest paid.

These additional goodies are typically one-time events that can affect your total income in any given year but also long term. So be careful how you factor them into your stewardship plan: companies giveth and companies taketh away.

Bonuses and performance incentives

A more common form of extra compensation is bonuses and performance incentives. These are usually paid as part of regular taxable income, sometimes at year's end or early in the following year. Keep an eye on taxes; a bonus can sometimes push you into the next marginal tax bracket.

You could get a hiring bonus, which is a one-time lump sum incentive to accept a job offer. Some companies pay bonuses, and some don't. Bonuses are

usually tied to company and individual performance, so you could get a bonus one year and not the next.

What to do with a bonus

What should you do with your bonus? First, be grateful. Gratitude is in short supply these days. After taxes and withholdings, you can do a lot with it. Have a generosity budget for your total compensation, not just your salary. Using your bonus for giving is good, but don't presume it will come.

You could spend it, use it to pay off debt (a very good use), or splurge on something for you and your family. Just don't put a down payment on a new swimming pool before you see the money in your check!

Understanding stock options

Similar to bonuses, stock options provide income over and above your salary when exercised. Stock options are a little complex, and you have some important decisions to make. Companies usually provide information about how they work (vesting, exercising, taxes, etc.). For more details, check Investopedia.

I can (almost) remember the first time I was given some stock options. I was not in mid- or senior-management, just a first-level IT network planning manager, so it immediately made me feel like a big shot. Don't only CEOs and other executives get these? What are they, anyway?

I soon learned that in some companies, many employees get them; the difference is in HOW MANY and at what price. Once I realized that, I didn't feel like such a big deal.

Sadly, as many others and I experienced after the 2008 crash, they can quickly go underwater—meaning worthless, drowned in the sea of bank failures. I lost a lot of money on paper, but since I hadn't committed it to anything (and fortunately, I had used some them when they were worth something), it didn't really hurt me financially. But it did hurt my feelings and was a valuable reminder about not putting our hope in money—or the economy or stock market—or holding on too tightly.

Using options for generosity

If you want to use them for charitable giving, you have options. Let's say you pledged to your church's building fund and have struggled to meet your

commitment. Assume you have 500 vested stock options exercisable for \$25, with the stock trading at \$50. You could exercise and get stock worth \$12,500 for \$6,250, netting you \$6,250 in stock or cash.

For Non-Qualified Stock Options (NSOs), you pay taxes on the difference between the grant and exercise prices. For Incentive Stock Options (ISOs), holding shares for at least a year after exercising and two years after grant qualifies you for capital gains instead of ordinary income. Instead of selling shares, you can donate them directly, avoiding capital gains taxes and possibly taking a charitable deduction for the fair market value.

You can also donate shares to a Donor-Advised Fund (DAF), receive an immediate tax deduction, and distribute funds to charities over time. You can give options to a charity and exercise them when ready, but companies probably won't match stock gifts.

Get professional advice

If you receive stock grants or options, consult a financial advisor and tax accountant to optimize them as part of your overall plan, especially if you intend to use them for charitable contributions.

For reflection

What's the first thing you'd think if you were told you'll get a bonus, stock grants, or options? How does it line up with what the Bible teaches about money? How can you use your windfall to honor the Lord?

Verse

“As for the rich in this present age, charge them not to be haughty, nor to set their hopes on the uncertainty of riches, but on God, who richly provides us with everything to enjoy. They are to do good, to be rich in good works, to be generous and ready to share, thus storing up treasure for themselves as a good foundation for the future, so that they may take hold of that which is truly life” (1 Timothy 6:17–19).

18 – The Risks to Your Income



"They say that the real risks are the ones you don't see."

Murphy's Law states basically that "Anything that can go wrong will go wrong." (That explains why whenever I drop a piece of buttered toast, it always lands buttered-side down.) You're probably familiar with Murphy's Law, but have you heard of Cole's Law? It's finely shredded raw cabbage with a salad dressing, commonly vinaigrette or mayonnaise.

I'm sorry for the corny jokes; this subject (risk and insurance) is unpleasant but necessary, so this chapter needed a little fun in the introduction.

Murphy's Law may be somewhat true because it seems to describe how we sometimes experience life. But Murphy's Law isn't God's law. But what is absolutely true is that bad things do happen to both Christians and non-Christians alike: "For he makes his sun rise on the evil and on the good, and sends rain on the just and on the unjust" (Matthew 5:45b).

But the good news for Christians is that there are no random ("chance") forces outside God's control that rule our lives. He promises that, "... for those who love God all things work together for good, for those who are called according to his purpose" (Romans 8:28).

Understanding risk

We call the "chance" that bad things will happen to us "risk." It's simply our human way of describing the chance of something going wrong. Murphy's Law suggests that because there is a greater than zero probability that something

will happen, it eventually will. And if it doesn't happen to you, it may happen to someone else.

Although this seems like “chance,” we know God is sovereign and controls everything. “Many are the plans in the mind of a man, but it is the purpose of the LORD that will stand” (Proverbs 19:21).

There are “fast risks” (those that come out of nowhere—they happen suddenly) and “slow risks” (those that occur slowly, developing over time, sometimes due to our actions or inaction).

When it comes to finances, risk matters because our actions have consequences. We see the sowing and reaping principle throughout scripture (Genesis 26:12, Job 4:8, Luke 6:38, Galatians 6:7-8).

Financial risks and the FLE

Risks exist across the personal finance spectrum that can impact our financial life equation (FLE) in different ways.

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Some risks primarily affect income generation ($\sum I_{t+n}$) and interest earned ($\sum IE_{t+n}$). Others impact current wealth (W_t), which includes assets such as savings, investments, real estate, and personal vehicles. There are also risks to our expenses ($\sum E_{t+n}$) if we are unprotected from certain events.

In this chapter and the following three, we'll only consider those that could impact our income-generating capability ($\sum I_{t+n}$) and how to address them.

The risk formula

We can calculate risk using a basic formula:

Risk = Probability x Impact

Probability is simply the chance that something will happen. In the context of risk, it's the likelihood that an event will occur that could have negative consequences for your income.

Impact refers to the effect that a particular event (such as getting laid off) would have on your income if it were to occur.

Here's an example: A business owner is considering a \$40,000 investment with a 50% chance of \$50,000 success or total failure. The risk calculation is as follows:

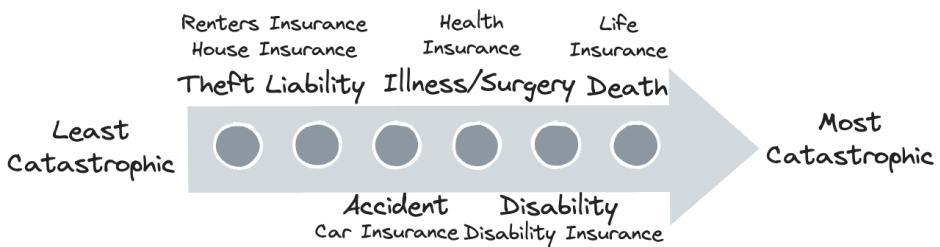
$$\text{Risk} = (0.5 \times \$10,000) - (0.5 \times \$40,000) = \$-15,000$$

That shows a 4:1 risk-reward ratio (risking \$4 for every \$1 of gain), which is not favorable.

The risk continuum

Now consider personal risk. A young husband's death is extremely low probability but has a very high impact. Contrast that with a temporary illness. It may have some short-term impact, but it's not catastrophic.

The graphic below illustrates a "risk continuum" showing income and asset-related risks from the least to greatest and the types of insurance to mitigate them.



Managing risk

There are several ways to handle risk:

First, you could ignore it. Not the best course of action in my opinion, but many do. Consider the number of families without life insurance.

Second, you can try to mitigate the risk. For example, to protect yourself from losing the ability to work due to illness or injury, you can maintain a healthy lifestyle and take necessary safety precautions. And you can choose not to sit in a chair if there's a bomb under it, especially during a thunderstorm.

Third, you can accept the risk, which is sometimes appropriate. You probably don't need to worry about meteor or asteroid insurance, as the probability of such a catastrophic occurrence is infinitesimally small—go ahead and take your chances.

The hard sell you get for an extended maintenance policy on the washer and dryer you just bought is an example of insurance you may not need (remember our risk equation). You can save money in an emergency fund to address such things. Just because you *can* buy a certain kind of insurance doesn't mean that you *should*.

The fourth way to deal with risk is through risk transfer, which is precisely what it says: You transfer the risk (or most of it) from yourself to a third party, typically by purchasing insurance. Put simply, you are paying someone else to accept the risk.

For example, life insurance is at the far end of the “catastrophic” risk continuum. That's because the risk of an early death, particularly of the primary income earner for young families, is significant. The only way you could accept that risk and be confident that your family would be taken care of would be to save up whatever amount of life insurance you would have purchased.

Good luck with that!

Life insurance is at the extreme, but not because the probability of an early death is high (according to the Social Security Administration, a 25-year-old male has a 0.001963 (0.1963%) chance of dying before they reach age 26; that's small).

It's because the *impact* of losing a lifetime of income is very significant. Life insurance helps compensate for the financial loss accompanying the loss of life.

At the other end of the risk continuum is theft. No one wants to be robbed, but losing a watch or a car is much less severe than losing one's life. One can be replaced, the other can't. You might even assume some of the risk for lesser things, perhaps by purchasing a high-deductible policy.

Biblical perspective

From a biblical perspective, we live in a fallen, sinful world and must understand its dangers and risks without fearing them. We strive to provide for and protect ourselves and our families to the best of our ability (Proverbs 22:3, 1 Peter 5:8, 1 Timothy 5:8).

In subsequent chapters, we'll examine the various types of insurance that can be used to mitigate risks to our income-generating capabilities. We'll also look at other types of risk in later chapters about investing.

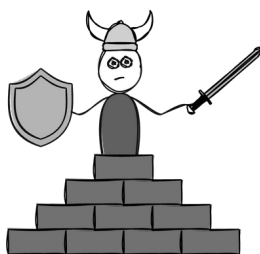
For reflection

We know risks abound in this broken, fallen world. Are you anxious or fearful about your job or your health? There are things we can do to mitigate, or perhaps eliminate, some of these risks, but they may not give you the ultimate peace you're seeking. Only God can provide what you seek. Give your Heavenly Father your burdens and trust in his love and providential care for you.

Verse

"Humble yourselves, therefore, under the mighty hand of God so that at the proper time he may exalt you, casting all your anxieties on him, because he cares for you. Be sober-minded; be watchful. Your adversary the devil prowls around like a roaring lion, seeking someone to devour. Resist him, firm in your faith, knowing that the same kinds of suffering are being experienced by your brotherhood throughout the world. And after you have suffered a little while, the God of all grace, who has called you to his eternal glory in Christ, will himself restore, confirm, strengthen, and establish you. To him be the dominion forever and ever. Amen" (1 Peter 5:6-11).

19 – Transferring the Risk Through Insurance



"I wonder if I have enough protection."

In the last chapter, we discussed risk and the various ways to deal with it. You have options, and probably the best way to deal with high-impact but low-probability risk events is to “transfer” them.

The first way to transfer risk and the concerns and perhaps the fears that come with them is to submit them to the Lord, “...casting all your anxieties on him, because he cares for you” (1 Peter 5:7b).

Okay, I admit I’m taking some liberty with the word “transfer” here; that’s not actually how it works. “Humbly submit out of dependence and trust” would be better, but I think you get my drift.

Consider insurance

Another way is to transfer some of the risk to an insurance company. That can also be very wise in certain situations, as it involves a literal transfer. However, transferring risk comes at a cost: you’re betting you’ll lose money in the deal. How so, you ask?

Insurance is a contract between you and an insurance company that pays a benefit when something bad happens, but pays nothing if you don’t suffer a loss. You pay premiums, hoping you never need to receive the benefit of the insurance you purchased with them.

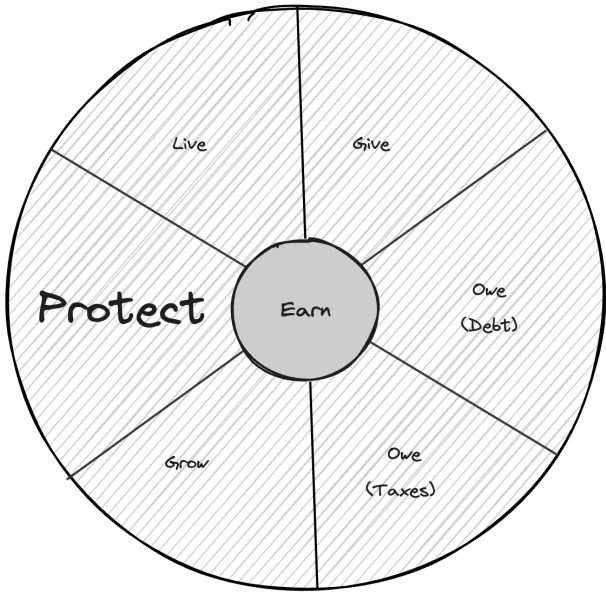
If that sounds like an unwise financial gambit—spending money on something we hope we never realize a benefit from—I understand. But here’s the thing: a benefit is triggered when a qualifying event occurs; our insurance

protects us from catastrophic losses. It doesn't prevent them altogether, but it reduces their effect.

Insurance is a critical part of a broader financial plan. It can help with a major illness or disability, provide replacement income after losing a spouse, and help repair or rebuild a home lost through a disaster.

Unfortunately, I don't know of any insurance that will protect you from losing your job; you'll need to "self-insure" with a 3- to 6-month emergency fund (larger, perhaps 12 to 18 months, if you're a family's sole provider). (You could try to get an employment contract—good luck.)

Even though insurance can never cover every scenario, it can be a wise way to protect your income and assets. That's why it appears on our "things you can do with money" chart as "protect." Still, I've included it as part of the income lever rather than its own since it doesn't necessarily generate income or wealth, but instead helps you protect what you have from catastrophic loss.



But if you're younger, your needs for insurance protection differ from those who are older. Married couples, especially those with children, have very different needs from young single adults.

How insurance works

Insurance is big business, but it's a relatively simple concept. Insurance companies collect premiums, assess their customers' risks, and then pool them together in "risk pools." Sounds pretty creepy, right? Who wants to be in one of those?

These "risk pools" are groups of people sharing a common risk—such as accident, injury, or death—spread across the entire group or "pool." As a pool member, you pay money into the pool (that's your premium). The insurance company invests it, usually in conservative fixed-income securities.

Money leaves the pool to pay those who suffer a loss from an "insured event" called a claim. Your coverage provisions determine what qualifies as an "insured event."

The insurance company pockets the difference between the two, which is their profit. It then pays out profits as dividends or retains them as reserves. If it operates at a net loss, reserves are drawn down, and premiums rise (or, in the worst-case scenario, the insurance company becomes "insolvent" and goes out of business).

So, insurance is simply a pooling of risk regarding future events. It uses more complex and sophisticated forms of probability and statistical analysis (and actuarial science) than we discussed in the previous chapter.

Since risk is pooled, insuring oneself is not inherently gambling (although some insurance contracts can be). It's a common historical practice that goes back to biblical times (the Roman Empire provided life insurance for its soldiers, but their lives tended to be much shorter).

Types of insurance

There are many different kinds of insurance, but almost all of them involve paying a premium to an insurance company in exchange for coverage that can help cover your life, health, property, vehicles, and other things. (You can even buy meteor and asteroid insurance if you need it. I'm not sure you do unless you live on one of Jupiter's moons.) The more extensive the coverage, the higher the premiums.

You can act as your own insurance company in some situations when self-insurance (i.e., assuming the risk) is obviously viable (for cell phones, extended TV and appliance warranties, and similar products).

You can also save on premiums by buying high-deductible insurance, but you need a cash buffer for that. You can profit from acting as your own insurance company, but only if you have few claims (and they are small).

Insurance has become more costly because the items it's meant to replace, if lost or damaged (such as homes and cars), have become more expensive. I'm unsure, but life insurance may be cheaper these days because people live longer. And it costs less when you're younger.

Like most people, I dislike spending money on insurance. As a retiree, I've counted up at least nine different insurance policies, including those related to Medicare.

Is insurance biblical?

Some Christians may question whether insurance is a biblical concept. Are we trusting in an insurance company rather than God? I'll give you my perspective, but there are others.

The Old Testament has much to say about using wisdom in this area. Insurance can be a way to provide for unforeseen circumstances in the future (Genesis 41). Proverbs speak to stewardship, particularly in the areas of preparation and saving for unexpected future events (Proverbs 24:23–27, 27:1, 27:12). I believe these principles can be applied to our perspective on insurance.

Ecclesiastes 11:1–2 also seems to have applicability here: “Cast your bread upon the waters, for you'll find it after many days. Give a portion to seven, or even to eight, for you know not what disaster may happen on earth”.

The New Testament also speaks to this. 1 Timothy 5:8 says, “But if anyone does not provide for his relatives, and especially for members of his household, he has denied the faith and is worse than an unbeliever”.

Insurance can be a wise way to protect others and the assets and income God blesses you with. Still, whether insurance is the best option in any particular situation is ultimately a matter between you and God (James 1:5).

But we must be careful not to allow insurance to replace God. The goal of every protection plan should be to strike a balance between wise planning and faith in God, ensuring you and your family are protected without becoming overly dependent on God.

When insurance is needed most

Ultimately, whether to purchase certain types of insurance is a matter of personal conviction. The decision to buy or not to buy insurance must be made in faith. But remember that lenders require some insurance, and the government (auto, home, if you have a mortgage, etc.).

When you're younger and just starting, you have a limited need for insurance. That changes significantly when you get married and when you start a family. Therefore, protecting and preserving present and future income streams is critical, especially if others depend on your income for their provision.

Key strategies

Protecting your current and future income involves three key strategies.

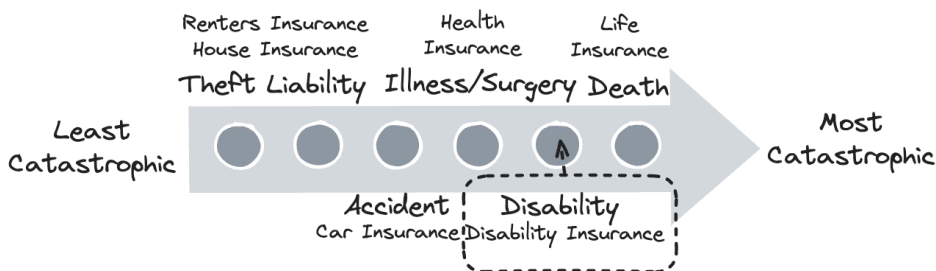
First, safeguard your job by working for a stable employer and avoiding behavior that could lead to termination. While firings are relatively rare and usually the result of serious or repeated issues, layoffs can happen suddenly due to restructuring or cost-cutting. Terms like “downsizing,” “rightsizing,” or “flattening the organization” often mask decisions to eliminate lower-performing employees under the guise of broader organizational change.

Losing your job can severely disrupt your financial life equation, potentially leading to negative income (i.e., debt), so do what you can to avoid it—and if it happens, make job-hunting your new full-time role.

Second, protect against income loss due to illness or injury with disability insurance. A long-term disability early in life can be financially devastating because it impacts both your earning and saving potential.

While short-term disability coverage (often provided by employers) can replace 40% to 70% of income for several months, long-term coverage is even more critical but less commonly offered. If your employer provides it, consider enrolling as soon as you are eligible; otherwise, look into private coverage.

As shown in the “risk continuum” diagram, disability—especially long-term—sits near the high-risk end and should be addressed accordingly.



Finally, protect your future earning capacity by investing in yourself. Continue developing your job skills through education and training, and pursue promotions or new opportunities when it makes sense. That helps ensure that your income grows over time, keeping your financial life equation moving in the right direction.

Be wise when purchasing insurance

Insurance purchase decisions must be made carefully. I am reminded of this sales pitch from a life insurance salesperson to a hesitating customer: “Don’t let me frighten you into a hasty decision. Sleep on it tonight. If you wake in the morning, call me then and let me know.” (Haha, very funny.)

Seriously, take your time, research, and sleep on it if necessary.

Think twice about filing that insurance claim. Very often, when you file a claim, such as for an automobile accident or house damage, your insurance premiums (or your parents’ if you’re on their policy) will increase. And sometimes your policy will be canceled—yes, insurance companies can do that.

The increase in your premiums depends on your policy and the claim amount. If you have a high deductible and choose to cover it that way, you’re okay (unless you’re charged with the accident, which can affect your premiums regardless).

If you can afford it, consider paying the cost of the claim if your premiums are likely to increase. Do the math to determine your “breakeven” period and see if that makes sense.

Any changes to your premium must be made at renewal, even if you had an accident, filed a claim, or got a ticket in the middle of the term.

Your insurance company can decide to cancel your policy (or “non-renew”) for almost any reason when it comes up for renewal at the end of the policy

term. Typically, your claims have been too numerous or significant for you to be a “profitable” customer.

Required notice will vary by state, but your insurer must give you written notice of cancellation or non-renewal and the reason why. North Carolina, for example, requires a 60-day notice. You can appeal if you believe the cancellation is based on inaccurate information.

We haven’t discussed two biggies in detail: protecting your health and life. I hate to state the obvious, but you can’t earn a living if you’re sick or injured or if you’ve gone to heaven (although you may not need to at that point, your family will still need one). We’ll look at these more closely in the following couple of chapters.

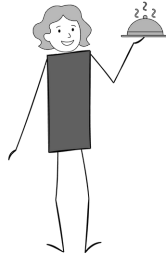
For reflection

Protecting your ability to generate a lifetime of income is one of the most important things you can do. Have you ever considered insurance in a different light, or do you view it as just a necessary expense without much thought? What’s your view of God’s sovereignty, his providential care, and buying insurance? In what ways, if any, does it differ from the perspective shared in this chapter?

Verse

The prudent sees danger and hides himself, but the simple go on and suffer for it” (Proverbs 27:12).

20 – Health Insurance Basics Every Steward Should Know



“Eat your broccoli, and roasting broccoli with steam is the best way to get tender broccoli with balanced browning, crisp-tender texture, and deep flavor.”

I like vegetables, including broccoli. But I also need health insurance. You may not like broccoli, but you probably need health insurance too.

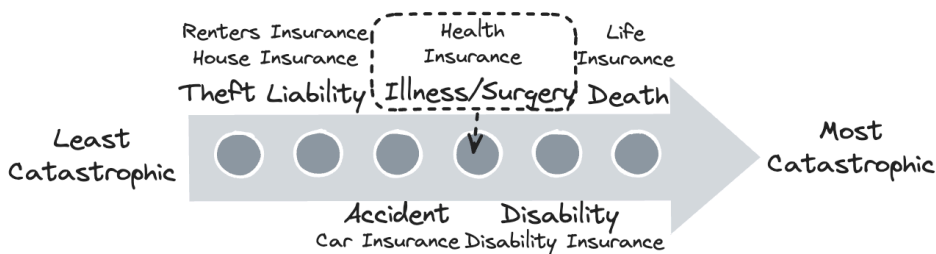
As a “retiree,” I go through the annual Medicare “enrollment period.” And I’ll confess, it sometimes makes me a little crazy. Not because I have to re-enroll (although I can change policies in some cases), but because of all the misleading commercials on TV, online, and in the mail.⁸

(Don’t worry; you won’t have to think about it for a long time, but it has to do with all the different “parts” and plans of Medicare and the myriad decisions retirees must make when they turn 65.)

The importance of health insurance

Health insurance is essential; another look at our “risk continuum” shows us why:

⁸ To see what I mean, check out this commercial: <https://www.youtube.com/watch?v=yh3FAUPqGwc>.



A significant health-related event is a relatively high risk, similar to the loss of life. A high-cost medical “event” is a low probability (especially for young people), but it can devastate your finances without insurance.

You may already know that someone age 26 and younger can get on or stay on a parent’s healthcare plan. That’s a good thing, but remember, your goal is to become less dependent on your parents, so make it your goal to get your own coverage when you can. (You’ll have to when you turn 27.) If someone claims you as a tax dependent, you can buy insurance on the Affordable Care Act (ACA) Marketplace, but you won’t qualify for savings based on your income.

Rocking enrollment

As a young adult, even if you’re under age 26 but work for a company that offers health insurance (lucky you), you, too, have an annual “benefits enrollment period.” It’s usually toward the end of the year and includes all your employer benefits, not just health care.

Health insurance *premiums* are the monthly costs of purchasing healthcare insurance. Chances are good that your employer is subsidizing some of it. If you want to know how much, ask them or check your monthly paystub—it will tell you who pays what. Many people underestimate the actual cost of health insurance because they don’t know how much their employer contributes; it’s probably more than you think.

These premiums come right off the top of your pay, but the good news is that, in most cases, they are not subject to federal or state income taxes. Therefore, your taxable income is already lower. That makes insurance less expensive for high-income employees because they are in a higher marginal tax bracket and save more in taxes. (And if you’re wondering, the poor who can’t afford any insurance are pretty well taken care of in our country; they get decent healthcare for free through Medicaid.)

You must pay 100% of the healthcare expenses before reaching your *deductible*. They can be paid for with cash (after-tax), FSAs, or HSAs (pre-federal, pre-state, and pre-social security taxes—more on them later). Your insurance kicks in after you reach your deductible, and the insurance company starts paying for stuff. How much depends on your company and plan.

After you reach your deductible, *coinsurance* is the percentage of the additional costs you're responsible for. Typically, coinsurance can range from 10% to 30% or more, so your insurance company is on the hook for the remaining 70% to 90%. If you wish, these expenses can be paid from your FSA or HSA, just as your deductible can.

After the deductible is met, your *out-of-pocket maximum* is the maximum amount you must pay.

Understanding HSAs and FSAs

If you have a high-deductible healthcare plan (HDHP), your employer may offer a health savings account (HSA) to allow you to save for medical expenses. For 2025, a HDHP is defined by the IRS as “a health plan with an annual deductible that is not less than \$1,650 for self-only coverage or \$3,300 for family coverage, and for which the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) do not exceed \$8,300 for self-only coverage or \$16,600 for family coverage.”⁹

The annual contribution limit to an HSA in 2025 is \$4,300 for a single and \$8,550 for a family. These contributions can be invested in stocks and bonds. Unused HSA funds carry over from year to year. You can fund it with pre-tax money like a Traditional 401(k), but unlike a Traditional 401(k), you don't have to pay Social Security or Medicare taxes on these contributions. In that way, it can function like a “shadow” retirement account.

A flexible savings account (FSA) is a savings vehicle you can utilize if your employer offers it, even if you don't have an HDHP. The annual contribution limit for 2025 is \$3,300 (\$6,600 for couples if both have a plan). The FSA can't be invested, but for those who permit the carryover of unused amounts, the maximum carryover to 2025 is \$660. Any unused funds over that amount are forfeited.

⁹ <https://www.irs.gov/publications/p969>

Choosing the right plan

As shown below, there are several types of health insurance plans, each with different coverage options, restrictions, and costs.

Plan Type	Network Required?	Specialist Referral?	Key Features
HMO (Health Maintenance Organization)	Yes	Yes	Lower cost, but limited provider services
PPO (Preferred Provider Organization)	Yes (cheaper in network)	No	More provider flexibility, higher costs
EPO (Exclusive Provider Organization)	Yes	No	Lower costs, no referrals needed, but
POS (Point of Service Plan)	No (cheaper in network)	Yes	More provider options, referrals required

“Network required” refers to the list of approved physicians in the company’s “network.” “Specialist referral” means that a referral by a primary care physician is required for a specialist physician visit to be covered.

Most employers have online tools available to help you choose the right plan for you based on several factors:

- The actual plan choices through your employer (high, medium, or low deductible or HDHP)
- The plan provisions (premiums, deductible amounts, coinsurance percentages, out-of-pocket maximum, total out-of-pocket maximum)
- Your tax situation (federal marginal tax rate, state marginal tax rate, Medicare marginal tax rate, Social Security marginal tax rate)
- You can ignore the income tax implications of the decision and just start with your annual premiums. (You must pay them even if you have no medical expenses.)

Once you have a healthcare expense, you must pay it out of pocket up to your deductible. As you continue to incur more expenses, your out-of-pocket expenses increase until you reach the maximum. At that point, you’re no longer responsible for any additional covered medical expenses during that year.

How the cost structure works

That illustrates a peculiar aspect of how this works. Until you hit the deductible, you bear 100% of the cost. Once you hit the deductible, you’re

responsible for the coinsurance. Once you hit the out-of-pocket maximum, you're responsible for 0%.

As a result, people start doing weird things when the price of something becomes zero. Suddenly, you're more apt to go to the ER for a headache or sore throat. (Okay, I'm kidding, but it could happen.)

Tax implications of premiums and contributions

You might also consider the tax implications of your choice. You'll have to do some math (sorry, you were forewarned, LOL).

Health insurance premiums reduce your tax liability by:

Your Annual Premium x (Federal Marginal rate + State Marginal Rate)

For example, let's use the following assumptions:

- Federal Marginal Tax Rate: 22.00%
- State Marginal Tax Rate: 5.00%
- Annual healthcare insurance premium: \$3,960

The calculation for someone with a gross salary of \$80,000 would be as follows:

$$\begin{aligned} & \$3,960 \times (0.22 + 0.045) \\ &= \$3,960 \times 0.265 \\ &= \$1,049 \text{ tax savings} \end{aligned}$$

That effectively reduces your premiums by $(\$3,960 - \$1,049) = \$2,911$.

Contributions to an FSA / HSA shift the effective premium costs down further based on the following formula:

Your FSA/HSA Contribution Amount x (Federal Marginal Rate + State Marginal Rate + Social Security Marginal Rate + Medicare Marginal Rate)

Additional assumptions:

- Medicare Marginal Tax Rate: 1.45%
- Social Security Marginal Tax Rate: 6.20%

The next step is to estimate your likely spending for the next calendar year. (We all know a major medical "event" can change things, so running a "what if" scenario would be wise.) Then, you can run the calculations and choose the plan with the lowest after-tax cost, given your expected healthcare expenses, considering the other plan provisions.

Assumptions (based on ACA Silver Plan in NC):

- \$2,911/yr after tax in premiums

- \$1,575 deductible
- 50% coinsurance
- \$9,200 out-of-pocket maximum
- \$5,000 estimated cost of medical service(s)

Then, use these steps to estimate your total out-of-pocket cost for healthcare:

- 1) Compare the cost of service to the deductible ($\$5,000 > \$1,575$ deductible)
- 2) Calculate the cost of services minus the deductible ($\$5,000 - \$1,575 = \$3,425$)
- 3) Multiply #2 by the coinsurance percent of 0.50 ($\$3,425 \times .50 = \$1,713$)
- 4) Take the lesser of #3 or the out-of-pocket max ($\$1,713 < \$9,200$)
- 5) Add annual after-tax premium costs ($\$2,911$)

Based on a \$5,000 service cost, your total cost for the year would be \$4,624 ($\$1,713 + \$2,911$). In this example, a higher deductible or lower coinsurance percentage would have reduced your total expense.

That gives you a basic idea of how much any set of services for a year will cost you in real out-of-pocket money. Plus, you can see how things change if you have a significant medical expense. You would pay no more than ($\$2,911 + \$9,300 = \$12,211$), even if the service cost was hundreds of thousands of dollars. That's the real advantage of health insurance!

That said, \$12,211 is nontrivial, but the premium of \$2,911 is a sunk cost, so you'll need to come up with the \$9,300 or pay it back in installments. An emergency fund can help with that, or you could sign up for a lower out-of-pocket maximum, increasing your premium payments—so choose wisely.

The Affordable Care Act (ACA) and the premium subsidy cliff

Many people get their healthcare through healthcare.gov or their state exchange instead of through an employer-sponsored plan. But in 2025, the “One Big Beautiful Bill Act” (OBBA) didn't extend the temporary ACA subsidy enhancements from the COVID era. So, starting in 2026, the infamous *Premium Subsidy Cliff* returns.

That means if your income is even *\$1 over 400% of the Federal Poverty Level (FPL)* (e.g., \$84,600 for a couple), your premium tax credit drops to *zero*, instantly raising your annual health insurance cost by *thousands*. For example,

a couple earning \$85,000 could lose a \$13,000 subsidy overnight! Yes, you read that right—even if it just \$1 over!

If you buy health insurance through the ACA marketplace and are near that income threshold, it's crucial to project your Modified Adjusted Gross Income (MAGI) and manage it carefully. Use pre-tax retirement contributions, avoid unnecessary capital gains, or defer income to stay under the line.

Starting in 2026, all Bronze ACA plans will be HSA-eligible, and the repayment cap will be eliminated, so estimating your income correctly matters more than ever. Smart planning now can help you avoid costly surprises later.

For reflection

The Bible states that for Christians, our bodies are temples where the Holy Spirit dwells. Ponder that one for a second: The Spirit of God, the Third Person of the Trinity, lives in us. I'm unsure how exactly—it's a mystical union, but I know it's true (Romans 8:9). What an amazing truth it is! Compared to the rest of the world, we have excellent healthcare but inferior overall outcomes. We eat too much unhealthy food and too little nutritious food, and we move our bodies too little. So, take care of the one (mortal) body that God gave you, as no amount of healthcare spending can compensate for failure to do that. Wash your hands and eat your broccoli (and take a walk once in a while).

Verse:

“Or do you not know that your body is a temple of the Holy Spirit within you, whom you have from God? You are not your own, for you were bought with a price. So glorify God in your body” (1 Corinthians 6:19–20).

21 – Life Insurance to Protect Your Family



Sign here—and press hard, there’s three copies.

This chapter is a continuation of a series of chapters on your income and the risks to it. Of all the risks you face, a premature demise is the greatest for the obvious reason that you can’t work for a living on earth after you’ve gone to heaven—and who would want to, anyway?

Once you experience heaven, you’ll want to stay there. But anyone back on earth who is counting on you for some or all of the family’s income may not be in as good a shape as you are.

God’s sovereignty over life

We know that our lives are in God’s hands. The Bible—especially the Old Testament—affirms that God has determined the length of our lives down to the days and hours. Consider Job 14:5, where Job speaks these words about man: “Since his days are determined, and the number of his months is with you, and you have appointed his limits that he cannot pass”.

Jesus also spoke of this in Matthew 6:27: “And which of you by being anxious can add a single hour to his span of life”?

And there is the parable of the rich fool in Luke 12:13-21, where Jesus says, “But God said to him, ‘Fool! This night your soul is required of you, and the things you have prepared, whose will they be’”?

We all hope and pray for long, healthy lives, but none of us knows exactly how long that will be. So, it’s best to live each day like it could be our last, but plan for 100 years. (Some of you may live beyond 100, if the Lord tarries.)

Our life expectancy

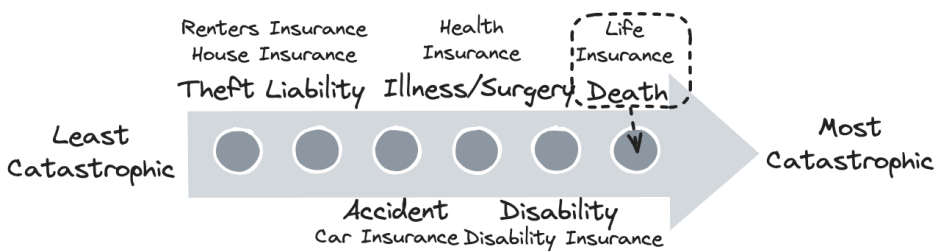
According to the Social Security Administration's "Period Life Table," a 25-year-old has an average life expectancy of 49.82 years, to age 74.82. (If they reach age 50, their life expectancy goes up to 78.12.) However, approximately 2,074 out of 100,000 (2.1%) won't reach age 75.

Advances in medical science and healthier lifestyles will likely alter these statistical estimates in the decades to come. However, one truth remains: Our lives are ultimately in God's hands; he has sovereignly numbered our days: "Your eyes saw my unformed substance; in your book were written, every one of them, the days that were formed for me, when as yet there was none of them" (Psalm 139:16).

It's not as if we think we'll never "shirk off this mortal coil and join the choir invisible"; we just have no idea when that will happen. And since we don't know, we have to hope for the best but plan for the worst, which is an early demise from an earthly viewpoint.

Transferring the risk with life insurance

When it comes to transferring risk, the risk of a premature demise is on the catastrophic end of our risk continuum:



That's because, even though the probability of a sudden, early death for a young adult is very low, the potential impact, especially if they are the primary income earner for a young family, is very high. That's where life insurance comes in; it's a way of transferring the risk to an insurance company to help compensate for the financial loss of income accompanying the loss of life.

The younger you are, and the more dependent others are on you for income, the more you need life insurance. Plus, without income, there can be

no retirement savings. Life insurance replaces at least some lost income. It can also help fund retirement.

On the other hand, if you’re single with no family to support and have some money saved up, you probably don’t need it—not yet. But the answer is almost always yes if someone else relies on you for financial support. Also, if you plan to marry and start a family, consider getting a life insurance policy early on because the premiums will be lower.

Types of commercial life insurance

When it comes to purchasing life insurance, things get confusing. This chart shows the main types of life insurance and their major features:

	Term & Permanent	Whole Life	Universal	Variable Universal
Death Benefits	✓	✓	✓	✓
Tax Advantages	✓	✓	✓	✓
Invested in the Market				✓
Cash Value Guaranteed		✓	✓	
Flexible Payments	✓		✓	✓
Lower Monthly Cost	✓			

- Term Life is simple life insurance for a specified period, typically 1 to 30 years.
- Permanent Life is simple insurance for life (no specified term).
- Whole Life is a permanent life with an investing mechanism inside it.
- Variable Life uses the financial markets as the investing mechanism.
- Universal Life is basically a hybrid term/whole life form.

I prefer renewable, fixed-term life insurance because it’s simple and low-cost. You receive a more substantial death benefit for the premiums paid, which is especially beneficial for young families. Other “permanent” life insurance products, such as whole and variable life, may have a place (more on that later when we talk about investing), but they tend to be complicated and expensive. (For a more extensive discussion on the different types of insurance, use the Investopedia link in the Resources section below.)

Employee group life insurance

Term life insurance is relatively easy to purchase. Many employers offer free group term life insurance as a part of their employee benefits package. Typical employer coverage is one- or two-times base pay. It’s free, yes, but the

cost of insurance over \$50,000 is taxable to you as “imputed income,” according to a rate table established by the IRS.

Free is free (even with a little in taxes), but \$50,000 or \$100,000 may not be enough coverage, depending on your circumstances. You can often buy additional coverage through your employer, but I wouldn’t necessarily recommend it. Employee supplemental life insurance is not subsidized but is offered at “group rates.”

The good thing about employer life insurance is that it isn’t medically underwritten, so you can’t be denied coverage. And since there is only one rate group, you’ll pay the same as everyone else. But here’s the “catch”: group rates tend to be higher than they would be for healthy people and lower for unhealthy ones in the open market.

How much insurance do you need?

Deciding how much insurance to purchase can be a complex process. A simple rule of thumb is to multiply your income by 15, and then consider a policy term that matches your survivor’s expected income needs. So, someone making \$80,000 would buy \$1.2 million of insurance. Life insurance is no longer required once a family is financially independent (typically in retirement, but it can be sooner).

But suppose you’re a young couple with no children, and one of you should pass away prematurely. In that case, there is a greater than zero probability that the surviving spouse will remarry and, as a result, find themselves in a better financial position than had they not done so, especially if they weren’t the primary income earner. That may mean you can purchase less insurance than the 15 times income that is often recommended.

How life insurance is sold

The insurance industry is somewhat unusual. The largest companies are national, but they are licensed and regulated at the state level, and their insurance rates are filed with each state’s insurance department. (That’s why you’ll always be asked for a zip code when you ask for a quote.)

Many insurance policies are sold by “agents” (sometimes presenting themselves as “financial advisors”) who are paid by commissions and *may* use

high-pressure sales tactics. The amount of pressure may vary based on the type of product, as some pay higher commissions than others.

If you decide to purchase a term life policy and are willing to work with an agent, I suggest using term4sale.com. The site doesn't sell insurance; it will help you compile and compare quotes from many companies with contact information for independent agents in your area (they don't share any of your personal information).

Buying online vs. through agents

You may be thinking, "Can't I get lower rates if I buy directly from the insurance company, and can't I compare rates and purchase insurance in one shot on websites like Policygenius, AccuQuote, SelectQuote, and IntelliQuote"?

Although it may not be the most cost-effective option, working with a local agent is actually still a reasonable way to buy term life insurance. You can speak with a live representative who understands the business. Plus, rates are based on your "health underwriting class" (remember our "risk pools" from earlier?), and not all companies structure those classes similarly. You may get a better rate with one company than another, and a good agent can help you do that.

Call a different one if the agent tries to "up-sell" you to a more expensive whole life, universal, or variable life. If you'd like to do it all online, you can do that instead of using one of the sites I listed above. They'll make it pretty easy.

The risks of not having a will

Many young adults assume they don't need a will because they're not wealthy or don't yet have dependents, but the truth is that having one is an important act of stewardship at any stage of life. You may not need a complicated estate plan costing thousands, but a will makes sure that whatever you do own—whether that's a car, a savings account, or even digital assets like social media accounts—is passed on according to your wishes, not left for the courts to decide. It can also designate who should make decisions for you if something unexpected happens.

For Christians, creating a will is more than just a legal formality—it's a way of honoring God by responsibly managing what He's entrusted to you and easing the burden on your loved ones. Even in your 20s or 30s, a simple will can provide peace of mind and protect those you care about.

For reflection

Do you have an aversion to purchasing life insurance? What are your reasons? You have freedom in this area, but consider the biblical wisdom of trusting God while also doing what is within your power to protect your family's finances. "Trust God, but row away from the rocks."

Verse

"So whoever knows the right thing to do and fails to do it, for him it is sin" (James 4:17).

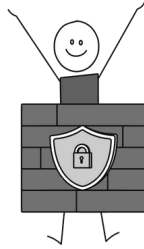
Resources

Term4Sale: <https://www.term4sale.com/>

Deep Dive on the Different Types of Life Insurance (Investopedia): <https://www.investopedia.com/types-of-life-insurance-6743504>

DIY will making software from NOLO: <https://store.nolo.com/products/quicken-willmaker-plus-wqp.html/>

22 – Protecting Your Online Identity and Accounts



"Come and get me, your filthy animals!"

Like most young adults, you probably use digital (internet-based) devices for online banking, investing, and payments. But there's a problem: *It's a jungle out there, full of "creatures" wanting to separate you from your money.*

Online services can simplify and expedite things, but also puts you at greater risk for fraud or identity theft. Therefore, you must protect your digital assets, including your online identity.

Identity theft, phishing, fraud, etc., are all cybercrimes intended to separate you from your hard-earned income and what you've saved and perhaps invested. If that happens, it can have catastrophic consequences for your "financial life equation" (FLE).

We live in a fallen world, so using the best tools and techniques available to protect your identity and digital assets is wise. Fraudsters and scammers are out there (sadly, including in churches!). So don't be a victim, as Jesus said in Matthew 10:16, "Behold, I am sending you out as sheep in the midst of wolves, so be wise as serpents and innocent as doves".

Common-sense measures

Many measures you can take are common sense and relatively easy to implement, but many people overlook them until it's too late. For the sake of your reading time, I'm not going to cover all of them in great detail, but here is a graphic that includes most of them:



However, I'll highlight some of these because they are most relevant to protecting our income, savings, and investments.

Be wary of phishing scams

First, be extra careful who you trust with your personal information. Never share private information in an email or text, even if the requestor looks real. This threat is likely a "phishing attack," where you're asked for information for an urgent purpose via email or text, and then directed to a fake website.

Check the "from" address; it will probably bear no resemblance to the so-called company making the request. Poor grammar and misspellings are another tip-off (if you're going to be a crook, at least be competent, LOL). Also, remember, just because a website looks like the real thing doesn't mean it is; it can be easily replicated, so check the URL.

Strong passwords and password managers

The second biggie is not using the same password for everything (many people do). And don't make them easy to crack (like your first name plus 1234)! Consider using an online password vault to generate different strong passwords for each online account and to keep your password information safe. (I have listed some in the resources section below.)

