"For three things the world is sustained: For the study of scriptures (torah), for worshipping and serving God (avodah), and for deeds of loving kindness (gemilut hesed)." **the Mishnah**

So What May we Conclude in the Matter of Money?

(Balance, balance, balance!)

1. **Don't worry about money -** ***it is not yours***
2. **Work hard at everything you do -** ***it honors your Lord***
3. **Plan well ---** ***just don't place your trust in your plan***
4. **Don't waste**
5. **Avoid debt like the plague**
6. **Be honest with God and man**
7. **Give generously -** ***God loves cheerful givers and honors their faith***
8. **Live simply but have some fun to recharge your emotional battery**
9. **Invest some money for the future support of you and your family**
10. **Be content with what you have at the moment**
11. **Trust God for both guidance and your necessities - "*for without faith it is impossible to please Him*" Heb 11:6**

****Before making a purchase ask yourself, "Will this item or investment become a tool or an idol?"***

Luke 12:32-34 NIV

32 "Do not be afraid, little flock, for your Father has been pleased to give you the kingdom. 33 Sell your possessions and give to the poor. Provide purses for yourselves that will not wear out, a treasure in heaven that will not be exhausted, where no thief comes near and no moth destroys. 34 <u>For where your treasure is, there your heart will be also.</u>

Dave Ramsey's Baby Steps to Financial Freedom
From his Financial Peace University

Baby Step 1:
$1,000.00 in the Bank

*If your income is under $20,000.00, make this $500.00

Baby Step 2:
Debt Snowball: Pay off all your debt except your house starting with the smallest debt first.

Baby Step 3:
3 to 6 months of expenses in savings.

Baby Step 4:
Invest 15% of your household income into Roth IRAs and pre-tax retirement plans.

Baby Step 5:
Save for your children's college using tax-favored plans.

Baby Step 6:
Pay off your home early.

Baby Step 7:
Build wealth and give! (this is any giving above and beyond the tithe,10%). Invest in mutual funds and real estate. "Surplus wealth is a sacred trust to be managed for the good of others." Andrew Carnegie

Saving and Investment Basics – Some Additional Thoughts

*Saving --- "to put aside as a reserve. Key Principle - if possible, start saving when you are young!

I. The Basics of Sound Financial Management

A. Determine where you are financially by keeping track of all income and expenditures for 60 days. You are hoping to find the leaks in your financial boat and some “disposable” income☺

B. Keep good records (update your *balance sheet* and *income statement*)

C. Balance your check book; use credit cards sparingly if at all

D. Develop a budget; have the integrity to stick to your budget

E. If married, pay your bills together twice per month; communicate w/o anger!

II. Nelson's “Separate” Account Method for Paying Yourself – Once you have eliminated all consumer debt and established an emergency account of 4 months of expenses, deposit a predetermined % from your earned income less business expenses, giving, and taxes into <u>separate</u> accounts like the following:

A. Next Auto Account (make a car payment to yourself)

B. Kid's Education Account (for your children’s post high school education)

C. Long Term Savings or "Capital " Account (this becomes your " money making machine" to allow you to *rewire* in the future)

D. Home Improvement Account (for the maintenance and enhancement of your home)

E. Family Fun Account (for vacations, recreational equipment, etc.)

F. Gift Account (for the expenses of holidays, birthdays, etc.)

** These accounts may vary according to your circumstances and may become multiple accounts under one category.

*** Give each other an allowance each month to spend in any way you choose.

**** Key Principle - all investments have an element of risk; the greater the potential reward, the greater the potential risk.

Prov 6:6-8 NIV 6 Go to the ant, you sluggard; consider its ways and be wise! 7 It has no commander, no overseer or ruler, 8 yet it stores its provisions in summer and gathers its food at harvest.

Balance Sheet (Net Worth Statement)

<u>Assets</u>	
Cash	$__________
Checking	$__________
Savings	$__________
Securities	$__________
Accounts/Notes Receivable	$__________
Real Estate	$__________
Household Goods	$__________
Vehicles	$__________
Cash Value Life Insurance	$__________
401(k) Plan	$__________
Individual Retirement Accounts	$__________
Other Assets	$__________
TOTAL ASSETS	$__________
<u>Liabilities</u>	
Notes Payable	$__________
Accounts/Bills Due	$__________
Credit Cards Payable	$__________
Vehicle Loans	$__________
Unpaid Taxes	$__________
Real Estate Mortgages Payable	$__________
Land Contracts Payable	$__________
Life Insurance Loans	$__________
Other Liabilities	$__________
TOTAL LIABILITIES	$__________
NET WORTH	$__________
TOTAL LIABILITIES AND NET WORTH	$__________

(Assets always equal Total Liabilities and Net Worth)

Monthly Income and Expense Statement

Monthly Income and Expense Worksheet

Use this Monthly Income and Expense Worksheet to help determine what your monthly income and expenses will be when you begin repaying your loan.

Monthly Income

NOTE: Some of your income or expenses may not be payable on a monthly basis. Please adjust the figures to reflect them as monthly payments. This will help you have a more accurate picture of your monthly financial activity.

Net Wages (Take-home pay after taxes, social security, and other deductions)
__________ Self
__________ Spouse

Other Income
__________ Child Support/Alimony
__________ Interest/Dividends/Investment Income
__________ Tax Refunds/Other Income

Monthly Expenses

Student Loan Payments
__________ Federal Stafford Loan
__________ Federal Direct Loan
__________ Perkins Loan
__________ Federal Consolidation Loan
__________ Nursing Student Loan
__________ Health Education Assistance Loan
__________ Federal PLUS Loan
__________ Federal Supplemental Loans for Students (SLS)
__________ Other Educational Loans

Personal Health
__________ General health insurance/Hospitalization
__________ Cancer Care/Other medical and dental insurance
__________ Non-reimbursed Chiropractic/Optometric/Other health care services
__________ Non-reimbursed medicines/Treatments/Vitamins/Eye care

Housing & Housing Maintenance
__________ Rent/Mortgage
__________ Property Taxes
__________ Homeowners/Rental insurance
__________ Electricity/Gas
__________ Water/Sewer
__________ Garbage handling
__________ Telephone
__________ Repairs/Maintenance (house, yard, appliances)
__________ Furnishings (furniture, linen, appliances)

Child Care
__________ Day care/Pre-school
__________ Baby/Child sitting
__________ Child support you must pay
__________ Allowances
Clothing and Grooming
__________ New clothing/Shoes
__________ Repairs/Alterations
__________ Dry cleaning/Laundry
__________ Hair care/Toiletries/Cosmetics

Gifts/Donations
__________ Birthdays/Anniversaries
__________ Other Holidays
__________ Church/Charities
Transportation
__________ Car payment/Lease
__________ Car insurance
__________ Gas/Oil/Tires/Repairs/Maintenance
__________ Driver's license/Tags/Car registration/Inspection
__________ Public transportation
Food
__________ Groceries
__________ Outside meals/Food delivered to home
__________ Outside snacks/Coffee breaks
__________ Pet food
__________ Other items usually purchased with groceries
Savings/Retirement
__________ Savings deposits
__________ IRA deposits/Annuities
__________ CD's/Money Market Funds
__________ Stocks/Bonds/Other investments
Other Debt Payments
__________ Major credit cards/Store charge cards
__________ Installment loans with a bank, savings & loan, credit union or store
__________ Loans from relatives/friends
Professional and Financial Services and Fees
__________ Life/Disability insurance
__________ Attorneys/Accounting fees
__________ Banking/Credit card fees
__________ Union/Professional dues
__________ Tuition/Special training
Recreation
__________ Cable/Internet
__________ Entertainment (movies, plays, home)
__________ Sports (spectator, participation)
__________ Hobbies/Special interests
__________ Vacations/Short trips
__________ Memberships/Subscriptions
Miscellaneous
__________ Work-related uniforms/Special equipment
__________ Non-reimbursed employee expenses (business entertaining, etc.)
__________ Alimony you must pay
__________ Emergency/Other unexpected expenses

__________ Total Monthly Income

__________ Total Monthly Expenses

NOTE: If your projected monthly income exceeds your projected monthly expenses, you may want to consider paying off any debts you have faster than your payment schedules require. That way, you will save money by reducing the amount of interest you pay over the life of the loan. If your projected monthly expenses exceed your projected monthly income, you will either need to increase your income or reduce your expenses.

What the Bible Teaches About the Three Tithes (23%)

(Passages from the NAS)

Questions I like to ask about a passage of the Law (the teaching): What does this passage teach about God's character? How does this principle separate "us" from the world's system? What is the blessing inherent in this passage? How does it foreshadow Jesus?

Gen 14:18-20 18 And Melchizedek king of Salem brought out bread and wine; now he was a priest of God Most High. 19 He blessed him and said, "Blessed be Abram of God Most High, Possessor of heaven and earth; 20 And blessed be God Most High, Who has delivered your enemies into your hand." <u>He gave him a tenth of all.</u>

Leviticus 27:30-31
30 "Thus all <u>the tithe of the land</u>, of the seed of the land or of the fruit of the tree, is the LORD'S; it is holy to the LORD. 31 "If, therefore, a man wishes to redeem part of his tithe, he shall add to it one-fifth of it.