Using two-factor authentication (2FA)

Use two-factor authentication (2FA) to log in to your critical financial websites. That's easy to set up on the provider's website, usually in your profile's privacy and security settings. It will force you to use something besides your username and password to access your account. The most common form of 2FA is a security code sent by text to your phone.

Using 2FA is better than not using it, and it's widely adopted. But when you think about it, receiving a security code by text message is pretty weak. A mobile phone number can be hijacked through what's called "SIM swapping." A criminal can use it to reset your password using 2FA and gain access to your accounts after they hijack your mobile phone number.

Stronger alternatives

You can (and should) also set up 2FA for all your Peer-to-Peer (P2P) payment apps (Cash, PayPal, Venmo, etc.) with their privacy/security settings options. I've added a link in the Resources below to an article on LinkedIn that provides more information.

Fortunately, there are more vigorous forms of 2FA. I haven't used them yet, but I am investigating. One of them involves using an "authentication app."

Authentication apps like Google Authenticator, Microsoft Authenticator, Authy, Duo, and 1Password (which I use as my password vault) generate time-based one-time passwords (TOTP) that refresh every 30 seconds. Since these codes are tied to a specific device rather than a phone number, they offer much stronger protection than SMS text-based authentication.

Many major financial institutions, including Fidelity, Morgan Stanley, T. Rowe Price, Betterment, and Robinhood, support authentication apps as a 2FA option. I checked Fidelity, and they support any Authenticator app that uses standard TOTP functionality.

That's pretty new. Previously, I was limited to the non-standard Symantec VIP app, which I didn't want to deal with since I already use 1Password. So, I was pleased to learn that they now support TOTP apps, and I plan to take a hard look at that.

You could use the Symantec VIP hardware token for a security hardware-based solution—image below. (I'm familiar with these. Before I retired, I used

an RSA token for remote VPN access to my company's network.) These are not connected to the internet and cannot be compromised by malware.



If you're a Vanguard customer, you can use YubiKey, a physical hardware key that connects via USB or NFC. You can also register multiple YubiKeys as backups in case you lose one.

While investing in security hardware requires a small upfront cost, the extra security and peace of mind may be well worth it to some.

Secure your home network

Finally, make sure your home Wi-Fi network is secure. By "secure," I mean that it requires a login to access, and security is set up to encrypt the signal. If not, you can fix it in your router's security settings. Avoid using unsecured public networks for financial transactions, as your passwords and account details could be compromised.

Freeze your credit

You can do one more thing to help with identity theft, even if it happens (usually through some data breach; there have been many of them in recent years): FREEZE YOUR CREDIT. It usually only takes 5–10 minutes to do and protects you from those threats.

When you freeze your credit, anyone who has stolen your personal information and tries to open a new credit account in your name will be rejected.

After freezing your credit on the credit bureau sites, you can unfreeze and refreeze your credit if necessary because you're legitimately applying for some credit. (In my case, this may never happen since I don't foresee borrowing any money for any purpose at this point in my life.)

For reflection

Some are naive about online security, while others take it too seriously and don't use internet-based financial services at all. Where are you on that spectrum? God doesn't want you to live in constant fear, nor does he wish to presume on his continual protection if you don't do anything to protect yourself. What wise steps must you take today to better secure and protect your "online self"?

Verse

“. . . for God gave us a spirit not of fear but of power and love and self-control" (2 Timothy 1:7).

Resources

Best Password Managers 2025 (PCMag): <https://www.pcmag.com/picks/the-best-password-managers>

Authy Auth App (iPhone): <https://apps.apple.com/us/app/twilio-authy/id494168017>

Google Auth App (iPhone): <https://apps.apple.com/us/app/google-authenticator/id388497605>

Microsoft Auth App (iPhone): <https://apps.apple.com/us/app/microsoft-authenticator/id983156458>

SymanticVIP: <https://vip.symantec.com/>

Fidelity 2FA: <https://www.fidelity.com/security/extra-security-login>

Schwab 2FA: <https://www.schwab.com/content/how-to-set-up-two-factor-authentication>

Vanguard 2FA: <https://investor.vanguard.com/trust-security>

Experian Credit Freeze: <https://www.experian.com/help/credit-freeze/>

Securing P2P Apps (LinkedIn article): <https://www.linkedin.com/advice/0/how-can-you-ensure-peer-to-peer-payments-secure-zlrc>

LEVER #2 – YOUR TAXES: KEEPING MORE OF WHAT YOU EARN

23 – Payroll Taxes and Withholding Explained



"I expected a direct deposit and instead I got direct withdrawals."

At this point, you might be impatiently wondering, "Taxes, seriously? When will we get to the good stuff, like investing and planning for retirement?" I hear you, but we have more work to do in the short term before we go long.

We've discussed your starting wealth and income, which positively impact your "financial life equation" (FLE). Now, we'll discuss taxes, which are a negative (unless the IRS gives you money, which they sometimes do in the form of tax credits). They reduce current wealth (W_t) and income (ΣI_{t+n}); therefore, you must minimize them as much as possible to impact your FLE positively, or it will go the other way. Here it is in context of the FLE:

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Future wealth = Starting wealth + **Sum of all income** – **Sum of all taxes** (ΣT_{t+n}) – Sum of all giving – Sum of all living expenses + Sum of interest earned – Sum of interest paid.

The true cost of taxes

Did you know that the average American will pay \$524,625 in taxes throughout their lifetime? That's more than a third (34.7%) of all estimated average lifetime earnings (\$1,494,986) spent on taxes. (The number will be higher in some states and lower in others.)

In addition to reducing income and current wealth, taxes have an "opportunity cost": Money paid in taxes cannot be used for other purposes, and the "cost" (which can be financial or not) is the loss of the positive outcomes of those uses.

Imagine reducing that number by 10, 15, or 20 percent and investing it, earning an average of 5% yearly. Each dollar you invest would double in value every 14 years! If you earn more than 5%, doubling will happen faster.

A biblical view of taxes

Most of us view taxes as a necessary "evil," but the Bible views them differently. Yes, taxes are a reality of life, but as long as human government has existed, there have been taxes of some kind.

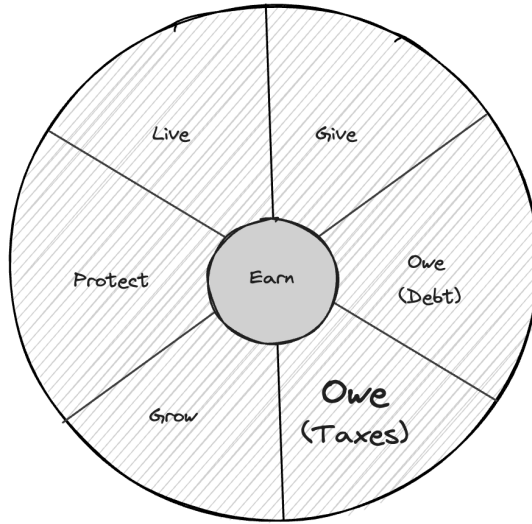
A better way to view it may be to view taxes as something we ultimately pay for the Lord's sake. The biblical position is that we are to pay the taxes we owe (but not anymore) with gratitude. Dr. Andrew J. Spenser of the Center for Faith and Culture put it this way: "Everyone should pay their taxes per the laws of the land. Objecting to policies established by the government or the use of the government funds does not, according to Scripture, relieve the Christian of the duty to pay taxes.

However, this does not mean that paying as much as possible in taxes is ethically required; using exemptions, deductions, and credits in the tax code to reduce your tax bill is consistent with good stewardship."¹⁰

Jesus gave us some guidance in Luke 20:22-24: "...Give to Caesar what is Caesar's, and to God what is God's". The Apostle Paul adds in Romans 13:6-7: "Pay to all what is owed to them: taxes to whom taxes are owed...".

Okay, so owing and paying taxes is something we have to do, along with all the other things we do with our money:

¹⁰ <https://cfc.sebts.edu/>



Source: Ron and Michael Blue, "God Owns it All," Lifeway, 2016

Why this matters

Taxes can feel overwhelming, but a little know-how goes a long way. Whether you adjust your withholdings to avoid giving the government an interest-free loan or make the most of deductions, there's real money to be saved.

Tax minimization is probably one of the under appreciated and underutilized levers in our FLE. You can reduce the taxes you pay each year if you know how. And those tax savings really add up over a lifetime, especially if you repurpose the money you save.

You don't have to be a CPA to understand the U.S. Tax Code. But it does take some time and effort. Let's start with some basics.

Payroll taxes

Four main types of taxes nibble away at your paycheck. They're called "payroll taxes" because your employer withholds them as part of their payroll and disbursement processes. Employers must legally withhold FICA taxes (Federal Insurance Contributions Act). If self-employed, you pay the SECA tax (Self-Employed Contributions Act).

- 1) **Social Security tax:** 6.2% on income up to \$176,100 (2025). Everyone pays the same, even if income exceeds this cap.

- 2) **Medicare tax:** 1.45%, with an additional 0.9% above \$200k (single) or \$250k (married). No cap.
- 3) **SECA tax (self-employed):** 12.4% for Social Security + 2.9% for Medicare = 15.3%. Half is deductible as a business expense. (SECA is only owed if net earnings exceed \$400.)
- 4) **Federal and state income taxes:** Federal income taxes fund a wide range of programs and are the largest tax most people pay. About 40% of the population pays little or none. State income taxes vary. NC has a flat tax rate of 4.25% (2025), with a \$12,750 standard deduction (\$25,500 for married couples).

You may also face a sales tax (up to 7.5% in some areas), property taxes (average 0.855% in my county), and tangible property tax on cars, boats, etc. These all add up, which is why it's crucial to understand, monitor, and minimize taxes whenever possible!

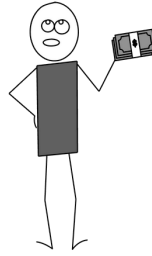
For reflection

We need to be honest—even Christians hate unfairness in the tax system and the corruptness of the IRS, and also many of the things the government uses our tax dollars to fund. But no matter how unfair, wasteful, and corrupt the tax system is, we still have to pay our income taxes and other taxes. We are to have nothing to do with anything illegal and submit to our authorities (so long as they are not in direct conflict with Scripture). Even Jesus paid taxes. So, what about you? Do you struggle with your attitude at tax time? Why? How do your attitudes line up with Scripture?

Verse

Therefore one must be in subjection, not only to avoid God's wrath but also for the sake of conscience. For because of this you also pay taxes, for the authorities are ministers of God, attending to this very thing. 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" (Romans 13:5-7).

24 – Understanding Your Taxable Income



"It's not how much I make, it's what the government says I made."

In the last chapter, we learned about gross income (and no, gross doesn't mean low), adjusted gross income (AGI), and calculating taxable income using the standard deduction. Now, we are ready to do the tax calculations. But before the tax calculation, there's something else to discuss.

Understanding taxable income

You may already know this, but you don't pay taxes on all the money you earn. You pay taxes on what is called your "taxable income," which is almost always less.

All federal income tax calculations are based on taxable income. The lower your taxable income, the lower your taxes. (Some people have zero taxable income.) Taxable income is different from your "gross income" (a.k.a. your "take-home pay"), and it's also not your "adjusted gross income" (AGI). It derived from them.

I want to walk us through the calculations manually so that you understand how the tax system works, especially the things that lower your taxable income. Working through this is a great way to better understand the tax code's basics. The more you know, the more you can minimize your taxes, and minimizing the taxes you pay is the best way to channel your frustrations with the IRS and the U.S. government.

Key terms: above and below the line

There are “above-the-line” adjustments to your gross income that are used to calculate your adjusted gross income (AGI). These apply regardless of whether you itemize or take the standard deduction.

“Below-the-line” deductions are itemized deductions subtracted from AGI to determine your taxable income. For 2025, they’re only helpful if their total exceeds the standard deduction of \$15,750 (single) or \$31,500 (married filing jointly).¹¹

Here’s an easy way to visualize this:

Gross Income– Above-the-line deductions

= Adjusted Gross Income (AGI)

– Standard or Itemized Deductions (Below-the-line deductions)

= Taxable Income

Adjusted gross income (AGI)

Your AGI is a key calculation because it determines eligibility for various credits and deductions (like the Earned Income Credit or Child Tax Credit), phase-out ranges for others, and affects Roth IRA contribution eligibility.

Let’s assume a \$60,000 salary for an illustration. If that’s your only income, you can subtract pre-tax contributions (e.g., HSA, Traditional 401(k)) from your salary to arrive at AGI. You can also deduct student loan interest “above the line” up to the IRS limit, subject to income criteria (not shown).

For example:

\$60,000 Gross Income

– \$6,000 HSA and 401(k) contributions

= \$54,000 AGI

Technically, HSA and Traditional 401(k) contributions lower your AGI before you make any other above-the-line adjustments. That’s because your employer deducts them directly from your paycheck.

HSA contributions can also be made independently (not through payroll deductions). In that case, you can deduct them as an adjustment to your AGI when filing your taxes.

¹¹ These were increased as part of the One Big Beautiful Bill Act (OBBBA) enacted into law on July 4, 2025.

As you can see, your taxable income has already been reduced by \$6,000! That's money you DON'T have to pay taxes on. Take that, IRS!

Standard vs. itemized deductions

We have your AGI (=\$54,000), but we're not through yet, even though your taxable income has already been reduced. With it, we can now calculate your taxable income using a simple formula, which is your AGI minus your standard deduction or itemized deductions ("below the line deductions"), whichever is greater, which is shown as the Max() function in the simple formula below:

$$\text{AGI} - \text{Max}(\text{Standard Deduction}, \text{Itemized Deductions}) = \text{Taxable Income}$$

Here are the 2025 Standard Deduction amounts:

- Single Filers: \$15,750 (up from \$15,000)
- Married Filing Jointly: \$31,500 (up from \$30,000)
- Heads of Household: \$23,625 (from up \$22,500)

Most people (about 90%) use the standard deduction. But if your itemized deductions are higher, use them. Common itemized deductions include:

- Medical/dental expenses (only the amount > 7.5% of AGI)
- State and local taxes (SALT)—capped at \$40,000 (raised from \$10,000)¹²
- Mortgage interest (on loans up to \$750k post-2017)¹³
- Charitable contributions (up to 60% of AGI for cash gifts)¹⁴
- Casualty and theft losses (for federally declared disasters)
- Gambling losses (up to gambling winnings)

If you think your itemized deductions could be greater than your standard deductions, you can combine all your records and total them up. But they probably won't be unless you have significant charitable contributions,

¹² These were also increased by the OBBBA, but the limit will revert to \$10,000 in 2029. There is also a \$500,000 threshold (for both single and married filers), and the deduction will be reduced by 30% of the amount by which it exceeds that threshold, but not below \$10,000.

¹³ This deduction was made permanent by the OBBBA in 2025. The bill also added mortgage insurance premiums to be treated as interest so that PMI will be treated like interest for this deduction, effective in 2026.

¹⁴ Under the OBBBA, charitable contributions of \$1,000 (or \$2,000 if married) are now deductible even if you don't itemize your deductions.

mortgage interest, health care expenses, or own a business. (The higher your income, the more likely that could be.)

Example calculation

Continuing with the previous example, we'll calculate your taxable income:

$\$54,000 \text{ AGI} - \$15,750 \text{ Standard Deduction} = \$38,250 \text{ Taxable Income}$

That means about 70% of your gross income is taxable (it would be less with additional “above the line” deductions, such as student loan interest or a deductible IRA contribution). Tax-advantaged benefits like HSAs and 401(k)s reduced your taxable income by 30%, positively affecting the “Sum of all taxes” term in the financial life equation.

That's why I initially said you don't pay taxes on everything you earn.

In the following chapter, we'll calculate exactly how much that tax will be, and I think you may be surprised (at least a little). We'll also discuss tax brackets and marginal tax rates along the way. Later, we'll discuss how to decide how much in taxes to withhold from your paycheck to keep the IRA at bay while not giving them free use of your hard-earned money.

For reflection

We've seen how the IRS allows us to reduce our taxable income, sometimes considerably, as a percentage of our total income. Still, most of us will owe some taxes. Can you cheerfully and with gratitude pay what you owe? Perhaps not so much as you resent or even have contempt for the IRS or how the government spends our tax dollars. Governments have been established to bring order, but sometimes, they conflict with personal convictions or even God's commands. What should our first biblical response be?

Verse

“First of all, then, I urge that supplications, prayers, intercessions, and thanksgivings be made for all people, for kings and all who are in high positions, that we may lead a peaceful and quiet life, godly and dignified in every way” (1 Timothy 2:1-2).

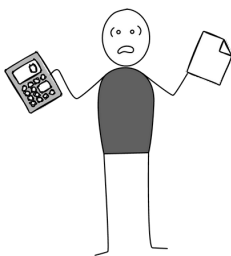
Resources

IRS—Credits and Deductions: <https://www.irs.gov/credits-and-deductions-for-individuals>

Turbotax: <https://turbotax.intuit.com/tax-tools/calculators/taxcaster/>

IRS eFile Calculator: <https://www.calculator.net/tax-calculator.html>

25 – How to Calculate Your Tax Bill



"I did my taxes, and apparently, I work for the government now."

In the last chapter, we learned about gross income, adjusted gross income (AGI), and calculating taxable income using the standard deduction. Now, we're ready to do the tax calculations.

Millions of people are doing that right now, for as I write this chapter, we are in the middle of tax season (although they're probably using some tax software or paying someone to do it for them). I've used Intuit's TurboTax for years, and it has worked well for me.

Refunds and over-withholding

Before we get to the actual tax calculation, there's something else we need to discuss.

After you do your taxes or have them done, you might have a nice refund or a big surprise. If you're like many young adults, you may be happy getting a big tax refund each year—it feels like "free money." But in reality, it has actually cost you money!

That refund is just the IRS returning the money you overpaid throughout the year. You loaned it to the government interest-free instead of using it to earn interest for yourself. It may not be a lot, but interest is interest (better yours than the government's).

Remember that in our financial life equation, taxes are a negative, but interest earned is a positive. So, even though you get a "refund," it reduces your current wealth by the interest you could have earned on it.

So, instead of giving the government an interest-free loan, you could adjust your tax withholding to keep more money in your paycheck while ensuring you don't owe a lot at tax time.

Withholding adjustments

You may recall from the first chapter in this series on income tax that withholdings from your paycheck reduce your taxable income. In addition to the government payroll taxes, there are other adjustments and deductions we discussed.

You don't have control over some of them, like FICA, but you do over how much of your paycheck your employer withholds for federal and state taxes. If too much is withheld, you get a refund. If too little is withheld, you may owe money when you file your taxes.

Owing a little money is not necessarily bad, especially if it's sitting in a high-yield savings account. Your earnings can pay a little of the taxes you owe. But if you withheld way too little, the IRS may hit you with a penalty.

If you'd rather not loan the government your hard-earned money, you can adjust your withholding to strike the right balance between what's withheld and what you keep.

One way to do that is to use the IRS Tax Withholding Estimator, available on the IRS website. It helps determine how much tax should be withheld based on income, deductions, and tax credits. It's the best way to estimate your ideal withholding amount if you don't want to do the calculations yourself.

If you'd rather do it yourself, the math is pretty simple. For this example, we'll return to our previous chapter and assume you're single and earn \$60,000/year in salary. First, determine what you're currently having withheld from your paycheck:

Tax withholding per period x Number of periods = Total tax withheld

For example: $\$150 \times 24 = \$3,600$

Next, you need to know your taxable income. We calculated that in the last chapter and came up with \$38,250. Now, you can estimate how much tax you'll actually owe. But before we do, let's discuss tax brackets and marginal rates.

Tax brackets and marginal rates

Our government uses a “progressive” income tax system, which means that the higher your income, the more taxes you’ll pay (usually, that is; wealthy taxpayers sometimes use sophisticated and usually legal accounting methods to pay less). There are seven “tax brackets,” each for a certain income level and with tax rates ranging from 10% to 37%.¹⁵

That means some of your income is taxed at 10%, and some is taxed at higher rates—how high depends on your taxable income. That sounds complicated, but it’s all about “marginal rates.” Your marginal rate is the amount you pay on your last dollar of taxable income. If only \$10 is in the 24% tax bracket, that’s your “marginal tax rate.” The rest of your taxable income is taxed at a lower rate.

Looking at the tax brackets for 2025 for a single filer will make this clearer:

- 10% on income up to \$11,925
- 12% on income from \$11,926 to \$48,475
- 22% on income from \$48,476 to \$103,350
- 24% on income from \$103,351 to \$197,300
- 32% on income from \$197,301 to \$250,525
- 35% on income from \$250,526 to \$626,350
- 37% on income from \$626,351 and above

Since you know your taxable income (\$38,250) from the example in the previous chapter, we can calculate the tax owed in each bracket. The calculation is as follows:

- The first \$11,600 is taxed at 10% ($\$11,600 \times 0.10 = \$1,160$). That leaves \$26,650 ($=\$38,250 - \$11,600$) still to be taxed.
- The next \$26,650 falls within the 12% tax bracket, resulting in a tax of \$3,198 ($\$26,650 \times 0.12$).
- Thus, the total estimated federal tax owed is \$4,358 ($\$1,160 + \$3,198$).

Tax credits

Now we know your tax owed, but we’re not quite through. You may be entitled to one of several tax credits. Some examples are the American Opportunity Tax Credit (up to \$2,500), the Lifetime Learning Credit (up to

¹⁵ The OBBBA passed in 2025 made these brackets permanent, at least for now.

\$2,000), the Energy Efficient Home Improvement Credit (up to \$3,200), and the Foreign Tax Credit.

For example, if you're in school, you may qualify for the American Opportunity Tax Credit of up to \$2,500. (It started to phase out for single taxpayers who have an adjusted gross income between \$80,000 and \$90,000, so it would apply in our example.)

Subtracting the credit from our tax owed ($\$4,358 - \$2,500 = \$1,858$).

Making adjustments

Now that you know how much tax you owe, you can calculate how much should be withheld per paycheck to ensure you don't give the IRS an interest-free loan. It's straightforward: You divide the tax owed by the total number of paychecks per year. To continue our example: $\$1,858 \div 24 = \77.00 .

Next, compare that amount to what we said at the beginning of this chapter: \$150; $(\$150 - \$77) = \$73$ in excess withholding, or $\$1,752 (= \$73 \times 24)$ per year.

Since you're withholding almost \$2,000 a year too much, you can adjust it using your employer's W-4 Form. That's money you could have contributed to an IRA or 401(k) or given away if you wanted to.

You used to be able to make adjustments by changing the number of "allowances" you claimed. But the newer tax laws did away with that. Now, you have to claim "dependents," or you can claim other deductions or credits (on line 4b) to decrease withholding or specify extra withholding (on line 4c).

When to reevaluate

You should also check your withholding after significant life changes. Your tax situation can change due to a new job (different employers withhold differently), a raise (higher income could mean higher taxes), marriage or having kids (these affect your tax credits and deductions), or starting a side hustle (these don't have automatic withholding, so you may need to adjust your W-4 or make estimated tax payments).

No matter what, it's a good idea to reevaluate your withholding each year. Tax laws and your financial situation change, so check your withholding at least once a year, ideally in early fall. That gives you time to adjust for next year before the year ends.

For reflection

How much thought do you give to the taxes you pay each year? Is it something you do because you have to, or do you want to get it over with? Are you beginning to see that good stewardship includes having at least a general understanding of how the tax system works and using it to your advantage as much as possible? Money legitimately not spent on taxes, even small amounts, can be used for other purposes, including charitable giving.

Verse

“One who is faithful in a very little is also faithful in much, and one who is dishonest in a very little is also dishonest in much” (Luke 16:10).

Resources

IRS Withholding Estimator Tool: <https://www.irs.gov/individuals/tax-withholding-estimator>

26 – Why Your Marginal Tax Rate Matters



"I got a raise, but unfortunately, so did the government."

We introduced the marginal tax rate in the previous chapter. Your marginal tax rate is one of the most critical aspects of our tax system to understand. You may remember that your average (a/k/a "effective") tax rate is generally much lower than your marginal rate. One reason is that your top marginal tax rate applies only to a portion of your taxable income; the rest is taxed at lower rates.

An Illustration

That's the main reason the marginal rate is so important. To illustrate, I'll expand on the previous examples and assume that Single Filer (yes, that's his name) is now part of a two-income married household. Congrats, Single!

When filing status and income change

We'll also assume that the newly married Filers have a combined income of \$100,000 instead of \$60,000. How does this change their tax liability? More income means more in taxes, but there is more to it than that.

Mr. and Mrs. Filer intend to file a joint tax return. As we did for Mr. Filer, we must first calculate the Filers' combined AGI and taxable income:

\$100,000 Salary
+ \$0 Wages
+ \$0 Tips
+ \$150 Interest (savings, CDs, bonds, etc.)
+ \$0 Dividends (typically from stocks)

+ \$0 Business income
= \$100,150 Gross Income

Next, we'll calculate their adjusted gross income (AGI), which is their gross income (from above) minus specific "above the line" adjustments:

\$100,150 Gross Income

- \$2,400 Traditional 401(k) contributions (IRS limit is $\$23,500 \times 2$)
- \$6,000 Traditional IRA contributions (IRS limit is $\$7,000 \times 2$)
- \$2,300 Health Savings Account contributions (HSA IRS limit is \$4,150)
- \$2,500 Student loan interest deduction (IRS limit is up to \$2,500, subject to income limits)

= \$86,950 Adjusted Gross Income (AGI)

With their AGI number, we'll make this simple and use the standard deduction to calculate taxable income. Here are the standard deduction amounts for 2025 based on filing status:

- Single Filers: \$15,750
- Married Filing Jointly: \$31,500
- Heads of Household: \$23,250
- Using married filing jointly: $\$86,950 - \$31,500 = \$55,450$.
- The Filers have a taxable income of \$55,450 on gross income of \$100,150 and AGI of \$86,950.

- 2025 tax brackets for married filing jointly

Here are the 2025 tax brackets for a married couple filing jointly:

- 10% for incomes up to \$23,850
- 12% for incomes between \$23,851 and \$96,950
- 22% for incomes over \$96,951 up to \$206,700
- 24% for incomes over \$206,701 up to \$394,600
- 32% for incomes over \$394,601 up to \$628,300
- 35% for incomes over \$628,301 up to \$1,001,600
- 37% for incomes over \$1,001,600.

Their combined tax will be higher than Single Filer's because they made more money together. However, the good news is that their taxable income has not pushed them into the next higher bracket—it is still being taxed at 10% up to \$23,850 and at 12% for all above that.

When income jumps higher

Let's assume they each receive a \$25,000 bonus, which increases their taxable income by \$50,000 to \$106,950. Our progressive tax system means that with that increase in income, they'll jump from a 12% marginal bracket to a 22% marginal bracket.

That's not insignificant because it means that for each additional dollar they earn, assuming there are no further deductions or credits, they'll be taxed at 22% instead of 12% until their taxable income reaches \$206,700. The first dollar beyond that will be taxed at 24% (27% if their state tax is 5%).

Marginal rate impacts

To further illustrate why this marginal rate matters, let's return to our income adjustments and increase their 401(k) contributions by \$2,000 each (\$4,000 total). Their taxes will be reduced by an amount equal to their marginal rate (22%) times their \$4,000 increase in deductible 401(k) contributions ($.22 \times \$4,000 = \880). That means that the real cost of their additional \$4,000 401(k) contribution is now \$3,120. Including the state tax, the \$2,000 extra Traditional 401(k) contribution would have reduced the couple's total tax burden by an additional \$200 ($= .05 \times \$4,000$), reducing the cost of their contribution to \$2,920.

Your marginal rate can change

Calculating the change in tax liability as the marginal tax rate multiplied by either the change in income or Traditional 401(k) withholdings is usually sufficient; however, this shortcut does not always work. An increase or decrease in taxable income could put the couple into a new marginal bracket. In our example, the couple would only need to make about \$10,000 less or have deductions of \$10,000 or more to be back in the 12% marginal bracket.

On the other hand, they'd have to earn a ton more to go from the 22% bracket to the 24% bracket. (I think they'd take that without complaining too much about a 2% jump in their marginal tax.)

Future tax rates and federal spending

Current marginal tax rates are some of the lowest in history. To find top brackets that were not in the 30s, you have to look back to the 1980s. Congress establishes them by law, and the one enacted in 2017, which took effect in

2018, was made permanent by Congress in 2025 as part of the “One Big Beautiful Bill” Act (OBBBA).

Most of our tax dollars go to fund healthcare, with an increasing percentage going toward Medicare and Social Security. Since 1980, those budget categories have grown more than the others. The government funds the lion’s share of this spending with payroll taxes (Social Security and Medicare) and personal and corporate income taxes. It makes up the shortfall by selling bonds, also known as the “federal debt.”

Congrats, you’re now a tax nerd (kind of)

If you’ve followed everything up to this point, I don’t want to puff you up with tax pride (“pride goeth before an audit”—sorry, that’s not really in the Bible), but you now know more about our tax code than about 90% of others your age. Most importantly, I hope you’re starting to understand how this knowledge can help you improve your financial life equation (FLE).

From here, we’ll get into some good stuff: We’ll discuss the different types of accounts that can hold your savings and investments and their relative tax advantages.

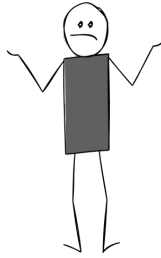
For reflection

For reflection: We’re all in the same boat; we all (well, most of us) have to pay some tax, but we don’t have to pay any more than the law requires. Would you be willing to pay more taxes to lower the federal debt? Or would you prefer to see massive cuts in government spending instead? In many ways, the government’s finances are like ours: income and spending are the two sides of the debt equation. If $\text{income} > \text{spending}$, that’s good; $\text{income} < \text{spending}$ means borrowing, which increases our debt.

Verse

“Jesus said to them, ‘Render to Caesar the things that are Caesar’s, and to God the things that are God’s.’ And they marveled at him” (Mark 12:17).

27 – Retirement Account Tax Benefits



"'Tax deferred' sounded great until I realized it meant 'we'll get you later.'"

Have you ever wondered why the government offers tax credits and deductions for some things and not others? The simple answer is that it provides tax incentives to promote its goals.

Due to the demise of pensions, the government wants to incentivize taxpayers to save for retirement using individual retirement savings accounts like IRAs and employer plans like 401(k)s. When they encouraged you to buy an electric car instead of a gas car, they offered a green energy credit to help with the purchase. I think you get the picture.

The best reason for having a basic understanding of the tax code is to use it to lower your average tax rate (total taxes you pay divided by your gross income) and your lifetime tax rate (amount of taxes you pay over your lifetime as a percentage of your total income).

The financial life equation and taxes

Remember our financial life equation (how could you forget?):

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

We're now focused on the "minus sum of all taxes paid" ($-\sum T_{t+n}$) component and want to minimize that number.

In the last chapter, we saw how specific retirement account contributions reduce your gross income for tax purposes. This chapter will delve deeper into

the different types of accounts you can use for your investments and how they are taxed.

Consider each type of account as an empty container you can fill with your investments. The U.S. government treats each investment differently in terms of its tax treatment. Thus, understanding those differences and planning how you'll use them can significantly impact how much tax you pay.

Key definitions

Retirement accounts are intended to hold assets invested for the long term and typically receive favorable tax treatment from the IRS.

Employer retirement plans include a variety of retirement accounts, but are typically 401, 403, or 457-type plans. (Smaller companies may offer a SIMPLE IRA or SEP.) These also include defined benefit plans, known as “pensions,” but are increasingly rare.

Before-tax money goes into your account before you pay any taxes (reduces gross income and taxable income).

After-tax money goes into your account after you have paid taxes on it (does not reduce gross or taxable income).

Taxable investments are taxable—both income and growth. They are typically in a taxable brokerage account.

Tax-deferred investments grow tax-free until you withdraw them. These include the Traditional 401(k), Traditional 401(a), Traditional 403b, Traditional 457, and Traditional IRA. (When you see the word “Traditional,” it usually means not Roth.)

Tax-exempt investments grow tax-free and can be withdrawn tax-free. These include the Roth 401(k), Roth 401 a), Roth 403b, Roth 457, Roth IRA, and 529 (college savings). A Health Savings Account (HSA) is also tax-exempt.

Tax treatment comparisons

Now, take a look at this table. It shows how the different types of retirement accounts are taxed. You'll immediately notice that some of these are better than others relative to how (and when) they are taxed.

	Contributions	Interest, Dividends, and Capital Gains	Withdrawals
Tax-Deferred (Traditional)	Not taxed	Not taxed	Taxed*
Tax-Deferred (Roth)	Taxed	Not taxed	Not taxed
Health Savings Account (HSA)	Not taxed**	Not taxed	Not taxed
Taxable Brokerage Accounts	Taxed	Taxed***	Taxed***
* Taxed as ordinary income ** Unlike tax-deferred accounts, HSAs are also exempt from payroll taxes *** In a taxable brokerage account, dividends and capital gains are taxed at preferential rates			

For example, an HSA is the most advantageous due to its “triple tax advantage.” That’s because 1) contributions are not taxed, 2) dividends and capital gains are not taxed, and 3) withdrawals are not taxed. Boom! Plus, if you make HSA contributions through your employer, they are pre-tax, including payroll taxes (Social Security and Medicare).

Roth (tax-exempt) accounts aren’t too shabby either. Contributions are taxed, but interest and capital gains are not, and neither are withdrawals made later on in retirement.

Traditional (tax-deferred) accounts are next. Contributions are tax-free and grow tax-deferred, but are taxable upon withdrawal.

Taxable brokerage accounts are less tax-favored than the others, as they are taxed all along the way. However, there are things you can do to lower your tax burden in those accounts.

Contribution “order of operations” recommendation

For many of you, it may make sense to contribute to these tax-advantaged accounts in this order:

- 1) HSA
- 2) Traditional or Roth IRA and/or 401(k)
- 3) Taxable brokerage

I recommend contributing to an HSA and at least enough to a 401(k)-type account to get your employer’s matching contribution. Don’t contribute so much to your HSA that you can’t also get the full match in your 401(k).

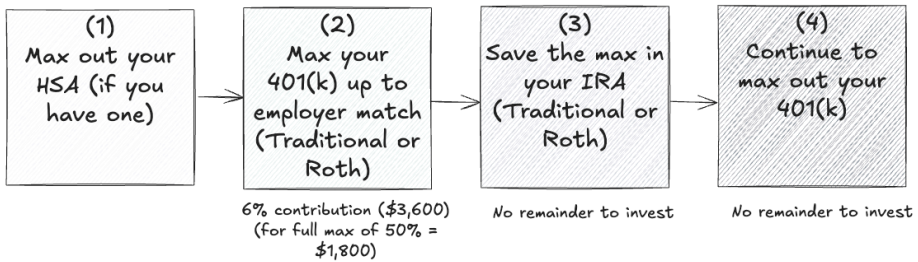
However, this changes if you’re unable to contribute to an HSA pre-tax through your employer. In that case, start with your 401(k) at work. Contribute enough to get the free match at a minimum, and if it’s in your employer plan,

consider contributing as a Roth (after-tax). If you want to contribute more, do so in a personal IRA.

Example: saving at \$60,000 income

Here's an example of what this might look like for someone with an income of \$60,000 who wants to save 12% (\$7,200) of their income in 2025:

Goal = Save 12% of Gross Income of \$60,000 (=\$7,200)



In this scenario, the strategy was to focus on long-term growth by capturing the full 401(k) employer match (50% up to 6% of salary). The trade-off was contributing less than the HSA maximum and skipping IRA or additional unmatched 401(k) contributions.

However, if healthcare costs were the bigger concern, prioritizing the HSA would maximize long-term tax efficiency instead. With higher income or a larger savings rate, it's possible to max out both the HSA and 401(k), then add IRA contributions—choosing Roth or Traditional depending on tax goals. The key is to be intentional about where and when you contribute so you keep more of your money over a lifetime.

General contribution guidelines

That's probably an over-simplification (I'll do a deeper dive on this in the next chapter), but here are some general rules you can follow based on your marginal tax bracket and the current tax code:

- **Low brackets:** 10%, 12% => Roth contributions
- **Medium brackets:** 22%, 24% => A mix of Roth and pre-tax (traditional accounts)
- **High brackets:** 32%, 35%, 37% => Pre-tax contributions (traditional accounts)

Comparing Roth and traditional approaches

The benefit of Roth contributions (post-tax) when you're in a lower marginal bracket is that you're likely to be in a higher one later on and perhaps even in retirement. You're paying less tax today (on a percentage basis) than you might in the future. The other significant benefit of a Roth is that your money grows tax-free forever. Since you have already paid taxes, your money is removed from the tax system for all eternity.

The benefit of making traditional contributions (pre-tax) when you're in higher marginal brackets is taking the deduction for more tax savings today in return for paying less tax in the future when you might be in a lower bracket. Your money will grow tax-free in a traditional account, but won't be tax-free forever. You'll have to pay taxes when you withdraw from the account. Anyone in the 32%, 35%, or 37% tax bracket should consider making pre-tax contributions.

The best option for you depends on your current situation and your expectations for future tax rates. That's an important difference and decision. You have the same options when you open an IRA account. Most professionals say go with the Roth option when in doubt (or if it's a tie).

The "Trump Account"¹⁶

The new "Trump Account", created under the July 2025 OBBBA law, is a special savings account for kids under 18. Parents, grandparents, or relatives can contribute up to \$5,000 a year (after-tax, no deduction), and in some cases, employers, governments, or nonprofits can chip in too. There's also a one-time \$1,000 pilot program credit for children born between 2025 and 2028.

Money has to be invested in low-cost U.S. index funds, and you can't touch it until your child turns 18. After that, it works like a traditional IRA: growth is tax-deferred, but withdrawals are taxed as ordinary income (with penalties if used for non-qualified purposes before age 59½).

That could be a powerful long-term wealth-building tool. However, compared to 529 college savings plans or UTMA accounts, Trump Accounts are much less flexible. For example, you can't use them freely for education

¹⁶ The details of this are still being worked out as the IRS responds to this new law with their rules and regulations. I anticipate that brokerages like Fidelity, Schwab, and Vanguard will be offering these accounts.

expenses without paying taxes (and possibly penalties), while 529s offer tax-free withdrawals for education plus possible state tax deductions.

That said, if your child qualifies for the \$1,000 credit, it makes sense to take advantage of it. Beyond that, many families will still find 529 plans or a simple brokerage/UTMA account more practical.

Personal reflection

I've been thinking about my situation as a retiree, and I sometimes regret focusing too much on minimizing taxes while working, rather than building up tax-exempt income sources like Roth accounts for retirement. (However, I wasn't income-eligible to contribute to a Roth for many years.) I also sometimes wish I had invested in non-retirement brokerage accounts to take advantage of long-term capital gain tax structures.

However, I have found that my actual marginal rates based on my taxable income for the 15 years before I retired were all higher than my current marginal rate in retirement. And perhaps more importantly, my average (effective) tax rate is much lower in retirement than my marginal rate while I was working, which may be a better way to think about this.

Admittedly, this is partially due to lower tax brackets since the Tax Reduction Act of 2017, and tax brackets could be higher in the future. But even if they doubled, my average tax as a retiree would still be less than my marginal rate while I was working. So, as it turned out, I would not have been better off putting money into Roth accounts after all.

Stay vigilant

One thing to remember about taxes is that the tax code changes almost every year, and tax rates can go up or down based on inflation and the prevailing political winds. So, stay vigilant and be prepared to pivot when necessary.

For reflection

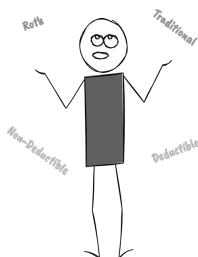
Do you ever think about your “future self”? What do you think he or she would say to your present self about planning for the future? The Bible tells us to “number our days that we might gain a heart of wisdom” (Psalm 90:12). That implies that it can be foolish to only live (and spend) for today. Are you taking

advantage of the retirement savings accounts available to you, even if it's making relatively small contributions? If not, what would your future self say?

Verse

“Precious treasure and oil are in a wise man's dwelling, but a foolish man devours it” (Proverbs 21:20).

28 – Choosing Between Traditional and Roth Accounts



"It's a simple question: Do you trust the IRS more now, or in 30 years?"

In the previous chapter, we discussed the different types of retirement accounts. You'll recall that Traditional 401(k)s and IRAs are currently untaxed but will be taxed upon withdrawal, while Roth 401(k)s and IRAs are taxed now and will not be taxed upon withdrawal.

I also gave you some basic guidelines on when it makes the most sense to use one account or the other (or both) based on current versus future marginal tax rates. In this chapter, we continue our Roth vs. Traditional (i.e., our tax-exempt vs. tax-deferred) discussion, and I'll show you some more in-depth calculations that could help you better understand and decide.

Today's versus tomorrow's tax rates

I'm sorry—I wish it were more straightforward, but no thanks to the IRS, it just isn't. If you want that, assume that future tax rates—both average and marginal—will be higher, perhaps much more so than today, and go with a Roth. But if you're unsure, I'll also explain why comparing your marginal rate today with your estimated average (effective) tax rate in retirement might be better.

Our basic working principle remains the same: The optimal answer, mathematically speaking, depends on your tax rate today and your future tax rate in retirement. However, this presents challenges today as it is impossible

to know the tax rates 20, 30, or 40 years from now; we must make some assumptions.

Marginal vs. average tax rate

If you read most of the popular literature, you'll be told that the best way to decide between a Traditional and Roth 401(k) is to compare your tax rate today to your tax rate in retirement. That's accurate to a point, but the most reliable comparison would probably be your *marginal* tax rate today versus your *average* tax rate in retirement.

Using the average tax rate in retirement makes more sense because not all of your withdrawals are taxed at your marginal rate. For example, if you're over 65 and married, filing jointly and withdrawing \$60,000 annually, the first \$34,700 (the standard deduction for 2025 for those in this filing category) is tax-free. The next \$23,850 is taxed at 10%, and the remaining \$1,450 is taxed at 12%.

$$\$0 \times \$34,700 = \$0$$

$$\$23,850 \times 10\% = \$2,385$$

$$\$1,450 \times 12\% = \$174$$

$$\text{Total tax} = \$2,559$$

That's an average federal tax rate of 4.3% based on an income of \$60,000.¹⁷ If you have a flat rate state tax of 5%, your average ("effective") tax rate will be 5.3% even though your marginal rate is 12% federal plus 5% state or 17%.

That shows why the average tax rate in retirement may be a better number to use when deciding between Roth and Traditional.

A case study

Now, let's apply this to an example. Let's assume you're single, earn \$70,000/year, and are just barely in the 22% marginal tax bracket (\$60,000 — \$15,750 standard deduction = \$54,250 taxable income). You also pay a 5% flat-rate state tax. Your current marginal tax rate is 27% (= 22% + 5%).

¹⁷ The taxes and tax rate in this example would be lower, as I did not apply the additional personal exemption (deduction "bonus") of \$6,000 per person that was included in the OBBBA passed in 2025. However, that "bonus" is only in effect from 2025 to 2029 unless Congress extends it. This example also did not include Social Security income, which is also taxable under certain conditions.

In retirement, we'll further assume that you'll withdraw \$50,000 annually to supplement any other income (hopefully, Social Security will still be available in some form). Let's also assume that your average (a/k/a "effective") tax rate will be 8%.

You want to invest \$1,000 for retirement and assume it will grow by 6% per year for the next 40 years. Which will perform better: putting it in a Traditional 401(k) or a Roth 401(k)?

Traditional IRA calculation:

- No taxes paid up front; the full \$1,000 is invested
- Future value in 40 years = $\$1,000 \times (1.06)^{40} = \$10,285$
- Less average taxes paid at 8% in retirement = $\$10,285 \times (1 - .08) = \$9,454$

Roth IRA calculation:

- Pay 27% marginal tax up front = $\$1,000 \times (1 - 0.27) = \730
- Future value in 40 years if it had been invested = $\$730 \times (1.06)^{40} = \$7,509$
- Tax-free withdrawals of final value = \$7,509

In this scenario, choosing the Traditional 401(k) over the Roth increased your wealth by ~25%. That's a pretty big difference!