<u>Tithe #1</u> Numbers 18:21-26 - - *the general tithe - paid to the Levites to fund the national government and to compensate them for their tabernacle service* 21 "To the sons of Levi, behold, I have given all <u>the tithe</u> in Israel for an inheritance, in return for their service which they perform, the service of the tent of meeting. 22 "The sons of Israel shall not come near the tent of meeting again, or they will bear sin and die. 23 "Only the Levites shall perform the service of the tent of meeting, and they shall bear their iniquity; it shall be a perpetual statute throughout your generations, and among the sons of Israel they shall have no inheritance. 24 "For the tithe of the sons of Israel, which they offer as an offering to the LORD, I have given to the Levites for an inheritance; therefore I have said concerning them, "They shall have no inheritance among the sons of Israel.'" 25 Then the LORD spoke to Moses, saying, 26 "Moreover, you shall speak to the Levites and say to them, "When you take from the sons of Israel the tithe which I have given you from them for your inheritance, then you shall present an offering from it to the LORD, <u>a tithe of the tithe</u>.

Deuteronomy 12:17
17 "You are not allowed to eat within your gates <u>the tithe of your grain or new wine or oil</u>, or the firstborn of your herd or flock, or any of your votive offerings which you vow, or your freewill offerings, or the contribution of your hand.

<u>Tithe #2</u> Deuteronomy 14:22-27 - *the worship tithe to be used for the celebration of convocations of worship at the sanctuary* 22 "You shall surely <u>tithe all the produce from what you sow</u>, which comes out of the field every year. 23 "You shall eat in the presence of the LORD your God, at the place where He chooses to establish His name, the tithe of your grain, your new wine, your oil, and the firstborn of your herd and your flock, so that you may learn to fear the LORD your God always. 24 "If the distance is so great for you that you are not able to bring the tithe, since the place where the LORD your God chooses to set His name is too far away from you when the LORD your God blesses you, 25 then you shall exchange it for money, and bind the money in your hand and go to the place which the LORD your God chooses. 26 "<u>You may spend the money for whatever your heart desires</u>: for oxen, or sheep, or wine, or strong drink, or whatever your heart desires; and there you shall eat in the presence of the LORD your God and rejoice, you and your household. 27 "<u>Also you shall not neglect the Levite who is in your town, for he has no portion or inheritance among you.</u>

<u>Tithe #3</u> Deuteronomy 14:28-29 - *the welfare tithe - stored up in the individual cities to feed the Levites, the orphan, the widow, and the stranger who lived with the Israelites.* 28 <u>"At the end of every third year you shall bring out all the tithe of your produce in that year, and shall deposit it in your town.</u> 29 "The Levite, because he has no portion or inheritance among you, and <u>the alien, the orphan and the widow</u> who are in your town, shall come and eat and be satisfied, in order that the LORD your God may bless you in all the work of your hand which you do.

Deuteronomy 26:12
12 "When you have finished paying all <u>the tithe</u> of your increase in the third year, the year of tithing, then you shall give it to the Levite, to the stranger, to the orphan and to the widow, that they may eat in your towns and be satisfied.

2 Chronicles 31:5-6
5 As soon as the order spread, the sons of Israel provided in abundance the first fruits of grain, new wine, oil, honey and of all the produce of the field; and they brought in abundantly <u>the tithe of all</u>.
6 The sons of Israel and Judah who lived in the cities of Judah also brought in the tithe of oxen and sheep, and the tithe of sacred gifts which were consecrated to the LORD their God, and placed them in heaps.

Nehemiah 10:37
37 We will also bring the first of our dough, our contributions, the fruit of every tree, the new wine and the oil to the priests at the chambers of the house of our God, and <u>the tithe of our ground</u> to the Levites, for the Levites are they who receive the tithes in all the rural towns.

Nehemiah 13:12
12 All Judah then brought <u>the tithe</u> of the grain, wine and oil into the storehouses.

Malachi 3:8-10
8 "Will a man rob God? Yet you are robbing Me! But you say, "How have we robbed You?' <u>In tithes and offerings.</u>
9 "You are cursed with a curse, for you are robbing Me, the whole nation of you!
10 "Bring the whole tithe into the storehouse, so that there may be food in My house, and test Me now in this," says the LORD of hosts, "if I will not open for you the windows of heaven and pour out for you a blessing until it overflows.

Matthew 23:23
23 "Woe to you, scribes and Pharisees, hypocrites! For <u>you tithe mint and dill and cummin</u>, and have neglected the weightier provisions of the law: justice and mercy and faithfulness; but these are the things you should have done without neglecting the others.

Luke 11:42
42 "But woe to you Pharisees! For <u>you pay tithe of mint and rue and every kind of garden herb</u>, and yet disregard justice and the love of God; but these are the things you should have done without neglecting the others.

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*There is thus an obvious apparent discrepancy between the legislation in Leviticus and Deuteronomy. It is harmonized in Jewish tradition, not only theoretically but in practice, by considering the tithes as three different tithes, which are named the First Tithe, the Second Tithe, and the Poor Tithe, which is called also the Third Tithe (Pe'ah, Ma`aseroth, Ma`ser Sheni, Dema'i, Ro'sh ha-shanah; compare Tob 1:7,8; Ant, IV, iv, 3; viii, 8; viii, 22). According to this explanation, after the tithe (the First Tithe) was given to the Levites (of which they had to give the tithe to the priests), a Second Tithe of the remaining nine-tenths had to be set apart and consumed in Jerusalem. Those who lived far from Jerusalem could change this Second Tithe into money with the addition of a 5 th part of its value. Only food, drink or ointment could be bought for the money (Ma`aser Sheni 2:1; compare Deut 14:26). The tithe of cattle belonged to the Second Tithe, and was to be used for the feast in Jerusalem (Zebhachim 5:8). In the 3 rd year the Second Tithe was to be given entirely to the Levites and the poor. But according to Josephus (Ant, IV, viii, 22) the "Poor Tithe" was actually a third one. The priests and the Levites, if landowners, were also obliged to give the Poor Tithe (Pe'ah 1:6).(Inter. Standard Bible Encyclopaedia, Electronic Database Copyright (c)1996 by Biblesoft)

Lev 19:9-10 NAS
9 "Now when you reap the harvest of your land, you shall not reap to the very corners of your field, nor
shall you gather the gleanings of your harvest. 10 "Nor shall you glean your vineyard, nor shall you gather
the fallen fruit of your vineyard; you shall leave them for the needy and for the stranger. I am the LORD
your God.

It is my conviction that Old Testament "tithing" is not taught to the gentiles of the New Testament who believed in Jesus. Instead Apostles like Paul implemented a new system of giving that is *generous, purposeful, cheerful, and not under compulsion as were the Old Testament tithes.* The local church is an excellent recipient of one's giving, but I believe that all giving that supports evangelism, discipleship, and meeting the needs of the poor in Jesus' name fulfills the New Testament model of "sowing bountifully" in God's Kingdom.

2 Cor 9:6-7 NASB

6 Now this I say, he who sows sparingly will also reap sparingly, and he who sows bountifully will also reap bountifully.

Principle #1: You can't out-give the Lord. Be generous!

7 Each one must do just as he has purposed in his heart, not grudgingly or under compulsion, for God loves a cheerful giver.

Principle #2: In the New Testament the amount (percentage) of giving is left to the discretion of the individual believer using the following guidelines:

a. He should not give with resentment or under coercion, (the tithes of the Old Testament were compulsory)

b. He should give with a glad heart

I ask young believers to prayerfully pick a percentage of their gross income that they can and will give "cheerfully" to furthering God's Kingdom and that as God blesses them and increases their faith that they will continue to increase that percentage with no predetermined ceiling.

How much home you can afford?

From Business Week

As you know from the basics page you just read, to buy a home you need both up-front money as well as the ability to make monthly mortgage payments. You therefore might be tempted to ask, "How much will I need in order to make the monthly payments?" But actually we'll approach this question from the other direction: We'll find out the most expensive house you can buy given your income and savings. This is called *how much home you can afford.* You won't necessarily buy the most expensive home you can afford, but you still want to know what your upper limit is. You don't want to waste your time looking at homes you can't afford, and you also don't want to pass up homes you *thought* you couldn't afford but which might actually be within your reach.

Here's the super-quick rule of thumb: Most people can afford a home that costs up to three times their annual household income, if they can make a 20% down payment and have only a moderate amount of other debt. If you have little to no debt and can put 20% down you can probably buy a house worth up to four times your annual income.[1]

Examples: If you make $57,200 a year (which was the median household income for first-time homebuyers in 2006) and have money for a down payment saved, you can probably buy a $171,600 home if you have moderate debt (debt payments of <12% of your income), and a $229,000 home if you have little or no debt. But of course, this is just a quick rule of thumb and you'll want to get a more accurate figure. The rest of this page will help you with that. Also, if you're income is small but you're sure you can make the mortgage payments and you have excellent credits there may be other options for you, which we'll get to later.

The first concept for figuring how much home you can afford is pretty simple. Since you pay for your house with a combination of a down payment and a bank loan, the total of both is the cost of the home:

Down Payment + Biggest Loan You Can Get = How Much Home You Can Afford

The down payment part of the equation is easy to figure -- this is the total of your savings that you're willing to put into your house. (We'll cover down payments in more detail on the next page.) We assume you have money for a down payment because if you don't then you probably can't afford *any* home, since it's hard to get a loan with 0% down. You usually need a bare minimum of 3% of the purchase price down, more typically 10% or more.

The amount you can get from a lender is a little trickier since it's based on many factors. Here's a calculator that will help you with that.