Another scenario

Let's consider a single filer withdrawing \$25,000 for a new roof in retirement:

- With the 2025 standard deduction of \$15,000, the first withdrawal may be mostly tax-free.
- If you need another \$25,000, your total income is \$50,000 ($=\$25,000 + \$25,000$).
- Subtract the deduction (\$15,000), making \$35,000 ($=\$50,000 - \$15,000$) exempt, so \$15,000 ($=\$50,000 - \$35,000$) is taxable.

Here's how that tax breaks down:

- \$11,925 taxed at 10% = \$1,192
- Remaining \$3,075 taxed at 12% = \$369
- Total tax is \$1,561.50 ($=\$1,192 + \369), making your effective tax rate ~3.1% ($=\$1,562 \div \$50,000 = 0.0312 = 3.1\%$) even though your marginal rate is 12%. So, congrats; you're not in the 12% bracket, you're now in the 3% bracket!

Some guidance

A Roth 401(k) may make the most sense if you believe your average tax rate in retirement will be higher than your marginal rate today.

A Traditional 401(k) may make sense if you believe your average tax rate in retirement will be lower than today's marginal tax rate.

Here's a table that describes these scenarios and others, and some guidance on which way you may want to go:

Probably most of you ⇒	Young person in a low tax bracket who is likely to be in a higher bracket later	Roth
Could be you ⇒	A big saver who can afford to contribute to the IRS maximum either way	Roth
One day maybe ⇒	Someone in a top tax bracket who expects to stay there	Roth
Later ⇒	Person in peak earnings years who could be in a lower tax bracket in retirement	Traditional
Probably some of you ⇒	Someone with tight cash flow who wants the company 401(K) match while maximizing	Traditional

You can also contribute to both types. For example, consider contributing to a Roth and a Traditional 401(k), just enough to stay within the 12% bracket (in 2025, this threshold is \$96,950 for married filing jointly).

What about future tax rates?

Once we know our taxable income, we can calculate our marginal and average tax rates today with 100% certainty. That gives us at least half the information. The other half is estimating our average tax rate in retirement, which involves many unknowns.

But let's assume an extreme case where tax brackets double. Even then, the increase in the average tax rate is limited due to the large standard deduction. The new brackets would be as follows:

- 10% => 20% for income up to \$23,850
- 12% => 24% for incomes between \$23,851 and \$96,950
- 22% => 44% for incomes over \$96,951 up to \$206,700
- 24% => 48% for incomes over \$206,701 up to \$394,600, Etc.

You may think they'll never get that high, and I agree with you, but let's see how this impacts our analysis.

Here's how \$60,000 of retirement income for a married couple filing jointly—with a standard deduction of \$35,700 and spouses aged 65 or older—would be

taxed under today's tax structure (excluding the \$12,000 "bonus" enacted by the OBBBA in 2025 but expires after 2028) versus a future scenario where tax rates double. For taxable income of \$25,300 ($=\$60,000 - \$34,700$), the calculation is:

Current Rates:

$$\begin{aligned} &10\% \times (\$23,850 - 0) + 12\% \times (\$25,300 - \$23,850) \\ &= 0.10 \times \$23,850 + 0.12 \times \$1,450 \\ &= \$2,385 + \$174 \\ &= \$2,559 \end{aligned}$$

Future Rates (Doubled):

$$\begin{aligned} &20\% \times (\$23,850 - 0) + 24\% \times (\$26,800 - \$23,850) \\ &= 0.20 \times \$23,850 + 0.24 \times \$2,950 \\ &= \$4,770 + \$708 \\ &= \$5,478 \end{aligned}$$

Difference in Tax:

$$\$5,478 - \$2,559 = \$2,919 \text{ more in taxes}$$

In the extreme future example, the marginal tax rate is 24%, and the average tax rate almost doubles from 4.6% to 9.1%. That may be less than you expected. But remember how the effective rate is calculated: it's the weighted average of different tiered tax rate brackets.

The main reason significantly higher tax rates in the future didn't have a huge impact on the average tax rate is the large 0% taxable range (\$34,700) created by the standard deduction. Additionally, we maintained the standard deduction at its current level, despite occasional adjustments due to inflation. (For instance, the IRS increased it by 7% for tax year 2023 due to high inflation, and it just increased again in 2025.)

If the standard deduction is higher in the future, then the average tax rate would be lower. That said, due to inflation, \$60,000 may not be enough to live on in retirement 40 years from now. If you need \$160,000 instead, future tax hikes could be a big concern, and you would probably be better off with a tax-exempt account.

Practical wisdom

The ultimate hedge against inflation is to live a modest lifestyle and avoid debt as much as possible.

And by the way, apart from taxes, Roth accounts have other benefits: access to contributions anytime for any reason, home purchase, education, or retirement—all tax and penalty-free (subject to rules).

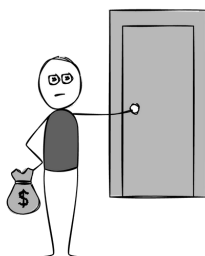
For reflection

Ultimately, there is no current way to know the optimal decision—Roth or Traditional—decades out with absolute certainty. There are just too many unknown variables. That’s true of many financial decisions we make; we have to make assumptions about future events that may or may not come to pass. How comfortable are you with uncertainty and ambiguity? Does it lead you to “analysis paralysis,” or are you okay with deciding based on your best information and letting God be God in terms of what happens years later?

Verse

“But now, O LORD, you are our Father; we are the clay, and you are our potter; we are all the work of your hand” (Isaiah 64:8. ESV).

29 – IRA Phase-Out Rules and the “Backdoor Roth” Strategy



“Who knew retirement planning required secret entrances?”

This chapter may not pertain to most of you at this point in your stewardship journey, but you may have to deal with the IRS’s IRA “phase-out” rules later on if your income increases.

IRA phase-out basics

This may surprise you, but the IRS has set income limits based on your modified adjusted gross income (MAGI) that phase out the deduction for pre-tax contributions to a Traditional IRA for individuals covered by an employer retirement plan (such as a 401 (k) or 403b). Roth IRA contributions, however, are not limited by workplace plan participation and depend solely on income thresholds.

Deduction eligibility becomes more nuanced for married couples when only one spouse is covered by a workplace plan. The non-covered spouse can still claim a full deduction for contributing to a Traditional IRA or make a full Roth contribution if the couple’s MAGI is below a specified limit. Joint planning is essential in such cases.

What’s MAGI?

The phase-out ranges are based on your MAGI. MAGI has nothing to do with the Nativity at Christmas; it’s your adjusted gross income (AGI), which is gross

income less certain deductions, with those deductions added back. It may also include some interest and dividend income (it’s “modified”).

Your MAGI is a more holistic view of your total income. The IRS uses your MAGI for special purposes, such as determining your eligibility for certain tax credits and deductions for IRA contributions and the amount of certain other deductions or income exclusions you can get.

IRA phase-out history and 2025 limits

The Roth IRA was introduced in 1998 and had initial phase-out provisions. That meant that higher-income earners couldn’t take advantage of it. The phase-out for married filing jointly was \$150,000 to \$160,000 back then. It remained relatively stable until 2007, when it increased from \$166,000 to \$176,000 in 2009, and has increased gradually ever since. The table below shows the MAGI phase-out limits for different types of IRAs for tax year 2025:

Filing Status	Roth	Traditional (Deductible)	Traditional (Non-Deductible)
Single	\$150K to \$165K	\$79K to \$89K	No Limit
Married (Joint)	\$236K to \$246K	\$126K to \$146K	No Limit

For 2025, single filers must have a MAGI of less than \$79,000 to make a fully deductible contribution to a Traditional IRA and less than \$170,000 to make a full \$7,000 contribution to a Roth IRA, while joint filers must have a MAGI of less than \$236,000 to a Roth IRA. That opens the door to many families but also closes it to some.

If you’re in the “range,” you can still contribute, but with limitations. For example, if you’re married and your joint household income is \$135K, you can contribute to a Traditional IRA and get a partial tax deduction. If you want to contribute to a Roth IRA instead, you’re eligible if your combined MAGI is below \$246K, but your eligible contribution is reduced if it’s in the phase-out range.

Non-deductible traditional IRAs and the backdoor Roth

If you exceed the MAGI maximum, you’re out of luck, *except* that you’re still eligible to make non-deductible Traditional IRA contributions. You do so with after-tax money, and the funds can grow tax-deferred.

There's a wrinkle. You'll have to pay taxes on it when you withdraw, just like a deductible Traditional IRA. In that way, a non-deductible Traditional IRA is more like a taxable brokerage account than a deductible Traditional IRA or a Roth IRA. The primary advantage of the non-deductible Traditional IRA is that you can do a "Backdoor Roth IRA."

How to execute a backdoor Roth

Step one: Make a non-deductible Traditional IRA contribution. For 2025, you can contribute \$7,000. Your brokerage won't know it's non-deductible; you report that when filing taxes.

Step two: Choose a safe investment like a money market fund. Once the transfer is completed, convert the balance to a Roth IRA. If done immediately, you'll owe very little in taxes.

Step three: Request your brokerage to make the Roth conversion. You'll need a Roth account to receive the funds. It's best to do this in a Traditional IRA with a zero balance to avoid complications.

Step four: Complete Form 8606 at tax time. Most tax software handles this automatically. Enter the (non-deductible) contribution and then the conversion.

For reflection

This chapter mainly applies to high-income earners. That may not apply to you—not yet—but it might someday. How would you describe your heart attitude toward earning more money? Needing (or wanting) more income isn't a sin, but wanting more and more because more is never enough could be. Contentment is a key character trait when it comes to money; consider that when you think of what is "enough" for you.

Verse

"But godliness with contentment is great gain" (1 Timothy 6:6).

30 – Investing Through a Taxable Brokerage Accounts



"They're called capital gains, but does the IRS gain more than I do?"

So far, in the tax lever series, we have focused mainly on understanding taxes and reducing their impact with tax-deferred and tax-free retirement accounts. And for good reason—taxes are paid “off the top” of our income, and the tax code can be complicated.

When you've maxed out tax-advantaged accounts

But once you've maxed out your tax-advantaged accounts—like a 401(k), an IRA, a 403(b), or even a 529 plan—you may want to continue investing. That usually means turning to a regular taxable brokerage account.

I must confess that I did very little saving and investing outside my retirement accounts (besides an emergency fund and saving for special purchases). So, I was surprised to learn that taxes on these accounts aren't as onerous as I thought. It's wise to understand how investments are taxed in these accounts so you can make smart decisions to help minimize your lifetime tax bill. What I'm talking about are investments in a taxable brokerage account—the last account type in this chart (highlighted):

	Contributions	Interest, Dividends, and Capital Gains	Withdrawals
Tax-Deferred (Traditional)	Not taxed	Not taxed	Taxed*
Tax-Deferred (Roth)	Taxed	Not taxed	Not taxed
Health Savings Account (HSA)	Not taxed**	Not taxed	Not taxed
Taxable Brokerage Accounts	Taxed	Taxed***	Taxed***
* Taxed as ordinary income ** Unlike tax-deferred accounts, HSAs are also exempt from payroll taxes *** In a taxable brokerage account, dividends and capital gains are taxed at preferential rates			

As you can see, in a taxable brokerage account, your investments are taxed three ways:

- You paid taxes on the money you invested.
- You'll pay taxes on gains when you sell for a profit.
- You'll pay taxes on interest or dividend income.

However, dividends and long-term capital gains can be taxed at preferential rates. Let's break it down.

Dividends

Dividends are taxable in the year received, even if reinvested. For example, \$3,000 in annual dividends on \$100,000 in investments may be taxed at 12% federal and 5% state, leaving you with about \$2,550 after taxes.

Qualified dividends—usually from U.S. corporations—may be taxed at a lower rate, but only if certain holding period rules are met.

Capital gains

Capital gains arise when you sell an asset for more than you paid. If held for less than a year, it's taxed as ordinary income. If held for more than a year, it qualifies for preferential long-term rates (0%, 15%, 20%), depending on your income. Here's the tax table for 2025:

	Single tax filers	Married filing jointly
0%	\$48,350 or less	\$96,700 or less
15%	\$48,351 to \$533,400	\$96,701 to \$600,050
20%	\$533,400 or more	\$600,051 or more

For example, a married couple with \$103,200 income and deductions bringing taxable income to \$61,200 could receive \$10,000 in qualified dividends or long-term capital gains tax-free, due to the 0% bracket limit of \$96,700.

Holding investments for at least a year before selling is often a good strategy to keep taxes lower. And here's where things get interesting. The tax code gives long-term capital gains and qualified dividends better tax treatment than regular income. Yes, that's true!! It's something that I didn't fully understand when I was young.

Let's look at an example. Assume a married couple has \$103,200 in gross income, pays \$12,000 in health insurance premiums, and takes the standard deduction of \$31,500. That brings their taxable income down to \$59,700 ($=\$103,200 - \$12,000 - \$31,500$).

Suppose they also earn \$10,000 in qualified dividends or long-term capital gains (LTCG). As shown in the table above, under the 2025 tax rules (taxes due in 2026), investment income that doesn't push their total taxable income above \$96,700 has a 0% tax rate. *That's right—zero!* Here are the calculations:

$$103,200 - 12,000 - 31,500 = 59,700$$

$$59,700 + 10,000 = 69,700$$

$$69,700 < 96,700 \Rightarrow \text{LTCG taxed at 0\%}$$

So, in this example, none of their \$10,000 of investment income would be taxable. However, once their taxable income exceeds that threshold, the 15% rate applies, followed by the 20% rate at even higher income levels. This couple could receive an additional \$15,500 in dividends or capital gains before that would happen. Only then will their taxable income exceed that threshold, triggering the 15% rate, and then 20% if it rises even higher.

Capital gain and loss harvesting and deferral

If you're in a low tax bracket, you can sell appreciated investments and pay no tax—then immediately repurchase them to reset the cost basis. That's called capital gain harvesting.

Alternatively, you can defer capital gains by holding investments indefinitely. If you die holding appreciated investments, your heirs get a step-up in basis and may owe no capital gains tax.

Selling losing investments can reduce your taxable income. You can deduct up to \$3,000 in losses per year and carry forward the rest.

Be mindful of the “wash sale rule.” Wait 30 days to repurchase the same investment, or buy a similar (but not identical) one to avoid nullifying your loss.

Taxable brokerage accounts and the savings “order of operations”

After maxing out tax-advantaged accounts, a taxable brokerage account can be a valuable next step in the saving “order of operations” we discussed in the previous chapter. There are some benefits. You can contribute as much as you want, have complete flexibility for withdrawals, and have access to a variety of investments. As we’ve seen, holding stocks for long-term capital gains is optimal from a tax standpoint, and qualified dividends receive similar treatment.

The trade-offs are that contributions don’t reduce taxable income like HSA and traditional 401(k) contributions do, and frequent trading can generate higher tax bills. Still, for disciplined, buy-and-hold investors, a brokerage account provides both growth potential and liquidity that could complement retirement savings. You could build a “tax triangulated” portfolio of long-term investments consisting of a taxable brokerage (non-retirement) account, tax-deductible/tax-deferred retirement accounts (traditional), and a non-tax-deductible/non-taxable retirement account (Roth). What’s best will depend on your tax situation in retirement (which is hard to predict).

For reflection

Understanding how your investments are taxed—and managing them wisely—can make a big difference over time. Reducing your lifetime tax burden through legal strategies is a form of wise stewardship. Do you think of it that way, or are you mainly focused on beating the IRS at their own game? If you save money on taxes, have you considered investing it in the Kingdom, not just another taxable investment?

Verse

“But seek first the kingdom of God and his righteousness, and all these things will be added to you” (Matthew 6:33).

31 – Itemized Deductions and When They Help



“Check out my new tax deduction...I mean house!”

Up to this point, in most discussions and examples, I have defaulted to the standard deduction for most federal income tax calculations. There’s a reason for that. As noted in a previous chapter, tax brackets are at historic lows (and it looks like they’re going to stay there for a while as a result of the “One Big Beautiful Bill” enacted into law in 2025), and the standard deduction is historically high. That makes it *less* likely that a taxpayer or household will benefit from itemizing.

Itemize your deductions if you can

If you can itemize, then you should. Before I started making Qualified Charitable Distributions (QCDs) from my IRA almost three years ago at age 70.5 (now you know how old I really am), my wife and I were itemizing—and we didn’t have a mortgage interest deduction.¹⁸ However, we’re better off with the standard deduction with QCDs because they’re tax-free and count toward our Required Minimum Distributions—RMDs)¹⁹. I can do my taxes in about 15 minutes once I get all the paperwork together (which is the hard part).

¹⁸ QCDs are tax-free withdrawals for charity from taxable IRAs. A retiree who makes QCDs reduces their taxable income by that amount and is still able to take a standard deduction.

¹⁹ RMDs are the amount the IRS requires you to withdraw each year from your taxable (i.e., traditional) retirement accounts after you reach a certain age. It is currently age 73.

Remember that our goal is to reduce the tax we pay relative to our income and investment earnings over our lifetime. Therefore, we want to ensure we are not “leaving money on the table” by always taking the standard deduction if itemizing would save us money. It may be optimal now, but itemizing could make more sense, especially as you get older and have more, or larger, deductions. Let’s explore that further.

2025 standard deduction thresholds

So, in what circumstances would you find it more advantageous to itemize? As you might imagine, it would be whenever you have more itemized deductions than the standard deduction. Here are the numbers for 2025 based on filing status for comparison (they’re slightly higher than 2024):

- Single Filers: \$15,750
- Married Filing Jointly: \$31,500
- Heads of Household: \$23,250

As you can see, a young married couple must come up with more than \$31,500 in itemized deductions to make it worth itemizing. But how would you? Well, here are the major categories that you might be able to use; it all depends on the amounts and what they add up to.

Categories of itemized deductions

We’ve looked at these earlier, but it’s worth going over the major ones again, along with an example:

Home mortgage interest

First is mortgage interest paid on a loan to purchase a primary (and sometimes secondary) residence. The interest is deductible on the first \$750,000 of a first or second mortgage taken out after December 15, 2017, or up to \$1 million for mortgages on homes purchased on or before December 15, 2017.

Starting in 2026, private mortgage insurance (PMI) becomes deductible under the OBBBA! If you’re a first-time homebuyer, this could be a meaningful deduction.

The amount of interest will vary depending on your progress on the amortization schedule—you pay more interest in the early years and less later—

but let's assume a \$450,000 30-year fixed-rate mortgage at 4.5% was taken out in 2020. In 2024, you would have paid about \$19,000 in interest.

State and local taxes

Next are state and local taxes (SALT). These include state income taxes, local property taxes, and other similar taxes. The OBBBA raises the cap to \$40,000 starting in 2025, but we'll assume yours is \$9,000. You're now up to \$28,000 in itemized deductions (= \$19,000 + \$9,000).

Charitable donations

Charitable donations are another big category for some people. Suppose you give a \$2,000 cash donation to your church. These are deductible up to 60% of your Adjusted Gross Income (AGI), so you're within the limit. Your total itemized deductions are now up to \$30,000 (= \$28,000 + \$2,000), which is still a little under the standard deduction. But we're not through yet. (See the next chapter on recent changes to the tax laws regarding charitable contributions.)

Medical expenses

Another major category of deductible expenses is out-of-pocket medical and dental costs. These include health insurance premiums (if not through a pre-tax employer plan), doctor visits, prescriptions, and long-term care expenses. You can't deduct cosmetic procedures or reimbursed expenses. However, only the portion of your total medical expenses that exceeds 7.5% of your AGI is deductible. Let's assume that both of you are pretty healthy and have an employer health plan, so your costs don't exceed 7.5% of AGI. You're still at \$30,000 in itemized deductions.

"Above-the-line" student loan interest deduction

Another deduction you may have is for student loan interest, but it's not an itemized deduction. As mentioned in the Taxable Income chapter, this is an "above-the-line" deduction—meaning it's taken before calculating AGI and does not appear on Schedule A (Form 1040).

You can deduct up to \$2,500 per year. You'll take your amount as an adjustment to income, which lowers your AGI and, by extension, your taxable income. We'll say you have some student debt, so we'll include it. You can deduct up to \$2,500 per year, but you paid \$2,200. You'll take that amount as an

income adjustment (above the line) and reduce your AGI, reducing your taxable income—it's already baked into your AGI.

Understanding marginal benefit

With a total deduction of \$30,000, you still haven't crossed into the "best to itemize" category ($\$30,000 < \$31,500$), but you only need more than \$1,500 in additional deductions to do so. Once you do, you can calculate the "marginal benefit" of those additional deductions.

The math is pretty simple: the marginal benefit of itemizing is directly proportional to the amount of itemized deductions over the standard deduction. In those cases, the benefit is the marginal amount times your marginal tax rate.

For example, if you had \$32,000 in itemized deductions, the marginal benefit of itemizing is \$500 ($= \$32,000 - \$31,500$). If your marginal tax bracket is 22%, your tax savings would be \$110 ($= .22 \times \500). That's not a huge sum, but \$100 is \$100.

The impact of renting rather than owning

But the opposite can also happen. Notice what happens if we change one big assumption. Let's say you are renting instead of paying mortgage payments. Your itemized deductions go from \$32,200 to \$13,200 ($= \$32,200 - \$19,000$); ouch! In that case, you would be MUCH better off taking the standard deduction of \$31,500.

Tax implications of home ownership

It's also worth noting that, as a married homeowner who claims the \$19,000 mortgage interest deduction and a \$9,000 SALT deduction, but has no other itemized deductions, you would get zero tax benefit from home ownership—at least from a federal income tax standpoint.

That's because your total itemized deductions would be \$28,000, which is \$3,500 less than the 2025 standard deduction for married filing jointly (\$31,500). In this case, you'd simply take the standard deduction and not itemize.

That's the outcome of the lower tax rates and higher standard deductions first enacted by the Tax Cuts and Jobs Act of 2017, and then made permanent under the OBBBA in 2025. However, the OBBBA did improve the tax situation

for homeowners by increasing the SALT cap from \$10,000 to \$40,000 (starting in 2025 for joint filers with dual incomes), and making private mortgage insurance (PMI) deductible (starting in 2026).

These changes make it easier for homeowners to itemize, especially those with larger mortgages or higher state/local taxes. That said, itemizing still isn't guaranteed, given the relatively high standard deduction.

Bottom line: Home ownership might not always yield tax savings, but it can still make solid financial and lifestyle sense—with tax deductions as a potential bonus.

Tax credits for parents

One more (big) thing that can impact your taxes: having children. While kids come with some generous tax breaks, it's still safe to say it costs more to raise them than any credits Uncle Sam might offer. The Bible says that children are a blessing—and they truly are—but they're also crawling, walking, talking, crying little money pits who can present real financial challenges. That said, understanding the tax benefits of parenthood is wise stewardship.

The most significant benefit is the Child Tax Credit. A couple with two children under the age of 17 can receive a credit of \$2,200 per child.²⁰ (A tax credit directly reduces your taxes owed, not your taxable income.) However, an income phase-out begins at \$400,000 for married filing jointly; it phases out by \$50 for every \$1,000 over the limit.

Having children may give you other credits, such as the Child and Dependent Care Credit, which helps offset childcare costs. The cost is \$3,000 per child, with a maximum of \$7,500 per family. The credit is 20% to 35% of qualifying expenses based on your income. Having children may also increase your medical expense deduction, but it's capped at 7.5% of AGI. You can include expenses such as doctor visits, prescriptions, and possibly child-specific care, but cosmetic and reimbursed expenses don't qualify.

Other credits, such as the Earned Income Tax Credit (EITC), are income-specific (typically when your "Modified Adjusted Gross Income, or MAGI, comes back into play). It's a refundable tax credit for low- to moderate-income workers. The maximum credit for a family with two children is \$7,830 for 2024.

²⁰ The One Big Beautiful Bill Act (OBBBA) permanently increased the Child Tax Credit (CTC) to \$2,200 per child and adjusts it for inflation.

Their income must be less than approximately \$63,400. More kids mean a larger credit, but this benefit phases out with higher incomes.

For reflection

Most people are aware that they can no longer claim a large tax deduction for charitable giving unless they itemize, which is limited to 60% of their AGI. From a biblical perspective, that should never be the reason for giving in the first place; it should be done from a willing and cheerful heart, with tax deductibility seen as a “side benefit,” perhaps so that you can give more. If you’re young, chances are you have never itemized on a tax return. But let’s say you did and deducted your charitable contributions, but you now use the standard deduction. Would you have continued giving or cut back due to the lack of a tax benefit?

Verse

“The point is this: whoever sows sparingly will also reap sparingly, and whoever sows bountifully will also reap bountifully. Each one must give as he has decided in his heart, not reluctantly or under compulsion, for God loves a cheerful giver” (2 Corinthians 9:6-7).

Resources

Tax preparation and filing services:

<https://www.e-file.com>

<https://www.freetaxusa.com/>

<https://turbotax.intuit.com/>

<https://www.taxslayer.com/>

<https://www.hrblock.com/online-tax-filing/>

32 – Charitable Tax Deductions in the OBBBA Era



"Blessed are the non-itemizers for they can now deduct."

Previously, only taxpayers who itemized their deductions could get a tax break from charitable giving. But along with many other changes, the deductibility of charitable giving has been altered under the recently enacted "One Big Beautiful Bill" Act (OBBBA). And the big news is that it benefits those who give lower amounts and who would ordinarily not be able to deduct them from their income.

New rules offer new opportunities

After the "One Big Beautiful Bill Act" (OBBBA) passed, most of the headlines focused on tax cuts and health insurance changes. (We looked at them on the income and tax "lever" sections.) But tucked deeper in the bill was a change in how charitable giving is treated for tax purposes, especially for those who take the standard deduction, which is most of us, in fact, over 90%.

If you're a young adult in your 20s or 30s just starting your career, these changes could work in your favor, but you may need to be a little more intentional about how and when you give.

Hopefully, you read the "giving" chapters, which highlight the vital importance of generosity in the life of a Christian. And hopefully you also understand how giving can reduce taxable income (from the Lever #2: Taxes series). With those things in mind, let's review what's changed and how to give generously *and* wisely under the new rules.

New deductibility rules rule

The first, and perhaps most important change, is that you can now deduct some of your giving, even if you don't itemize. Starting in 2026, you'll be able to deduct up to \$1,000 (single) or \$2,000 (married) in charitable giving, *even if you take the standard deduction*.

That's a big deal. As I mentioned earlier, over 90% of us currently take the standard deduction and receive no tax benefit from our charitable giving. This change helps everyday givers like you to receive a tax benefit without having to file a complicated tax return.

To illustrate, assume that Casey is a 26-year-old marketing specialist earning \$58,000 a year. She typically donates \$1,200, primarily to her church, as well as a few local ministries and nonprofits, annually. Since she takes the standard deduction, she will receive no tax benefit from the gift in 2025.

Under the new law, if she donates \$200 in 2025 and the remaining \$1,000 on January 1, 2026, she'll be eligible for the new above-the-line charitable deduction for non-itemizers on her 2026 tax return (filed in 2027). If she's in the 12% marginal tax bracket that year, she'll save \$120 ($=\$1,000 \times .12$) in taxes from the \$1,000 deduction.

It's the same gift either way, with the same heart and kingdom impact, but by adjusting the *timing*, she can be both generous *and* wise. Of course, if there is an urgent need to contribute in 2025, then kingdom urgency trumps tax savings most of the time.

By the way, this deduction only applies to cash donations, not stock gifts or contributions to donor-advised funds (DAFs).

Limitation on itemized deductions

Another change that will only affect you if you itemize your deductions (which I suspect is very few of you; in 2025 you must have deductions totaling more than \$15,750 if you're single or \$31,500 if you're married). Starting in 2026, there's a new 0.5% Adjusted Gross Income (AGI) floor for charitable deductions. This means that only the portion of your charitable giving that exceeds 0.5% of your AGI will be deductible.

For example, James is a 32-year-old single electrical engineer earning \$80,000 per year. He gives \$4,000 annually to his church and typically itemizes his deductions, which include mortgage interest (he purchased a townhome a

couple of years ago), student loan interest, and state and local taxes. Under the new rule, only the amount above 0.5% of his AGI, which is \$400 ($=\$80,000 \times .005$), is deductible. So, his charitable deduction would be \$3,600 ($=\$4,000 - \400).

That's still a substantial deduction. If James is in the 22% marginal tax bracket, he saves \$792 in taxes ($=\$3,600 \times 0.22$), assuming he itemizes.

Get a giving strategy

If you're landing a new job with higher pay, or receiving a significant raise or bonus, timing your giving can be a helpful strategy to maximize your tax savings. Nothing about the floor itself changes this strategy, but now timing matters more if your income fluctuates.

Consider Alyse, a 29-year-old freelance web developer earning \$40,000 this year. She gives \$1,000 annually to a campus ministry she once benefited from. Next year, she expects to land a full-time role with a tech firm, which will double her income to \$80,000. As a result, her marginal tax rate will jump from 12% to 22%.

Rather than giving \$1,000 in both years, Alyse could wait and give \$2,000 in 2026, when her income and tax rate are higher. Even with the 0.5% AGI floor, which is \$400 at that income level ($= 0.005 \times \$80,000$), the deduction of \$1,600 ($=\$2,000 - \400) at 22% saves \$352 ($=\$1,600 \times .22$) in taxes, more than she would have saved splitting the gifts.

The point? Your giving doesn't have to change; just the timing might.

What about a windfall?

Suppose you're blessed with a windfall—an inheritance, a year-end bonus, or a big stock gain—and you decide to make a larger charitable gift. That's great! Just remember: AGI limits still apply—60% of AGI for cash gifts and 30% for gifts of appreciated stock or property.

And now, starting in 2026, you must first subtract the 0.5% AGI floor before applying the percentage limits. Here's how it works:

Charlie, age 32, inherits \$20,000 in stock from his uncle and decides to donate \$6,000 in appreciated stock to his church's building fund. His AGI that year is \$50,000. His 0.5% AGI floor is \$250 ($=\$2,500 \times .005$) and his allowable deduction is \$5,750 ($=\$6,000 - \250). And the AGI limit for stock gifts is 30% of AGI, which is \$15,000 ($=\$50,000 \times .30$).

Because \$5,750 is less than \$15,000, Charlie is under the limit and can deduct the full \$5,750 this year.

If his gift had been larger—say \$18,000—he could only deduct up to \$14,750 this year (\$15,000 AGI limit minus the \$250 floor), and the remainder would carry forward for up to five years. This also point to the need to come up with a strategy if you want to be generous but also want to maximize the tax benefits under the new law.

For reflection

No matter what the tax benefits, our goal should always be to give out of gratitude and with grace from a gospel-centered heart. These tax tips are practical, but they're not the *point* of giving. We give because we've been given so much in Christ. We give to support God's work in the world, to bless others, and to loosen the grip of money on our hearts.

Still, there's no shame in stewarding your generosity wisely, giving more to God and less to the government if you can. So, if a little tax planning helps you be more faithful, more generous, or more consistent in your giving, it's worth doing.

Verse

“Each one must give as he has decided in his heart, not reluctantly or under compulsion, for God loves a cheerful giver” (2 Corinthians 9:7).

LEVER #3 – CONSUMPTION: CONTROLLING YOUR SPENDING

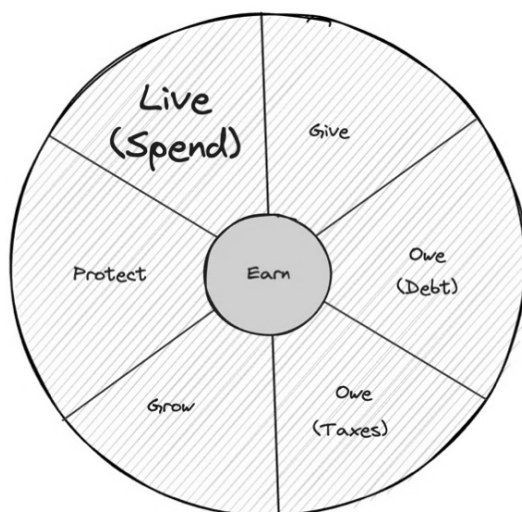
3 – Spending Less Than You Earn



"I get my cardio in by running through the grocery store in hopes I will spend less on groceries."

In a previous chapter, we discussed money as both a tool and a gift. We also learned that the Bible doesn't give us a specific dollar amount to spend, save, or give, but it does give us principles, starting with stewardship.

The next series of chapters is about spending. One of the main things we can do with money is spend it. Spending can be fun and a good use of our money, but it's certainly not the only thing. Our "money pie" diagram reminds us that money "spent" can't be used for anything else.



Source: Ron and Michael Blue, "God Owns it All," *LifeWay*, 2016

But what we're really talking about is "consumption"—what we use or purchase in terms of goods and services. It's our acquisition of goods and services that have some control over that drives most of our discretionary spending. For example, purchasing a bigger house or newer car causes us to spend more on insurance. Still, for purposes of this "lever" (#3), we'll call it spending or *expenses*.

Spending is a natural part of life—mainly because we need to do it to live—so it's not unspiritual, it's actually a good part of God's created order (1 Corinthians 10:31). God has given you money to enjoy and as a tool to use for yourself, your family (if you have one), and his good purposes. As James reminds us, "Every good gift and every perfect gift is from above, coming down from the Father of lights, with whom there is no variation or shadow due to change" (James 1:17).

But as with all good things, moderation is the key. So, it's essential to throttle your spending to ensure that it doesn't exceed your income and that you leave room for things like saving, giving, and the unexpected.

Handicapped from the start

Controlling our spending can be more difficult than it sounds. One reason is you're "handicapped" from the start. If you read all the tax-related chapters in

the “Lever #2: Taxes” series, you now understand how your income is heavily taxed by the federal government and often your state, county, and city.

To illustrate, if we assume an average (effective) tax rate of 10% at the federal level, 5% at the state level, 6.2% for Social Security, and 1.45% for Medicare, you have a combined tax rate of 22.65%. That means to generate \$1.00 of expendable income, you have to earn \$1.29, calculated as:

$$\$1.29 = 1 \div (1 - 0.2265) \text{ (Federal, state, FICA taxes)}$$

That was the reason for the “Lever #2: Taxes” chapters—to help you keep more of your hard-earned money for other purposes. Whatever that number is for you, let’s call it “I” for “income.”

If you want to use “I” to buy something that costs \$1.00 and you have to pay 7% sales tax (some local areas are higher; also, some expenses, like utilities, don’t carry a sales tax), you now need to generate \$1.38:

$$\$1.38 = 1 \div (1 - 0.2765) \text{ (+ 7% sales tax)}$$

It can be unsettling to see how quickly taxes erode your expendable income!

Let’s take this a little further. If, besides paying taxes, you also want to give 5% (10% would be better based on biblical principles) and save 6%, that’s an additional 11%. That means that to buy that “thing” for \$1.00 and give and save, you now need to generate \$1.54:

$$\$1.54 = 1 \div (1 - 0.3515) \text{ (+ 5% giving, 6% saving)}$$

That number must be higher if you want to give and save more than 11%. For example, if you want to give 10% and save 12%, you’ll need \$1.87:

$$\$1.87 = 1 \div (1 - 0.465) \text{ (+ 10% giving, 12% saving)}$$

Here’s a little table that summarizes these calculations and shows how quickly your spendable income can get used up:

Scenario Description	Formula	Result
Federal, state, FICA taxes only	$1 \div (1 - 0.2265)$	\$1.29
+ 7% sales tax	$1 \div (1 - 0.2765)$	\$1.38
+ 5% giving, 6% saving	$1 \div (1 - 0.3515)$	\$1.54
+ 10% giving, 12% saving	$1 \div (1 - 0.465)$	\$1.87

You may now see that the higher your income, the more you’ll need to generate the next \$1.00 to spend. Each additional dollar costs more as you move into higher federal marginal tax brackets. For instance, if you exceed the 22% bracket and reach the 24% bracket, each additional dollar spent requires

earning \$2.30. At the top bracket (37%), the cost rises to \$2.86 per spendable dollar.

Most of you'll be in the 12%, 22%, 24%, or perhaps the 32% marginal tax bracket. As additional context, here are the 2025 income ranges for those brackets:²¹

- 10% for incomes \$11,925 or less (\$23,850 or less for married couples filing jointly).
- 12% for incomes over \$11,925 (\$23,850 for married couples filing jointly).
- 22% for incomes over \$48,475 (\$96,950 for married couples filing jointly).
- 24% for incomes over \$103,350 (\$206,700 for married couples filing jointly).
- 32% for incomes over \$197,300 (\$394,600 for married couples filing jointly).
- 35% for incomes over \$250,525 (\$501,050 for married couples filing jointly).

As your AGI rises, minimizing your tax liability through careful tax planning, maximizing tax-efficient savings, and giving strategies are vital aspects of wise stewardship.

Here's an example using a salary number. Let's say you have a bi-weekly salary of \$4,000, payroll taxes of 7.65%, federal income tax (average) of 10%, state tax of 5%, savings rate of 6%, and giving of 10%. Your biweekly "I" equals:

$$\begin{aligned} & \$4,000 \times (1 - (0.0765 + 0.10 + 0.05 + 0.06 + 0.10)) \\ &= \$4,000 \times (1 - 0.3865) \\ &= \$4,000 \times 0.6135 \\ &= \$2,454 \end{aligned}$$

That shows that you need a salary of \$4,000 to have \$2,454 of "I" for spending. If your income is higher, and you are paying more in average tax, the "I" number becomes even smaller. The point is to be in a place to save and give, even if you must keep consumption in check.

The financial life equation and spending

Just as taxes reduce total wealth over your lifetime, consumption and spending do too. We're focused on the "minus sum of all expenses" (the " $-\Sigma E_{t+n}$ " component). We want to minimize that number while maintaining a reasonable standard of living.

²¹ Source: <https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2025>

Just as taxes reduce your wealth over time, *so does consumption*. Let's revisit the financial life equation (FLE):

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Translation: Future Wealth is based on current Wealth plus income earned minus taxes, giving, expenses, and interest expense, plus any interest earned. Your expenses ($\sum E_{t+n}$) are a negative number. We want to minimize it, but while still living reasonably.²²

Spending is directly tied to consumption—if you want to consume something, you typically have to spend money on it. In the financial life equation (FLE), spending (“E”) is a negative, which means you want it to be as low as reasonably possible over your lifetime.

Keeping your expenses manageable, especially while growing your income and investments, can help build your net worth. But how much you spend is largely shaped by your lifestyle, which ultimately determines your fixed bills and discretionary spending.

The I > E equation

Once you understand your expendable income (“I”), the real question becomes how you’ll use it. Beyond taxes, saving, and giving, everything else falls into the “E” category—your expenses. Here’s the simplest financial formula ever: I > E. It implies you spend less than you earn, which is common sense but often difficult to live out. If your spending exceeds your income (I < E), debt is usually the result. But when I > E, you have margin—money left over to use intentionally for giving, saving, or wise investing.

That margin—what’s left when income exceeds expenses—has long-term value. A dollar not spent today can grow through saving and investing, potentially outpacing inflation and taxes. The future value (FV) of that dollar could be significantly greater than its present value (PV), especially when compound interest works in your favor.

²² If you want an ultra-frugal lifestyle, then go for it. But be careful not to let your frugality become an idol, and don’t let it turn you into a cheapskate or hoarder.

Much of our spending stems from lifestyle choices, not needs. Our culture often promotes the idea that more spending equals more happiness, but once basic needs are met, this isn't usually true.

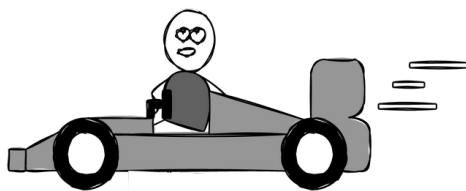
For reflection

How much control do you have over your consumption and spending? If you believe the answer is “not much,” you may not realize how much of your spending is in your control. We must all decide how to meet our most basic needs (food, clothing, shelter, and transportation) and other necessities in the modern world. But beyond that, much of our consumption and spending is discretionary. Do you think carefully about such things before you let go of your hard-earned “I”? Do you see the link between spending and your ability to give and save? How do you think God wants you to think about them based on what He tells us in His Word?

Verse

“Moreover, it is required of stewards that they be found faithful” (1 Corinthians 4:2).

34 – Making Wise Lifestyle Decisions



"I think making a bad lifestyle decision is really just an expensive way to learn the 'hard way?'"

The question, "What kind of lifestyle does God want me to live?" is a hard one to answer because the Bible is long on principles (and wisdom) and short on prescriptive practices about such things. It doesn't say to live here or there, or to buy a small house or a big one, to buy this car or that one, or whether to send your children to public or private school.

I certainly can't answer these questions for you; only God can. Fortunately, He has given us His Word, which suggests that your decisions about lifestyle and money aren't about how much you have or specific spending rules or amounts. They're about your attitude toward money and how you use what you've been given.

Biblical perspective on lifestyle

A truly biblical approach to money and spending is heart-centered. It's about faithfully aligning your financial decisions with godly wisdom and principles (Proverbs 3:6). Many lifestyle debates among Christians often come from misreading what the Bible says about wealth and possessions. Some say it teaches poverty (asceticism), and others say it teaches abundance (prosperity gospel), and both are mostly false.

The Bible doesn't offer a one-size-fits-all lifestyle. It presents many individuals in different financial conditions, from kings with riches to faithful widows with little to nothing to poor, blind beggars on the street. What

mattered wasn't their amount of wealth but their hearts and what they treasured (Matthew 6:21).

Count the cost

Jesus told His followers to "count the cost" before starting something significant (Luke 14:28). Decisions like where to live or what kind of house to buy are big. Once you've decided where to live, you've already defined much of your financial path. That one decision impacts transportation, schooling, and commuting costs.

The bigger challenge comes as income increases; you may feel tempted to adopt a lifestyle that is slightly more comfortable or luxurious. These subtle upgrades can shift your heart and priorities over time. A budget is one way to combat that, both as a financial tool and a spiritual discipline. It helps you tell your money where to go before your heart can send it somewhere else (Proverbs 4:23).

Time, money, and relationships

Lifestyle is about managing three limited resources: time, money, and relationships. These are often fungible, meaning you can convert one into another. You can turn time into money by working or freelancing. You can turn money into time by hiring help. You can invest both in relationships through service, friendships, and giving.

Wealthy believers may spend in order to free up time for ministry or family. Others may sacrifice in other areas to give more generously. The point is to discern what your limiting factor is and steward the rest accordingly.

Margin and flexibility

James reminds us not to presume on tomorrow (James 4:14–15). Don't build a lifestyle that prevents you from saying "yes" to God. Margin in your lifestyle provides flexibility. If God calls you to a new job, a ministry, or to serve differently, will your lifestyle allow you to obey?

Margin isn't just financial; it includes emotional, relational, and time margin. A simple lifestyle helps preserve those. As Paul wrote, "godliness with contentment is great gain" (1 Timothy 6:6).

Gratitude and generosity

Gratitude is the foundation of contentment (1 Thessalonians 5:18; Philippians 4:11–13). When you're regularly thankful, you're less likely to be

swayed by comparison. Contentment keeps lifestyle drift in check. Gratitude helps us see God's provision through grace, not envy.

A generous lifestyle reshapes everything else. It asks, "How can I live so I can give more freely and joyfully?" Generosity isn't just about giving 10%—it's about shaping your lifestyle for kingdom impact.

A lifestyle built on faith

Your lifestyle is a witness to the world. In a culture obsessed with materialism, a quiet, content, and gracious lifestyle is radically countercultural. A faithful lifestyle is about living wisely, freely, and fruitfully, not necessarily small or frugal, but intentional.

Proverbs 21:20 says, "The wise store up choice food and olive oil, but fools gulp theirs down". Wisdom leaves margin. With God's help, you can strike the right balance between hoarding and over-consuming.

For reflection

A faithful lifestyle isn't about doing less or living small—it's about living wisely, freely, and fruitfully for the long haul. You don't have to get everything perfect from the get-go; take one step at a time with a grateful heart. What small steps can you take to change your lifestyle that enhance your "I" and enable you to do more for God's Kingdom? A faithful lifestyle isn't about doing less—it's about doing what matters most. Start small. What steps can you take to enhance your margin and redirect resources for God's Kingdom?

Verse

"Do not be conformed to this world, but be transformed by the renewal of your mind, that by testing you may discern what is the will of God, what is good and acceptable and perfect" (Romans 12:2).

35 – Creating Margin in Your Budget



"Oh, I thought they said I needed more 'margarine.'"