Fill in Your Details	
$3000	**Monthly Income** (before taxes)
$0	**Monthly Debt Payments** *(Min. pmts. on credit cards, auto loans, student loans)*
$10000	**Money available for Down Payment**
Fill in the Financing Details	
6.0%	**Mortgage Interest Rate** *Avg. rate was 5.4% in July 2004. Get current rates from Yahoo.*
[2.0% \/]	**Annual property taxes & insurance (% of home price)** *Check with your county tax office and an inurance company to get your local figure*
[Calculate]	

See how much home you can afford -- rough estimate		
15-yr.	**30-yr.**	
$	$	Most expensive home you can afford
$	$	Maximum Loan
$ (%)	$ (%)	Down Payment
$	$	Total Monthly Payment
$	$	Monthly Principal & Interest Payment
$	$	Monthly Taxes & Insurance

Formulas from Wizard of Odds, DollarBank and the Motley Fool, with clarification from Financial Planning Toolkit.

Here's what's important about the values in the table above

- **Putting 20% or more down opens lots of doors.** When you can make a down payment this big you're almost certain to qualify for *some* kind of loan. The bank will be willing to loan more money than otherwise, and you won't have to pay for private mortgage insurance (PMI), which in turn helps you afford even more home.

- **Debt holds you back.** The more debt you already have the less home you can buy. Decreasing your debt allows you to afford a more expensive home, everything else being equal. There's more on this on our pages about the Debt Ratio and How much loan can you get?

- **Buying a duplex or a house with a garage apartment increases your buying power.** When you get a home with a unit you can rent out, you can count the rent you'll receive as income. This can allow you to buy a substantially more expensive home than otherwise -- which will be a much better investment. Your net monthly payments could actually wind up being cheaper, too, once you subtract the rent you'll receive.

- **30-year loans vs. 15-year loans.** The advantages of a 30-year loan are that the monthly payments are lower, and with a 30-year mortgage you can qualify for a much larger loan and buy a much larger (or nicer) house. The downside is that you have to make payments for an extra 15 years vs. a 15-year loan, and you'll pay a lot more total interest over the life of the loan.Still, in most cases you'll go with a 30-year loan. We'll cover the differences between these later, but if you can't wait then read about 15 vs. 30-year loans.

- **We've left out one important thing -- closing costs.** You'll need to either pay the closing costs from your savings (lowering the amount you have available for a down payment), or qualify for a loan that's a little larger than the house you want to buy, and have the closing costs added to the loan (which is called "rolling the closing costs" into the mortgage).

How much do homes cost?

Now that you have an idea of how much home you can afford, how do you find out whether that's enough? That is, are there homes to be had for the amount you can afford? We'll cover that later (in the start looking section), but here are two quick pieces of advice.

First, don't get sticker shock by looking at the pictures ads of homes for sale in the newspaper, or in those real estate magazines, because it's the more expensive homes that get advertised. Cheaper houses definitely exist, it's just not cost-effective for realtors to buy big ads for cheap houses.

Second, you can get an idea of the cost of homes in a given neighborhood at Zillow.com.

Ignore the national median figure of $225,000 in 2006. Homes could be way less or way more than that depending on where you live and the size & condition of the home you want to buy.

Figuring your monthly payment

Figuring the max you can afford is all fine and good, but once you have a specific home in mind you'll want to know what your payments will be on *that* home. We have a separate page on figuring your monthly payment in more detail, but here's a quick table to give you a rough idea. A general rule of thumb is that your monthly payment will be between **0.75% to 1.15%** of the purchase price.

Estimated Monthly Payment based on Home Price

for 5/10/20% down on a 30-year loan • includes est. taxes & insurance
see the calculator to figure your situation

	$100,000	$150,000	$200,000	$250,000	$275,000	$300,000
6.00%	800 / 745 / 646	1199 / 1118 / 969	1600 / 1490 / 1292	1999 / 1863 / 1616	2199 / 2050 / 1777	2400 / 2236 / 1938
6.33%	820 / 765 / 663	1230 / 1147 / 995	1640 / 1530 / 1326	2050 / 1912 / 1659	2255 / 2103 / 1824	2460 / 2294 / 1990
6.67%	841 / 785 / 681	1262 / 1177 / 1022	1682 / 1570 / 1362	2103 / 1962 / 1703	2313 / 2158 / 1874	2524 / 2354 / 2044
7.00%	862 / 805 / 699	1293 / 1207 / 1048	1724 / 1610 / 1398	2155 / 2011 / 1747	2371 / 2213 / 1922	2586 / 2414 / 2096
7.33%	883 / 825 / 717	1325 / 1237 / 1075	1766 / 1650 / 1434	2208 / 2062 / 1792	2429 / 2268 / 1971	2650 / 2474 / 2150
7.67%	905 / 845 / 735	1358 / 1268 / 1103	1810 / 1690 / 1470	2263 / 2114 / 1838	2490 / 2325 / 2022	2716 / 2536 / 2206

Bible on Bankruptcy: Forgive Us Our Debts

"At the end of every seven years you shall grant a release of debts. And this is the form of the release: Every creditor who has lent anything to his neighbor shall release it; he shall not require it of his neighbor or his brother, because it is called the Lord's release." - Deuteronomy 15:1

…Forgive Us Our Debts…

by O. Max Gardner, Attorney at Law

Dalton Camp proclaimed several years ago that, "having lost its value, money may no longer be the root of all evil; credit having taken its place." This statement demonstrates the paradox of modern day religion and debt—should our reaction be one of condemnation or one of compassion. Since many recent respected studies have shown that the average American family is only three weeks away from personal bankruptcy, and new legislation that will deny bankruptcy relief to hundreds of thousands of American families is now the law, it is time to revisit what the Bible teaches us about debt.