Some people would like to save or give more, but can't. They might say their expenses are too high or their jobs pay too little to find the extra money. These can be legitimate problems. Sometimes income is the issue, and that's where focus is needed. Debt may also play a role, making it hard to give or save.

But others would admit the real issue is overspending and the lack of financial margin it creates.

Types of financial margin

You may think of margin in terms of time, balancing work, home, and spiritual life. Similarly, financial margin can be viewed from two perspectives:

Emergency Margin: The ability to handle the unexpected. Did you know that about 4 in 10 Americans can't cover a \$400 emergency expense?²³ That's where an emergency fund comes in: start with \$1,000, then aim for 3 to 6 months of income. Use a high-yield savings or money market account (often via a brokerage) to store it.

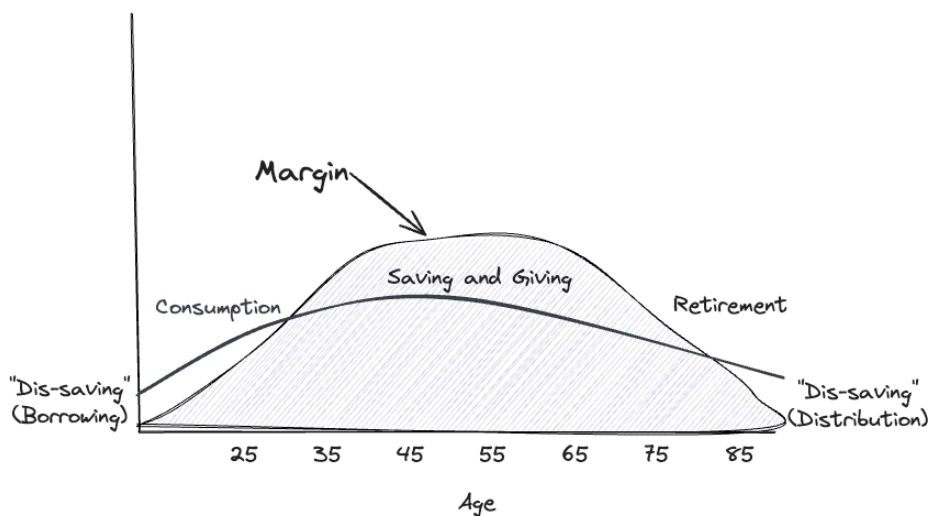
Income vs. Spending Margin: This is the gap between what you earn and what you spend. If you're spending more than you earn, you have zero or even a negative margin, often relying on debt. But if you spend less than you earn,

²³ Source: Fortune article on emergency expense readiness—<https://fortune.com/2023/05/23/inflation-economy-consumer-finances-americans-cant-cover-emergency-expense-federal-reserve/>

you create space for saving and giving. That's $I > E$; income is greater than expenses.

Smoothing consumption over time

To build margin, consider the idea of “consumption smoothing,” which is spreading your consumption evenly over a lifetime. When you're just starting out, you may have negative net worth and be in debt. But as you start earning, keep your spending low to avoid additional debt. As your income grows, avoid lifestyle inflation. Live below your means. This chart again illustrates the concept:



Eventually, you'll become a higher earner (probably, hopefully, but even if you don't, you have Jesus and treasures in heaven!). Use that surplus to invest in long-term goals and for generosity. Resist the temptation to spend in lockstep with income increases. That's how margin is created.

Biblical stewardship and margin

Biblical stewardship encourages us to set aside resources instead of spending everything. As Proverbs 21:20 reminds us: “Precious treasure and oil are in a wise man's dwelling, but a foolish man devours it”.

Diligence, restraint, and generosity all require margin. Instead of always living at the edge, smoothing out your spending enables you to wisely steward your resources based on God-honoring principles.

Many personal finance experts recommend saving 10–15% of income, and starting early to take advantage of compound interest. Others, like some economists, advocate for “consumption smoothing,” which is saving more in midlife when you can afford it, and drawing down in retirement.

Starting early is ideal. But if you begin later, you can still succeed by saving more aggressively during peak income years. Always at least capture your 401(k) match if available. Compound interest can still work its wonders over time.

Why margin matters

High-income earners often have the luxury of smoothing consumption without worry—but they have to keep “E” in check. But for lower earners, margin is critical. It helps avoid reliance on credit and provides a cushion against financial shocks.

Financial margin also enables peace of mind and Kingdom-focused living. It prepares you to serve others, respond to needs, and avoid financial anxiety.

Barriers to building margin

Unavoidable challenges like medical bills or caregiving can affect your margin. But we also face temptation—acquiring more, keeping up appearances, or giving in to advertising. And yes, the Enemy is at work here too.

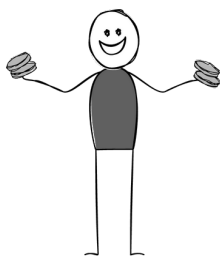
For reflection

How would you respond if your income increased by \$50,000/year? Would you rush to upgrade your lifestyle, or would you preserve some margin to give, save, and steward wisely? These are both head and heart questions.

Verse

“Five of them were foolish, and five were wise. For when the foolish took their lamps, they took no oil with them, but the wise took flasks of oil with their lamps” (Matthew 25:2–4).

36 – Living Below Your Means



“I’ve mastered living below my means. Now if only my paycheck would start living above them.”

By now, you’re very familiar with the $I > E$ concept, which symbolizes “expendable income greater than expenses.” For most of us, our income is relatively static. Therefore, for I to be $> E$, assuming you don’t have so much income that you have trouble spending it all, your goal is to keep spending under control so that $E < I$.

You’ve also noticed that I often write that you should “Spend less than you earn because everything else—margin, avoiding debt, saving, and giving—depends on it.” It all boils down to a simple but hard-to-live-out principle: Live below your means.

Have some fun, but keep a governor on it

In the last chapter, I suggested that you have a plan for your money, even if you’re in your 20s. But perhaps you’re thinking, “Hey man, I’m still young with few responsibilities. Isn’t this a time to live life to its fullest, upgrade from ramen noodles, and get a nicer car, at least one without a hole in the floorboard?”

Sure, young adulthood is a time of fun, freedom, and possibly more income than you’ve ever seen in your bank account. But here’s the thing: your money mindset is being formed right now. The habits you develop—good or bad—can set the trajectory for decades to come; it’s time to think about your “future self.”

So, the principle is the same whether you're 22 or 62 (if you're 102, maybe not so much): spend less than you earn. If you make a habit of living below your means—even if your means are small, you'll build flexibility (a/k/a the margin we discussed in the previous chapter), reduce stress, and have options for the future.

When you don't have margin, such as an emergency fund, you're just one unexpected bill or repair away from financial instability. And when you consistently spend what you earn (or more), you're stuck in a cycle of work-to-spend that leads nowhere.

Living below your means is how you build a cushion. It's how you stay out of debt. It's how you prepare for the unexpected. And, more importantly, it frees you to give, save, and serve without anxiety. As Proverbs 21:20 reminds us, "Precious treasure and oil are in a wise man's dwelling, but a foolish man devours it".

Avoiding lifestyle creep

I mentioned "lifestyle creep" in the last chapter. (And no, I'm not talking about your neighbor next door.) As your income grows, there can be the temptation to increase spending just as fast. New job? => New apartment. Raise? => Nicer car. Bonus? => It's time for that vacation or upgrade. And before long, your expenses match your income—again. There is no "consumption smoothing" now, only "consumption elevating."

Instead, what if every time you got a raise, you increased your spending just a little less than your income? Over time, you'll live 20% or 30% below your income. It works like "reverse compounding." That extra margin is where financial freedom lives. "Better is a little with the fear of the Lord than great treasure and trouble with it" (Proverbs 15:16).

Reverse compounding in action

This table shows how your margin grows over time when spending increases more slowly than income, demonstrating the concept of "reverse compounding." As income rises 5% annually and spending rises just 3%, the gap (margin) expands yearly, providing more financial freedom. It starts at \$5,000 and grows to \$18,852 after 10 years. The gap will grow faster if your income increases by more than 5% and spending doesn't exceed a 3% increase yearly.

Savings vs. saving

This table also helps me make an important point I have been trying to drive home: Having more savings isn't the same as saving more. Savings is a noun. It's the money sitting in your bank, brokerage, or retirement account. But saving is a verb. It's a strategy where you choose to spend less today so you can have more later. So, saving isn't just about building wealth; it's about reducing consumption.

When you live below your means and pay less in taxes and interest on debt, you naturally "save." And if you're generous (and I hope you are—the Bible says you should be), you can give more. Want to grow your savings? Want to give more? Start by spending less.

A common objection

You may feel you don't earn enough to live below your means. I get that. It can be tricky. But if you can't live below your means when you earn \$40K, you probably won't when you earn \$140K either. (Trust me, it's true!) There's always something more to buy, always the next shiny thing to chase.

It is tough when you're just starting out. But the earlier you train yourself to spend less than you earn, the easier it gets. Living below your means builds self-control, contentment, and long-term financial flexibility. It's one of the best gifts you can give your future self.

Practical strategies

So, to boil this down, how do you actually do this? Here are a few ideas; do these, and you'll be well on your way to building margin and $I > E$:

- **Build a spending plan** (a/k/a budget). It's not a constraint but a tool for financial freedom. You have many options here, so we'll cover this in a separate chapter.
- **Track your spending.** You can't manage what you don't measure. You need a plan and must track your progress.
- **Delay upgrades.** Chill. You don't need the latest phone or car right now. Save up for it if needed.
- **Plan for irregular expenses.** Use a "sinking fund" to prepare for non-monthly costs like repairs, insurance, or vacations.

- **Avoid lifestyle inflation.** When income rises, increase giving or savings, not just spending.
- **Set percentage goals.** Live on 80%, give 10%, and save 10%. Married with two incomes? Try living on one.

Freedom through financial wisdom

Being wise with your money is even more critical if your income is low. With less margin for error, a single financial emergency can throw everything off. That's why creating a small buffer is crucial for your income and the emergency fund we discussed earlier. It's not just about wealth; it's also about wisdom.

Learning to budget, cut unnecessary expenses, and prioritize saving or giving—even in small amounts—is how you stay out of the paycheck-to-paycheck trap. And it's how you avoid the regret of having to play “catch-up” later in life. “Go to the ant, O sluggard; consider her ways, and be wise” (Proverbs 6:6).

A countercultural choice

Marketing and social media constantly push the message that more is better. There's always something new to buy, some standard to keep up with, or someone else's life to emulate. But Proverbs 13:7 says, “One pretends to be rich, yet has nothing; another pretends to be poor, yet has great wealth”.

The more you're driven by comparison, the more likely you are to overspend and borrow. Living below your means is an act of quiet rebellion against the consumer culture. It's choosing simplicity, contentment, and purpose over image.

Avoiding debt and embracing freedom

The Bible says it's better to live below your means and avoid debt than to “live big” to impress others and constantly worry about paying off your debt. As Proverbs 22:7 says, “The rich rules over the poor, and the borrower is the slave of the lender”.

We'll discuss debt more in the “sum of interest paid” lever series later, but if you're in your 20s and already have debt, don't panic (but don't ignore it either). Remember the old saying, “If you're stuck in a hole, stop digging”? The key point here is to stop borrowing more and start paying it down. Dave Ramsey

recommends the “debt snowball” method, starting with the smaller debts to get momentum. Others prefer to pay down their high-interest debts first. Also, look for small lifestyle changes that free up cash for payments.

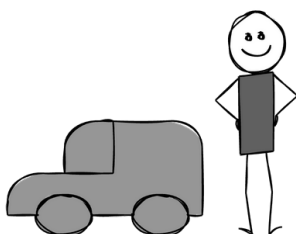
For reflection

Living below your means is a choice. It's not always easy, but it's always worth it. It gives you margin, peace of mind, and freedom. Most importantly, it positions you to respond generously to God's calling on your life, wherever it may lead. One of the greatest benefits of living below your means is the freedom it creates. Freedom to take a lower-paying job you love. Freedom to be more generous. Freedom to say yes when God calls you to something unexpected. Without margin, your choices are limited. With margin, you're ready and available. And you're not enslaved by debt or driven by fear. Will you do what you must to be financially free?

Verse

“So if the Son sets you free, you'll be free indeed” (John 8:36).

37 – Spending Wisely in an Age of Consumerism



"My car may not scream 'success' but it gets me where I need to go."

It's probably fair to say that many—even the relatively “well off”—feel they can't save or give more due to a constant pull toward consumption and debt-funded lifestyles. This chapter will explore ways to approach your consumption and spending decisions within our affluent, materialist, and consumer-driven culture, drawing on biblical wisdom.

The roots and reach of consumerism

It's hard to overstate how deeply ingrained cultural consumerism and materialism are in American society today. From an early age, we are exposed to messages equating happiness and success with wealth, possessions, and affluent lifestyles.

Marketing and media often portray consumer goods as keys to personal happiness and fulfillment, leading to a culture where accumulating more—bigger homes, newer cars, and the latest technology—is not just normal but expected. This environment encourages spending and debt, even when it may not be financially wise or genuinely satisfying.

The blessings and dangers of prosperity

That said, there are some potential benefits to this consumer-driven culture. For one, it fuels economic growth. Consumer spending accounts for a substantial portion of the U.S. economy, supporting businesses, generating employment opportunities, and driving innovation.

Material prosperity can also be a blessing when stewarded well, allowing individuals to provide for their families, support charitable causes, and enjoy the good gifts God has given (1 Timothy 6:17 says, “God... richly provides us with everything for our enjoyment,”).

Biblical wisdom on materialism

However, materialism has a significant downside. When acquiring and possessing material things become our highest priority, they can displace God at the center of our lives. Jesus warned about that in Luke 12:15, “Watch out! Be on your guard against all kinds of greed; life does not consist in an abundance of possessions.”

The relentless pursuit of more often leads to discontentment, debt, anxiety, and a spiritual void. It can also foster social comparison, where self-worth becomes tied to what we have rather than who we are and what we have received in Christ.

Biblically, we are called to live with contentment and generosity rather than excess and accumulation. Hebrews 13:5 urges, “Keep your lives free from the love of money and be content with what you have”. The Christian life is not marked by how much we possess but by how faithfully we steward what God has entrusted us.

In contrast to the culture of consumerism, Scripture calls us to seek the kingdom of God first (Matthew 6:33) and store treasures in heaven, not on earth (Matthew 6:19-21). Remember—we love what we treasure.

The trap of keeping up appearances

Consumerism takes many forms. One way is the pressure to keep up with neighbors or social media “friends.” (Have you noticed how people post photos of new cars, houses, or vacations—but not the loan papers or credit card bills behind them? When was the last time you saw someone proudly posting a past-due notice on Facebook?)

You know that appearances can be deceiving, right? When you see a fancy house or car, you don’t know what’s behind it. Many are heavily mortgaged or financed. They may look rich, but they’re barely getting by or going deeper into the hole every month. They don’t “own” their expensive stuff; the bank does.

Breaking free from overspending

Given all the temptations, you may notice some “consumption creep” over time. Perhaps you’re eating out more or taking more trips. As income increases, people often adopt more expensive habits, hobbies, and forms of entertainment. While these may seem manageable during your working years, they can become major budget drains.

Data suggests that many U.S. households live beyond their means. A recent Bankrate study found that fewer than 40% of respondents could cover a \$1,000 emergency from their savings. So, don’t get caught up in appearances.

Proverbs 13:7 says, “One pretends to be rich, but has nothing; another pretends to be poor, yet has great wealth”. Proverbs teaches that certain desires, like greed, are insatiable. For example, Proverbs 30:15 states that “The leech has two daughters: Give and Give. Three things are never satisfied; four never say, ‘Enough’”. That describes how powerful human desires for wealth and possessions are, but they are never satisfied.

Our challenge is that resisting a consumer-driven lifestyle is hard in our culture. Our economy—still the envy of much of the world—acts as a massive machine designed to separate us from our money. Suggesting someone spend less and save more is like suggesting they breathe less. Everywhere we turn, we hear messages like, “You need it,” “You deserve it,” and “You can afford it” (with credit, of course). It’s too easy to overspend and leave nothing to save or give.

So, what can we do? There’s only one real solution: Plan how much to save, give, and spend—and then work that plan. There may be seasons when saving or giving is limited or paused. But most people, with some effort, can find something to set aside if they have an income.

Practical steps for spending wisely

You must reduce spending or generate more income to increase your savings and charitable giving. If you want to save 6% of your income but are currently spending it all, you’ll need to cut spending by 6%. If you’re giving 5% and want to raise it to 10%, you must reduce spending or saving or increase income by 5%.

How you create and manage your plan is up to you. But I recommend starting with a budget (if you don’t already have one) and tracking your spending. You might be surprised at what you’re spending on things like coffee,

fast food, or eating out—some of which could go elsewhere. Consider using a tool like Ramsey’s EveryDollar or You-Need-a-Budget (YNAB). Once you know where your money is going, you can redirect it toward saving and giving.

Major expenses to manage carefully

Buying a home—and then furnishing and decorating it—is one of the main ways many people overspend. When, where, and how you purchase your first home will be among your most exciting but impactful financial decisions. Are you willing to wait and pay cash to furnish it, or will you take on debt to do it quickly? There’s nothing wrong with nice things, just don’t go into debt for them (it’s not worth it). Also, think twice before borrowing again to remodel a home you just mortgaged. Some do this immediately, adding to their already substantial debt burden.

Auto purchases are another big area. Chances are, you don’t need a brand-new car, and whether new or used, you likely don’t need a car payment. And if you think it’s always less costly to lease a new car, think again. That monthly payment is money that could go elsewhere.

Children, education, and wise choices

Children are a blessing and a gift from God. And yes, it costs money to raise them, and it’s money well spent. Plan for that, but don’t view children as mainly an expense. If God gives you children, he will abundantly provide for their needs as you faithfully trust him and apply the principles and practices discussed here.

Many parents rightly care about their children’s schooling. However, that concern can become pressure to pursue private K–12 schools and elite colleges. If you can afford it, great, but don’t stretch to the point of financial harm. I’ve talked with people who plan to use their retirement savings for their kids’ education. I don’t recommend it unless that expensive education will put them in a position to take care of you if you run short.

Some encouragement

Managing spending and avoiding debt (and paying interest)—especially for housing, vehicles, and education—is critical to long-term financial health. It’s just as important as maximizing income and saving. Even as your income

grows, living below your means is one of the best ways to ensure you'll have the margin to save, invest, and give.

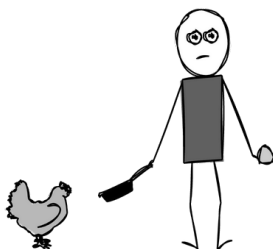
For reflection

Take a moment to examine your current lifestyle and spending habits. Are there areas where cultural pressure or personal desires have subtly taken priority over faithful stewardship? Have you justified purchases or consumption patterns that may hinder your ability to give generously, save consistently, or live with margin? Ask God to show you where your heart may be overly attached to comfort, image, or comparison, and invite Him to realign your desires with His purposes. True freedom doesn't come from having everything you want but from living with wisdom, contentment, and purpose.

Verse

“Keep your life free from love of money, and be content with what you have, for he has said, ‘I will never leave you nor forsake you’” (Hebrews 13:5).

38– Understanding Inflation and Its Insidious Impacts



"The way egg prices are going, I think I may need to start negotiating directly with the chickens."

I like eggs. Maybe you do too. I don't eat them every day, perhaps a few times a week. I also like a piece of turkey sausage with them (Jimmy Dean is the product name, but I'm guessing that none of you have ever heard of him or his sausage.)

My wife says I make (fried) eggs well, maybe because I have been doing it for so long. It's not that hard. The goal is not to break the yolk if you want to fry them. I went online and discovered that I can buy an automatic egg cracker that 1) never breaks the yolk and 2) does not leave bits of the shell in the fry pan. (I cook them over medium, which, for the unfamiliar, is runny yellow but not white.) There are a ton of them for sale—thank you, Amazon!

The impact of recent inflation

Recently, egg-lovers like me faced a significant issue: the price had become prohibitively expensive (although it has since dropped from its peak). Almost everything is more costly these days as we are coming out of a period of high inflation after decades of relatively low inflation. We have all been hoping for lower costs across the board, but that hasn't happened even though inflation has moderated. Still, grocery prices remain inflated; from where I sit, they're not likely to come down anytime soon. Due to the cumulative effects of

inflation, there is a difference between the current inflation rate (which is lower) and the current cost of goods, which has remained high.

While recent data shows inflation in early/mid 2025 has cooled to 2.4%, the aftermath of the previous spike continues to affect many Americans. The cumulative effect of sustained high inflation has eroded purchasing power, making it harder for families to maintain their standard of living. In fact, from 2020 to 2023, the average annual increase in the Consumer Price Index was 4.5%, highlighting the persistent pressure on consumers.

Consequently, many individuals and families have had to decide where and how they can cut back. Perhaps they can make fewer trips to local restaurants, purchase less expensive cuts of meat at the grocery store, or carefully consider their Netflix, BritBox, and Paramount+ subscriptions. Every dollar counts these days. I don't really like any of these options. My wife and I want to eat out occasionally, eat nice meals at home (most of the time), and enjoy watching good movies on TV. I suspect you're a lot like us; just younger, so your tastes in food and films may be a little different (I'm thinking most of you don't have a BritBox streaming subscription).

How inflation works

Inflation happens when your money's purchasing power slowly erodes over time. That occurs when purchasing the same goods or services takes more dollars. It's why your \$5 coffee might cost \$6 next year, and why a starting salary that sounds decent today might not go as far in the future. The average inflation rate has been around 3% per year, but it can fluctuate significantly from year to year.

Inflation matters most when prices go up for the everyday things you need: groceries (which include eggs), gas, rent, utilities, etc. But it also affects your income. Even if you get raises or promotions, your income may not keep up with inflation. If it does not, your income will buy less year by year.

Let's say you got a 3% raise last year, but inflation was 4%. That means, in real terms, your buying power went down. You're technically making more, but everything will cost you more, so you can afford less. Inflation doesn't just make things more expensive; it changes how your money works.

The negative compounding effect

Inflation has a negative compounding effect: 3 percent inflation one year with 4 percent inflation the next is total compound inflation of 7.12%, not 7.0% (which you might expect, but that’s a simple sum). Very long periods of high inflation can be particularly damaging.

Here’s a quick picture of inflation’s “reverse compounding” effects over a long time. It shows how, with 3% inflation per year, the purchasing power of \$10,000 has been reduced by almost 50% to \$5,537 in 20 years.

Year	Inflation 2%	Inflation 3%	Inflation 4%
1	\$9,804	\$9,709	\$9,615
2	\$9,612	\$9,426	\$9,246
3	\$9,423	\$9,151	\$8,890
4	\$9,238	\$8,885	\$8,548
5	\$9,057	\$8,626	\$8,219
6	\$8,880	\$8,375	\$7,903
7	\$8,706	\$8,131	\$7,599
8	\$8,535	\$7,894	\$7,307
9	\$8,368	\$7,664	\$7,026
10	\$8,203	\$7,441	\$6,756
11	\$8,043	\$7,224	\$6,496
12	\$7,885	\$7,014	\$6,246
13	\$7,730	\$6,810	\$6,006
14	\$7,579	\$6,611	\$5,775
15	\$7,430	\$6,419	\$5,553
16	\$7,284	\$6,232	\$5,339
17	\$7,142	\$6,050	\$5,134
18	\$7,002	\$5,874	\$4,936
19	\$6,864	\$5,703	\$4,746
20	\$6,730	\$5,537	\$4,564

What causes it?

Lots of things can cause inflation. Chickens can charge more for their eggs, but the reason is essentially that “too much money chasing too few goods,” (or in this case, possibly too many frying pans chasing too few eggs). That can happen because of increased demand, supply shortages, or—more often than not—monetary policy decisions like printing more money or keeping interest rates too low.

We have experienced these things since the COVID pandemic, but a certain level of inflation has been our constant companion. According to the Federal Reserve, as of April 2025, the cumulative inflation in the United States since January 2021 is approximately 21.3%, based on the Consumer Price Index (CPI). That means that, on average, prices have increased by over 21% during this period.

Biblical perspective

You won't be surprised that the words "inflation," "Consumer Price Index," and "leading economic indicators" aren't in the Bible. But the Bible teaches that individuals (and governments) should have honest weights and measures. Deuteronomy 25:13 says, "You shall not have two kinds of weights in your bag, a large and a small". Proverbs 20:10 warns, "Diverse weights, and diverse measures, both of them alike are an abomination to Jehovah". And, Ezekiel 45:10 says, "You shall have just balances, a just ephah, and a just bath".

When money loses value due to government policies or other economic disruptions, those on the margins suffer the most. That's why inflation is sometimes called a "hidden tax"—it hurts many people quietly, behind the scenes. Lower-income households often face higher inflation rates because they spend a larger portion of their income on necessities, such as food and housing, which have experienced significant price increases. This disparity means those with the least financial flexibility are hit the hardest.

What can you do?

Since inflation is primarily out of our control, what can we do as wise stewards? Here are some suggestions:

Boost your income over time (at least enough to keep up with inflation). Pursue skill development, promotions, and entrepreneurial income streams (a/k/a "side gigs"). The best defense is a strong offense; keep growing your earning potential faster than inflation eats into it.

Live Below Your Means (refer back to chapter #35). That's one of the best financial habits you can build in your 20s. If you always spend less than you make, you create margin, which gives you flexibility and resiliency.

Invest Wisely (we have not discussed investing yet—the "IE" lever—so more to come). Cash loses value in inflationary times. Stocks, real estate, and certain

types of bonds (like inflation-protected treasury bonds) tend to perform better. Your investment strategy should aim for real (inflation-adjusted) growth.

Avoid High-Interest Debt (high interest rates lead to high payments, increasing your “personal” inflation rate). Inflation can sometimes benefit borrowers, but not when it comes to credit cards and personal loans with interest rates above 20%. Don’t bank on inflation to “bail you out.”

Track Your Personal Inflation Rate (Yes, it’s a thing). Everyone experiences inflation differently. If most of your spending is on rent, gas, or eating out, you may feel inflation more acutely. Knowing where your money goes will help you fight back effectively.

From a Christian perspective, financial stewardship involves managing what God has entrusted to us well, especially in uncertain economic times. Inflation reminds us that we live in a fallen world. Political systems decay, economies break, but God’s principles still stand. Living with wisdom, practicing generosity, staying debt-free, and preparing for the future remain the best ways forward during inflationary times.

For reflection

Inflation can be a significant risk. It reminds us of the impermanence of material wealth and the importance of prudent financial planning and management. Biblical stewardship involves managing our resources wisely, especially during challenging economic times. You may not be able to control inflation, but you can manage your income and lifestyle to minimize its impact. You can navigate inflation’s challenges while staying informed and proactive, while honoring your commitment to responsible stewardship. If inflation has put you in a bad financial situation, what can you do to improve it?

Verse

“The plans of the diligent lead surely to abundance, but everyone who is hasty comes only to poverty” (Proverbs 21:5).

39 – Inflation and Your Financial Life Equation



"Inflation—the silent partner I never asked for."

Inflation is a “silent enemy” because it doesn’t always appear like a flashing red alert. It often creeps in quietly, but its effects can be huge, especially over the long term and, in extraordinary cases, even in the short and medium term. We’ve all experience this over the last few years, especially since the coronavirus pandemic in 2020-2012.

The cumulative effects

According to the Federal Reserve Bank of Minneapolis, as of April 2025, the cumulative inflation in the United States since January 2021 was approximately 21.3%, based on the Consumer Price Index (CPI). That means that, on average, prices have increased by over 21% during this period. Here’s the year-by-year increase:

2021: 4.7%

2022: 8.0% (yikes!)

2023: 4.1%

2024: 2.9%

You may remember that we discussed the “compounding” effects of inflation in the previous chapter, which we refer to as “cumulative” inflation. To compute cumulative inflation over multiple years (in this case, 2021 through 2024), we can use this compounding formula:

$$\begin{aligned}
 \text{Cumulative Inflation} &= (1 + 0.047) \times (1 + 0.08) \times (1 + 0.041) \times (1 + 0.029) - 1 \\
 &= 1.047 \times 1.08 \times 1.041 \times 1.029 - 1 \\
 &\approx 1.213 - 1 = 0.213 \\
 &\approx 1.213 - 1 = 0.213 = 21.3\%
 \end{aligned}$$

Inflation is more than a simple formula; it hits us hard in our pocketbooks and wallets. A product that cost \$100 in January 2021 cost about \$121.30 in April 2025, reflecting the cumulative inflation over this period. (If you're interested in calculating how inflation has affected specific amounts over time, you can use the BLS CPI Inflation Calculator.)

Inflation and the financial life equation (FLE)

Inflation isn't shown as part of our financial life equation (FLE), but it can significantly impact it. It's more of an economic condition affecting almost all FLE components rather than an individual one.

In the FLE, all amounts are in nominal dollars, meaning non-inflation-adjusted dollars. To adjust for inflation, we need to focus on real values—what your income and interest are worth in today's dollars.

To illustrate, let's assume:

- Annual income: \$60,000
- Annual interest earned: \$3,000 (from a 5% return on investments)
- Time horizon: 10 years
- Inflation: 0%, 2%, and 4% scenarios for comparison

We'll keep things simple by assuming constant income and interest (no raises or compounding yet).

Inflation Rate	Nominal Total Income (10 yrs)	Real Income (Today's Dollars)	Nominal Interest Earned	Real Interest Earned
0%	\$600,000	\$600,000	\$30,000	\$30,000
2%	\$600,000	\$533,700	\$30,000	\$26,685
4%	\$600,000	\$486,600	\$30,000	\$24,330

Note from the table that at 4% inflation, your total income loses nearly \$115,000 in purchasing power over 10 years, and interest earnings lose almost \$6,000 in real value. Let that sink in a bit. If you're saving for the future, inflation quietly chips away at your progress. And the higher the inflation rate, the faster it happens.

Furthermore, imagine if we factored inflation into the “I” calculations we did in a previous chapter. Inflation-adjusted income is known as “real” income, but I’ve invented a new term: “real-real income,” which is your salary (or wages) after taxes, saving, and giving, adjusted for inflation. I’m not going to do any calculations as I think it would just make us all sad and perhaps a little crazy.

Future wealth impacts

Future wealth will decline as rising expenses and interest paid outpace income growth and interest earned. Imagine if, in the table above, Nominal Total Income is your savings and the Real Income column is the real (inflation-adjusted value) of them at different inflation rates. Inflation impacts future savings as well.

The problem is that real income and interest earned aren’t keeping up with the compounding effects of inflation on expenses and interest paid. Expenses like taxes, giving, and spending naturally rise with inflation. Interest earned on savings often lags inflation, especially if you have the money in low-yield accounts. Interest paid on fixed-rate debt stays the same, but its relative burden may decrease in real terms.

Counting the real-real cost

What does all this mean? You must count the cost (Luke 14:28). Not every dollar earned will be worth the same in the future. And things you buy in the future will require more of today’s dollars to purchase. Wise stewards understand how time and inflation impact their finances and specific decisions.

For example, an income of \$60,000 per year with no annual increases would buy approximately \$51,757 worth of goods and services in five years, resulting in a loss of purchasing power of over \$8,200. If we factor in taxes, saving, and giving (assuming the latter two are a priority for you), your “real-real” income is even less.

For reflection

Do you consider inflation in any of your financial decisions or long-term planning? Consider how “real” your income, savings, and spending are in today’s dollars. As a steward of what God has entrusted to you, are you preparing not just for today, but for how far your resources may—or may not—go in the future?

Verse

“Precious treasure and oil are in a wise man’s dwelling, but a foolish man devours it” (Proverbs 21:20).

40 – Budgeting for Freedom and Generosity



“Budgeting makes my heart beat so fast, they should call it financial cardio.”

This is the last chapter in the “Lever #3: Spending” series (I can almost hear your tears dripping onto your desk). It’s the one where we’ll bring it all together as a workable plan that helps you steward your financial resources in a way that prioritizes giving and creates margin so that you have something extra to save for the future and to respond to the unexpected.

That’s important because if you want to give generously and get ahead financially (in other words, have a positive net worth), you must start with one major but often overlooked tool: a budget. When some people hear the dreaded “B” word, they freak out or get a little “twitchy.” It sounds restrictive, even suffocating, and overwhelming. But a budget isn’t about restrictions; it’s about discipline that leads to freedom—freedom from stress and to spend, give generously, and save for future needs.

Your budget and your financial life equation

I know you remember our financial life equation (though you may have hoped I’d forget it). Here’s a shorthand “semi-plain” English version as a reminder:

$$\text{Future Wealth} = \text{Starting Wealth} + \Sigma \text{Income} - \Sigma \text{Taxes} - \Sigma \text{Giving} - \Sigma \text{Expenses} + \Sigma \text{Interest Earned} - \Sigma \text{Interest Paid}$$

Now, think about a budget and all its parts, and you’ll quickly realize that as a day-to-day cash management tool, it impacts nearly every variable in that

equation. In that sense, it’s one of the most impactful levers you can pull. The table below summarizes those impacts.

FLE Component	Budgeting Alignment
Starting Wealth	Not directly affected by budgeting, but budgeting preserves it and prevents erosion.
ΣIncome	Budgeting doesn’t increase income, but it helps ensure income isn’t wasted.
ΣTaxes	A smart budget helps with tax planning (especially for freelancers/gig work).
ΣGiving	A budget helps make giving intentional and prioritized.
ΣExpenses	Budgeting controls this directly, especially discretionary and variable expenses.
ΣInterest Earned	Budgeting can create surplus funds that can be saved or invested to earn interest.
ΣInterest Paid	Budgeting avoids overspending, which reduces or prevents debt (interest payments).

Common “non-plan plans”

Despite these benefits, many people lack a budget. Instead, they operate under one of these “plans” (credit goes to Jaime Munson, *Money: God or Gift*, a book I highly recommend, for these categories):

- **The Ignorance Is Bliss Plan:** Check your balance at the ATM. If there’s money, spend it!
- **The Parent Bailout Plan:** Call your mom or dad for a rescue when you run out of money.
- **The Credit Card Plan:** Spend now, pay later (hopefully). Can’t pay? Just open a new card.
- **The Hand-to-Mouth Plan:** Spend everything you earn monthly—no cushion, no plan, just survival.

Which of these “plans” (which are not really plans at all) are you using? Only one plan truly works: a reasonable spending plan—a/k/a a budget—based on a strategy that honors God, builds your financial future, and gives you freedom, flexibility, and peace.

Let’s walk through how to build that kind of plan. The basics of budgeting are simple: Know what you have coming in and where it’s going.

Start with income and expenses

If you don’t have any kind of budget yet, take five minutes; grab a piece of paper or your laptop, or open Notes on your phone, and start two simple lists:

- 1) **Monthly Income:** List all sources of income—your paycheck after taxes, any side gigs, and anything else that puts money into your hands or bank account.

2) **Monthly Expenses:** Gather statements and receipts. Download the last 12 months of all bank and credit card statements; import and sort them in a spreadsheet, organizing them in categories.

Start with the big, non-negotiable, such as rent or mortgage, groceries, car payments, utilities, insurance, and cell phone bills. Next, add smaller recurring costs, such as subscriptions and routine shopping. Don't forget irregular expenses; divide them into a monthly equivalent.

Calculate the difference

Next, subtract expenses from income to see what you're left with. You have seen this equation before.

If $I > E$, congratulations—you have a margin!

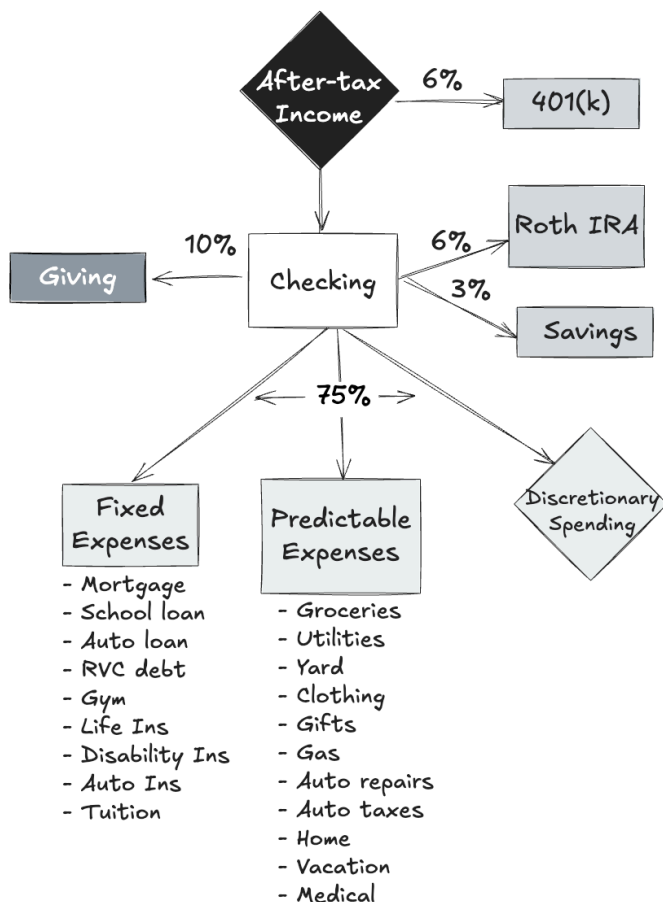
If your expenses exceed your income ($I < E$), you need to make changes fast; either cut costs or increase income. If you think you have an income problem, consider a side gig. Or maybe you need a job that pays more. Sit down, list your options, and decide (prayerfully) what makes the most sense for you.

If you need to put your focus on your expenses, look for ways to cut costs. Review your expenses to see what looks “out of whack.” Is it your car, rent, or eating out? Too many trips to the coffee shop? Perhaps you're paying a lot on debt.

If you are going to do something about $I < E$, you will have to get creative. But there are ways to make more and spend less. Pray and seek wisdom and guidance. I've also included some resources below to help you.

Once you know where you stand, you can start planning where your money should go. The graphic below is a helpful way to structure your budget based on six major categories: Giving, Long-Term Savings, Short-Term Savings, Fixed Expenses, Predictable (but variable) Expenses, and Discretionary Expenses. (I've included some common sub-categories under each one.)

Thinking this way simplifies what can otherwise feel overwhelming.



I typically suggest you do your regular giving “off the top.” In the diagram, contributing to a 401(k) is the priority, but that’s because contributions are typically withheld from your pay along with other withholdings, such as taxes and insurance. Still, as you can see, giving and saving for both short-term and long-term needs are priorities.

I have included some suggested percentages in the example above, but that is all they are—suggestions. If your giving and total spending in all three major categories exceed 85% of your net income, you won’t have any surplus to save. That’s why using a budget is so important.

Budgeting Categories

Now let’s look at each major category:

1—Giving

Giving should be a top priority for Christian stewards. It reminds us that God owns everything and that our goal is to manage His resources for His glory (Psalm 24:1). Give first; build it into your budget, not as an afterthought.

2—Emergency Savings

Saving prepares you for future needs and unexpected events. Start with \$1,000 and build up to 3–6 months of income. Handle minor emergencies and build a cushion against job loss.

3—Long-Term Savings

Focus here on retirement savings in tax-favored accounts such as 401(k)s and IRAs. Also, save for major purchases or opportunities God may call you to pursue. Prioritize short-term emergency savings first, then long-term savings.

4—Fixed Expenses

Fixed expenses remain the same monthly: rent, car payments, insurance, and student loans. Account for these early in your budget. Avoid too many fixed expenses—over 50% limits flexibility.

5—Predictable (Variable) Expenses

These are necessary, but amounts vary: groceries, gas, utilities, clothing. Control these costs to create more margin.

6—Discretionary Spending

That's for extras: eating out, coffee, hobbies, and entertainment. Enjoy some, but if $E < I$, cut here first. A budget lets you enjoy fun spending without guilt.

Budgeting Methods

Once you categorize your spending, there are different approaches to budgeting to consider:

The Zero-Based Budget

This is Dave Ramsey's recommended approach, and it is a good one; however, it takes time to develop. Every dollar has a job. You plan your entire monthly income down to the last penny, assigning it to the different categories and sub-categories I showed earlier.

Pros: Maximum control. Great for those serious about building financial discipline.

Cons: Requires regular tracking and adjustments.

Recommended tool: Try Ramsey Solutions' EveryDollar app for an easy-to-use, zero-based budgeting tool.

The 60/20/20 Budget

Split your income into simple percentages. You can adjust the percentages for your situation, but keep saving and giving as non-negotiables.

- 60% for needs (rent, utilities, groceries)
- 20% for wants (entertainment, travel, hobbies)
- 20% for savings and giving

Pros: Simple to implement and understand.

Cons: You may need to adjust if your “needs” exceed 50%.

The Envelope System

Dave Ramsey recommends this approach for individuals just starting to eliminate debt. You allocate cash for different categories, such as groceries, dining out, and clothing. Once the envelope is empty, stop spending in that area until next month.

Pros: Physically limits overspending. It makes money feel “real” again.

Cons: It can be awkward sometimes, and cash isn't practical for every expense in today's digital world. However, there are digital envelope apps (see the discussion on tools below).

The “Pay Yourself First” Approach

Automate saving and giving as soon as your paycheck hits your account. Setting up automatic transfers to savings or investments makes this approach almost effortless. Whatever remains covers your living expenses.

Pros: Builds savings automatically and consistently.

Cons: Requires awareness of how much you have left for bills and discretionary expenses.

Tools and Resources

You don't have to figure this all out manually. I was a long-time Quicken user, and more recently, I have used Banktivity for Mac, as I found Quicken's product for Mac to be lacking in certain areas (sub-par compared to its Windows version, which I had used for many years). Try what works for you; consistency is key. Here are a few choices:

Tool	What It Does	Cost
EveryDollar	Zero-based budgeting, easy to use	Free/\$
YNAB (You Need A	Goal-setting, tracking, deep budgeting	Paid (monthly)
Pocketguard	Tracks spending automatically, builds budget	Free/\$
Monarch Money	Tracks income, spending, investments	Paid (monthly)
Goodbudget	Digital envelope budgeting	Free/\$
Qube Money	Modern envelope system with real-time transaction	Free basic / Paid
Quicken	Comprehensive desktop-based personal finance software	Paid (subscription)
Banktivity	Mac-based financial planning software with investment	Paid (subscription)
Basic Excel Sheet	DIY, flexible, and customizable	Free

For reflection

What do you think about budgeting? Do you consider it a burdensome chore, something to be avoided? Or do you obsess over it, trying to figure out how to track every penny? As Christians, we can approach budgeting as a spiritual discipline, part of our discipleship. It's a tool we can use to help us wisely steward what God has entrusted to us.

Verse

“The plans of the diligent lead surely to abundance, but everyone who is hasty comes only to poverty” (Proverbs 21:5).

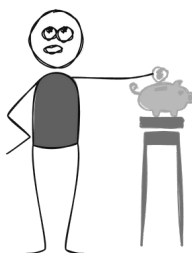
Resources

Art Rainer, *Find More Money: Increase Your Income to Tackle Debt, Save Wisely, and Live Generously* (Nashville: B&H, 2020).

Chris Guillebeau, *100 Side Hustles* (New York: Crown Publishing, 2019).

LEVER #4 – INTEREST EARNED: PUTTING YOUR MONEY TO WORK

41 – Saving and Investing is Biblical



"I've often wondered....why a pig for a bank?"

With this chapter, we come to Lever #4: "Interest Earned" (IE). To get here, you started with an income (I), perhaps some starting wealth (W), which, as measured by net worth, was possibly negative starting out. Then you learned to minimize your tax burden (T) by using tax-deferred accounts, such as 401(k)s, and the importance of controlling expenses (E). We'll discuss avoiding debt—interest paid, IP—later on. You want to do all of these things to create financial margin while increasing generosity (G).

No get-rich-quick schemes

This is probably the lever you were looking forward to the most. But if you hoped I would tell you how to get rich quickly by picking the right stocks, I'm sorry to say you'll be disappointed. Trust me, I believe you'll be in a better financial position 20, 30, or 40 years from now if you pay attention and follow the suggestions I'll provide in the next few chapters, but you probably won't be able to retire at 35.