The Bible makes it clear that people are generally expected to pay their debts. Leviticus 25:39. No one will—or should—advance any argument against this general proposition. However, this moral and legal obligation to pay just debts must be balanced by such considerations as the need for compassion and the call to cancel debts at periodic intervals. The Biblical basis for such considerations is based on the sabbatical and Jubilee years. The secular basis arises out of the Constitutional requirement that Congress enact uniform laws allowing businesses and consumers to cancel and to restructure debt obligations. This Biblical support for the legal right to cancel debt is enforced by the even stronger Biblical doctrine that prohibited interest of any amount rather than just usury or excessive interest.

Within the areas of economic justice and stability, the Old Testament is replete with examples of compassionate treatment of the poor, and with preservation of the family unit. These goals were superior to the material concerns of repayment of debt. For instance, Deuteronomy 15:7-10 is particularly forceful. It provides as follows: "If there is a poor man among your brothers . . . do not be hardhearted or tightfisted toward your poor brother. Rather be open-handed and freely lend him whatever he needs. Be careful not to harbor this wicked thought: 'The seventh year, the year for canceling debts, is near,' so that you show ill toward your needy brother and give him nothing. He may then appeal to the LORD against you, and you will be found guilty of sin. Give generously to him and do so without a grudging heart; then because of this the LORD your God will bless you in all your work and in everything you put your hands to."

The cancellation of debt in the Old Testament was accomplished at legislated intervals. Deuteronomy 15:1-2 clearly provides for such legislative release with the following language: "At the end of every seven years you shall grant a release. And this is the manner of the release: every creditor shall release what he has lent to his neighbor, his brother, because the Lord's release has been proclaimed". Under this Biblical model, the debtors' payment or non-payment of debts was not in question. The debtors may or may not have been culpable for their debts. It was a strict model with no "means test" or detailed analysis of every debt.[1] And, while Old Testament lenders were admonished to be merciful, debts were canceled every seven years whether they liked it or not. The Old Testament model can therefore be legitimately applied to modern day bankruptcy laws. The principle is that, while taken seriously, debt can be canceled to achieve some higher purpose—such as the preservation of the family unit. It also should be noted that Deuteronomy 15:12-13 provides that slaves should be freed every seven years creating an interesting analogy between the creditor-debtor and the master-servant relationship.

The Bible on Interest

The Biblical use of the term "usury" corresponds to our modern word interest rather than to the notion of "excessive interest" to which we generally apply the term usury today. Only a small number of us would seriously question the morality of profiting from a loan at normal interest rates. However, the Talmud quotes an ancient rabbi as saying: "It is better to sell your daughter into slavery than to borrow money on interest." The Lord only knows what this same rabbi would say today if confronted with credit cards bearing interest rates of 34.99% and higher and with some "pay day" lenders demanding annual rates in excess of 2,000%.

The Biblical doctrine of usury rests primarily on three texts: Exodus 22:25; Leviticus 25:35; and Deuteronomy 23:19-20. Exodus and Leviticus prohibit loans of money or food with interest to a needy brother or sister or even a resident alien. Deuteronomy forbids taking interest from any person. Other Books of the Bible underline the importance of this prohibition on interest. For example, Psalm 15:5 characterizes a righteous man as one who, among other things, "lends his money without usury." Both Ezekiel 22:12 and Nehemiah 5:0-11 condemn lending money with interest, especially to the poor. And Ezekiel 18:13 list the taking of interest among sins worthy of death.

The prohibition on interest is based on God's covenant with Israel. The rule is founded upon the compassionate treatment of various oppressed groups: the resident alien; the widow; the orphans; and the poor. Exodus 22:25-27 states the law in explicit terms: "If you lend to one of my people among you who is needy, do not be like the money lender; charge him no interest. If you take your neighbor's cloak as a pledge, return it to him by sunset, because his cloak is the only covering he has for his body. What else will he sleep on? When he cries out to me, I will hear, for I am compassionate." Leviticus 25:35-37 provides that "If one of your countrymen becomes poor and is unable to support himself among you, help him as you would an alien or a temporary resident, so that he can continue to live among you. Do not take interest of any kind from him, but fear your God, so that your countryman may continue to live among you. You must not lend him money at interest or sell him food at profit." Finally, Deuteronomy 23:19-20 provides: "Do not charge your brother interest, whether on money or food or anything else that may earn interest."

<u>What Would Jesus Say About Debts?</u>"
href="http://www.bankruptcykansas.info/2009/03/8/jesus-debts/" target="_blank">Jesus clearly had these Biblical principles in mind when he admonished the "money changers" and removed them from God's house, the sacred Temple. In John 2:14 Jesus "poured out the changers of money and overthrew the tables". Jesus, in fact, was always true to the principles underlying usury and debt forgiveness and the notion of the importance of placing love and compassion above greed and wealth. In Luke 6:34-35 Jesus said: "And if you lend to those from whom you hope to receive, what credit is that to you? Even sinners lend to sinners, to receive as much again. But love your enemies and, do good, and lend, expecting nothing in return, and your reward will be great, and you will be sons of the Most High; for he is kind to the ungrateful and the selfish." The followers of Jesus were to be concerned with the welfare of others, even when met with hatred and abuse.

The consistent teaching of both the Old and New Testaments is that compassion, mercy and justice are to override purely economic concerns, such as loans. Religious people are to be gracious to all, even debtors. Jesus said that God does cause the rain to fall on the just and the unjust and in Mark 10:25 he said that "[i]t is easier for a camel to go through the eye of a needle, than for a rich man to enter in to the kingdom of God". And in Luke 16:9 he said: "I tell you, use worldly wealth to gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings", and to "forgive and ye shall be forgiven" Luke 6:37.

The compassion of the scriptures, including the setting aside of legitimate rights of lenders, was typical of economic relationships in the economy of early Judeo-Christian societies. The central theme is one of stability—a stable society with a guarantee of economic security to each family. Wealth was viewed as a blessing from God (Deuteronomy 8:11-18, 28). This blessing resulted from obedience and was based on God's compassion. The tithing for the poor, the gleaning laws, the year of the Jubilee, were all tangible ways that Israelites could show compassion for each other and honor God by following His law. Beyond income-maintenance programs, the Biblical Law provided a permanent mechanism—such as the Sabbatical year and Jubilee—to ensure that temporary misfortune barred no family from full participation in economic life.

The New <u>Bankruptcy Law</u>

The current bankruptcy law passed by Congress and signed into law by the President in 2005 lacks any compassion for the poor, makes no redress to the modern day money changers who shamelessly peddle plastic at rates that would draw the Holy wrath of God himself, provides no relief but only additional misery to the families saddled with thousands of dollars in medical bills, and most importantly severely undermines the economic and social stability of the average American family. These Americans are like the farmers of the Old Testament who proclaimed to King Nehemiah, “We have had to borrow money to pay the king’s tax on our fields and vineyards. Although we are of the same flesh and blood as our countrymen and though our sons are as good as theirs, yet we have to subject our sons and daughters to slavery. Some of our daughters have already been enslaved, but we are powerless, because our fields and our vineyards belong to others”. Nehemiah 5:3-5. Nehemiah responded to his people and ordered to “let the extracting of usury stop! Give back to them immediately their fields, vineyards, olive groves, and houses and also the usury you are charging them…”. Nehemiah 5:11. It is time for our elected Representatives in Washington to follow the example of the Holy Scriptures and to respond in kind by repealing the current Bankruptcy Bill and by not taking away power from the powerless and eliminating relief for the suffering.

Determining Risk And The Risk Pyramid

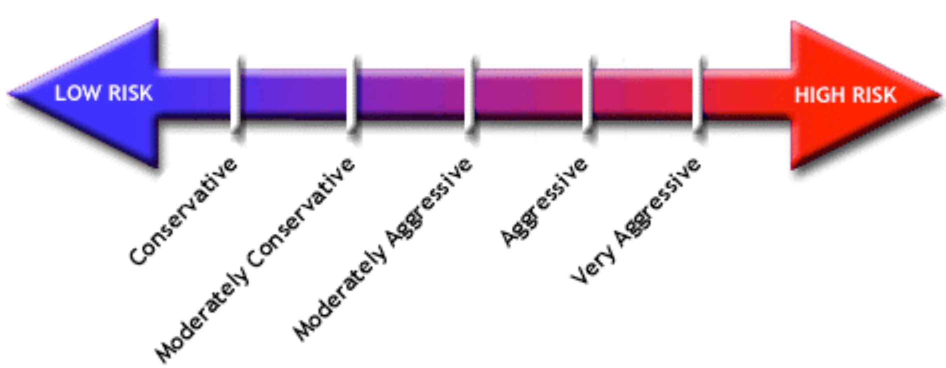
by Investopedia Staff, (Investopedia.com) (Contact Author | Biography)

You might be familiar with the risk-reward concept, which states that the higher the risk of a particular investment, the higher the possible return. But, many investors do not understand how to determine the level of risk their individual portfolios should bear. This article provides a general framework that any investor can use to assess his or her personal level of risk and how this level relates to different investments.