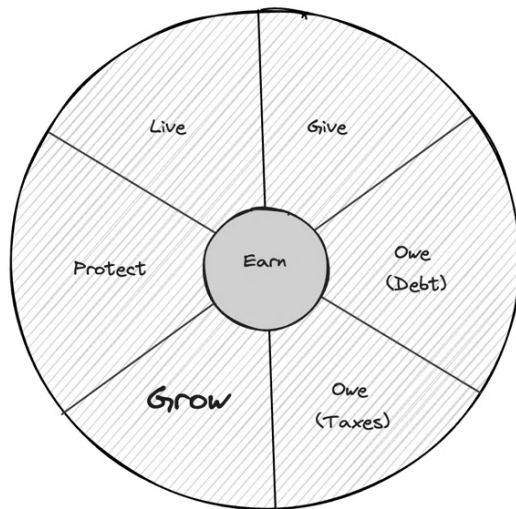
Saving and investing for growth

In this “lever” series, you’ll learn about the wisdom of saving and how to invest the money you have saved in both taxable and tax-deferred accounts like 401(k)s, 457s, 403(b)s, and IRAs to increase “IE”. These fancy account type numbers are nothing more than labels on the outside of a bucket where you store your money. Inside each bucket is (or will be) a pile of cash you can invest and grow, in some cases, tax-free or tax-deferred if it’s in a retirement account-type bucket.

Having some cash is better than having none, but cash is generally not a good investment, because, as you now know, inflation erodes its value at a rate of 2–3% per year, sometimes more. As a result, you’ll want to invest in something that at least beats inflation.

Understanding Interest Earned

Simply put, this involves saving and investing to grow your wealth, which, as you may recall, is one effective way to utilize your money, as shown on our “things you can do with money” diagram:



Source: Ron and Michael Blue, "God Owns it All," Lifeway, 2016

Notice that it’s labeled “Grow.” The reason is that when discussing “interest earned” (IE), we’re talking about the accumulation of assets that 1) pay you interest or dividends, or 2) appreciate, or 3) do both. It begins with saving, but

all of those things—interest, dividends, and capital appreciation—contribute to asset growth. But the engine that really drives growth is compounding, which we’ll look at later.

We’re mainly focused on “liquid” assets, meaning they can easily be converted to cash.²⁴ For example, stocks in a brokerage account can be quickly and easily sold for cash. A house you own is an asset that may have appreciated, but your equity isn’t easily accessed—it’s “illiquid.” Some assets, such as stocks, appreciate and may also pay dividends. Others, such as money in a high-yield savings account or a certificate of deposit (CD), only pay interest.

FLE and interest earned

If we return to our FLE, we see that “interest earned” (IE) is additive to the formula. Besides increasing your income, the only way to grow future wealth (W_{t+n}) is to reduce all the negatives (except giving) and increase interest earned (IE).

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

Where: $\sum IE_{t+n}$ = The sum of all future interest earned (i.e., investment returns) for the period t (current time) plus n (years in the future).

To accumulate interest-paying assets, you have to set aside some of your income for that purpose, which is what saving is about. You save money today and let it grow so that you can use it later on, which is the opposite of borrowing (negative saving). Once you do, those savings mathematically increase current wealth.

To increase future wealth, you must save more, and unless it’s significantly more, you also need to grow it by investing it to earn interest (IE). You can save

²⁴ Many people also include “home equity” as part of their assets and include it in their net-worth calculations. That’s perfectly fine, but we’re not focused on that here because home equity, if you have any, is highly illiquid and can only be accessed by selling, refinancing, or taking out a second mortgage or home equity line of credit. Plus, you have to live somewhere, so if you sell, you probably need that money for another house. And if you access it with a loan or credit line, you have to pay it back. If you don’t you may need it to fund the future liability of rent payments.

and not earn interest, but it's almost always better to invest because you'll have more later on to use for whatever purpose you intend.

Biblical wisdom on saving

Saving is a good use of your money, but, as with most things involving money, the challenge with saving is your heart—your motivations for saving. Scripture provides us with a vision for saving that is not driven by fear or greed, but by wisdom and faith. “For whatever does not proceed from faith is sin” (Romans 14:23b). Before I discuss how to save, earn interest, or grow our assets, you need to understand what saving means and how to do it in a way that honors God.

From a biblical perspective, saving is simply one of God's ordinary means of provision. Failing to do so can leave you vulnerable. Emergencies happen, and that's why saving is so important; it creates margin so you can avoid crisis-driven debt and bless others.

Saving helps with expected needs in the future, such as a down payment on a home, a vacation, medical expenses, retirement income, or helping others in need. It can also be biblical to leave something for future generations (2 Corinthians 12:14, Proverbs 13:22).

It's foolish to save too little, especially if you know you'll have needs. Scripture says you should follow the example of the industrious ant: “Go to the ant, O sluggard; consider her ways, and be wise... she prepares her bread in summer and gathers her food in harvest” (Proverbs 6:6–8). And Verse 11 in Proverbs 6 shows the outcome for those who don't: “And poverty will come upon you like a robber, and want like an armed man”.

The Bible is clear: it's wise to prepare for the future. But saving too much can turn into hoarding. Consider the parable of the rich fool (Luke 12:18–19). Saving isn't sinful and is wise in many cases, but it can be sinful when we act as owners instead of stewards. Hoarding is saving without generosity, dependence on God, or a godly purpose. Consider these verses (they don't hold back):

- “People curse the man who hoards grain, but blessing crowns him who is willing to sell” (Proverbs 11:26).
- “Wealth hoarded to the harm of its owner” (Ecclesiastes 5:13).
- “You have hoarded wealth in the last days” (James 5:3).

- “Greed...is idolatry” (Colossians 3:5).

The Bible has strong words about hoarding because it isn’t all about money—it’s a heart issue. It reveals where our true trust lies. If saving makes you feel invulnerable, then savings have become your savior—which is a spiritual danger.

Which comes first: giving or saving?

Which takes priority: giving, spending, paying off debt, or saving? It’s not a simple math problem, but the general biblical pattern is to give first and save last; savings are what you have after giving and spending to provide for yourself and your family.

Saving is wise, but it’s not always possible. If you’re barely making ends meet, focus on increasing income and reducing expenses. If you’ve done all you can, it’s okay not to save right now, but at least try to build a small emergency fund. Just be aware that waiting means you’ll probably need to save more aggressively later.

Trust God, not your savings

If you’re able to save, do it prayerfully, intentionally, and generously. Christians view saving differently than the world does. The world trusts in savings; Christians trust in God and save as an act of wise planning out love for their family and others.

“Do not be anxious, saying, ‘What shall we eat?’ or ‘What shall we drink?’ or ‘What shall we wear?’... Your heavenly Father knows that you need them all. But seek first the kingdom of God and His righteousness, and all these things will be added to you” (Matthew 6:31–33).

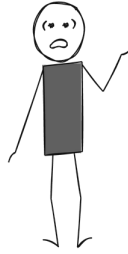
For reflection

Are you stewarding your finances to create the margin you need to save? Are you saving out of fear, greed, or faithfulness? Have you submitted your saving plan to God, or are you trusting in it instead of Him? How can your savings be used to bless others?

Verse

“Whoever trusts in his riches will fall, but the righteous will thrive like a green leaf” (Proverbs 11:28).

42– Saving is a Verb



"My savings goals are realistic—if I stop eating, driving, and living indoors."

In the previous chapter, we learned that saving is not prohibited in Scripture and is actually encouraged when done out of a heart that is rightly related to God and guided by biblical principles.

We've also discussed how your interest earned (IE) is an integral part of your financial life equation (FLE), particularly as it relates to growing your future wealth (or net worth, if you prefer). You may recall that when we first examined the FLE, I mentioned that savings are what you have left after you've done everything else (consumed, given, paid taxes, paid interest, etc.). So, in that sense, you don't first "save"; you steward your resources wisely so that you have some financial margin. Then you can deposit some of your financial resources into a savings or retirement account.

That's why understanding the FLE and how its different components relate to each other is so essential. You need an income. And you need to know how to leverage the U.S. tax code to your benefit (legally). You also need to understand the debilitating effects of inflation over time. And you need an emergency fund, a budget, and a plan for the unexpected to avoid debt.

Saving begins with sacrifice

Increasing "interest earned" (IE) begins with saving, but that's not the whole picture. When most people think about saving for something, they think about a numerical goal:

- "Save 6 months of salary in an emergency fund."

- “Save 15% of your income for retirement.”
- “Get to a million dollars to retire.”

However, consider saving in a broader context. What if it isn’t just about how much to save but also what you must give up to do so? The discipline of saving is less about spreadsheets and targets and more about tradeoffs, tensions, and sacrifice. To give generously, we sacrifice spending on ourselves so others can benefit. To save, we sacrifice spending now so our future selves can benefit later.

Opportunity cost and tradeoffs

Economics teaches that life is a series of tradeoffs regarding what we do with our resources. That’s “opportunity cost”—the loss of potential gain from other alternatives when one option is chosen over another. Applied to money, funds used for one purpose can’t be used for something else.

Every day, our life is driven by the opportunity costs of past, present, and future decisions. Most of us want more of certain things: more time, more money, more security. But we can’t have it all. We must choose. Saving is that choice. It’s not just socking away money to reach a goal but a deliberate choice to spend less today so you can spend more later.

Saving is a verb; savings is a noun. One is an action; the other is a result. So, this is where we begin: exercising the discipline to save early and often by forgoing spending now so you’ll have resources when needed later.

Saving is proactive; it anticipates future needs while accepting uncertainty. You save for emergencies, retirement, but also for freedom and flexibility. Margin lets you respond to opportunities and challenges more freely—giving more, helping others, or stepping away from work for family.

Debt vs. saving

Saving gives you options. Living paycheck to paycheck with high debt locks you into financial inflexibility and anxiety. Saving gives you the ability to say “yes” in moments that matter. If you have a lot of consumer debt, build a small emergency fund first, then tackle the debt before saving more. It’s self-defeating to save while carrying high-interest debt.

Saving is radical in a culture driven by consumption. You live in a “consumption culture” bombarded with messages to “treat yourself,” “upgrade,” or “live your best life now.” Biblical stewardship calls you to

something better: delayed gratification, wise planning, and trust in God's provision. Saving doesn't mean you can't enjoy life now; it means enjoying it wisely while planning for future needs.

Saving enables investing

Saving enables you to invest. We grow IE by saving and investing. Before deciding where and how to invest, think about what specifically you're saving and investing for. I'll cover that in the next chapter.

For reflection

Saving is often viewed as a financial strategy, but Christians should see it as a spiritual discipline and part of wise stewardship. It reflects wisdom and planning over impulse and indulgence. Just as giving flows from love and gratitude, saving flows from prudence and trust. How does the stewardship view of saving line up with yours? Do you see it as a necessary sacrifice, taking into account the tradeoffs involved?

Verse

“Go to the ant, O sluggard; consider her ways, and be wise. Without having any chief, officer, or ruler, she prepares her bread in summer and gathers her food in harvest” (Proverbs 6:6–8).

43 – Knowing What You’re Saving For



"I finally saved enough to go to the Reynisfjara Black Sand Beach/Vik Beach, Iceland."

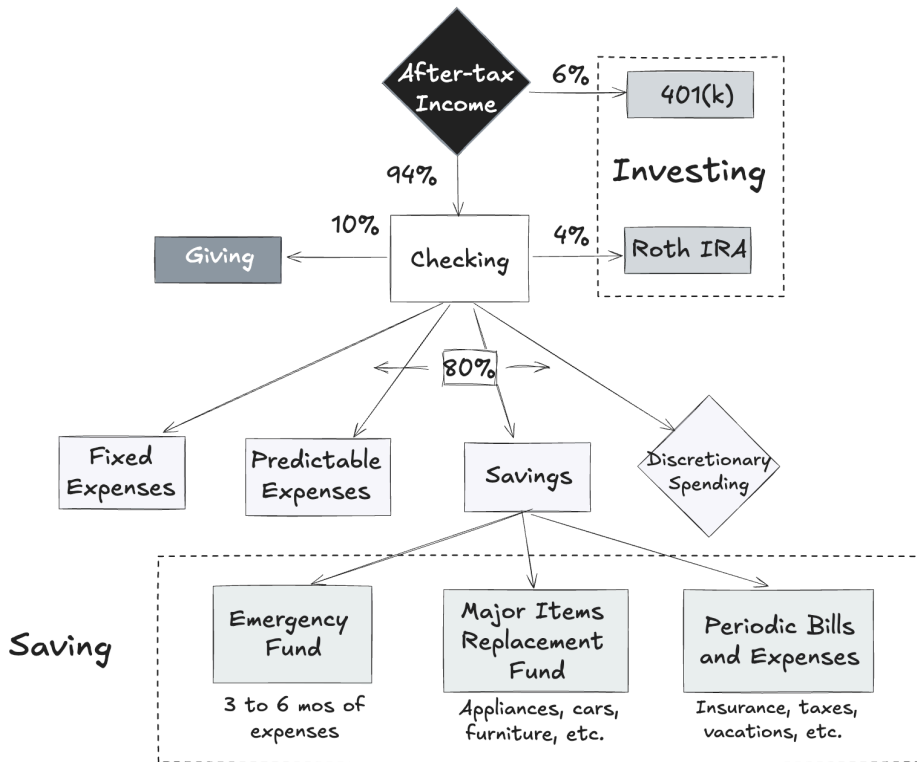
Have you ever asked yourself, "What exactly am I saving for?" If you haven't, you probably should. The short answer may be "The future." A longer one may be, "I'm saving for retirement, or to buy a home, or to buy a dog, or to get my teeth fixed." You might be thinking short-term, too: an emergency fund or a vacation. These purposes matter because they affect where you save, how you invest, and the tax effects.

Short- and medium-term vs. long-term needs

No matter what you're saving for, it usually falls into two big buckets: short-term or medium-term needs, and long-term needs. That may seem obvious, but it really influences the account type, investment choices, and taxes.

Short-term savings

The number of choices can be overwhelming. Forbes evaluated 370 savings accounts! And that doesn't even cover investment options. Banks, credit unions, online brokers, lots of places to park cash. Before choosing an account or investment, clarify what you're saving for. Take a look at this diagram; it shows different categories of things you might save for, and differentiates them from the things you might invest in, although you can increase IE in both cases.



Look at the boxes inside the “Savings” box. They are the primary things you might set aside money for to use in the short to medium term (less than 5 years). Initially, you need to save about 3 months of income in an emergency fund. Please make this a priority before you start saving for anything else, and bump it up as soon as you can (Dave Ramsey is right on with this one).

There are expenses and events that we can’t predict, which often lead to a reliance on credit cards to “make ends meet.” Therefore, these are the most common causes of unmanageable debt, which can sometimes ultimately lead to bankruptcy. An emergency fund helps you address them without using credit cards or dipping into long-term savings. Later, consider increasing your emergency savings to six months of expenses to build a larger buffer, if possible.

A major item replacement savings account is used for near-term, predictable needs, such as replacing worn-out items (appliances, computers, car tires, etc.). If you own a house, you also need to plan for expenses like a

new roof, HVAC system, and water heater. A “next car” fund is also in this category if you plan to pay cash for it, which, hopefully, you do.

Finally, you need a savings account for periodic bills and expenses. This one doesn’t require “extra” money. Instead, for each periodic bill or expense (those that don’t need to be paid every month, but do need to be paid sometime throughout the year), put one-twelfth of the annual amount on your monthly budget. Next, calculate the total monthly amount of all periodic bills and expenses, and transfer this amount to a separate savings account, either physical or virtual. That way, when the bill comes due, the money will be available. Be sure to keep track of the virtual “sub account” balances in this fund.

Although I have called each of them an “account,” the money could be saved in a single account, with each of these being a “virtual” sub-account (think “mental accounting buckets”). (I would recommend you do that, but it is possible to hold multiple physical accounts and manage them accordingly.) If you use virtual accounts, you have to devise a way to keep track of them. So, let’s say, for discussion purposes, that you read the Forbes article, but you were wondering if you have other options. You do!

Regardless of your financial situation, for short-term savings, you want to keep your money safe and in an account that can be easily accessed for emergency needs and special purchases, such as a car, vacation, home furnishings, or Christmas gifts. Here’s a list of the major options:

Interest Checking Accounts offer very low interest, but sometimes more with higher balances. Plus, they are usually FDIC insured. (Of course, these can also be used for regular checking accounts for bill payments, etc.)

Savings Accounts are traditional savings accounts that typically pay very low interest, but are also FDIC-insured.

Certificates of Deposit (CDs) are deposit accounts that provide a fixed rate of return for a specific period. The longer the period (up to 5 years), the more interest is earned. CDs offer better returns than interest checking or savings accounts without risking what you have worked hard to save. CDs usually require a \$500.00 minimum and are insured up to certain limits.

Money Market Accounts (MMAs) pay variable interest compounded daily and credited monthly. There is usually no monthly service fee when you maintain a certain minimum balance. You are typically able to write a limited

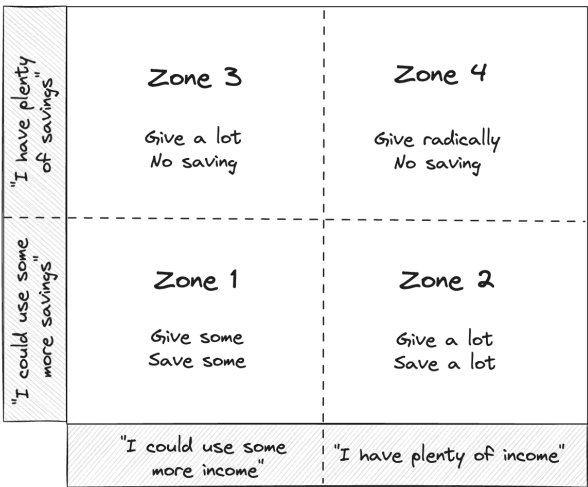
number of checks each month, and you can also set up automatic transfers from your checking account each month or on payday.

Long-term savings

Next are long-term savings, also known as “investing.” That’s the other red box towards the top of the diagram above. We will discuss these next in the investing chapters to follow, as this is an area where there are even more options (and therefore more “overwhelmingness”). Suffice it to say that the purpose of long-term investing is to meet future needs, especially for income in retirement (i.e., when you are no longer able to work for a living, or want to work for little or no pay, or do not wish to work at all).

The diagram also shows a couple of tax-deferred retirement accounts, but as I mentioned earlier, you can hold long-term investments in taxable brokerage accounts. There are also other long-term investments such as real estate, some insurance products, precious metals, art, and cryptocurrency. However, most people will use an employer plan (i.e., 401(k) or 403(b)), an IRA, or both.

“How much is enough?” and “What should I do when I have “enough” or “more than enough”? These are excellent questions that you should strive to answer. They mainly pertain to long-term investing for retirement. Take a look at what’s called the “Servants’ Money Map”:



Source: "God and Money," by John Cortines and Gregory Baumer, Rose Publishing, 2016

Most of your savings will be done in Zones 1 and 2 – the “I could use some more savings” zones, sometimes referred to as the “accumulation phase”; typically, between age 25 and 55 or later. Your goal is to reach Zone 3 or possibly Zone 4, where your saving goals are met and your giving can take off.

That implies that you put a cap on your savings, and once you reach it, you free up more of your resources for generous giving. This recommendation is fully developed in the book titled *God and Money: How We Discovered True Riches at Harvard Business School*, which I highly recommend (and from which I obtained the above diagram). I hope they don't mind.

I didn't set a cap, but I did always try to give more than what I saved. If I were saving 15%, which I didn't do until much later in life, then I would give more than that. In a way, my “cap” was established automatically since I could only save that much when giving more. I'm not going to discuss your retirement savings “cap,” as most of you are decades away from making that decision. But please tuck it away in your memory banks somewhere so that you can recall it when the time comes.

For reflection

If you're already saving, have you ever stopped to consider not just how much you're saving, but why you're saving in the first place? Knowing the “what for” behind your savings can make it more purposeful and enjoyable. It also makes it an intentional act of stewardship rather than something you “just do” because someone said you should. If you divert all of your margin to saving and investing, you are de-prioritizing giving.

Verse

“Precious treasure and oil are in a wise man's dwelling, but a foolish man devours it” (Proverbs 21:20).

Resources

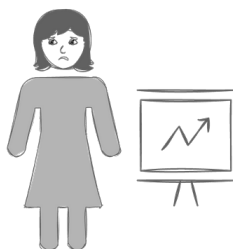
Search for High Yield Savings Accounts:

<https://www.bankrate.com/banking/savings/best-high-yield-interests-savings-accounts/>

Book:

God and Money, by John Cortines and Gregory Baumer

44 – Introduction to Investing



"I do I get some of that investing goodness?"

Many people think investing is so complicated and challenging that they either 1) avoid it altogether and leave their money sitting in cash, accomplishing very little, or 2) pay someone to invest their money for them (for a fee, of course), becoming passive observers of the process. I'm not opposed to you hiring an advisor, but I want you to *understand* what they're doing for you and be *actively* involved in it as a wise and informed steward.

Avoiding the extremes

Some investors think they are more intelligent than Wall Street and decide to take their chances by actively trading stocks in hopes of "beating the markets." If you're a pro, then go for it. You still may not be successful; many pros aren't; the pros do beat the markets in some years, but it's tough to do it for many years at a time.

But if you're not a pro—you're not an experienced pension or hedge fund manager—you don't want to try to manage your own investments as though you are. The pros will always beat you at their game.

In my opinion, most of these paths are suboptimal (although #2 above will be a good solution for many if they can find the right advisor, and if you're a pro, you may also be a decent stock trader-sometimes). So, in this next series of chapters, I'm going to try to put you on a better path that will give you:

- An understanding of the history of financial markets (it's more interesting than it sounds);

- An understanding of short-term versus long-term risks (this is foundational to prudent investing);
- An understanding of the power of compound interest (Einstein called it the “eighth wonder of the world”);
- An understanding of the power of the debilitating effect of compound fees (it’s more significant than you might think);
- The ability to know your risk tolerance and to tolerate occasional market corrections of 10, 20, 30, or even 40% or more (much easier said than done, by the way);
- An understanding of an appropriate asset allocation based on your risk tolerance and your risk capacity (what portfolio managers get paid the big bucks for);
- An understanding of the wide variety of available investment options (and why you don’t need most of them);
- An understanding of how to build a simple, transparent, low-cost investment portfolio that you can manage yourself with a few hours a year (maybe less!)

The real return equation

Most of these things pertain to one of the most important equations that young investors need to understand: *real return*.

$$\text{Real Return} = \text{Market Return}^{25} - \text{Inflation} - \text{Fees} - \text{Taxes}$$

This seemingly simple equation explains the headwinds you face as an individual investor and how much your investments are actually growing in terms of future purchasing power, not just dollars on a screen or buried deep in a prospectus.

Your real return is what’s left over after inflation, fees, and taxes take their bite of your investment apple. It tells you how much more your money can buy in the future (when needed) than it can today. For example, if your investments earn a 5% real return this year, that means you could afford to buy 5% more

²⁵ In this context, market return refers to the total gain or loss on an investment over a specified period, typically expressed as a percentage of the original investment. It includes both capital appreciation (the increase or decrease in the market value of the asset) and income from the investment, such as dividends (from stocks) or interest (from bonds or savings).

stuff next year, assuming you let it grow and didn't spend it (an important caveat).

Imagine you could buy 100 candy bars today (I like Reese's Cups and Midnight Milky Ways and Paydays, but I try to restrain myself to one or two a day—just kidding). With a 5% real return, you could buy 105 candy bars next year (price increases included). Who would want to eat 105 candy bars is another matter (although that's only one every three days or so; I could do that), but that's the power of growing your real return; it's your future purchasing power, not just an account balance on a statement.

What is market return?

Breaking this down further, the market return is the return you'd get if you were to invest in every publicly traded U.S. company. This market return is the aggregate performance of the stock market, and it's almost impossible to beat by stock picking or market timing. You could invest in fewer stocks (i.e., a small slice of the market) by owning individual stocks (or bonds) or a mutual fund, in which case you'd get the market return for each security.

Want to try to beat the market instead? Good luck. Most professionals can't do it consistently, and every time you try to outguess it, you're competing against Wall Street computers that trade in milliseconds. Not to mention artificial intelligence (AI), which will be the next big wave in investing. Your best bet? Own the entire market or a segment of it through low-cost index funds and let them do the work. (More on index funds in future chapters.)

The impact of inflation

We discussed inflation in some previous chapters, but it's very relevant to investing, as it quietly reduces the value of your money over time. That's why \$1 today may only buy ~\$0.97 worth of stuff next year. Over time, even "low" inflation eats away at your savings. Yikes!

Historically, inflation has averaged around 2% to 3% per year. But in recent years, it's been much higher. That's why your investments need to grow faster than inflation; otherwise, you're losing money in "real" terms.

The impact of fees

Next are investment fees, where many young investors make costly mistakes. Let's look at a simplified example: Suppose the market returns 6% and inflation is 3%. If you pay no fees, your real return is: $6\% - 3\% = 3\%$.

Add typical investment management fees: 1% to a financial advisor and 1% to an actively managed mutual fund.²⁶ Now your real return drops to: $6\% - 3\% - 2\% = 2\%$. You just lost two-thirds of your real return. That's a massive hit, especially compounded over decades. I think you see the problem.

Don't forget taxes

We've also discussed taxes. The simple fact is that every time you receive an interest or dividend payment, it's (theoretically) taxable. That's the income tax. If you sell an investment for more than you paid, you may owe taxes on the gain. These are called capital gains taxes. Let's say you buy a stock for \$100 and sell it later for \$150. Your gain is \$50, and it's taxable. Capital gains rates range from 0% to 20%, depending on your income. For most young investors, the rate will be around 15%. That may not seem huge, but it adds up.

But here's the good news: As we learned early on, you can leverage the tax code to defer or avoid many of these taxes by using tax-advantaged accounts such as these:

- Tax-deferred: Traditional 401(k), 403(b), IRA
- Tax-free: Roth IRA, Roth 401(k)
- Health Savings Accounts (HSA)
- Certain Insurance Products (Deferred Annuities, Permanent Life)

Back to the financial life equation (FLE)

When you understand this formula in the context of the financial life equation (FLE), you know how wealth is built. Also important is seeing how it can be lost through poor choices. You may not be able to control the market or inflation, but you can absolutely control fees and taxes, within limits, of course.

Here again is our FLE:

²⁶ We'll discuss this further later on, but fund fees aren't usually deducted directly from your account. Instead, they are part of the funds operating expenses but still reduce the overall performance of the fund.

$$W_{t+n} = W_t + \sum I_{t+n} - \sum T_{t+n} - \sum G_{t+n} - \sum E_{t+n} + \sum IE_{t+n} - \sum IP_{t+n}$$

In the FLE, investment growth is represented by the sum of all interest earned (+ $\sum IE_{t+n}$) over our lifetimes. As with starting wealth (W), if it's positive, income (I) is the only other thing that is additive to the equation.

As discussed above, *real* dollars,

$\sum IE_{t+1}$ = Market Return (Growth + Dividends + Interest) – Inflation – Fees – Taxes

Although I use “interest earned” (IE) in the financial life equation (FLE), the actual amount of IE reflects the total market return—capital growth plus dividends and interest—minus fees and taxes (if held in a taxable account). To understand its real value in the future, an inflation adjustment is necessary to reflect its actual purchasing power.

Taking responsibility

The purpose of this series is straightforward: I want you to be able to approach investing with confidence, humility, and a solid biblical foundation, so that you'll be up to the challenge of being your own Chief Financial Officer (CFO) / Chief Investment Officer (CIO). That's the only way for you to have some financial success in our grand IRA/401(k) experiment in the U.S., as pensions have gone the way of the dinosaurs. IF YOU DON'T DO THIS, NO ONE IS GOING TO DO IT FOR YOU!

I have said several times that, based on my experience, the vast majority of young adults coming out of high school and college have little to no training on these topics. And even if they did, uptake is pretty low. But trust me, none of this is rocket science; you can learn it, do it, and be prepared to tackle these responsibilities in the real world with reasonable success.

Whether you know it or not, we are all, knowingly or unknowingly, walking through life as pension fund managers. While you can hire someone to do that for you, you must provide them with the assets to manage at a minimum. And you need to be able to have intelligent conversations with them. Therefore, I want to educate you before it's too late; before you realize that you've missed the boat and must play catch-up because the gravy train of magical compound interest left the station 20 years ago.

Some encouragement

In my years as a financial counselor and coach, I have worked with many individuals who reached their 40s, 50s, and 60s and came to this realization. Sometimes it's too late, and there's only so much they can do. Other times, they have to diligently try to "catch up," which is what my book *Redeeming Retirement* is all about. So, it's best to start sooner rather than later, but that doesn't mean you have to go "all-in" with every dollar you can spare as quickly as you can; you need to pay off debt and have something to give to. When you're still very young, it's not so much about how much you save, but about starting to save something and then increasing it as your income goes up (and increasing your giving as well).

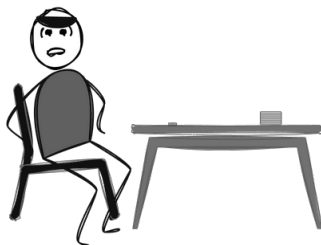
For reflection

For reflection: Perhaps you've heard the saying, "The best time to plant a tree is decades ago, but the second-best time is to plant a tree today." Similarly, the best time to put your financial house in order using biblical stewardship principles and start saving and investing is early in life. But the second-best time to do so is today. What's stopping you? No savings? Get that emergency fund in place. Too much debt? Pay it off. No money to save? Work on those expenses. Have no idea where to start? Read the upcoming chapters—I'll tell you how.

Verse

Verse: "The sluggard does not plow in the autumn; he will seek at harvest and have nothing" (Proverbs 20:4).

45 – Lessons From Stock Market History



"It's not gambling, it's investing"—said every optimistic trader before their stocks crashed."

If you're new to investing or still wondering whether it's just a big casino, it helps to zoom out and see the big picture before getting into the specifics.

Some people find the stock market scary. It sometimes feels like one big crapshoot. If it doesn't, and you invest in it, it surely will eventually. Yes, the stock market goes up and down—sometimes wildly. But there's one thing you should never forget: Over long periods, the stock market has always *gone up*. (Yes, I said, *it always has*; it just depends on how long a period we're talking about.) So, let's talk about why that's true, how history confirms it, and what it means for you as a next-gen steward of your finances.

What are stocks and the stock market?

Before there was a stock market, there were stocks (duh!). Stocks are simply units of ownership in a company, also known as shares of stock or equities. When you buy a share of stock, you're purchasing a partial ownership stake in a company, entitling you to earn more money as the company does. (Your stock can also decrease in value for a variety of reasons.)

Selling stock is one of the primary ways companies raise capital to fund their operations. Buying stock makes you a part owner, even if it's only one one-millionth of the company. That's why stock markets were created: to enable companies to sell shares to the public, and for stock owners to buy and sell shares from each other in an open marketplace.

The stock market is a crazy thing, but it's not a big mystery. It's simply a giant collection of publicly-owned businesses, meaning they sell stock. When you (Mr., Miss, or Mrs. Public) buy shares of stock, you're buying a small piece of those companies. That means you become a part-owner, not just a saver. Think of it like this: every time someone opens a Chick-fil-A, launches a new app, or builds a better electric car, new value is added to the market. And because businesses, on the whole, exist to grow, and most do, the market tends to grow, too.

Sure, some grow faster than others, and some fail. But for all who fail, some succeed, and some succeed spectacularly and are successful for many, many years, sometimes decades.

A Brief History of Stock Exchanges

The earliest stock exchanges date back to the 18th century. They were established to facilitate the buying and selling of securities. The Philadelphia Stock Exchange, founded in 1790, was the first, but the more prominent New York Stock Exchange (NYSE) was established in 1792 when 24 brokers signed the Buttonwood Agreement. Over time, other exchanges emerged, including the American Stock Exchange (AMEX) and the National Association of Securities Dealers Automated Quotations (NASDAQ), which was launched in 1971 as the world's first electronic stock market.

Here's what the two largest look like today:

- **NYSE:** The oldest and largest exchange, home to big names like Coca-Cola, Walmart, and Disney.
- **NASDAQ:** Known for its tech-heavy focus—think Apple, Microsoft, Amazon, and Tesla.

Understanding stock indexes

When people say “the market,” they're usually talking about U.S. stocks. But there are several types of markets and major stock indexes. Market indexes were created to track stock performance in aggregate.

Since we'll talk about stock market indices and index funds in a later chapter, I only want to introduce them to you here. A stock market index is like a measuring stick for a group of companies. It helps you track how a segment of the market is performing over time. You can't invest directly in an index

since it's not a tradable fund; it's a "virtual basket," but you can invest in funds that track them. Here are the biggies:

The Standard & Poor's 500 (S&P 500) was introduced in 1957 and comprises the 500 largest publicly traded companies in the U.S. It represents approximately 80% of the total U.S. stock market value, making it the primary benchmark for long-term investors. Some examples are Apple, Microsoft, Amazon, and Johnson & Johnson. If you invest in an S&P 500 index fund, you're buying a slice of America's biggest and most successful businesses.

The Dow Jones Industrial Average (DJIA), which was introduced in 1896, tracks 30 large, blue-chip U.S. companies. It's one of the oldest indexes (from 1896), but not as broad or diversified as the S&P 500. Examples here are Boeing, Goldman Sachs, McDonald's, and Home Depot. It mainly comprises older, established companies, but remains highly relevant to many investors, such as retirees like me.

You're probably most familiar with the **NASDAQ Composite**, an index of 3,000+ stocks listed on the NASDAQ exchange. It was established in 1971 and created to reflect the performance of the growing number of tech-oriented companies; it remains heavily weighted toward tech and growth companies. Some familiar names are Meta, Google, Nvidia, and Netflix. It's excellent for tracking tech innovation, but more volatile than the S&P 500.

One of the most important is the **Total U.S. Stock Market (CRSP, Russell 3000, etc.)** This relatively new index encompasses all publicly traded U.S. companies, ranging from giants to small firms. It's unique in that it provides exposure to the full American economy. It contains the same companies as the S&P 500—plus thousands more like regional banks, small retailers, and emerging startups. A total market fund is akin to owning the entire U.S. economic engine, from top to bottom.

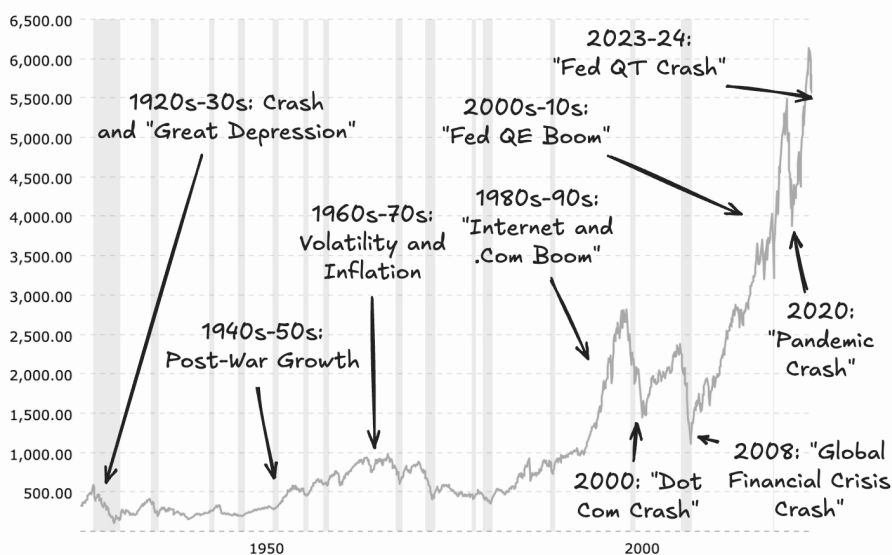
Finally, there's the **International and Emerging Markets index—the Morgan Stanley Capital International Europe, Australasia, and Far East Index (MSCI EAFE) Index**, which was established in 1969. It includes the stock markets outside the U.S., such as those in Europe, Japan, China, India, Brazil, and others. It's important because U.S. companies aren't the only ones growing; global diversification spreads your risk around. Some good examples of larger companies in this index are Nestlé (Switzerland), Toyota (Japan), and

Alibaba (China). An S&P 500 fund only gives you U.S. exposure. International funds help you invest globally.

A walk thru stock market history

Now that you understand the markets and the different indices, let's take a quick trip through time. Since I have been "in the market" for about 40 years, I can tell you with some authority that it has been quite a ride. "Rocky" is the word that comes to mind, but, as you'll see, there's much more to it than that.

Here's a chart that shows how the U.S. stock market—represented here by the S&P 500—has behaved over the decades:



The thing that should stand out to you the most is not the number of times there's been a boom or a bust, or how much the market has gone up or down; it's that it has gone up dramatically over the last 90 years or so. If we were to zero in on any of these periods of high volatility, you would see extreme ups and downs that only look like small humps on the long-term historical plot. That's why I repeatedly say, "Because you're young, time is on your side."

You should note that the chart above is not on a log scale. If it were, it would look like this:



Note that the upward slope of the curve isn't quite as great, but I think you get the point. I would like to discuss the overall trend and performance further, but first, I would like to provide a brief overview of the history of its ups and downs.

1920s–1930s: The Crash and the Great Depression

Yes, the market crashed big time in 1929, marking the beginning of the Great Depression. Stocks fell by over 80% from their peak. It took over a decade to fully recover, but it eventually did. And anyone who continued to invest during that time? They ended up doing very well.

1940s–1950s: Post-War Growth

After World War II, the economy boomed. So did the stock market. New technologies, suburban growth, and industrial expansion lifted corporate profits and investor returns.

1960s–1970s: Volatility and Inflation

These decades brought social unrest and change, the Vietnam War, and sky-high inflation. Markets were rocky. But again, investors who stayed in the game came out ahead.

1980s–1990s: The Internet and Dot-Com Booms

Fortunately for me, this is about the time that I started to get serious about investing. The market took off in the ‘80s and ‘90s. Personal computers, the internet, and global trade caused profits to soar. The S&P 500 delivered double-digit returns year after year. Even after the dot-com bubble burst in 2000, the market eventually rebounded and hit new highs.

2008: The Global Financial Crisis

I endured the Dot-Com bust, but nothing prepared any of us for this one. The housing market collapsed. Banks failed (including the one I worked for!), and stocks plummeted over 50%. It was one of the scariest financial moments in modern history. Many investors bailed out of the market altogether, and some never returned. However, due to bailouts and the Fed’s “quantitative easing,” the market fully recovered within five years and continued to climb.

2020: COVID-19 and the Fastest Crash and Recovery Ever

The pandemic caused a sudden crash. But it was also the fastest rebound ever. By mid-2020, stocks were already reaching new highs. That was followed by inflation, Fed rate hikes (known as “quantitative tightening”), and increased volatility. Yet again, the long-term upward trend remained intact.

The long-term trend

I already alluded to this, but the key takeaway here is that over the last 90 years, the U.S. stock market (S&P 500) has returned about 10% per year, on average. Still, as the charts clearly show, that doesn’t mean every year is good. Some years are bad—really bad. But over 10, 20, or 30 years, the market has always gone up. As this chart shows, only a handful of 10-year rolling periods have had a negative return. (According to Investopedia, “Rolling returns are annualized average returns for a period, ending with the listed year.”)



Also of note: 100% of 20-year rolling periods since the 1920s have been positive, even if they started in terrible times like 1929 or 2000!

Why does it keep going up?

You may be wondering why it keeps going up (and whether it will continue to do so). Those are reasonable questions and primarily relates to how our capital system operates. Well-financed and operated businesses tend to grow, and so do their profits and, therefore, their stock prices. Population growth, resulting in greater demand, and market expansion, driven by global trade, also contribute. If companies reinvest their earnings (in the form of dividends), they may grow more rapidly. And finally, innovation (in tech, biotech, and AI) is continually creating value and prompting new companies to enter the market.

Ultimately, it's our God-given gifts of intelligence and creativity, paired with hard work, high productivity, and long-term ownership of both public and private companies, that help fuel growth as well. That said, I'm reasonably sure the market will crash again, someday—I just don't know when. But history—and basic economics—tell us that it will also come back again, perhaps with a vengeance.

What this (might) mean for you

So, what does all of this possible mean for you? It doesn't mean you need to rush out and plow a bunch of money into whatever seems to be the hottest stocks right now. It's better to develop a personal investing strategy that suits your goals and temperament, utilizing a diversified mix of low-cost mutual funds. Then, I think you can be confident that steady, long-term investing in the market will lead to growth, as it has for generations past. That's what I'll help you with in the following few chapters.

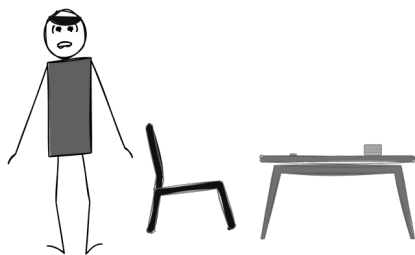
For reflection

As stewards, we know that God owns it all (Psalm 24:1), and we're called to manage His resources with wisdom and patience. The market can't be trusted like God can, but we can wisely use it to prepare for the future. Just like sowing a seed and waiting for the harvest, investing requires faith, time, and perseverance. Avoid shortcuts. Ignore hype. Invest wisely.

Verse

"The plans of the diligent lead surely to abundance, but everyone who is hasty comes only to poverty" (Proverbs 21:5).

46 – Understanding Investing Risk



"You can deal me out..."

To many people, investing seems like gambling. You give your money to a company, and they invest it in their business. There's a good chance you'll make money, but also a chance you'll lose. They could even lose it all if they go bankrupt. Sounds like gambling, doesn't it (except for the "good chance they'll make money" part)?

But the truth is, investing isn't gambling. Why not? Because, unlike day-trading, it involves informed and prudent risk-taking, rather than taking blind chances to make a quick buck. The Bible doesn't prohibit risk-taking and business profit-sharing; trade and risk-taking are commended in Scripture if done wisely (Ecclesiastes 11:1-6). But remember, profit is uncertain; there are no "sure things" when it comes to business and investing.

Biblical view of investing

Investing, then, is a good use of some of our money. I wrote this in an article for The Gospel Coalition a few years ago: "Investing isn't stock trading. It's not about betting the farm on a hot tip from your brother-in-law. Such speculating amounts to gambling on future events, and most of the time you lose more than you gain (Proverbs 28:19; 1 Timothy 6:10). It's about putting money into real businesses that employ people and deliver products or services to customers. Hopefully, the companies we invest in do well and provide a return commensurate with our investment (Proverbs. 31:10-31; Ecclesiastes. 11:1-6)."

Market volatility and returns

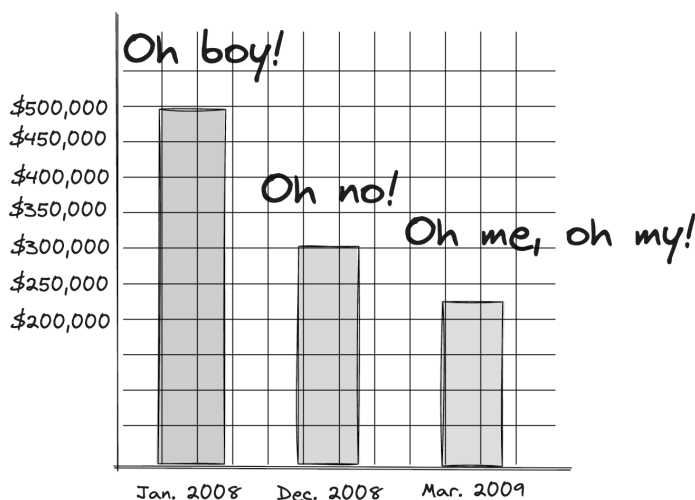
But investing carries risk. Notice that I wrote, “hopefully, the companies... do well.” They don’t always, nor does the market as a whole. In case you haven’t noticed, for investors, the last few years have been bizarre and unsettling at times as the financial markets—both stocks and bonds—have been very volatile (i.e., lots of ups and downs).

Despite its volatility, which is what gives investors heartburn, the stock market (S&P 500) has been down 20% or more only 15 times since 1926. It has gone up about 75% of the time, and most of the time by a lot—it’s been up more than ten percent 56 percent of the time.

That’s why the average return for the index is around 10%. But the primary lesson is this: Stocks are risky, so to get long-term market returns, you have to take losses along the way. The questions are: 1) do you understand the risks? and, 2) are you comfortable taking them?

A real-world example: the 2008-2009 crisis

Take a look at the graphic below, which presents a zoomed-in view of the stock market (S&P 500) and what an account balance of \$500,000 fully invested in it would have looked like during the 2008-2009 financial crisis:



As you can see, at one point it was down over 50%! Some people lost a little more or a little less than that depending on their portfolio composition. I was

not retired at the time, so I was in the 70% stocks, 30% bonds range, and I think at one point I was down over 40%—and I remember it well. It was a scary time for investors (especially people like me who were about 10 years or so from retirement age).

And believe me, an event like that will test your risk tolerance. Those who sold out of the market in 2008 or 2009 (and many did—it felt like the end of the world) and did not reinvest pretty soon after would have missed out on the biggest stock market rallies in history.

Although almost no one in early March, 2009 would have predicted, this graphic illustrates what happened in the years that followed:



Here's a hard truth you need to hear: You'll sometimes lose your shirt in the stock market (or it will feel like it). I "lost" (on paper) a lot of money in 2008-2009, and I would be dishonest if I said it didn't feel bad at the time. Losing money in real life is a lot harder than it is hypothetically. The good news is that those who rode out the storm ultimately came out okay. In fact, as the chart above shows, better than just okay.

If you had invested \$250,000 in the S&P 500 at the end of 2009, your investment would have grown substantially by May 2025, assuming all dividends were reinvested. Its value in May 2025 would be approximately \$1.45 million based on an estimated annualized return of 12% over 15.5 years. That's

a total cumulative return of 479%, the result of many years of good compound returns.

But remember: there's no guarantee that the next few decades will be like the last.

Stay the course

Losing your shirt in the market is a part of the normal cycle of investing. But with enough experience and practice at losing smaller amounts of money, losing tens, hundreds, thousands, and even tens or, depending on the size of your portfolio, hundreds of thousands of dollars, should not elicit panic.

It won't feel good; it never feels good to watch one's portfolio go down that much, but it's a normal part of the process, and the prudent response is to stay the course.

The myth of market timing

Markets are highly volatile in the short term. That's a fact. However, you're not investing for the short term; you're investing for the long term over the next several decades. As a result, day-to-day, week-to-week, and month-to-month swings in stock prices should be irrelevant to you. Ignore the financial press, such as CNBC, and stock market pundits who spout nonsense. Trust me, ignoring most financial news will make you a much happier and successful investor.

One of the biggest mistakes that risk-averse investors make is trying to time the market. I showed you what happened after the crash of 2008-09. Trying to time the peaks and troughs of the market is a fool's errand. Mr. Market will outsmart you almost 100% of the time.

You can avoid this mistake by simply investing your savings gradually over time (called "dollar cost averaging," which means that you'll sometimes purchase stocks "on sale"). Then, stay calm and refrain from selling unless necessary.

The chart below shows the futility of trying to time the market. Notice the frequency of declines of 10% or less; they happen on average several times a year, but the average recovery time can be days, weeks, or sometimes months. (Most importantly, it does eventually recover.) How can you predict any of that, much less optimally timing your exits and re-entries?

Type of Decline	Frequency (on avg.)	Average Recovery
-5% dip	3x per year	Days to weeks
-10% correction	Once per year	3 to 4 months
-20% bear market	Every 6–7 years	1.5 to 2 years
Major crash (e.g.,	Rare (once in decades)	4 to 6 years

The worst thing you can do is to stay out of stock altogether because of fear. You're free to do that, but that doesn't mean it's wise. Another unwise pursuit is taking the "Robinhood" app route and experimenting with individual stocks and trading stock options. Only do that with money you can afford to lose, as you almost surely will.

Investing vs. not investing

Investing in the stock market carries some risk, but not investing can be even riskier. To illustrate, let's say you put \$10k into the market, but pulled it out days later when the market went down. You now face an uphill battle when trying to grow a long-term portfolio. Losing 10% of a \$10,000 investment portfolio creates a painful short-term loss of \$1,000. But what's more concerning is the long-term opportunity cost of holding only cash.

A decade of 10% average annual returns with a beginning balance of \$10,000 would have resulted in an ending balance of ~\$26,000. By not investing, you still have your \$10,000, but you've missed out on the ~\$16,000 ($=\$10,000 \times 1.1^{10} - \$10,000$) in potential growth by parking your cash on the sidelines.

It's easy to lose sight of that when being slapped in the face by an immediate \$1,000 investment loss in a given day and the constant flash of stock tickers on our screens. Volatile stock tickers distract investors from what matters: the magic of compound interest when zooming out over multi-decade horizons (which I'll discuss in the following chapter).

This chart illustrates how individual investors performed over the last 20 years in comparison to a simple stock index or balanced fund:

Investment Type	Average Annual Return
S&P 500 Index (Total Return)	10.4%
Balanced Fund (60% stocks/40%	6.9%
Average Stock Investor	5.1%
Average Investor (All Assets)	4.3%

Notably, despite all their efforts, the average stock investor earned only 50% of the return of the S&P 500 over the period (5.1% versus 10.4%).

Risk tolerance vs. risk capacity

That does not mean that you should never sell! There are times when it makes sense. The problem is that we buy and sell for the wrong reasons at the wrong times, often due to our emotions. The stock market is cyclic, and regular investors tend to buy when it's rising and sell when it's falling. Over time, that results in lower returns.

What I've been talking about throughout this chapter, without naming them, are two fundamental concepts: risk tolerance vs. risk capacity. Risk tolerance is emotional: how much market decline you think you can handle. (I sometimes refer to this as the "sleep at night factor.") Risk capacity is financial: how much risk your time horizon allows. These two are interrelated. If you're decades away from needing the money, your risk capacity is high, even if your tolerance feels low. Still, whether you're willing to take the risk will probably have more to do with your tolerance than your capacity.

A good way to assess your risk tolerance is to ask yourself, "How much money can I afford to lose"? Your answer will fall somewhere between "I can't afford to lose anything and I'm okay losing it all (though I'd rather not)." Most of us land somewhere in the middle, depending on how much we've saved and how close we are to needing the money (our risk capacity).

Some 30-year-old investors with decades ahead of them might shrug off a 30, 40, or even 50 percent drop, confident the market will recover (as it usually does). But a 55-year-old with just 5 to 10 years to retirement? That same 30% decline could feel catastrophic (that was the situation I was in back in 2008; I retired in 2019).

We'll discuss how all this applies to your investing decisions in a future chapter on asset allocation. My goal is to convince you that you can afford to take some risk, which will hopefully help you with your risk tolerance if you're highly risk-averse.

For reflection

I've said several times that the stock market can be scary sometimes and that it has "crashed" before and will probably "crash again." That makes it sound like a big casino where you place bets. Yes, there are risks, but over time, the rewards outweigh them. What do you feel when you think about investing in stocks? If you experience either fear or greed, you're approaching it from the wrong angle. Better to do it humbly and wisely—understanding the risks, but also the potential rewards—and build wealth slowly and carefully over time.

Verse

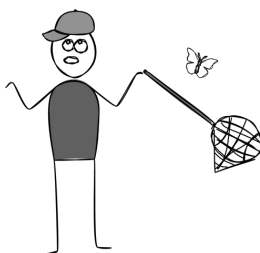
"Wealth gained hastily will dwindle, but whoever gathers little by little will increase it" (Proverbs 13:11).

Resources

Shamelessly, two of my articles from RetirementStewardship.com (since nobody write about this stuff):

"Biblical Traits of a Successful Investor": <https://retirementstewardship.com/2017/06/16/biblical-traits-of-a-successful-investor/> "5 Reasons to be Humble in Retirement Stewardship": <https://retirementstewardship.com/2019/02/14/5-reasons-to-be-humble-in-retirement-stewardship/>

47 – Investment Growth and the Time Value of Money



I wonder what my "net worth" is...."

In this chapter, we're going to take it a step further. We'll unpack what the cumulative interest earned term (ΣIE_{t+n}) really means and how the markets, contributions, dividends, interest, and time work together to drive exponential investment growth over the long haul.

How your investments grow

When we talk about investment growth, we're referring to how your money grows when it's put to work in things like stocks, bonds, real estate, or even cash-based investments. That growth happens in two main ways:

1. **Investment contributions** – These include your savings, regular deposits, and (for retirement accounts) any employer matches.
2. **Investment gains** – This is the growth generated by the market: capital appreciation, dividends, and interest earned, especially when reinvested.

These elements combine into a simple formula for how your investments grow over time:

$$\text{Investment Balance}_{t+n} = \text{Investment Balance}_t + \text{Investment Contributions}_{t+n} + \text{Investment Gains}_{t+n}$$

Where:

t = the starting point (e.g., beginning of the year)

$t+n$ = a future point (e.g., one year later)

This breakdown helps you see where your growth is coming from. If you want to isolate just the gains from the market, you can rearrange the equation:

$$\text{Investment Gains}_{t+n} = \text{Investment Balance}_{t+n} - \text{Investment Balance}_t - \text{Investment Contributions}_{t+n}$$

This formula tells you exactly how much of your growth came from market performance, not just how much you contributed. It makes the relationship between time, reinvestment, and growth more apparent. That's how you track the real power of compounding, which we'll discuss in the rest of this chapter. It also reminds you that while saving and contributing to things like retirement accounts are essential, letting your investments grow and reinvesting their earnings over time is what fuels long-term wealth.

The time value of money

We now turn to one of the most potent drivers of long-term investment growth and a foundational principle in personal finance: the Time Value of Money (TVM). At its core, TVM reminds us that a dollar today is more valuable than a dollar tomorrow, not because of inflation, but because of what that dollar can become if it's invested and allowed to grow. It's the idea that time + money + compounding = exponential growth potential, and understanding this principle can change how you think about saving and investing for the future.

Let's put some numbers to this concept of compounding. Suppose you invested \$10,000 and let it sit for 40 years, earning the historical average stock market return of around 9% per year. By the end of that period, your account would grow to approximately \$314,094. That's what we call the future value (FV), what your money becomes after compounding over time. Flip it around, and you see that the present value (PV) of \$314,094 received 40 years from now is just \$10,000 today.

But here's what's truly remarkable: you didn't add a single dollar after the initial investment. The growth occurred because you earned 9% each year, and then I earned 9% on the 9% you had made the previous year, and so on. That snowball effect is the essence of compounding. It's not just earning a return; it's earning returns on your returns. And over long periods, that's where the real magic happens.

That's why, when it comes to investing, the earlier you start, the better, if you can. That's not just a nice saying; it's a mathematical reality. Because of the

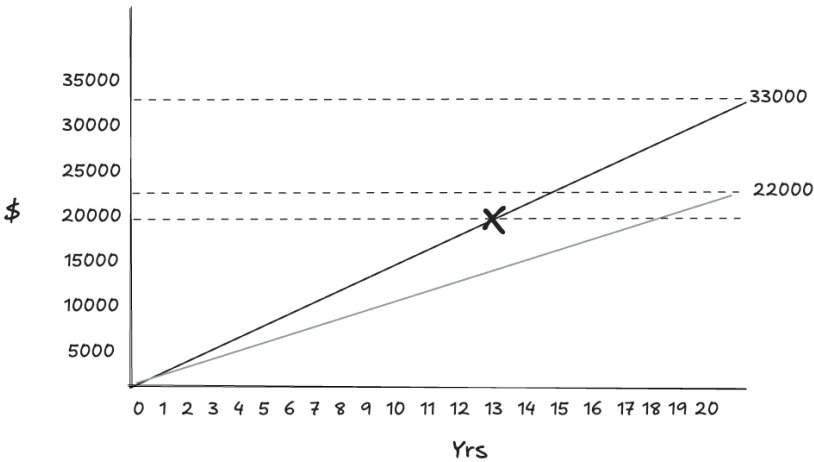
compounding effect, every dollar you invest in your 20s or 30s can be worth many times more than a dollar invested in your 40s or 50s.

To illustrate, suppose you invest \$5,000 per year for retirement from the age of 25 to 64. That's 40 years of steady contributions—\$200,000 in total. Here's what that can grow into at different average annual returns:

Annual Return	Value at Retirement
4%	\$475,128
5%	\$603,999
6%	\$773,810
7%	\$998,176
8%	\$1,295,282
9%	\$1,689,412
10%	\$2,292,963

The Rule of 72

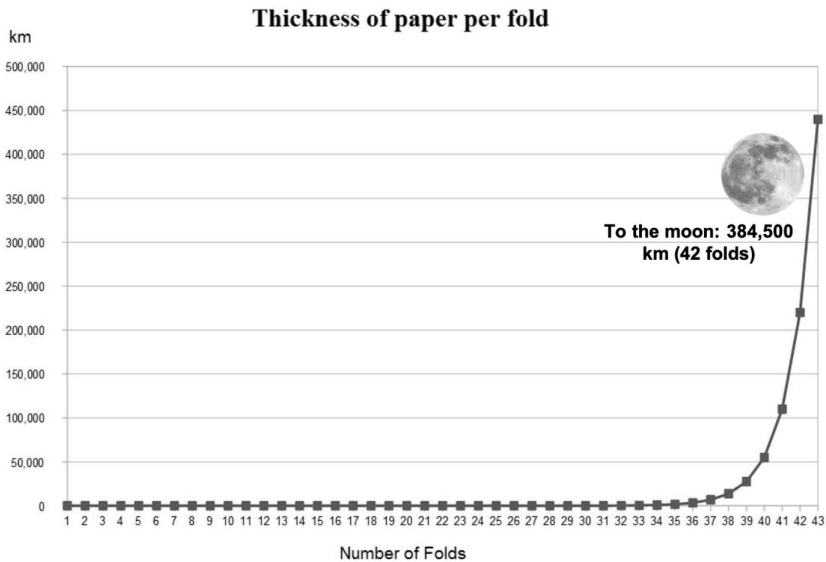
The Rule of 72 helps visualize exponential growth: divide 72 by the interest rate to estimate how long it takes to double your money. At 6%, it takes 12 years; at 12%, it only takes 6 years.



A Paper Folding Example

Another fun way (I used this in a high school math class when I substituted at a small Christian school for a friend of mine and taught a class on personal finance) to understand compounding is the paper fold example: fold a paper 42 times, and it would reach the moon. The growth accelerates dramatically at the

end, showing how compounding works over time (the last fold takes you from half way to all the way there).



That is the main reason for starting to save sooner rather than later, even if it means foregoing your daily latte and saving the money. Once you have your emergency fund in place and have paid off your credit card debt, it’s time to start. Remember, growing wealth happens little by little over time (Proverbs 13:11).

Invest in eternity

I trust this gets you a little excited about investing, but you have more to learn. But before we move on, I want to tell you about the kind of investing that should make you even more excited: investing in eternity (a/k/a “treasure in heaven”—Matthew 6:19-21).

Any discussion about investing must have at its foundation the biblical principle of “investing in eternity,” what the Bible calls building “treasure in heaven”. We do that by investing our time, talents, and treasure into the building of God’s Kingdom on earth. In doing so, we will also be “storing up treasure in heaven and growing rich toward God.” If our hearts and lives are anchored to that, we can plan, save, and invest for the future with a clear conscience without becoming the “rich fool” that Jesus talks about in Luke 12.

For reflection

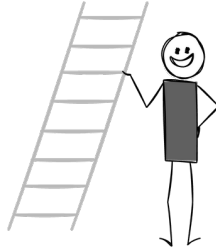
When you think about investing, do you think about vacations and retirement first, or about investing in God's Kingdom? Saving and investing are good stewardship, but investing in loving and serving others and spreading the gospel is even better. Pray about this before making significant financial decisions.

When you think about investing, does your vacation fund or retirement account come to mind? Or do you think about how you want to first invest in the Kingdom of God? We've seen that saving and investing can be good uses of the money that God gives you to steward, but a much higher use is to invest in loving and caring for others, funding the work of your church, and spreading the good news of the gospel around the world. Mediate on and pray about that before you make any significant investment decisions. And when you do invest, remember that you're investing God's money. Jesus' parable of the talents (Matthew 25:14-30) commends those who wisely multiplied what was entrusted to them, not through high-risk speculation, but through faithful and wise investing for productive purposes.

Verse

"But seek first the kingdom of God and his righteousness, and all these things will be added to you" (Matthew 6:33).

48 – Understanding Historical Investment Returns



"I bought a ladder because I expect my returns to be 'through the roof.'"

When it comes to investment returns, based on some earlier chapters, you may be thinking that it's no big deal. An investment (hopefully) grows $X\%$ a year, and that's that.

And that's true, but only to a point. There is more confusion about how to measure (and assess) investment returns than you might think. In the previous chapter, we discussed the basics of how investments grow through market return and ongoing contributions, compounding over the long term. But how do you evaluate the historical return of a specific investment (stock, bond, or mutual fund)?

The Dave Ramsey controversy

You may be familiar with Dave Ramsey, and perhaps you've even taken his Financial Peace University (FPU) class. There was a big "dust-up" in 2024 online when Dave claimed that retirees could withdraw 8 percent a year from their savings for their lifetime. He based that on some simple math: The stock markets earn 12% annually, and inflation is 4%; therefore, you can spend the

difference. This equation implies a 12% annual average return, but the problem is that nobody receives that average yearly.²⁷

Arithmetic vs. geometric returns

The confusion arises from the fact that different methods of measuring investment returns are used. The most common is what is called the arithmetic (average) return versus a more accurate measure known as the geometric (compound) return.

Arithmetic returns don't always reflect reality. If you've ever looked at an investment fund's performance, you've probably seen something like this: "Average annual return = 8%." Seems straightforward, right? You might assume your investment will grow by 8% every year like clockwork. But that's not exactly how it works, and understanding why can help you avoid misunderstandings, or worse, costly mistakes.

An example to illustrate

The **arithmetic average** is just the simple average of a set of returns. If an investment returned +10%, -5%, and +15% over three years, the arithmetic average is:

$$\text{Arithmetic Average Return} = (R_1 + R_2 + \cdots + R_n) \div n$$

Where:

R = return for a specific year (1, 2, 3, etc.)

n = total number of years

For example:

$$\begin{aligned} & (10\% + (-5\%) + 15\%) \div 3 \\ & = 20\% \div 3 \\ & = 6.67\% \end{aligned}$$

²⁷ As it turns out, Dave's 12% figure may be tied to a specific mutual fund that he invests in, which has returned an average of 11.9% over the last 20 years or so. That's an exceptional return—higher than the market as a whole, so good for him (and for the mutual fund he invests in). Still, as we'll see, it may not be a 100 percent accurate indicator of how his investment performed.

At first glance, it seems like you earned an average of 6.67% per year. But that's not what happened. To understand, we have to look at the geometric return.

The **geometric return** (also called the compound annual growth rate, or CAGR) tells you what your investment grew to over time. It takes compounding into account, the key concept we discussed in the previous chapter. Using the same example:

Year 1: +10% $\Rightarrow 1.10$

Year 2: -5% $\Rightarrow 1.10 \times (1.0 - .05) = 1.045$

Year 3: +15% $\Rightarrow 1.045 \times (1.0 + .15) = 1.20175$

So, \$1 became \$1.20 over 3 years. And the geometric average return is:

$$(1 + 0.10) \times (1 - 0.05) \times (1 + 0.15)$$

$$= 1.10 \times 0.95 \times 1.15$$

$$= 1.20175$$

$$\text{CAGR} = (1.20175)^{1/3} - 1 \approx 6.32\%$$

Notice how it's lower than the arithmetic average, though not by a lot (6.32% vs. 6.67%). That's always the case when there's any volatility; the geometric return is more realistic.

However, this can be a more significant factor over longer periods. For example, according to the Motley Fool, "the average annual return for the S&P 500 from 1928 through 2024 has been 8%. But that overstates the compound annual growth rate of the index, which has been just 6.2%."

Compound annual growth is a more accurate indication of how much an investment will grow over time. And if we factor in inflation (to calculate the "real return"), we would arrive at a much lower number (~3.2%).

The case for geometric returns

Geometric (compound) returns are better than arithmetic averages because arithmetic returns ignore compounding (they treat each year's return as if it happened singularly) and they don't reflect volatility (a 50% gain followed by a 50% loss gives you a 0% arithmetic return, but your portfolio is down 25%!

So, use arithmetic returns for quick, easy math, but use geometric returns for real planning.

What about dollar-weighted return?

Had enough of this? But wait, there's one more measure to know: dollar-weighted return, or internal rate of return (IRR). That takes into account the timing and size of your contributions or withdrawals.

For example:

You invest \$1,000 at the start of Year 1. In Year 2, you invest another \$10,000. The investment performs poorly in Year 1 and significantly better in Year 2.

Your return will be better than the fund's published return because most of your money was invested during the good year. The dollar-weighted return captures that; it reflects your experience, not just the fund's performance.

For that reason, if someone says, "I'm earning what the fund earns," they may not be 100% right. Your actual return depends on when you invest and the amount you invest. If you buy high and sell low, you can underperform the fund's return by a wide margin.

For reflection

Understanding how investment returns really work helps you steward your resources more faithfully, without falling for oversimplified or misleading financial claims or advice. Because we live in a fallen world, we have to be careful, not cynical, but wise. And when it comes to investing, be wise about how performance and returns are measured and reported. They may not be "untrue," but they may not be the "whole truth" either.

Verse

"A false witness will not go unpunished, and he who breathes out lies will not escape" (Proverbs 19:5).

49 – How Investment Fees Eat Your Returns



"It's called a 'management fee' because they manage to keep taking it."

There's a later chapter about choosing a financial or investment advisor if you need one, but be advised: no matter who you choose, there will almost certainly be some kind of fee. Furthermore, depending on the types of investments you choose, you will probably incur fees for them as well.

Investment fees do matter. Unfortunately, they're not something people tend to pay a lot of attention to. They're usually buried in the fine print of a mutual fund prospectus or your brokerage account statement. They seem small, and you may be thinking, "How much could a 1% fee really hurt me?" As it turns out, quite a bit.

Whether you're investing through a brokerage app, a 401(k), or with the help of a financial advisor, you're paying fees. Some are obvious, others not so much. But all of them can eat into your returns over time, and that makes a huge difference when you're trying to increase your net worth over the long haul.

Types of investment fees

Here are the different types of fees you're likely to encounter:

Fund management fees (a.k.a. "expense ratios")

Every mutual fund or ETF charges a fee to cover operating costs. This fee is typically expressed as a percentage, like 0.10%, or 1.00% and it's taken out of your investment returns, not charged to you directly. For example, if a fund earns 6% but has a 1% fee, your actual return is 5%. If you invest \$10,000 in a

fund with a 1% annual fee, it will cost you \$100. Over 30 years, it can eat away up to 25–30% of the fund's value in your portfolio value due to lost compounding.

But here's the thing: You won't see a line item for this fee in your account; it's just quietly deducted from the fund's Net Asset Value (NAV) in the background. That's why it's easy to overlook but important to know. If you read the literature about your fund (called a "prospectus"), it will tell you what the fees are.

To be fair, I should note that if a mutual fund consistently outperforms its benchmark after accounting for its fees, it could be considered a better investment than just "buying the benchmark," which is usually an index fund. However, the reality is that actively managed mutual funds may not consistently outperform their benchmarks over the long term, and their higher fees can erode returns.

Trading fees

Many brokerages offer \$0 trading commissions. But not all do. Some still charge \$5 to \$20 per trade, especially for mutual funds or if you're using a full-service advisor. These fees will show up on your brokerage account statement and are in addition to the fund and advisor fees. Be careful here—some brokers used to buy and sell frequently to receive more commissions, but that happens infrequently nowadays since it's basically illegal.²⁸

Advisor fees

If you use a financial advisor, you're likely paying in one of two ways:

AUM (Assets Under Management) Fee: Usually 0.25% (=0.0025) to 1.00% (=0.01) of your total portfolio, charged annually. (I have seen AUM fees as high as 2% (=0.02) for SMALL BALANCE ACCOUNTS—OUCH!)

Flat or Hourly Fees: A set rate for advice or services. Some prefer this over the AUM model.

An AUM fee may seem small, but on a \$100,000 portfolio, a 1% fee is \$1,000 per year ($=\$100,000 \times .01$). And yes, that compounds over time against you.

²⁸ The SEC has rules that prohibit "churning," which is the illegal practice of excessive trading in a client's account to generate commissions for the broker. Specifically, SEC Rule 15c1-7 addresses manipulative and deceptive practices related to excessive trading.

Another potential pitfall with advisor fees is that they may also steer you toward funds that their firm manages or sponsors, which may be higher than other comparable funds.

Front-end load fees

Some mutual funds charge a “load,” which is simply a fee paid upfront to invest. These are often 5% or more! So, if you invest \$10,000 in a fund with a 5.75% front-end load, you only invest \$9,425. The rest is gone before you’ve even made a cent. My suggestion is to avoid these whenever possible; there are almost always better, no-load options.

The cost of fees over time

Now that you understand the types of fees you may encounter, let’s look at the long-term “negative compounding” they can have. Say you invest \$100,000 for 20 years and earn 6% per year:

Annual Fee	Ending Value
0%	\$320,714
0.5%	\$291,780
1.0%	\$266,584
2.0%	\$219,111

As the table shows, there is over a \$100,000 difference between no fees and a 2% total fee. Even if you don’t notice it year to year, fees compound against you just like returns compound for you.

Control what you can

Most of these fees are ones you can control. You can decide not to hire a financial advisor and manage your investments yourself, saving the AUM fee. Alternatively, you could opt for a very low AUM fee service, such as a robo-advisor (see resources below). You can select a brokerage firm that doesn’t charge a transaction fee and avoid trading fees. You can choose low-cost (or no-cost) mutual funds or ETFs and avoid high fund management fees. You can also avoid purchasing funds with front-end loads, which reduce your investment on day one.

Why do people pay high fees

You might be thinking: “If high fees are bad, why do people pay them?” In my experience, it’s often because they’re unaware they’re paying for it; their advisor has purchased the fund on their behalf, and that’s that. Or, they often confuse advisor fees with fund fees. (A State Street study found 47% of investors thought fund management fees were part of their advisor fee—they’re not.)

Another reason is that they don’t know what “high” is. They may pay a 1.5% AUM fee, not realizing that there are some (but not many) advisors who charge between .50% and 1.0%. (AUM fees tend to vary based on the size of your portfolio—larger percentages for small accounts and smaller percentages for larger ones.)

A stewardship perspective

It’s important to know what you’re paying. Then you can make a decision: Am I getting the returns and value from the funds and services I am receiving? If not, you have other options. We’ll discuss these options further in future chapters on choosing an advisor and selecting specific funds for your portfolio.

For reflection

The Bible says that workers deserve their wages (1 Timothy 5:18), and that includes financial professionals. But it also calls us to be wise stewards (Proverbs 21:5). Understanding the cost of what you’re paying for, and what you’re getting in return, is simply wise stewardship. Have you taken the time to understand precisely what you’re paying in fees? Is it a reasonable amount? If you have an advisor, ask them to explain all the fees to you if necessary.

Verse

“Behold, I send you forth as sheep in the midst of wolves: be ye therefore wise as serpents, and harmless as doves” (Matthew 10:16).

Resources

Best Robo Advisors (Forbes): <https://www.forbes.com/advisor/investing/best-robo-advisors/>

Advisory fees of the “Big Three”:

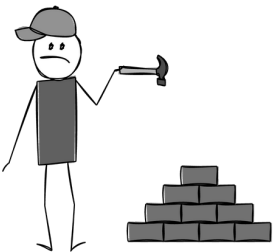
Charles Schwab: <https://www.schwab.com/legal/schwab-pricing-guide-for-advisor-services>

Fidelity Investments: <https://www.fidelity.com/why-fidelity/pricing-fees>

Vanguard: <https://investor.vanguard.com/advice/compare-investment-advice>

“Unbiased” comparison: <https://www.unbiased.com/discover/financial-advice/vanguard-vs-fidelity-vs-schwab>

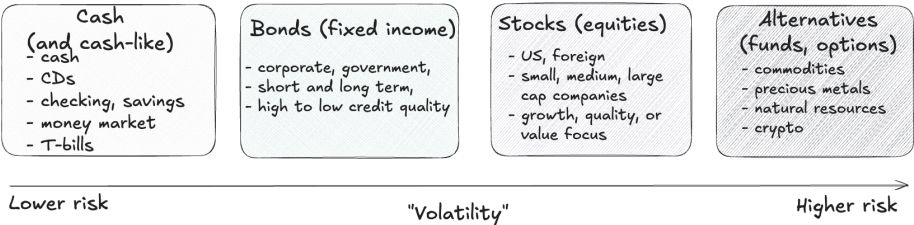
50 – Investment Building Blocks for Your Portfolio



"I thought you meant a different kind of block. Oh well, just all me "Bob the (portfolio) builder.""

Once you've decided to save and invest and have a general understanding of your risk tolerance and risk capacity, you're ready to consider specific asset types. These will become the foundation of your investment portfolio.

The graphic below describes the major asset categories. Think of them as the basic building blocks of your investment portfolio. You'll have some, or more or less, of them depending on your saving and investing goals as well as your risk tolerance and risk capacity. Most of you in your 20s and 30s will (and should) be focused on stocks, but you need to know a little about the others, also.



Cash: start with safety

First, it's always good to have some cash on hand. But the rate of return on money stuffed under your mattress is 0% (negative if accounting for inflation). You can get more than 0% by putting it in the bank, in a savings account, a

certificate of deposit (CD), or a brokerage money market to earn interest. That's a better option than your mattress; it's a good place for your emergency fund, but not your retirement account. It can benefit others because banks loan money, and this multiplies several times over. Plus, the risk is low—the US government (FDIC) insures some bank accounts.

Bonds: lending with return

Next up are bonds. A bond is a loan made by an investor (you) to a company or government agency. The value of bonds lies in the fact that the borrower agrees to pay interest to the lender. The rate of return is usually fixed but can vary according to the general interest rates in the economy and the term of the loan.

Investing in bonds helps businesses and the government function. Bonds are generally low risk, and even if a business loses money, it still has to pay you. Sometimes, companies do default on the loans. That's why, if you buy individual bonds, you'll want to buy "quality"; i.e., the debt of companies with good credit ratings.

Stocks: owning a piece of a company

Then there are stocks. A stock (sometimes referred to as "equity") is a piece of ownership in a company. Their value lies in the fact that companies (usually) earn profits. Those profits are either 1) distributed to shareholders as a payment called a "dividend," or 2) reinvested to grow the company, which will hopefully increase the company's value in the future.

However, none of this is "guaranteed," and returns are unknown; we can only know how a company has done in the past. Over a 50-year average, publicly traded stocks have increased an average of about 10% a year, depending on how you measure it, but with much variation from year to year. Still, in some years, people make a lot of money in stocks, while in others, they lose, sometimes a significant amount.

Alternative assets: high risk and uncertainty

Finally, there is a large category of investments which I'll call "alternative assets." It includes items such as precious metals, natural resources, and commodities. Gold and Crypto are in this category. Investing in these is highly speculative, so it's generally something that the average person should

probably avoid. If you want to dip your toe in them, make sure you research them thoroughly, and don't make them the largest part of your portfolio.

Individual securities vs. funds

You can invest in individual stocks and bonds (the smallest building blocks). However, most individual investors, especially young, inexperienced ones, can't "beat the market." By that, I mean investing in individual stocks that outperform the overall market over time. Hundreds of research studies have concluded this.

The best thing you can do to maximize your real returns is to manage the two things that you have some control over: investment management fees and taxes.

Mutual funds and ETFs

It's better to own "baskets" of stocks and bonds, known as Mutual Funds or exchange-traded funds (ETFs). These baskets are simply a collection of securities—sometimes hundreds or even thousands of them—that have been chosen by a professional investor or company (known as a "fund manager"). Many mutual funds are known as "actively managed" funds because their managers seek investments that they believe will yield above-average returns.

To minimize investment management fees, you can avoid high-cost financial advisors (which I consider anything over 1.0% of assets under management, or AUM), as well as high-cost actively managed mutual funds (over .50%).

Index funds: simplicity and efficiency

Mostly, it's better to buy a fund that captures the market return at a rock-bottom investment management fee. This product is known as an Index Fund (a fund that is "passively managed" and tracks the performance of a specific index, such as the S&P 500, at a very low cost). Index funds are passively managed, meaning they are designed to mimic the performance of a given index. In investing, indexes serve as indicators that represent the value of a specific group of investments.

For example, one of the most well-known is the S&P 500, which tracks the value of 500 of the largest companies in the U.S. Therefore, an S&P index fund is a mutual fund that owns shares of each of the companies in the S&P 500 and

which should closely mirror the performance of the S&P 500 index. Some indices track just about everything. Fortunately, you only need to know about a handful of them to create a well-diversified portfolio (more on that in a bit).

Performance matters, but behavior matters more

If you’re interested in some relevant performance data, the chart below shows the 20-year performance data of three U.S. investment strategies (ending 2024).

Investment Type	Average Annual Return
S&P 500 Index	10.4%
Actively Managed U.S. Stock	7.2%
Average Stock Fund Investor	5.1%

Source: Dalbar, Inc., Quantitative Analysis of Investor Behavior (QAIB), 2024.

It illustrates the dramatic difference between what the average mutual fund investor earns and what can be achieved by simply investing in an S&P 500 Index Fund. This disparity is not primarily due to performance (as shown by the second line), but rather to behavior, the tendency that individual investors have to buy and sell too frequently and at the wrong times.

S&P 500 breakdown

Perhaps you’re thinking, “But I don’t want to miss out on owning the hot stocks, so isn’t something like owning the S&P 500 Index spread my money too thin across too many losers.” Well, I own a Fidelity Investments S&P 500 Index Fund (FXAIX) in my Roth IRA. For illustrative purposes, here’s the current breakdown of what a \$100 investment in the top ten S&P 500 stocks would be in proportion to their size (known as “market capitalization” based on April 2025 data):

- 1) AAPL Apple Inc. 6.75% ⇒ \$6.75
- 2) MSFT Microsoft Corporation 6.21% ⇒ \$6.21
- 3) NVDA NVIDIA Corporation 5.64% ⇒ \$5.64
- 4) AMZN Amazon.com, Inc. 3.68% ⇒ \$3.68
- 5) META Meta Platforms, Inc. 2.54% ⇒ \$2.54
- 6) BRK-B Berkshire Hathaway Inc. 2.07% ⇒ \$2.07

- 7) GOOGL Alphabet Inc. 1.96% \Rightarrow \$1.96
- 8) AVGO Broadcom Inc. 1.91% \Rightarrow \$1.91
- 9) TSLA Tesla, Inc. 1.67% \Rightarrow \$1.67
- 10) GOOG Alphabet Inc. 1.61% \Rightarrow \$1.61

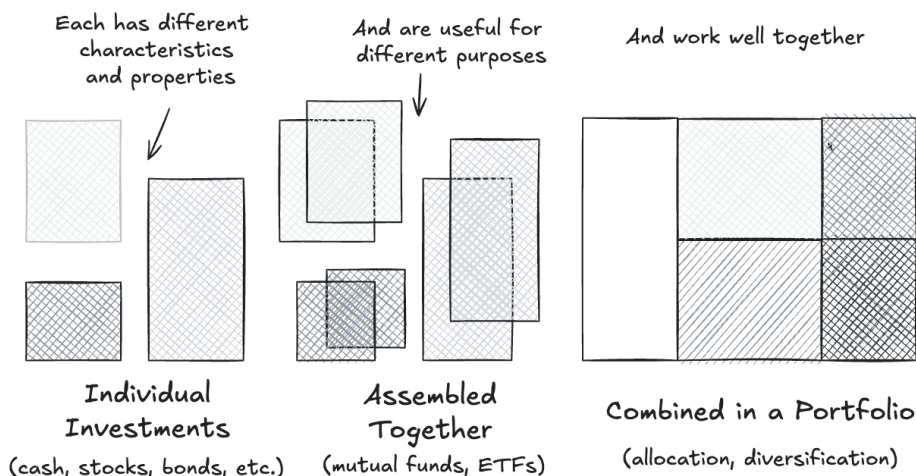
FXAIX's top ten stocks make up approximately 34% of the fund. But there are 490 other stocks in the fund, so, with this one index fund, if you invest \$100, you can own the top 500 largest companies in the U.S. for a cost of 0.015% per year (the "expense ratio"), which translates into 1.5 cents ($=100 \times .00015$)!

Broad index funds like that one are a fantastic financial technological innovation that has enabled ordinary people like you and me to capture the returns of the largest companies in the U.S. economy for essentially \$0 management fees. Plus, instead of being too highly concentrated in just ten stocks, you can hold hundreds that are diversified across multiple industries. Sure, there will be a few "losers" in the mix, but you also own all the "winners." That's the beauty of it.

If you want to go broader, you can also purchase the ENTIRE U.S. Stock Market in a single fund (such as FSKAX, FZROX, SWTSX, VTSAX, etc.), which includes all publicly traded large, medium, and small companies.

Portfolio design basics

Investing uses a few basic building blocks. You take the basic building blocks (different asset types like stocks and bonds), typically that have been assembled in baskets of "funds," and then combine the smaller baskets into a larger one (a "portfolio") that has a specific investment goal (ex., long-term growth for retirement).



When you (or your advisor) construct this portfolio, you'll have to decide on an allocation strategy (how much to invest in each asset category—e.g., 60/40 stock and bond portfolio) and diversifying within your asset categories, which is all about which baskets you use and how much money you put in each category in the baskets.

Should Christians invest in index funds?

You may wonder if it's okay for a Christian to own stock in S&P 500 companies such as Amazon, Apple, Microsoft, or Meta. Let's consider these questions: Are these "Christian" companies? — no. Do these companies have employees, including executives, who are sinners? — yes. Do these companies donate to causes you wouldn't support? — they likely do. Do you spend money with these companies and use products or services from any of them? — you probably do. Have they been a blessing to you in some small way? — your answer is probably yes again; I know I do.

The Bible offers guidance on questions like this. In Romans 14, Paul tells us that there are secondary matters that believers can disagree about in grace and love. I believe that investing is one of them, meaning you're free to do so unless your conscience dictates otherwise.

If you prefer not to invest in them, there are faith-based and ethical investment funds available. Just keep in mind how difficult it is to find the near-perfect companies that also offer a reasonable return and continually screen them to ensure they remain as "near-perfect" as possible. If you're

interested in investing in some good (but not perfect) ones, I suggest Eventide Funds.²⁹

For reflection

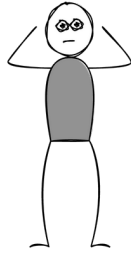
Remember, wisdom and humility are more important than the “technicals,” and investing is about more than chasing returns. It’s about consistently growing wealth through learning to build it wisely. Remember that investing is about more than chasing returns; it’s about steady diligence, patience, and faithful stewardship of what God has entrusted to you. Are you laying spiritual foundations as well as financial building blocks—a foundation of trust in Him, not in the markets?

Verse

“By wisdom a house is built, and by understanding it is established; through knowledge its rooms are filled with every precious and beautiful treasure” (Proverbs 24:3-4).

²⁹ For a “deep dive” on this subject, I recommend an article by my friend, Jake Ripley (CFP): <https://jridley.substack.com/p/biblically-responsible-investing>.

51 – Your Allocation Matters



"I put all my eggs in one basket, then it went public and they cracked."

We've discussed investment risk, the concepts of your risk tolerance, and risk capacity. We've also looked at the fundamental building blocks of an investment portfolio. Now it's time to talk about your "asset allocation," and why it's so important.

Asset allocation involves deciding which investment "buckets" to allocate your assets to, and in what proportions as a percentage of your total investment; for example, 80% in stocks, 15% in bonds, and 5% in cash.

No magic formula—mostly principles

I want to say up front that I don't know what the "right" asset allocation is for you. However, I'll try to give you some guidance to make a wise and informed decision. And I certainly don't know which allocation strategy will make you the most money with the least risk over the next several decades. Anyone who claims to have that superpower is trying to fool you. I'm not smart enough or clairvoyant enough to give you a specific answer since I don't know what the future holds—only God does (Isaiah 46:10).

Based on decades of historical performance data, I believe there is a high probability (more than 50%) that stocks will likely outperform most other investments over long periods. For that reason, I think all investors should allocate some of their assets to stocks. But my level of certainty isn't high—it's 51%, so there's a 49% chance I'm wrong. I maintained a 60% stocks/40% bonds allocation for most of my working life, but looking back, I realize I was too

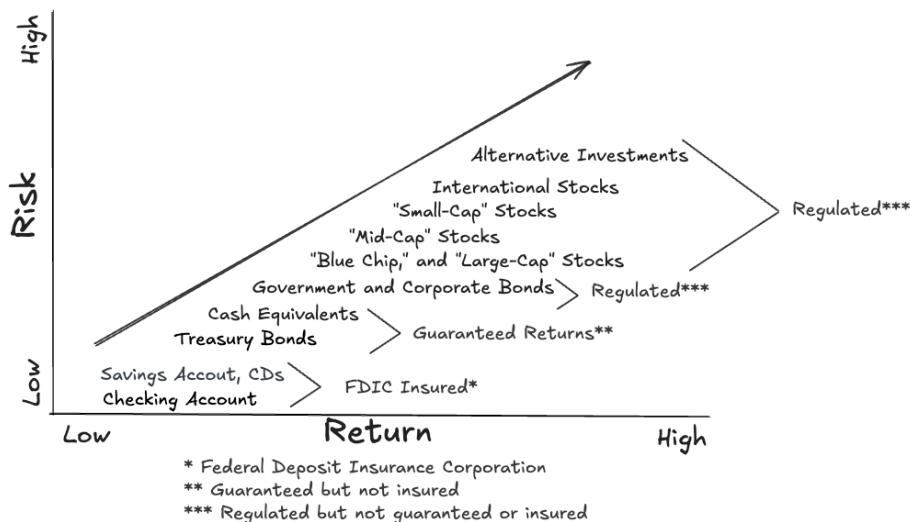
conservative. Stocks outperformed bonds by a wide margin. But I was able to sleep at night.

Sleep-at-night factor

The primary goal is to have a portfolio mix that allows you to sleep at night. In other words, if you're a 20-something, even if your risk capacity is very high and you could invest 100% in stocks, your risk tolerance may not allow you to. You may need to mix in some less-risky assets, like bonds. That may sound easy enough, but there's no magical allocation that will protect you against the risks in investing.

You have to decide where you think the most significant risks are, and your investment decisions should be based on limiting exposure to them. However, I think you can see the challenge: how do you determine where the most significant risks are?

The chart below shows the risk versus return of the various investment building blocks we discussed in the previous chapter:



As you can see, cash and fixed income are relatively low risk, blue chip and large-cap stocks are moderately risky, and smaller stocks, international stocks, and alternative investments are the riskiest. The returns from cash and fixed-income investments are usually lower over the long term than those from stocks and alternatives.

Even cash has risk

I mentioned earlier that investing always involves some level of risk. Even keeping your money all in cash carries risk—devaluation due to inflation. So, the idea is to allocate your investments in a way that takes a reasonable amount of risk while enabling you to “stay the course”; i.e., not bail out when the going gets tough, as it surely will.

I’ll show you how asset allocation can (usually) mitigate portfolio losses resulting from significant stock market corrections or crashes mathematically. You’re probably thinking, “Oh, great, more math.” I promise this is a simple illustration—with a little bit of math—that shows how asset allocation can be your friend in such situations.

Some risk-based allocation illustrations

Consider this: what if stocks fall by 50 percent (the worst-case scenario in the most severe circumstances short of a global economic Armageddon)? How much of a total drop in your portfolio could you handle without panicking and selling everything, effectively locking in losses?

Let’s say you’re 30 years old and think you could handle a 30 percent drop in your portfolio’s total value. (Which, by the way, would require a ~43% increase to recover; I’ll spare you the math on that one.) Subtract twice the maximum reduction of 30% from 100% to come up with your bond allocation percentage: ($2 \times 30\% = 60\%$ bond allocation). Your stock allocation percentage will then be 100% minus the bond percentage: ($100\% - 60\% = 40\%$ stock allocation). The result is a personal risk-based allocation of 40% stocks and 60% bonds.

Some (perhaps most) investment professionals would say that a long-term 40/60 stock/bond portfolio is too conservative for a 30-year-old with a high risk capacity. And they’re probably right. But that’s not the point—it about your risk tolerance, not just your risk capacity.

Downside scenario: stocks fall 50%

Now, let’s see what would happen to this portfolio if the stock market were to drop by 50%. Wow, that would be crazy! You would lose 50% of the 40% allocated to stocks, resulting in a 20% loss. Although this isn’t always the case, let’s also assume your bond component increases by 10% during this event (10% of 60% equals a 6% increase). If you add your remaining 20% in stocks to

your 66% in bonds, your portfolio will be down “only” 14%. However, if bonds stay flat, you’ll lose 20%, less than you initially said you could tolerate.

A note of caution: Sometimes, both stocks and bonds decline simultaneously (the COVID-19 pandemic crash in March 2020 is a notable example). But they seldom decline the same amount. And, bonds may go up when stocks go down. What happens with bonds depends on the underlying cause of the stock market decline and the types of bonds in your portfolio.

Upside scenario: Stocks rise 25%

Let’s consider another scenario. What if the stock market is up 25%? If bonds are essentially flat, your portfolio will be up only 10% ($=25\% \times 40\%$). That’s a time you’ll wish you had invested more in stocks. I think you see the dilemma that younger, long-term investors face as they try to balance risk and reward.

Shortfall risk vs. market Risk

But wise investors don’t just chase returns; they balance potential rewards with their ability to endure losses. You might be tempted to load up on stocks for higher gains, but ask yourself: Is it worth the sleepless nights if the market crashes? Ironically, playing it too safe can be just as risky. If you put everything in low-yield CDs, Treasuries, or annuities, you might preserve your principal, but risk not reaching your savings goals. That’s called shortfall risk.

Finding what’s right for you

The goal isn’t to avoid all risk—it’s to take the right amount of risk for your goals and personality, your temperament. And that’s a moving target as your life changes. A common way to come up with an age-appropriate stock/bond allocation is to subtract your age from 100 to get your stock allocation. So, if you’re 30, you’d have 70% in stocks.

But this has been modified recently to “Subtract your age from 110.” At age 30, and planning to work until 70 ($=110 - 30$) = 80% stocks. These are just starting points. You’ll need to tweak your allocation based on real-life goals, market conditions, and your emotional comfort level.

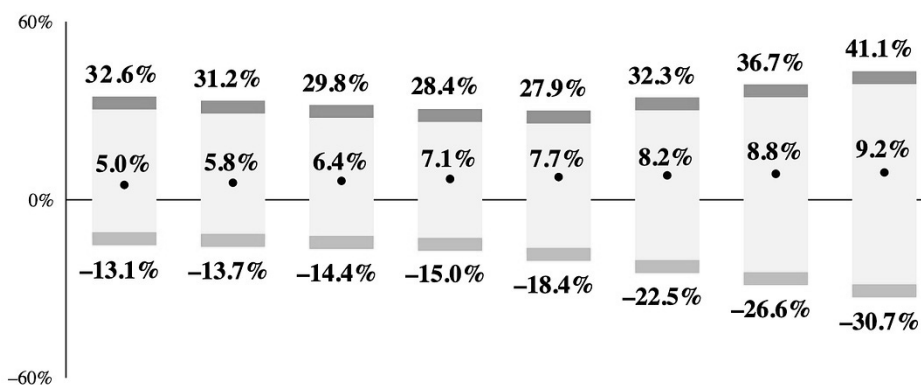
You may also want to adjust your asset allocation over time. Ordinarily, you would reduce the percentage of your assets allocated to higher-risk investments, such as stocks. Here’s a very simplistic way to approach this that

will give you an idea of what your allocation might look like and how it will evolve as you age:

- Low risk tolerance = “age in bonds”
- Medium risk tolerance = “age minus 10 in bonds”
- High risk tolerance = “age minus 20 in bonds”

Using this approach, a 35-year-old with a medium risk tolerance would hold 25% in bonds (=35 - 10), resulting in a 75/25 portfolio. (Remember, asset allocation is written as a ratio of stocks to bonds, such as 75/25, which means 75% stocks and 25% bonds.) However, a 65-year-old with a low risk tolerance would hold 65% in bonds (=65 - 0), a 35/65 portfolio.

Vanguard offers a helpful chart that displays historical returns and risk metrics for various asset allocation models, which can help inform your decision-making process. Once again, use this as an informational tool in your arsenal, but also remember that the same performance seen on that page may not occur in the future. Many economists and investment professionals believe that returns will be significantly lower over the next couple of decades.



Stick to your plan

The reason it's crucial to find an allocation you're comfortable with is that it will encourage you to stick with it. When you invest consistently over 20, 30, or 40 years, you buy shares when they're high and when they're low—this is called “dollar cost averaging.” The low years, when things feel bad, are opportunities to buy stocks “on sale.” When you're young, your biggest asset isn't just money, it's time. Find an allocation you're comfortable with, and when the market drops 20% in a year, don't panic. Keep investing. Stick to your plan. If possible,

increase your savings. Remember: time in the market beats timing the market, especially for young investors.

What's next?

Okay, you've come up with an 80% stock/20% bond asset allocation, so what's next? How do you build that portfolio? We'll tackle that in the following chapter, but I'll tell you up front: it's MUCH SIMPLER than you might expect. Just keep the investment building blocks in mind that we discussed earlier.

For reflection

A wise steward builds their portfolio thoughtfully, balancing risk and reward in light of their goals and guidance from God's Word and prayer. Reflect on whether your current allocation shows wisdom and reflects an understanding of your own heart, your future needs, and your calling to steward God's resources well. Pray for guidance to make wise choices so that you can stand firm in changing markets, when things can get tough.

Verse

"So teach us to number our days that we may get a heart of wisdom" (Psalm 90:12).

52 – The Role of Diversification



"I never put all my eggs in one basket (unless it also has bread and bacon in it too)!"

If asset allocation is your blueprint for your overall investing strategy, then “asset classes” are your building materials. These are the smaller blocks that comprise the larger blocks, such as stocks, bonds, and alternatives.

In this chapter, we’ll explore the different types of investments that make up a diversified portfolio. Think of them as ingredients in your investment recipe. Each one adds a unique flavor: some are spicy, some are stable, but all are essential in the right mix.

First, let’s walk through the major asset classes, what they bring to the table, and how they fit into a strategy that honors both biblical stewardship and long-term wealth building.

Major asset classes

An asset class is simply a category of investments that behave similarly. Remember our risk/return chart in the previous chapter? Then you’ll recognize most of these; they’re the most common:

1. **U.S. Large-Cap Stocks:** These are America’s biggest companies—Apple, Microsoft, Google, etc. They form the foundation of most portfolios and represent the broad U.S. economy.

2. **U.S. Small-Cap Stocks:** These are smaller companies with higher growth potential and higher risk. Historically, they’ve outperformed large caps over the long run.

3. **International Stocks:** These include developed markets (such as Europe and Japan) and emerging markets (including India, Brazil, and others). While sometimes volatile (especially emerging markets), they provide diversification beyond U.S. borders. In some decades, international stocks outperform U.S. equities, so don't miss out by staying too "home-biased."

4. **Real Estate (REITs):** REITs allow you to invest in real estate (commercial buildings, apartments, warehouses) without becoming a landlord. REITs can be an excellent hedge when inflation rises, since rental income tends to grow with it.

5. **Bonds (Fixed Income):** Bonds provide stability. They don't grow as fast as stocks, but they help smooth out the ride, especially when markets get turbulent. Bonds shine when stocks stumble. They also help you stay invested by reducing fear-driven decisions.

There are others in the "alternatives" category (commodities, cryptocurrency, and private equity), but for most long-term investors, these five options offer more than enough diversification and performance potential.

Here's a chart that shows the fundamental differences between these different asset classes:

Asset Type	Risk	Return	Best For
U.S. Large Cap Stocks (e.g., S&P 500)	Moderate	Solid long-term performance (~10%)	Core holding
U.S. Small Cap Stocks	High	Higher than Large Caps	Younger investors; secondary holding
International Stocks	Moderate to High	Cyclical but potentially strong	Diversification; secondary holding
Real Estate Investment Trust (REITS)	Moderate	8-10% historically	Inflation protection and income
Bonds and Fixed Income	Low to Moderate	4-6% historically	Stability and Income

Diversification's superpower

Here's the real superpower of diversification: asset classes don't all move together. When one zigs, another zags (usually). That means lower volatility and steadier growth. The table below is a 20-year correlation matrix (2004-2024). A lower correlation indicates better diversification, resulting in less overall portfolio volatility and smoother returns.

	U.S. Stocks	Intl Stocks	Bonds
U.S. Stocks	1.00	0.72	0.20
Intl Stocks	0.72	1.00	-0.10
Bonds	-0.20	-0.10	1.00

From this, you can see that U.S. and international stocks are somewhat correlated, but there is some diversification there. Bonds are much less correlated with U.S. stocks, and even less so with international stocks. I think you get the idea. Rarely do uncorrelated assets move in the same direction, but it does happen sometimes.

Sample portfolio allocation

Now comes the big question: “How much should you own of each asset class? I said before that there’s no one-size-fits-all answer, and I can’t tell you what precisely the best answer is for you. I can, however, suggest a sample allocation for a 30-year-old with a high risk tolerance (age minus 20 years in bonds = $30 - 20 = 10$) using these five asset classes.

Begin with an overall asset allocation of 90/10. Then diversify across the stock portion (90%) using large-caps, small-caps, and REITs (if you wish). The remaining 10% is allocated to bonds. That mix offers growth, income, and a buffer when markets get jumpy (and bumpy). You have a lot of flexibility here. You can increase or decrease any of these asset classes based on any of the factors we have already discussed.

Why international stocks?

You may be surprised to learn that as of today (June 2025), the U.S. accounts for 62.6% of global market capitalization, while international stocks make up 37.4% (based on a fund description at Vanguard).³⁰ Therefore, this model portfolio technically has an “equity home bias”³¹

So why invest in international stocks in the first place? Well, as we’ve seen, they can be an excellent diversifier. But also, because neither you nor I have a

³⁰ <https://investor.vanguard.com/investment-products/etfs/profile/vt#portfolio-composition>

³¹ https://en.wikipedia.org/wiki/Equity_home_bias_puzzle

crystal ball. International stocks haven't performed well in the past, but they may do better in the future.

Some encouragement

A 30-year-old who uses this sample portfolio should probably de-risk their portfolio at some point in life through the introduction of additional fixed-income investments. But they have many decades ahead of them to ride out the volatility of a 90% stock portfolio.

I want to encourage you that you don't need to be an expert in every market to build a wise portfolio. You just need to:

- Know what each asset class does;
- Own a little of each;
- Stay consistent over time (i.e., ride out the market storms); and
- Adjust as your risk capacity or tolerance changes.

But there are a few more critical decisions to make, such as how to invest in each of these asset classes and whether you want to do it yourself or hire someone to do it for you. I'll tackle those things in the following few chapters.

For reflection

Diversification is more than just a financial strategy; it's an ancient principle of wisdom. Ecclesiastes (see verse below) reminds us to "cast your bread upon the waters" and to "divide your portion to seven, or even to eight," because we cannot know what trouble may come. Spreading your investments wisely reflects humility before God's sovereign control of the future. Take time to consider: Are you going for the "hot stocks" and relying too heavily on them, or are you wisely diversifying your resources, trusting the Lord as you do?

Verse

"Cast your bread upon the waters, for you'll find it after many days. Give a portion to seven, or even to eight, for you know not what disaster may happen on earth" (Ecclesiastes 11:1-2).

53 – Building an Investment Portfolio Step-by-Step



"My goal is to have an investment portfolio that doesn't make my head hurt."

You learned in a previous chapter that most investments fall into two big buckets: you can own them directly, or you can pool your money with other investors and let a professional manage the basket for you. You now also know the difference between an actively-managed fund and an index fund. You're aware of the importance of asset allocation and diversification. That brings us to the fun part—actually building your portfolio.

That's where people often get confused, usually because they make it much more complicated than it needs to be. However, I want to emphasize that your investment portfolio doesn't have to be complex. When it comes to long-term investing, as with many things financial, simpler is often better.

If you're new to investing, this should come as a relief. Why? Because nowadays we're inundated with too much advice—some of it contradictory—you may easily experience decision paralysis and do nothing. Although sometimes it's proper to do nothing (such as waiting out a down market), sitting idle is not a wise decision when it means you leave money that should be invested uninvested.

Simple portfolio ideas

I'm going to give you some simple portfolio ideas that are perfect for a traditional or Roth IRA or even a taxable investment account. These investing strategies emphasize simplicity and low expenses while ensuring diversification through total-market index funds. The best part is that these

simpler, less expensive portfolios may very well outperform more complex and expensive ones.

You can apply them or not, but if you don't, ask yourself this question: Why? Unless you're as smart as Warren Buffett (a famous investor) or a hedge or pension fund manager, buying the entire market is more prudent than stock picking. That's not meant to be an insult; most people just aren't more intelligent than the market, which is the collective wisdom of millions of investors. If you think you are because of your prior successes with stock picking, or because your friend was, you and they are more likely the beneficiaries of previous "luck." Congratulations, but "luck" isn't a very sustainable investing strategy going forward.

Why indexing works

The total U.S. stock market, as measured by the Vanguard Total Stock Market ETF (VTI)...delivered a total return of ~216 % over the last ten years, meaning a \$1,000 investment would have grown to about \$3,160. That translates to an average annualized return of roughly 12.3 % per year, which is an unbelievable return to the disciplined investor who "only" invested in this simple, low-cost index fund!

The argument that you can do better than the broad market by picking the hot stocks or a mutual fund is baseless—most investors can't and won't. Don't become another Robinhood-minded investor³² who messes around with risky individual stock-picking unless it's money you can afford to lose, which is not something wise stewards do.

Choosing a brokerage

The first decision you'll need to make as a young investor is choosing where to open your first brokerage or retirement account. (For your 401(k), your employer has probably already made that decision for you.) The three big

³²Robinhood is a zero-commission trading platform and app that, according to Wikipedia, "facilitates trades of stocks, exchange-traded funds, options, index options, futures contracts, outcomes on prediction markets, and cryptocurrency. It also offers cryptocurrency wallets, wealth management, credit cards and other banking services, some in partnership with banks insured by the FDIC, as well as a news website, Sherwood.News."

names you'll hear are Fidelity, Vanguard, and Charles Schwab. The good news is that you really can't go wrong with any of them; they're all reputable, low-cost, and beginner-friendly. But each has a slightly different flavor that might suit your style and goals better.

Fidelity is often a favorite among young investors who want a nice app, commission-free ETFs and stocks, and cash management features, such as a free checking account. (Disclaimer: I use Fidelity.) Vanguard is the go-to for die-hard index fund fans (they invented the index fund, after all). Their no-frills platform can feel a little clunky, but if you're a "set it and forget it" type, their low-cost mutual funds are legendary. Schwab is a solid middle ground: they have a user-friendly website, strong customer service, and their own set of low-cost index funds and ETFs that compete head-to-head with Vanguard and Fidelity.

Of course, if you open a brokerage account with one, say Fidelity, you can invest in funds from any of the others, as well as other mutual fund and ETF providers. The bottom line? Pick one and start investing!

Mutual funds vs. ETFs

The next decision you'll need to make is between mutual funds and exchange-traded funds (ETFs). In some cases, especially with the "big three," you can choose between mutual funds and ETFs for the same type of investment. But I'm going to go out on a limb and say that for most young investors saving for retirement, this is not a big deal one way or another. But it's still a good idea to know the difference.

Mutual funds are usually bought directly through a company or your retirement plan, and you buy or sell shares just once a day, after the market closes, at the fund's set price for that day. They're popular in 401(k)s and other workplace plans and often require a minimum amount to get started, though some brokers now offer lower or no minimums.

ETFs are similar in that they hold a basket of investments, but they trade on stock exchanges like regular stocks. That means you can buy or sell shares at any time the market is open, and the price fluctuates throughout the day in response to changes in supply and demand. Many young investors like ETFs because they're flexible, often have no minimum investment, and are easy to buy and sell with modern trading apps.

Whether you choose mutual funds or ETFs, there are a variety of ways to use them to build a portfolio that's right for you. Here are a few of them, and most of you will be just fine if you choose one and stick to it.

Option one: target date funds

Option One: Invest in a Retirement Target Date Fund. Invest 100% of every penny you save in your IRA or 401(k) in a target retirement fund offered by Fidelity, Schwab, or Vanguard. With these funds, you select your retirement year, say 2060, and invest all of your retirement savings in it. These funds gradually become less risky over time (less in stocks) and invest more in bonds (which historically have been less volatile).

Target date funds are “funds of funds,” meaning they aggregate multiple funds into a single fund and do all of the asset allocation (stocks versus bonds versus other assets) for you behind the scenes. The underlying funds, which are typically index funds, provide all the diversification you need, and then some.

Target date funds charge a management fee—the average expense ratio for U.S. target-date mutual funds is about 0.68%, but some are much lower. Vanguard's target-date funds have an average fee of 0.08%. This fee is in addition to the individual fees in the fund. However, since most of them tend to use low-cost index funds, the total costs can be relatively low. The management fee covers the fund managers' investment in index funds on your behalf, as well as their ongoing rebalancing and asset allocation adjustments.

You'll likely have some of these to choose from in your 401(k) from your employer. However, please review the details, particularly the asset allocation (stocks vs. bonds), to ensure it aligns with your risk tolerance. (The target date you select should align with your risk capacity.) You should also understand how soon the fund will shift from stocks to bonds (though it's usually infrequent).

Some investors find target-date funds to be too conservative and suboptimal due to their one-size-fits-all approach. You also typically pay a little extra in fees for the convenience. That said, target date funds are ideal for someone who wants to set it and forget it; they're as simple as it gets.

Here's the breakdown in 2025 for the 2060 Target Date Funds (assumes you'll retire in 35 years) from the three major providers, Fidelity, Schwab, and Vanguard:

Target Date Retirement Fund	Fee	U.S. Stocks	International Stocks	Bonds	Other
Fidelity Freedom Blend 2060 Fund (FHANX)	0.47%	54%	36%	10%	5%
Schwab 2060 Target Index Fund (SWYNX)	0.08%	64%	31%	5%	0%
Vanguard Target Retirement 2060 Fund (VTTSX)	0.08%	53%	38%	9%	0%

You see right off that they're not all the same. Fidelity's "blend" of actively managed and passively managed funds carries a slightly higher fee. Schwab has the highest total stock allocation (95%), and Fidelity has the lowest (90%), but the difference is not significant. But overall, they are very similar, as one might expect. You'll need to conduct further research to determine what their allocation might be in 2060; it may or may not be conservative enough for your needs.

Option two: DIY index portfolio

The next best option (two) is to construct a simple portfolio by buying the underlying index funds yourself, which gives you greater flexibility and may result in a slightly lower expense ratio. You may also want to simplify your portfolio to a two- or three-fund approach.

I'll use each company's index funds to replicate a 2060 target-date fund. I'm going to use the well-diversified Schwab allocation model to work from, and add in the international bonds that Vanguard included, the international small-cap stocks that Fidelity has in theirs (Fidelity has many more individual funds in their target date fund than the others, but covering these basic asset classes), and then simplify from there:

- U.S. Large-Cap Stocks
- US Small-Cap Stocks
- International Large-Cap Stocks
- International Small-Cap Stocks
- Emerging Markets Stocks
- U.S. REITs
- U.S. Aggregate Bonds
- International Bonds

Here's the asset allocation at a high level:

- Stocks (95%): U.S. LargeCap (51%), U.S. SmallCap (7%), Int'l Large (20%), Int'l Small (5%), EM (7%), U.S. REITs (5%)
- Bonds (5%): U.S. Aggregate (4%), Int'l Bond (1%)

Asset Type	Allocation	Fidelity	Schwab	Vanguard
U.S. Large Cap Stocks	51%	FXAIX–Fidelity 500 Index (.015%)	SWPPX–Schwab S&P500 Index (.02%)	VFIAX–Vanguard 500 Index (.04%)
U.S. Small Cap Stocks	7%	FSSNX–Fidelity Small Cap Index (.025%)	SWSSX–Schwab Small-Cap Index (.04%)	VSMAX–Vanguard Small-Cap Admiral (.005%)
International Large Cap Stocks	20%	FTIHX–Fidelity Total Intl Index (.06%)	SWISX–Schwab International Index (.06%)	VTIAX–Total Intl Stock Admiral (.11%)
International Small-Cap Stocks	5%	FSMYX–Fidelity Intl Small Cap (.10%)	SCHC–Schwab Intl Small-Cap ETF (.11%)	VSS–Vanguard FTSE All-World ex-US Small-Cap (.11%)
Emerging Market Stocks	7%	FEMKX–Fidelity EM Fund (.095%)	SCHE–Schwab EM ETF (.07%)	VWO–Vanguard FTSE EM ETF (.07%)
Real Estate Investment Trust (REITs)	5%	FSRSX–Fidelity Real Estate Index (.075%)	SCHH–Schwab U.S. REIT ETF (.07%)	VGSL–Vanguard Real Estate (.12%)
U.S. Aggregate Bonds	4%	FBND–Fidelity Total Bond Index (.025%)	SWAGX–Schwab U.S. Aggregate Bond (.04%)	Vanguard Total Bond Market (.05%)
International Bonds	1%	FTABX–Fidelity Total Intl Bond (.010%)	N/A (use Fidelity or Vanguard)	VTABX–Vanguard Total Intl Bond (.11%)

Option two: three-fund “lazy” portfolio

That brings us to Option 2, which is to construct a simple “lazy” portfolio consisting of just three funds allocated to:

- Total U.S. Stock Market Index Fund
- Total International Stock Market Fund
- Total Bond Market Index

That’s the portfolio originally proposed by Vanguard founder John Bogle, the “Father of the Index Fund.” It was a radical concept at the time; no one thought “buying the market” would be as successful as placing bets on a few successful companies. But study after study has shown that not only was indexing as successful as active investing, but it also generated higher returns adjusted for expenses.

One challenge with this portfolio is deciding how to allocate your stock investment between the U.S. fund, the International Fund, and the Bond fund. Your asset allocation is one of the most personal decisions you’ll make. As we discussed, it depends on your age, how long you plan to invest, and how much risk you can stomach. If I were building this portfolio inside an IRA and planning to retire around age 65, here’s how I’d set it up (I might be more conservative than you):

This portfolio embodies simplicity, making both allocation and diversification straightforward. A Total U.S. Stock Market Index Fund spreads your stock money across thousands of companies—large, mid, and small caps—all in one fund. The Total International Stock Market Fund takes your stock diversification global, providing exposure to companies worldwide. And your Total Bond Market Index Fund handles the safer, income-producing side of your portfolio. (If you wanted to make the portfolio more aggressive, you could knock the bond allocation down to 0% to 10%.)

Option three: five-fund custom portfolio

Although I hate to bring it up, I know that some of you'll want a slightly more customized portfolio, allowing you to give more weight to specific classes. Here's a still relatively simple five-fund portfolio:

- Total U.S. Market Index Fund
- U.S. Small-Cap Value Index Fund
- Total International Stock Index Fund
- Total Bond Market Index Fund
- U.S. Short-Term Bond Index Fund

In this version, we keep the Total U.S. Stock Market Fund but add a Small-Cap Value Fund. Why? Because smaller companies are often underrepresented in a total market index, adding this slice boosts your exposure to stocks with higher growth potential.

Think about it: it's far easier for a \$100 million company to grow tenfold into a \$1 billion company than for a \$10 billion company to grow tenfold into a \$100 billion giant. Small-cap value stocks have historically offered higher returns (with more ups and downs) than large-cap stocks alone.

We also keep the Total International Stock Market Fund to maintain broad global diversification. For bonds, we utilize two funds: the Total Bond Market Index Fund and a Short-Term Bond Index Fund. The short-term bond fund holds bonds with shorter maturity dates, which helps cushion your portfolio when markets get choppy.

If you're starting out and have decades until retirement, you may not need a short-term bond fund yet, unless you're very conservative. However, as you approach 25 years of retirement, adding it can help add stability and reduce interest rate risk.

You can easily construct this portfolio using Fidelity, Schwab, Vanguard, or iShares (for ETFs) index funds. You would add Small-Cap Value funds from either Vanguard, Fidelity, or iShares (Schwab's is not value-only); and short-term bond funds from Vanguard, Fidelity, iShares, or Schwab (short-term treasuries only). The allocation for a 25-year-old for this portfolio might look something like this:

- 40% Total U.S. Market Index Fund
- 20% U.S. Small-Cap Value Index Fund
- 30% Total International Stock Index Fund
- 10% Total Bond Market Index Fund
- 0% U.S. Short-Term Bond Index Fund

You may already have a preference for Fidelity, Schwab, or Vanguard (iShares ETFs can be bought commission-free at Fidelity), so pick your favorite. Otherwise, it's a matter of personal opinion. It's possible to build a simple, well-diversified portfolio with any of them. (Fidelity offers a large number of mutual funds and ETFs, including all of the BlackRock iShares ETFs. Some would say that their online experience and perhaps their customer service are a little better.)

What about crypto?

Bitcoin and other cryptocurrencies have exploded into the financial mainstream, and many in your generation are paying attention. According to recent surveys, nearly half of Gen Z and millennials have either invested in crypto or are considering it.

Bitcoin is a decentralized digital currency that operates on a technology called blockchain. Unlike dollars issued by the U.S. government or stocks issued by companies, Bitcoin isn't controlled by a central authority. It's more like "digital gold": scarce, secure, and not inflationary (only 21 million will ever exist).

In many ways, it's a revolutionary idea. But that doesn't mean it's risk-free. Bitcoin has seen *massive* gains, but also major crashes. Some investors have become millionaires. Others lost everything because they bought high and sold low.

The Bible warns us not to be hasty or foolish with money. That includes jumping into risky assets because of FOMO (fear-of-missing-out). A wise

steward takes the long view, not just the moonshot. Given that Bitcoin is high risk, if you decide to invest in it, consider investing modestly and with diversification. Some advisors suggest keeping crypto to 1–5% of your total portfolio.

Final thoughts

If you remember nothing else, remember this: investing isn't about chasing hot tips or flipping stocks every week. It's about owning quality assets, spreading out your risk, paying as little in fees as possible, and letting time and compounding work in your favor.

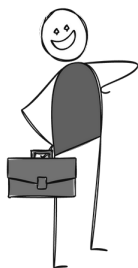
For reflection

This chapter is all about coming up with a simple, easy-to-manage investment portfolio that we can patiently leave alone (for the most part) so that it can grow. Some trust in chariots and others in horses (Psalm 20:7), and others in the stock market, but we trust in the name of the LORD our God.

Verse

“I planted, Apollos watered, but God gave the growth. So neither he who plants nor he who waters is anything, but only God who gives the growth. He who plants and he who waters are one, and each will receive his wages according to his labor. For we are God's fellow workers. You're God's field, God's building” (1 Corinthians 3:6-9).

54 – Selecting a Financial Advisor



“I got a guy. You need a guy? I know a guy. You want me to call my guy?”

I strongly believe that if you apply everything we’ve discussed so far, you’ll have little need for a paid financial planner/advisor in your 20s or 30s. (You might still want a tax “guy” or “gal” if you don’t keep up with yearly changes.)

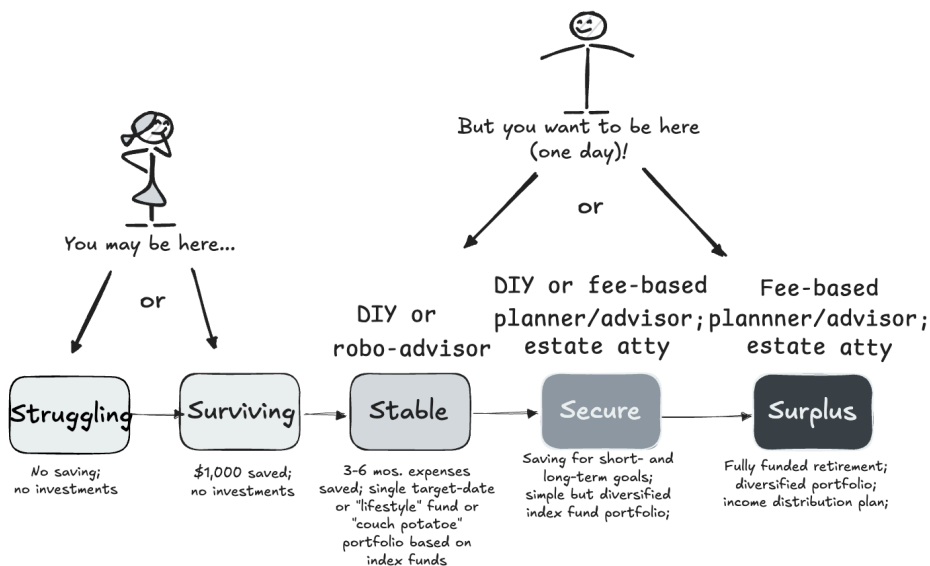
But that may change as you grow older, your career advances, or you get married and have a family.

No matter what, avoid ending up like the young couple I recently worked with: they had less than \$10,000 in an IRA with a well-known financial advisory firm and were paying almost 2% a year (around \$200) for “investment management services.” We covered fees back in chapter #48, but I want to emphasize again how important it is to know how an advisor is compensated if you ever choose to work with one.

Advisory fees come from your investments’ “bottom line” and directly affect your annual returns, and they also “reverse compound.” As such, they negatively impact “interest earned” (IE) and the financial life equation (FLE), much like “interest paid” (IP).

The potential value of good advice

On the other hand, having the right advisor in the right situation could be a net positive to your FLE if the advisor provides you with wise guidance and keeps you from making a big mistake you’d have a hard time recovering from. A good advisor can help you stay the course, especially when things get tough, which can pay big dividends over the long run.



Some people need an advisor because they're too busy, too emotional about money, or they don't understand financial concepts and have no interest in learning. Others may not, at least not yet, especially if they enjoy learning about investing and feel comfortable picking and rebalancing a low-cost portfolio. Someone with a little time, knowledge, and interest, even if only in their 20s or 30s, can manage this.

If you decide to be a "do-it-yourselfer" (DIY), the best thing you can do is educate yourself about personal finance and stewardship; not to become an "expert," but to confidently and faithfully steward your resources. Plus, you'll be better equipped to have meaningful contributions with an advisor if or when the time comes.

When life gets more complicated

When you're young, investing can be relatively simple: save money in your 401(k) or IRA (or both), invest in a few index funds, and let it grow. But as your savings grow and life gets more complicated, you'll eventually face a bigger question: Should I keep managing this myself, or is it time for professional help?

Your financial life may get more complex as you age. The graphic on the opposite page from an early chapter illustrates how your savings and investments might mature over time and what your retirement portfolio might

look like. These life stages are aspirational targets; everyone's situation will differ. However, what most people have in common is that things do tend to become more complex with age.

Admittedly, I want you to become reasonably proficient at managing your own money and investments for a straightforward reason: It matters to God what you do, and no one cares more about your money than you (and God) do. However, I also know that you'll probably reach a point in your life where you will need professional help, possibly sooner rather than later.

In the early stages (struggling or surviving), you are probably doing very little investing, but it's a great time to get ready for later on when you are. Once you are "stable" and dipping your toe in the investing pool, you can probably handle it yourself or with the help of a low-cost "robo-advisor"—more on them shortly.

By the time you reach the "secure" stage, unless you're genuinely comfortable making your own decisions and have a working knowledge of investing (read, study, talk to others), consider getting some help. Additionally, in later life, converting your savings into a lifetime income stream in retirement is no small feat. You'll need to plan withdrawals, manage taxes, and stay calm during bear markets.

Choosing a financial advisor

Find a knowledgeable, humble, conscientious, wise, and godly financial advisor—which all translates into "trustworthy." (You might want to check out Kingdom Advisors.) You want someone with experience in good times and bad, not a newbie who has just obtained their Series 7 license. You should usually avoid stockbrokers and insurance salespeople who earn commissions; you're better off with a "fee-only" financial planner or advisor who follows the "fiduciary standard."

Advisor Fee Models

Here's a brief overview:

Commission-Based: They earn money by selling you stuff: mutual funds with sales loads, annuities, insurance, etc. Upfront commissions can eat up 3–5% (or more) of your investment.

Assets Under Management (AUM): This model charges a percentage of assets managed, often 0.5%–1.5%. A 1% fee on a \$300,000 portfolio equals \$3,000/year.

Fee-Only or Hourly: These planners may charge \$200/hour or \$1,000/project. It can be cost-effective for one-time plans or second opinions.

Robo-advisors as an alternative

If you're not ready for a human advisor, robo-advisors are worth considering. A robo-advisor is an automated investing tool. You answer a few questions, and an algorithm picks your fund mix, rebalances it, and keeps you on track. They have improved significantly in recent years and typically charge about 0.25%–0.50% per year, which is usually far less than most "human-advisors."

Popular robo options include Betterment, Wealthfront, Schwab Intelligent Portfolios, Fidelity Go, and Vanguard Digital. For simple, low-cost investing, a robo can be a great way to start. Still, many people will prefer the personal touch, an advisor they can look in the eye and ask, "What should I do?". (A good one will usually say, "nothing," at least in some cases.)

What to ask a prospective advisor

- What experience do they have? A fancy credential (like CFA or CFP) is good, but that plus experience is even better. The ability to help you navigate a prolonged bear market is almost priceless. I would look for someone with a minimum of at least five to ten years of experience.
- What is their investing and portfolio management strategy? Do they favor actively or passively managed funds? Do they lean toward low-cost, index funds? Make sure their investing philosophy aligns with yours.
- Do they have a specialty area? Young couples? Professionals? Entrepreneurs? Near retirees? Find one that's a good fit.
- What do their clients say? Check reviews, ask for references, and read their firm's disclosures. You can also look up an advisor on the Financial Industry Regulatory Authority (FINRA).
- Ask whether they and their firm are "fiduciaries." If they are, they are required to put your interests above their own.³³

³³ An advisor holding the Certified Financial Planner (CFP) designation is required by its rules and standards to be a fiduciary.

- Most Christians prefer to work with an advisor who is also a Christ-follower. Kingdom Advisors is an excellent resource for finding one.

Biblical perspective

There's one more excellent option for Christian investors: Sound Mind Investing. They offer time-tested strategies, model portfolios, and biblically-informed teaching for a small annual fee.

The good news is that you don't have to go it alone, but you also don't have to overpay. Great advice is worth paying for if you get clear value in return. Understand the costs. Know how your advisor gets paid. And make sure they always put your interests first.

For reflection

One of the things that gets investors into trouble, leading to underperformance and sometimes unnecessarily large losses, is pride. Humbly acknowledge your need, ask God for wisdom in finding a good, low-cost fiduciary, and get on with life.

Verse

"Plans fail for lack of counsel, but with many advisers they succeed" (Proverbs 15:22).

Resources

Kingdom Advisors: <https://kingdomadvisors.com/>

FINRA Brokercheck: <https://brokercheck.finra.org/>

Robo Advisors:

Betterment: <https://betterment.com>

Fidelity Go: <https://www.fidelity.com/managed-accounts/fidelity-go/go-overview>

Schwab Intelligent Portfolios: <https://www.schwab.com/intelligent-portfolios?>

Vanguard Digital Advisor: <https://investor.vanguard.com/advice/robo-advisor>

Wealthfront: <https://www.wealthfront.com/>

Websites:

Bogleheads: https://www.bogleheads.org/wiki/Getting_started

A Wealth of Common Sense: <https://awealthofcommonsense.com/>

Sound Mind Investing: <https://soundmindinvesting.com/resources/investing-basics>

Portfolio Charts: <https://portfoliocharts.com/>

LEVER #5 – INTEREST PAID (YOUR DEBT): REDUCING THE DRAG

55 – Understanding Debt and Its Impact



"Negative-negative"? "Non-lever lever"? Seriously? Please stop, I beg you!"

Debt is the last lever in our financial life equation. But unlike Income (I) and Interest Earned (IE), it's a negative to the equation—just not in the same way that spending, giving, and taxes are. Debt is a “negative-negative.” It's a lever you pull by basically *not* pulling it (although you might pull it by paying your debt off). So, in some ways, it's a non-lever lever (to confuse things even more.)

Debt: the “negative-negative” (that's not a positive)

What do I mean by “debt is a negative-negative”? Well, first of all, it's a mathematical negative. As you know, based on the FLE, your future wealth equals what you have now, plus what you earn, minus what you spend, plus what your investments earn, **minus what you pay in interest.**

In the FLE, debt reduces wealth by Interest Paid (IP) every month, while investing increases it by adding Interest Earned (IE). Paying down debt reduces IP over time—freeing up more of your income to save and invest, boosting IE in the future. The lower your IP and the higher your IE, the faster your wealth grows in the FLE.

Debt as a negative risk

Second, it's a negative risk. Paying interest means you've gone into debt, and going into debt (or cosigning for someone else's debt) may be foolish and can be financially ruinous (see Proverbs 6:1–5; 17:18; 22:7). Debt can be attractive because it enables you to enjoy a standard of living temporarily beyond your income. But excessive debt—especially the wrong kinds—greatly increases the risk of financial disaster for families, corporations, and governments. Sooner or later, the bills must be paid.

Debt as a negative in the FLE

There's a third reason debt is a “negative-negative” in the FLE. Not only do you have to spend the interest now, but you've also committed to spending it into the future—you've effectively “mortgaged your future.” The only way to avoid that is to pay it off, which requires even more money in the present—money that could be used for giving or saving instead. (Remember our opportunity cost discussion?)

A simple debt illustration

Let's say you earn \$60,000/year and carry the following debts:

- \$10,000 in credit card debt at 20% APR = \$2,000/year
- \$25,000 in auto loans at 6% APR = \$1,500/year
- \$200,000 in mortgage debt at 5.5% APR = \$11,000/year

That totals \$14,500/year in interest (ΣIP_{t+1})—money you're not saving, investing, or giving. Over time, that's a huge opportunity cost, even without the mortgage interest!

Now imagine you carry that \$14,500/year interest cost for 10 years instead of paying off your debts. If you had invested that money at 7% annually instead, it could have grown to over \$200,000!

The cost of being in debt

As a general principle, we want to avoid and eliminate debt because it presumes on future income and unknowable future events to pay for current expenses. Please don't laugh, but years ago, I was up late (thanks, insomnia) and started listening to Suze Orman on PBS. I can't commend everything she teaches, but she said something that made sense: “Debt makes today's wants tomorrow's need.” She's right.

Debt is bondage

The Bible is straightforward about this. Proverbs 6:1–5 and 22:7 say that debt enslaves us. It obligates us in a way that makes us a slave—or more accurately, an indentured servant who has to “work the debt off.” We say “my house” or “my car,” but in reality, it’s the bank’s house or car. The creditor owns a slice of you—not just your money, but also the time you must work to earn it. Depressing? Of course—indentured servitude always is!

The interest may cost more than you think

If you borrow \$20,000 for a \$30,000 car (\$10,000 down) at 6% for 60 months, you’ll pay almost \$40,000 total. At the end of 5 years, the car might be worth only 20% of its original value. But wait, there’s more!

You have to pay that debt back with after-tax dollars! If you’re in a 15% tax bracket, you’ll have to earn \$46,000 pre-tax to pay off the loan. That \$30,000 car now costs you 50% more! Plus, it may lose 80% of its value in 5 years, leaving you with a \$6,000 asset and a \$40,000 net cost for 5 years of use.

Debt also causes the “miracle” of compound interest to work against you. A \$10,000 credit card at 16% could end up costing 3 to 4 times that amount if you only make minimum payments—paying interest on the unpaid balance and on the interest itself if you don’t pay in full each month.

There’s also the emotional and spiritual cost. Debt can weigh heavily on us, cause stress, and harm relationships—especially marriages.

Is borrowing a sin?

With all this talk about debt’s dangers, you might wonder: Is borrowing a sin? Surely the Bible prohibits it, right? Well, not exactly.

Scripture discourages debt—perhaps because it consumes time and resources that could be used for Kingdom work—but it doesn’t say borrowing is a sin. The ability to lend is sometimes commended, provided we don’t charge interest among family or fellow believers (see Deut. 23:19–20, Prov. 19:17, Matt. 5:42). I think it’s better to give than to lend, but lending without interest and without demanding repayment is not prohibited.

I’m also not saying that people with debt can’t honor God. But they do so with a “handicap”—money that could go toward saving or giving is tied up in payments to creditors. What about Romans 13:8 (“owe no man anything”)? That

verse doesn't prohibit borrowing—as long as the debt is repaid when promised. We must pay what we owe when we owe it (like mortgage payments).

For reflection

Debt can sometimes be a helpful tool, but more often than not, it quietly drains our peace, freedom, and future wealth if left unchecked. As you think about borrowing, lending, or paying off what you owe, ask yourself: Does your use of debt show contentment and trust in God's provision—or a desire to live beyond your means today at the cost of tomorrow?

True financial freedom often begins with learning to live within your means and choosing wisdom over impulsive, debt-fueled spending.

Verse

“The borrower is the slave of the lender” (Proverbs 22:7).

56 – Your Credit Score and How Much It Matters



My credit score is like my GPA in college—I'm not proud of it, but at least it's not zero!"

According to Equifax, my credit score is 768. Not bad, right? Well, based on data compiled by the Motley Fool:

- The average credit score is 715.
- Older Americans have higher average credit scores. The average credit score for baby boomers is 746, while the average credit score for millennials is 691.
- 24% of Americans have an “exceptional” credit score of 800 or above.

Based on that data, my score is only slightly higher than that of others my age, and below the 24% of Americans with an “exceptional” score of 800 or above. So, I’ve been wondering, “Why isn’t my score exceptional? Why is it 768 out of 850? I have no debt except for the credit card expenses I incur each month to earn 2% cash back, which I have paid back on time every month for many years.”

According to Equifax, it’s because I “have too few loans, or maintain a very low balance on the loans I have.” Seriously, how is that not a good thing? Why am I not “super-exceptional”? Almost 30% of the population has a better FICO score than I do. How can this be? I have a 40-year history of good credit, always pay my bills on time, and once I pay off my credit card each month, I have zero debt. Don’t I deserve a “spectacular” (better than exceptional) rating?

Does it matter?

If it sounds like I'm obsessed with my credit score, I'm not. At this point in my life, it doesn't matter very much to me. But what about you? According to Experian, the average FICO score for Gen Z is 680. If that's you, that puts you 35 points short of the national average credit score of 715, but it lands you in the "good" FICO Score range, which starts at 670. You may think that's not too bad, and actually, it isn't—good is good; actually, "good" is "good enough."

So, perhaps the most important question is, "Why would I even care about my credit score, and why would you?" "So, what if I thought I had a good credit score, but it turns out it's not exceptional?" Others have a long credit history and pay their bills on time as well. However, when it comes to what matters most, a good to very good grade is all it takes to get approved to rent an apartment, or to secure the best rate on a credit card, car loan, or mortgage, if you must borrow.

I don't have an extremely high credit score. I'm okay with that because a high credit score is not necessary to get the best rate on a loan. A slightly above-average score will do just fine. But then, I don't plan to take out any loans, so the whole thing is kind of moot for me, though it may not be for you.

Building credit without debt

Having a good credit score can sometimes be helpful, especially when shopping for an apartment or a mortgage. Although credit reporting agencies most often use credit card purchases and payments to evaluate your creditworthiness (which is why Dave Ramsey refers to them as "debt reports"), there are other ways to build good credit. Paying your bills on time and repaying your student loans are the best ways to manage your finances.

Some people try to build credit by taking out a "credit builder loan." When you take out that type of loan, the bank deposits the full amount — typically between \$300 and \$1,000 — into a secure account. Unlike a regular loan, you can't access the money right away. Instead, you make fixed monthly payments, and after you pay it off, you get your money back plus any interest that was earned. (In a way, this works more like a forced savings account than a loan.)

Some people think that paying your rent on time gives you a better credit rating. Doing that is a good thing for a lot of reasons, but traditional credit score calculations don't include them. However, it's possible to get your rent

payment history included in your credit reports. There are third-party services, such as Rental Karma (those are two words you don't normally see together), that will report your rent payments to the credit bureaus.

However, being reported to the bureaus doesn't guarantee that the credit score algorithm will consider it. Whether it helps your score depends on the version of the score that the bureau uses. But it's worth a try. Begin by inquiring whether your landlord uses or would be willing to use one of the services to report your rent. Note: These services are not free. Read the terms to understand your monthly payment amount.

Just live your life

But regardless, if you have a limited credit history, or your rating isn't spectacular, the next time you hear how your credit score is super-important, maybe from some talking head on TV, remember this: Yes, it's important for people whose scores are below average, as in D or F grades, but if your credit score is above average, don't worry about it.

Just live your life as you know God wants you to, including what kinds of debt and how much you should take on, and don't worry about it. You certainly don't need to arrange your life to appease the credit score formula and the credit card and loan companies out there. And by all means, don't take on a bunch of unnecessary debt so that you have to raise your credit rating. Remember: good is good enough.

For reflection

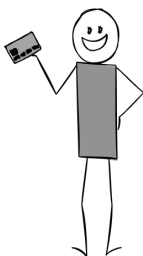
Some people are obsessed with their credit score. It's one of the many ways we seek validation—chasing numbers that make us feel secure, approved, or successful. But while financial responsibility is wise, and having good credit if you need to borrow is a good thing, a three-digit score doesn't measure our true worth. We are more than our credit history. As Christians, our identity is rooted not in what lenders think of us, but in what God says about us.

Verse:

“But the LORD said to Samuel, “Do not look on his appearance or on the height of his stature, because I have rejected him. For the LORD sees not as

man sees: man looks on the outward appearance, but the LORD looks on the heart” (1 Samuel 16:7).

57 – Is there Good and Bad Debt?



"My credit card lets me buy things I can't afford, with money I don't have, to impress people I don't like."³⁴

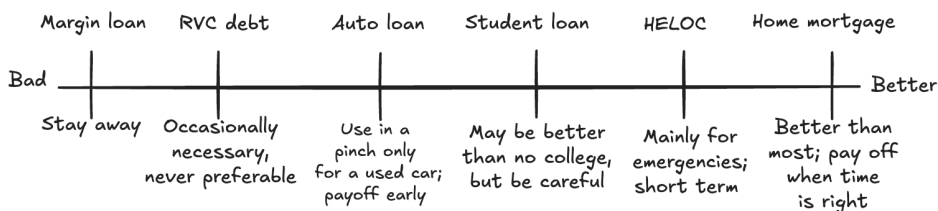
When it comes to debt, you've probably heard the phrase "good debt vs. bad debt." It's catchy, but not always helpful. In reality, most debt isn't good or evil—it's better to think of it as bad vs. not-so-bad.

I wrote in an earlier chapter that borrowing is not a sin, but just because the Bible doesn't specifically prohibit borrowing doesn't mean that all debt is good. On the other hand, some debt may be better than other kinds, based on a variety of factors.

The debt spectrum

As you can see in the graphic below, there are six kinds of debt: mortgage debt (1st and 2nd mortgages, including home equity lines of credit—HELOC), student loans, business debt (not shown), auto loans, revolving credit accounts (credit cards), and investment debt (margin loans).

³⁴ This quote is often attributed to Dave Ramsey. But it actually first appeared in a June 1928 column by the syndicated humorist Robert Quillen in which he labelled the expression "Americanism."



The bad end of the spectrum

If we look first at the “bad” end of the spectrum, we see things like car loans and credit card debt. What these have in common is that they tend to be fun stuff that depreciates such that, eventually, you may owe more money for them than they are worth, which presents a problem if you decide to sell.

Take, for example, a new or not new car bought with debt that’s in an accident. Even when it is not your fault, insurance won’t typically pay out more than the loan value because of rapid depreciation.

Another characteristic of “bad” debt is that it tends to carry high interest rates. A notable example of this is credit cards, where the APR is often 18% or higher.

And finally—and this is a biggie—this kind of borrowing tends not to improve your future wealth (W). Interest paid (IP), as we’ve discussed earlier, is a negative. For example, putting \$2,000 on a credit card for concert tickets and new clothes might feel fun in the moment, but you’ll likely be paying that off for months, plus interest. There’s no lasting return except perhaps the lingering regret when the bills come due.

The not-so-bad end

Not-so-bad debt is still bad in the sense that it’s still a liability. However, not-so-bad debt can sometimes work in your favor when handled wisely.

For example, student loans can be “not so bad” to the extent that they lead to a degree that qualifies you for a job or profession with significantly higher earning power. A home mortgage, if used to purchase a reasonably priced home, replaces rent, and you may build equity over time. A small business loan (not shown on the diagram) can help you start or grow a business with good income potential.

But none of these types of debt is risk-free. And they all carry an expense (IP) and negatively impact your financial life equation (FLE). A degree in a low-

demand or low-pay field, buying a house beyond your means, or taking on business debt without a solid plan can quickly turn a not-so-bad situation into a very bad one. But with wise planning, these debts can create long-term value, and therefore make sense in the short term.

Debt is sometimes “helpful”

Sometimes, debt can help solve a problem that can’t be solved any other way. However, it’s preventable most of the time. An emergency fund can address a sudden, unexpected expense or something more challenging, such as a medical emergency or job loss. (And don’t spend that emergency fund to buy a house—you may need it sooner than you expected.)

However, depending on the severity of the financial problem, an emergency fund may not be sufficient to address it. That’s where having the right kind of insurance comes in. Even then, insurance may carry a high deductible.

Here are some questions to ask before taking on any debt:

- Is this debt funding something that will appreciate (go up) or depreciate (go down) in value?
- Can I realistically afford the payments without sacrificing generosity, saving, or margin?
- Will this decision serve my future, or satisfy a desire I have in the present?
- What does the Bible say about my situation?

Biblical perspective

The Bible rarely says “buy this but don’t buy that” or “borrow for this but not that.” But in terms of biblical principles, debt is never praised; it’s often viewed as something to avoid if possible. (However, the ability to lend to assist others, without interest, is commended, perhaps because it implies a surplus and generosity if you don’t charge interest.) But that doesn’t mean carrying debt is sinful or always foolish. It means that if we must borrow, we should be wise and cautious.

Sometimes, debt may be the only viable option (especially for expenses such as education or housing). The Bible would instruct us to approach it with humility and a plan to repay it as quickly and responsibly as possible.

If you must borrow

Most young adults need a place to live and some form of transportation (although some may do without a car if they live in a big city). I'll discuss the former in a future chapter about buying a house.

If you need a car, my simple advice when it comes to borrowing to buy a car is to try to pay cash if possible, and buy a car that is at least 2 or 3 years old (someone else has already taken the depreciation hit). Borrow for as short a time as possible and pay it off quickly. And don't trade in a car that you still owe on for a newer/better car at the same payment amount—that will only extend the term of the loan, and you'll end up paying a ton more interest.

Finally, avoid “buy here, pay here” predatory lenders. Period. Enough said.

No matter what, a good question to constantly ask yourself is, “Is this building my future wealth or borrowing from it?” That kind of thinking will keep you from being trapped in loans with debt payments you can't afford, and help you grow as a wise steward of God's resources.

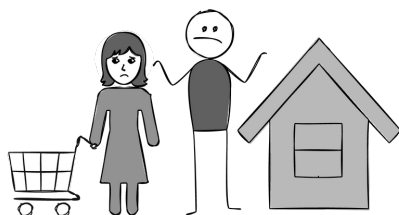
For reflection

You may have already learned that debt is easy to enter and hard to escape. But instead of asking whether a loan is “good” or “bad,” a better question might be: “Does this debt enslave me or contribute to financial margin and freedom in the future?” The big question is, “Do I really need this loan, or is there another way?” Scripture warns us about the dangers of becoming a slave to debt, not because debt is inherently sinful, but because it can misdirect our scarce resources, erode our margin, and impede generosity. Wisdom calls us to count the cost, avoid presumption, and seek counsel before signing on the dotted line. How have you thought about taking on debt in the past? What would a more God-honoring approach to borrowing look like in your life?

Verse

“The rich rules over the poor, and the borrower is the slave of the lender” (Proverbs 22:7).

58 – Buying a House the Right Way



"The bank says we can afford it, but they haven't seen our grocery bill!"

If you're in your 20s or 30s, you're probably already making many financial decisions—some small, others big. Buying a house is one of the big (actually, huge) ones that will have a significant impact on your finances. It will impact your cash flow and long-term financial health, as well as your ability to manage your resources effectively for the future.

How homeownership affects your FLE

Purchasing a house affects your financial life equation (FLE) in several ways, some of which are negative and some of which are positive. It will likely increase your expenses (E), interest paid (IP), and taxes (T), all of which are negatives (a "subtrahend" in the formula). However, to the extent that the house appreciates, it could increase your net worth (W). Of course, renting does not have a positive contribution to the FLE, but the negatives may be much less. So, in that sense, you might view it as a positive.

One of the reasons the impact on your FLE is so high is that it's not just the size or purchase price of the house (although these factors drive other aspects), but also the ripple effects: mortgage payments, property taxes, insurance, maintenance, furniture, and utilities. A bigger house usually means more money going out the door every month.

The cost of housing touches everything: your budget, your giving, your ability to save and invest, the demands on your time, and even your stress level. That's why the house decision is one of the most important stewardship

choices you'll make in your 20s or 30s. So let's look at some principles to guide you in making a wise first-home decision.

If you buy

So, let's talk about how to think wisely about buying a house, especially if you're just starting out.

Buy below your means

Let's be honest: our culture doesn't exactly make this easy. We're constantly told that success means owning a big, stylish home in the right neighborhood. And many of us feel the pressure to "keep up," even if that means taking on more debt than we can comfortably handle. And that bigger, fancier house comes with a host of additional costs. Biblical stewardship calls us to a different path, one of wisdom, margin, and contentment.

The most important guidance I can give you is to buy below your means. If you've been pre-approved for a mortgage, you probably noticed the lender was willing to provide you with a lot of money. That doesn't mean you should take it.

I recommend a far more conservative approach—one that may seem countercultural, but is grounded in wisdom. Dave Ramsey says to keep your total housing costs (PITI—principal, interest, taxes, insurance) to no more than 25% of your take-home pay. I wholeheartedly agree. In today's housing and interest rate climate, I might increase that to 28% and certainly no more than 30%.

Even better, aim for a 15-year fixed mortgage. Yes, the monthly payments will be higher, but you'll pay off your house much sooner, save a ton in interest, and gain peace of mind. That's a long-term win.

If you're tempted to go big on your first home, pause and take a breath. There's no shame in starting small. Starting with a modest home can be one of the smartest moves you'll ever make. (Of course, that may be all you can afford, and that's okay.)

If your spouse's income covers the mortgage, consider saving the other's income to build up your down payment. That way, you reduce your mortgage amount, lower your monthly payment, and increase your financial flexibility. If possible, taking out a mortgage that you can handle on just one salary can be

very helpful, especially if one of you (usually the mom) wants to stay home with the children.

Save a larger down payment

The larger down payment you make on a house, the less you'll have to borrow. Additionally, paying more up front may also result in a slightly lower interest rate (the lender is taking less risk). That all adds up to lower monthly payments and less interest over the life of the mortgage loan. Shoot for a 20 percent down payment if you can. That may take time to save, but it will be worth it in the long run.

Look for a deal

Consider buying a fixer-upper. Foreclosures can also be a good deal if you can find one that suits your needs. Buy the cheapest house you can afford in the neighborhood where most of the houses cost more.

Get financially prepared first

Finally, before signing up for a mortgage, ensure that all other debts are paid off and that you have a working budget and the ability to handle the total expense of homeownership. Additionally, ensure you have an emergency fund of 6 to 12 months' worth of expenses. Emergencies happen, more often it seems, when you own a house.

Avoid the "wealth illusion"

When your friends start buying bigger houses (or showing them off on social media), it's easy to feel left behind. However, be cautious; what appears to be success from the outside can be a significant financial strain on the inside. Many people buy homes they can't truly afford. And if their income changes or expenses rise, the whole thing can collapse on them. Wise stewardship means living within your means, not pushing the limits or exceeding them to get the perfect house.

Understanding the market

Mortgage rates are expected to remain significantly higher than the ultra-low levels seen a few years ago. That's made affordability even harder for many young buyers. But don't let FOMO (fear of missing out) rush your decision, causing you to take on a larger mortgage payment than you can afford. Instead of asking, "Can I buy a house right now?" ask, "Can I afford this house without

stress, and will owning it allow me to still save, give, and invest as I know the Lord wants me to?”

You might consider an adjustable-rate loan, but don't do it expecting rates to return to their previous levels; that's unlikely to happen anytime soon, if ever. And remember: ARM rates can adjust both up and down, so make sure you understand the terms (maximums each year, lifetime cap, etc.).

When renting might make more sense

Renting isn't throwing money away. If you're not ready to buy—or if the math doesn't work for you yet—don't sweat it. Remember, you have to live somewhere, and most of us can't do that for free. Renting can be the wiser choice, especially if:

- You're not sure how long you'll stay in one place
- You're trying to save for a larger down payment
- You're prioritizing flexibility over permanence

Don't fall for the myth that “renting = wasting money.” The truth is, both renting and buying come with costs. And as I said earlier, owning a home means you're on the hook for more expenses than you might realize, or would be able to handle.

To know whether buying makes sense for you, compare the effective monthly cost of ownership to rent in your area. As a general rule of thumb, for every \$100,000 in home price, expect to pay around \$1,000 per month in total costs. Therefore, a \$250,000 house may cost you approximately \$2,500 per month. If you can rent for significantly less, it may be worth holding off if you're unsure you can afford it.

Be wise and stay ready

Buying a house is a significant financial milestone and a major life event. It's exciting. It's also a weighty decision. But it's not an absolute necessity until you're sure you're ready for that responsibility. Once you are, decide with wisdom and clarity.

For reflection

Buying a home can be a wise financial step or a costly misstep, depending on how and when you do it. Culture tells us to “go big and go home,” but

stewardship calls us to go humbly and wisely. God isn't impressed by square footage or granite countertops. Are you more focused on answering the "how much house can I afford" or the "how much house does God want me to own" question? Pray and ask God to speak to you concerning these things.

Verse

"By wisdom a house is built, and by understanding it is established; by knowledge the rooms are filled with all precious and pleasant riches" (Proverbs 24:3-4).

59 – Strategies for Getting Out of Debt



"I majored in English and minored in debt."

Getting in debt is like getting overweight; it's easy to do and doesn't happen all at once, but once you realize what's happened, getting out takes time and a lot of consistent effort. But if you're dealing with a lot of debt, you can get free of it sooner than you might think.

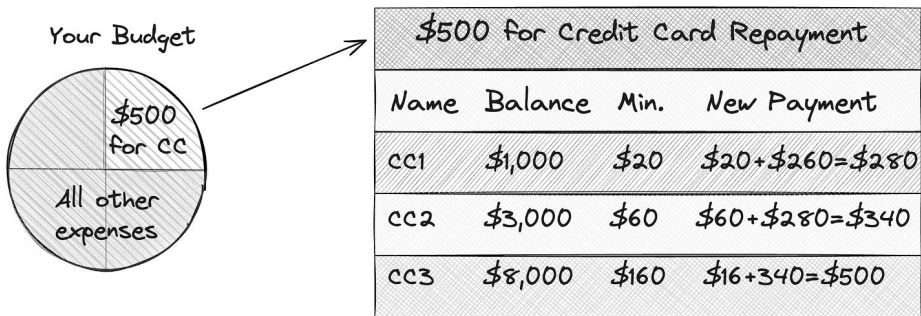
Choosing a strategy

You need a strategy, but first, you must understand the scope of the problem. Start by listing all your debts and their corresponding monthly payments. Decide what to tackle first – the smallest balance to make headway quickly or the card with the highest interest rate to save on interest. (Both will work if you stick to it; Dave Ramsey recommends the former—the debt “snowball,” which I’ve illustrated in the graphic below. I think it’s the most effective for most people, but there may be exceptions.

How the debt snowball works

The snowball works so well because it's a snowball. If you use Dave's method, you start with the smallest debt and pay it off as quickly as you can while paying the minimum on all the others. Then, once it's paid off, you take all the money you were putting on the smallest and add it to the minimum you were paying on the next largest (and add some more to it if possible). Once that one is paid, you roll it over to the next, and so on. Each time you roll, you have

more money to apply to the larger debts; you gain momentum as you go, which is why this strategy really works.



Looking at the chart above, let's say you have \$500 to put toward your debt. You allocate \$280 to debt one and use the rest to pay the minimums on debts two and three, which have larger balances. Once debt one is paid, you add the \$280 to the \$60 you were already paying on debt two, for a total of \$340. When that one is paid off, you use the entire \$500 to pay off debt three. (Of course, if you can add to the \$500 during this time, the snowball rolls faster!)

Loan consolidation

Another way to deal with debt is with "loan consolidation." Consolidation sometimes makes sense. I have some concerns here, but it can be done using balance transfers to zero-interest credit cards (that don't say zero interest forever). If you do this, you must be aware of the costs (fees, transfer costs, and limited-time interest rates) and be very disciplined in making monthly payments.

Other strategies

Here are some other suggestions to help with getting out of debt faster:

- **Sell some stuff.** Consider selling consumer items or trading in a car if you can't afford them.
- **Prioritize your debt payments.** Make debt payments each month before you spend on entertainment and other optional expenses.
- **Cut up your credit cards (a' la Dave Ramsey).** Please refrain from using your credit cards until you're completely out of debt, and avoid using them as a general rule, unless it serves a good purpose.

- **Track your progress.** Display a wall chart in your home that will help you track progress toward debt elimination and remind you of your intention to achieve this goal.

The debt elephant in the room

Let's talk student loans. For some, perhaps many, it's the "debt elephant in the room." All debt has consequences, and as many of you may know, student loans have future consequences, both personal and more broadly. They are a big economic problem. Student loans have become a significant issue in the U.S., financially draining our resources. Debt has skyrocketed. According to Forbes in 2023:

- \$1.75 trillion in total student loan debt (including federal and private loans)
- \$28,950 owed per borrower on average
- About 92% of all student debt is federal student loans; the remaining amount is private student loans
- 55% of students from public four-year institutions had student loans
- 57% of students from private nonprofit four-year institutions took on education debt

Paying off student loan debt

Recent college graduates who are starting out in life and a career in a financial hole are not in a good position (except maybe the banks). Some of you have what I would call a "manageable" amount of debt, while others may be carrying a larger burden. The only way to address this is to start paying them off. I wouldn't hold on to the hope that the Fed will one day wipe it all away. (That said, there are some loan forgiveness programs you might want to look into, especially if you're a teacher or a lawyer doing nonprofit work.)

Consolidating or refinancing student loans may be beneficial, especially if interest rates decrease. This involves consolidating multiple loans into a single one. For private loans, this could lower the interest rate or convert variable rates to fixed ones. Federal loan consolidation simplifies payments into a single monthly installment and can extend the repayment period, resulting in reduced monthly payments. However, elongating the repayment schedule leads to paying more overall.

Consolidating federal loans might void specific borrower benefits. Consider deferment or forbearance if you're struggling with payments. To consolidate

federal loans, visit the Department of Education's website and select a new loan servicer from the available options.

Private loan consolidation, known as refinancing, entails applying for a new loan to pay off existing ones. It could lower interest rates based on better credit, timely payments, or other factors. Refinancing may save money by switching from a variable to a fixed rate, resulting in a lower monthly payment. Repayment terms for private loan consolidation are typically shorter, enabling faster debt repayment.

It's important to note that consolidating federal and private loans together forfeits federal loan benefits. Consider carefully the decision to merge federal and private loans when refinancing private student loans. I will delve deeper into student loans in Chapter 60 and look at the current environment post—OBBA.

Emergency fund and debt repayment

If you're familiar with Dave Ramsey's Baby Steps, you know that he recommends saving up a \$1,000 emergency fund before you tackle your debt. There's a good reason for that: Having an emergency fund can prevent you from taking on additional debt to fund the unexpected." I think that's good advice, but if you want to start your debt snowball while you're also building your emergency fund, I'd be okay with that too. One approach might be to allocate 80% of your surplus to starting your debt snowball and 20% towards savings. Once you've established your emergency fund, you can put 100% toward paying off debt.

For reflection

Getting out of debt isn't easy. You must become extremely focused, which requires discipline, patience, and a willingness to delay gratification for a better future. Every dollar you free from interest payments is a dollar you can use to spend, save, invest, or give for God's purposes. It will take time, but it will be worth it. Are you willing to make that sacrifice?

Verse

"The wicked borrows but does not pay back, but the righteous is generous and gives" (Psalm 37:21).

Resources

Dave Ramsey Debt Snowball Calculator:

<https://www.ramseysolutions.com/debt/debt-calculator>

Federal Student Loans:

<https://studentaid.gov/chapters/student-loan-forgiveness>

<https://studentaid.gov/manage-loans/repayment/plans>

60 – Student Loans in the OBBBA Era



"It's called the 'One Big Beautiful Bill' because 'Put Everything we can Possibly Think of in One Big Tax and Lots of Other Stuff Bill' didn't poll well."

After years of COVID-era relief, paused payments, and even promises of sweeping forgiveness, student loans have entered a new chapter. The One Big Beautiful Bill Act (OBBBA) of 2025 reshapes the student loan landscape—bringing both stability and stricter limits.

For young adults, this can be very personal. Whether you're borrowing for college, considering graduate school, or helping a friend or family member navigate repayment, the rules have changed. For older readers, these changes may affect your children or grandchildren, or the way you support them in their education.

Where recent years leaned toward borrower-friendly policies, OBBBA introduces tighter borrowing caps, fewer repayment options, and longer horizons for forgiveness. Navigating this new environment will require clearer planning and wiser choices than ever before.

Borrowing Limits: The New Caps

The most immediate change is in how much students and parents can borrow. Here are the major changes:

- Undergraduate loans remain capped at \$27,000 for a four-year degree (or \$31,000 for extended programs).
- Parent PLUS loans are now capped at \$20,000 per year, with a \$65,000 lifetime maximum per student.

- Graduate PLUS loans have been eliminated. Graduate students can only borrow through Direct Unsubsidized Loans, with limits of \$20,500 per year (up to \$50,000 for professional degrees), and aggregate limits of \$100,000 (\$200,000 for professional students).
- A combined lifetime borrowing cap of \$257,500 applies across all Federal loan programs (excluding Parent PLUS).

These numbers may sound large, but at today's tuition costs they often fall short. That means families will either need stronger savings, more generous scholarships, or reliance on private loans—which come with higher costs and fewer protections.

Repayment Changes: Standard and Income-Driven

The second major shift is repayment. OBBBA creates new defaults and phases out older plans.

Balance-Based Standard Repayment

In the past, all borrowers defaulted into a 10-year repayment plan. Starting July 2026, repayment length will depend on loan size—ranging from 10 years for smaller balances to as long as 25 years for larger ones.

But here's an important thing to remember: Only the 10-year plan counts for Public Service Loan Forgiveness (PSLF). Borrowers automatically placed into longer terms will need to proactively switch to an eligible plan.

The New Income-Driven Option: "RAP"

No, you didn't suddenly gain hip-hop talent so you can sing a "rap." New federal student loan borrowers will be placed into a simplified repayment system called the Repayment Assistance Plan (RAP).

By July 2028, all legacy IDR plans (ICR, PAYE, REPAYE/SAVE) will disappear. In their place comes the Repayment Assistance Plan (RAP).

Here are this plan's key provisions:

- **Payments:** Calculated as a rising percentage of Adjusted Gross Income (AGI), with a \$10 minimum.
- **Family support:** \$50/month reduction per dependent.
- **Interest subsidy:** All unpaid interest is covered—ending "negative amortization" (where balances grow even when you pay).
- **Forgiveness:** Offered after 30 years of repayment (longer than older plans).
- **Tax impact:** Forgiven balances will once again be taxable income after 2025.

These changes make RAP more predictable but often less generous than past plans.

Public Service Loan Forgiveness: Still Here (For Now)

This is one of more popular programs that has been around for a while (although some may not know about it). The basic structure of PSLF remains: 120 qualifying payments while working for a nonprofit or government employer equals full tax-free forgiveness.

Even under the new RAP plan, those 10% payments still count toward PSLF. So, if you're considering a career in government or nonprofit work, PSLF remains a powerful incentive—and it still works.

However, political efforts to restrict PSLF continue, with proposals to exclude certain nonprofit organizations. Nothing has been finalized yet, but borrowers should keep records, submit annual certifications, and stay vigilant.

Parent PLUS borrowers—hit harder

Historically, parents could borrow up to the full cost of matriculation under the Parent PLUS program, but the OBBBA changed that. There will now be a \$20,000 annual cap on new Parent PLUS loans, which is significantly lower than the amount many colleges charge. That means families will need to find alternative funding sources or reconsider school choices altogether.

Thankfully, there's a grace period. Parents of students enrolling before July 1, 2026, can still borrow under current rules through 2028. That gives some breathing room for families already planning around higher education costs.

Repayment rules will also change. After July 1, 2026, Parent PLUS borrowers will no longer be allowed to enter income-driven repayment. That means no more forgiveness strategies and only standard repayment will remain, which could be unaffordable for families with limited income.

What deferment is and isn't

If you are in deferment, you may still be accumulating interest, depending on the type of student loan you have. If you are, or your deferment period is up, StudentAid.gov recommends that you consider an income-driven repayment (IDR) plan.³⁵ There has recently been some activity in the federal courts,

³⁵ Source: <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/deferment>

resulting in the IDR and online loan consolidation applications being temporarily unavailable.

However, according to StudentAid.gov, as of March 26, 2025, “the online IDR application is once again available and servicers are processing applications for eligible borrowers to apply for the Income-Based Repayment (IBR), Pay As You Earn (PAYE), and Income-Contingent Repayment (ICR) Plans. The online loan consolidation application is also available again.”

Furthermore, “eligible borrowers can apply for or recertify under the Income-Based Repayment (IBR), Income-Contingent Repayment (ICR), and Pay As You Earn (PAYE) Repayment Plans. Income-driven repayment (IDR) plans base your monthly payments on your income and family size. In some cases, your payment could be as low as \$0 per month.”

Here’s a breakdown of how you might be impacted depending on your situation:

If You’re a Current Borrower:

- You’re mostly unaffected.
- Keep your current repayment plan.
- Consider bankruptcy options if you’re in deep distress.
- If You’re Planning to Start College in 2026 or Beyond
- Prepare for stricter borrowing limits.
- Prioritize affordability: state schools, merit aid, and community college paths will be more attractive.
- Consider the return on investment (ROI) carefully before committing to a high-cost degree.

If You’re a Public Service Worker

- PSLF is safe.
- The new RAP plan may even make repayment more manageable.

The government’s agenda

The federal government’s rationale seems clear: capping loans will pressure schools to rein in tuition. Whether that actually happens is uncertain. More likely, private lenders will step in, offering financing with fewer safeguards and more risk.

That’s why wise stewardship matters more than ever. Borrow thoughtfully. Don’t assume federal aid will cover everything. And build your college plan around affordability, not just aspiration.

This is a wake-up call

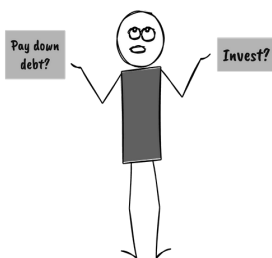
The 2025 budget bill should be a wake-up call. The old model—borrow whatever it takes, worry about repayment later—is fading. A new, more constrained reality is emerging. For the next generation of stewards, that means more planning, more discernment, and more prayerful wisdom in how you invest in education.

As always, don't navigate these changes alone. Talk with trusted advisors. Read the fine print. Stay informed, because wisely navigating these decisions begins with understanding the rules.

For reflection (and verses)

Scripture calls us to avoid unnecessary debt: “The rich rule over the poor, and the borrower is slave to the lender” (Prov. 22:7). Student loans may be unavoidable for some, but they should never be taken lightly. The OBBBA makes that truth even clearer: the government is no longer offering open-ended safety nets when it comes to excessive borrowing for college. Wise stewardship means counting the cost of education (Luke 14:28) and borrowing only what's truly necessary. You should also explore alternatives such as scholarships (many go begging), part-time work, community college options.

61 – Should You Invest or Pay Down Debt?



"Where's King Solomon when you need him?"

As you read the investment (IE) series, you may have wondered, "Should I invest or pay off my debt?"

It's a good question. If you're familiar with or follow Dave Ramsey, you know he takes a pretty hard line on this with his Baby Steps: His answer is, "Pay off your debt before you start long-term investing." And if you understand his reasoning, it makes sense: you want to pay as little interest as possible and put all your focus on retiring your debts as quickly as possible before you start saving in a big way.

His strategy focuses on leveraging the psychological, emotional, and spiritual benefits of debt freedom to gain momentum. I completely understand and am supportive of it, especially if your debt burden is huge and your interest payments are high.

But if we take a step back and look at the question from a purely mathematical standpoint, the answer isn't as obvious. We need to consider factors such as interest rates, age, life stage, debt type, risk appetite, and liquidity.

If you were to opt for a math-based approach, a very simplistic one would be to compare the interest rate on your debt with the investment returns you think you can get and allocate the money toward the option with the highest percentage. That makes some sense in theory, but only in the most obvious cases (and even then, it may not be the wisest choice, if for no other reason than we may have no idea what our annual return will be).

Case #1: clear-cut credit card debt

Jason is 28 years old and earns \$60,000 per year. He has a dollar-for-dollar employer match in a 401(k) up to 3% of his salary, but he isn't taking advantage of it. He has credit card debt of \$10,000 at 20% APR (yours could be higher!). Jason has saved an emergency fund of three months' salary (\$15,000)—good for him! He has some margin in his expenses, so he has \$500 extra per month to either invest or pay down his credit card debt. What should he do?

Dave would say, "Don't be stupid, pay down the credit card debt!" With a \$10k balance and 20% interest, that would be my initial response as well. That interest rate is REDICULOUS (but not abnormal)! However, Jason might also reasonably consider a more nuanced approach that gets him in—but not "all in" with his \$500—his employer's 401(k):

- Invest 3% in a 401(k) to receive the 3% match, which means ~\$150/month invested.
- Put the rest (\$350) toward paying off his credit cards faster.

But does the math work? If Jason puts the whole \$500 per month toward his \$10,000 credit card debt at 20% interest, he'll pay it off in about two years and spend around \$2,200 in interest. Then he's free to start investing the entire \$500 in his 401(k) if he wants to, but he missed out on two years of his employer's match.

But if he instead contributes \$150 per month to his 401(k) to get the full employer match (another \$150 per month) and uses the remaining \$350 to pay down the debt, he'll pay it off in about three years and spend roughly \$3,200 in interest, about \$1,000 more. However, the free employer match adds up to \$5,400 over three years, and if left invested, Jason's contributions plus the employer match could grow to ~\$80,000 based on a 7% annual return over 30 years.

That said, I'm a big fan of getting out of debt, so I believe that paying off credit card debt as quickly as possible and then allocating \$500 per month for investing is a reasonable choice. However, investing up to the match while also paying off credit cards quickly is also a sensible approach. From a purely mathematical perspective, the "nuanced" approach could be the big winner.

Here's what a generic "nuanced" strategy in cases like this might look like: Aggressively pay down unsecured debt, especially credit card debt, while starting to build long-term savings by taking advantage of the employer's

match and no more (until debt is paid). Approximately 80% of any surplus would be allocated towards debt reduction, and 20% towards savings.



This “hybrid” approach doesn’t work if you don’t have the surplus funds to do both. In that case, paying off debt as quickly as possible to free up a surplus for saving and investing is the better choice. You can play “catch up” with your savings if you need to, but the sooner you pay off the debt, the less “catching up” you’ll have to do. Plus, once you pay it off, you’ll have more money to start saving.

Case #2 – tricky student loan scenario

Assume that Jason has the same salary and employer 401(k) plan, and he contributes 3% to receive the 100% match. He also has a basic emergency fund (equivalent to three months’ salary). However, he has outstanding student loan debt of \$10,000 at an interest rate of 5%. Fortunately, he still has \$500 to invest or put toward his student loan. What should he do?

We all know that (most) debt is bad—or at best, not so bad—and most of us don’t like being in debt. I know people who have paid off a 3 or 4 percent house mortgage even though they could probably “invest” and earn more, simply for the peace of mind it gave them.

Dave Ramsey has built his whole philosophy and approach around the fact that the psychological, emotional, and spiritual impacts of being debt-free are profound, not to mention the practical benefits of having more money to spend, save, and give. That’s precisely why this situation is especially tricky.

However, I might suggest that Jason consider a more nuanced approach with this one as well.

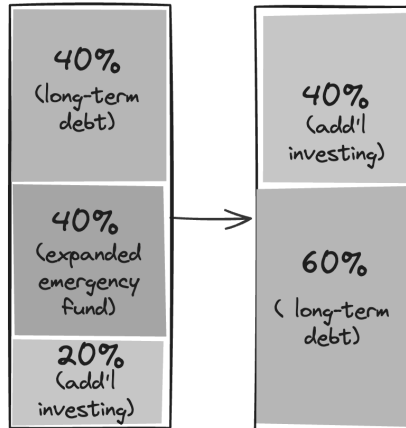
Jason is young, with a high risk tolerance, and he's investing for the long term, so his risk capacity is also high. He can weather market downturns and is likely to earn returns of 6% to 8% over time. From the simple math viewpoint, it wouldn't seem to make sense to pay off his 5% loan early (especially if it's a "simple interest" loan, which means it's not accruing interest on interest); 5% interest is less than 6% to 8% compound interest.

Of course, future investment returns aren't guaranteed, especially in the short term. In contrast, the return you get by paying off your loan early is guaranteed (unless you refinance to a lower rate, which can complicate the calculation).

With a "hybrid" approach, Jason would allocate 20% of the \$500 to additional investing (perhaps in an IRA, since he is already receiving his employer match in his 401(k)). He would use 40% to increase his emergency fund from 3 months to 6 months, and the remaining 40% could go to paying down his student loan. Once his emergency fund reaches six months of salary, he could increase his investing to 40% of the \$500 and increase his loan payoff to 60%. Once the loan is paid off, he's free to use that 60% for additional savings or giving.

Mathematically, the "nuanced" approach also works in this scenario. If Jason earns an average annual return of 7%, his investments could grow to \$80,000 or more over a decade, while the loan's additional interest cost would be approximately \$885.

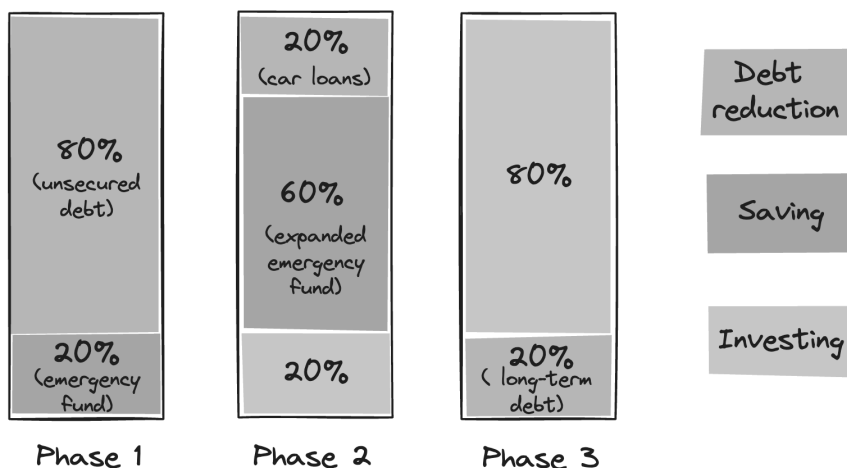
However, while the math favors investing up to a certain percentage, the emotional and spiritual freedom of being debt-free can't be overlooked, which is why a blended approach may make sense for some people but not others. If becoming debt-free is your highest priority, delaying investing makes sense to achieve that goal as soon as possible. Or, if Jason's student loan rate were 7% or 10% or more, it would make a lot more sense for him to pay off the loan and forego any of the other options until he does. Taking all this into account, a more nuanced approach in a situation like this might look like this:



These percentages are not precise; they are intended to be illustrative of a more nuanced approach that you might take and adjust them accordingly based on the specifics of your situation, taking into account the size (and cost) of your debt.

Case #3 – no emergency fund and multiple debts

Let's consider a final case where someone has no emergency fund and is burdened with both short-term credit card debt and long-term student loan debt. That's a common scenario for someone who has recently finished college and is starting their first job. In this case, it may be best to go all-in to eliminate the debt, but if they are disciplined enough, there is a more nuanced approach that might also work for them. It's a 3-phase approach:



Phase 1 – Pay down unsecured debt (includes Student Loan debt) while building your emergency fund. During this time, approximately 80% of your surplus can be allocated towards debt reduction, and 20% towards savings.

Phase 2 – Fill your emergency fund to reach 3-6 months of Living Expenses. During this time, 80%-100% of your surplus should go towards savings and 0-20% towards investments. This phase should also include paying off any car loans first before investing (shown as 20%).

Phase 3 – Invest for the future and replace any savings that you spend as you incur unexpected expenses. This phase could also include paying off low-interest school loans and home equity loans. Once that's done, you could turn your attention to paying off your mortgage early by paying down the principal.

If you decide to use one of the nuanced approaches above, make sure you have the discipline to see it through. It takes discipline to continue saving and investing when you could spend the money instead. Also, if you need to pay off your debt as soon as possible to give you peace of mind, then by all means, do it.

Finally, remember that any debt you pay off is money in your pocket in interest saved; it's a sure thing. Investing, on the other hand, is seldom a sure thing, even if your confidence level is high. Consequently, regardless of which way you go, assuming reasonable investment returns, you're doing something to improve your future net worth either way.

For reflection

When making financial decisions, such as whether to pay off debt or invest, remember that wisdom involves more than just math. It's about aligning your choices with your values, your long-term goals, and the freedom and flexibility God desires for you. Do you balance prudence with faith and trust in God's provision? Are you prioritizing peace of mind, stewardship of opportunities, or a mix of both? The verse below reminds us that debt can be a form of bondage, but wise stewardship, thoughtful planning, and disciplined investing can help break that cycle and build a foundation of flexibility and generosity.

Verse

“The rich rule over the poor, and the borrower is slave to the lender.”
(Proverbs 22:7).

EPILOGUE

62 – Some Final Words

As we come to the end of this book, I start this last chapter with the Apostle Paul's words (which were inspired by the Holy Spirit) from Colossians, Chapter One: "We have not ceased to pray for you, asking that you may be filled with the knowledge of his will in all spiritual wisdom and understanding, so as to walk in a manner worthy of the Lord, fully pleasing to him: bearing fruit in every good work and increasing in the knowledge of God; being strengthened with all power, according to his glorious might, for all endurance and patience with joy; giving thanks to the Father, who has qualified you to share in the inheritance of the saints in light. He has delivered us from the domain of darkness and transferred us to the kingdom of his beloved Son, in whom we have redemption, the forgiveness of sins" (Colossians 1:9b-14).

My prayer for you

Paul's and his co-laborers' prayers for the saints at Colossae were that they be filled with godly knowledge and wisdom, and strengthened by God for patient endurance in light of the distractions, deceptions, and obstacles that they faced. That's my prayer for you; not that you master all the details of what's in this book, but that you seek godly knowledge and wisdom for understanding and how to best apply it to your life in ways that are good for you and your family and pleasing to the Lord.

Biblical stewardship goes well beyond formulas, frameworks, or financial tools. At the heart of everything we've explored together isn't just money and building wealth; it's about bearing good fruit, living joyfully and generously, and giving thanks to the Father who has freed you from darkness, as you share in the inheritance of the saints.

Living with wisdom and purpose

You see, whether we were talking about the FLE (you knew I was going to bring that up again, didn't you?), or budgeting, investing, taxes, giving, or debt

—the “levers” of your financial life—it’s more about learning how to live with godly wisdom and purpose in a world of noise, pressure, temptation, risk, and uncertainty. And that’s what this book has really been about: being faithful to God by wisely managing all that He has entrusted to you and living a life of financial wisdom, diligence, and generosity for your good, the good of others, and to the honor and glory of God.

The most important principle

We’ve covered a lot of ground in these 60 chapters. In the larger context of biblical stewardship and Christian discipleship, we’ve discussed:

- **Earning** with integrity, diligence, and purpose
- **Spending** with contentment and restraint
- **Saving** for the future with wisdom
- **Giving** with joy and generosity
- **Investing** with patience and long-term thinking
- **Paying** your debts and debt avoidance
- **Planning** with humility, knowing you’re not in control of tomorrow

Practically speaking, if you take anything away from this book, remember that when it comes to your financial life equation (FLE), it’s not going to move in a positive direction if you don’t follow one important principle: *spend less than you earn*. That’s where it starts; everything else depends on it. No matter how much you make, spend less.

Some final reminders

A few more practical reminders:

You don’t have to get fancy when it comes to investing. In fact, you probably shouldn’t. Just keep these basics in mind and you’ll be fine.

And when you do invest, don’t get discouraged when the market turns against you. It will. Repeatedly. Learning how to lose small (and sometimes larger) amounts without panicking prepares you for the better times and helps you stay the course when others are bailing out, which is essential to building wealth over the long-term.

Your timeline is probably longer than you think. God holds our futures in His hands, but if you’re in your 20s or 30s, your investing timeline isn’t 10 or 20 years—it’s potentially 60 or 70, maybe even 80! That’s an unbelievable amount of time for compound interest to work its quiet “magic”.

It's also plenty of time for inflation, fees, and taxes to erode your wealth if you're not paying attention. This is a hard reality—you can't stop those things altogether, but you can minimize their impact if you do the things I suggest in this book.

But it's also a lifetime of giving, blessing others, and building God's Kingdom on earth. If you steward your finances well and lay up treasures in heaven, you may start small, but you'll eventually have a surplus that can be used for those godly purposes and others.

Even if life is unexpectedly cut short—you hit by the proverbial bus (incidentally, when was the last time you heard of someone being hit by a bus?)—your wealth passes to your spouse or kids. The horizon is still long. That means every wise financial decision you make today has the potential to ripple forward for generations to come.

Learn at least the basics of how the tax code works. You don't have to be a CPA, but implementing the things I wrote about in this book could save you hundreds of thousands of dollars over your lifetime.

This isn't about perfection. You won't get everything right. None of us does. But don't let that stop you. Keep learning. Keep growing. Keep surrendering your life, your finances, and your plans to God's greater purposes for your life. Stay humble when you succeed and teachable when you fall short.

Finally, when you feel overwhelmed, remember: it's about stewardship. You don't need to be perfect; you just need to be faithful with what you've been given. Stewardship also means managing today with tomorrow in view while keeping your heart anchored in something (and Someone) bigger than money.

Writing to the Corinthians, the Apostle Paul also said, "This is how one should regard us, as servants of Christ and stewards of the mysteries of God. Moreover, it is required of stewards that they be found faithful. But with me it is a tiny thing that I should be judged by you or by any human court. In fact, I do not even judge myself. For I am not aware of anything against myself, but I am not thereby acquitted. It is the Lord who judges me" (1 Corinthians 4:1-4).

Those verses mainly focus on the importance of faithfulness for those whom the Lord has entrusted His good gifts. Generally, it means being found faithful (wise, reliable, honest, etc.) in managing anything that God has given to you in a variety of contexts (spiritual, personal, or professional).

NextGen Steward is, therefore, a call to faithfully manage the resources God entrusts to you as a young adult, and then continuing this practice for the rest of your life. It's about taking ownership of your financial situation, while putting your trust in the Lord; not as a pursuit of riches or the mythical "heaven on earth" of early retirement, but as a means to live freely, give generously, and plan with eternity in mind. That may sound lofty, but the path is anything but glamorous. It's daily faithfulness over the course of decades that gets it done. You want to hear the Lord say, "Well done, good and faithful servant," one day in heaven.

So, if you've made it through this book, I hope you feel more inspired and equipped to live differently from the culture around you. So, get out there and live below your means, give generously, invest wisely, and steward everything—not for your glory, but for the glory of the One who owns it all and who gave His only Son for us.

C. J. (Chris) Cagle

2025

Bye, and thanks for reading! (P.S. Tell your friends!)