Risk-Reward Concept

This is a general concept underlying anything by which a return can be expected. Anytime you invest money into something there is a risk, whether large or small, that you might not get your money back. In turn, you expect a return, which compensates you for bearing this risk. In theory the higher the risk, the more you should receive for holding the investment, and the lower the risk, the less you should receive.

For investment securities, we can create a chart with the different types of securities and their associated risk/reward profile.



Although this chart is by no means scientific, it provides a guideline that investors can use when picking different investments. Located on the upper portion of this chart are investments that offer investors a higher potential for above-average returns, but this potential comes with a higher risk of below-average returns. On the lower portion are much safer investments, but these investments have a lower potential for high returns.

Determining Your Risk Preference
With so many different types of investments to choose from, how does an investor determine how much risk he or she can handle? Every individual is different, and it's hard to create a steadfast model applicable to everyone, but here are two important things you should consider when deciding how much risk to take:

- *Time Horizon*
  Before you make any investment, you should always determine the amount of time you have to keep your money invested. If you have $20,000 to invest today but need it in one year for a down payment on a new house, investing the money in higher-risk stocks is not the best strategy. The riskier an investment is, the greater its volatility or price fluctuations, so if your time horizon is relatively short, you may be forced to sell your securities at a significant a loss.

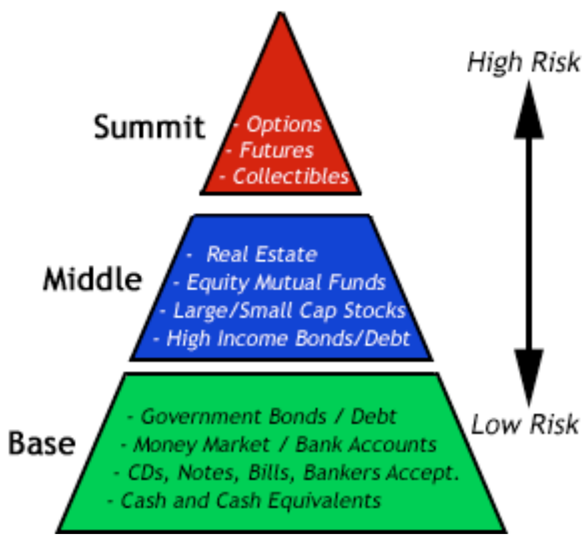
  With a longer time horizon, investors have more time to recoup any possible losses and are therefore theoretically be more tolerant of higher risks. For example, if that $20,000 is meant for a lakeside cottage that you are planning to buy in ten years, you can invest the money into higher-risk stocks because there is be more time available to recover any losses and less likelihood of being forced to sell out of the position too early.

- *Bankroll*
  Determining the amount of money you can stand to lose is another important factor of figuring out your risk tolerance. This might not be the most optimistic method of investing; however, it is the most realistic. By investing only money that you can afford to lose or afford to have tied up for some period of time, you won't be pressured to sell off any investments because of panic or

liquidity issues.

The more money you have, the more risk you are able to take and vice versa. Compare, for instance, a person who has a net worth of $50,000 to another person who has a net worth of $5,000,000. If both invest $25,000 of their net worth into securities, the person with the lower net worth will be more affected by a decline than the person with the higher net worth. Furthermore, if the investors face a liquidity issue and require cash immediately, the first investor will have to sell off the investment while the second investor can use his or her other funds.

Investment Risk Pyramid
After deciding on how much risk is acceptable in your portfolio by acknowledging your time horizon and bankroll, you can use the risk pyramid approach for balancing your assets.



This pyramid can be thought of as an asset allocation tool that investors can use to diversify their portfolio investments according to the risk profile of each security. The pyramid, representing the investor's portfolio, has three distinct tiers:

- *Base of the Pyramid*– The foundation of the pyramid represents the strongest portion, which supports everything above it. This area should be comprised of investments that are low in risk and have foreseeable returns. It is the largest area and composes the bulk of your assets.

- *Middle Portion*– This area should be made up of medium-risk investments that offer a stable return while still allowing for capital appreciation. Although more risky than the assets creating the base, these investments should still be relatively safe.
- *Summit*– Reserved specifically for high-risk investments, this is the smallest area of the pyramid (portfolio) and should be made up of money you can lose without any serious repercussions. Furthermore, money in the summit should be fairly disposable so that you don't have to sell prematurely in instances where there are capital losses.

Personalizing the Pyramid
Not all investors are created equally. While others prefer less risk, some investors prefer even more risk than others who have a larger net worth. This diversity leads to the beauty of the investment pyramid. Those who want more risk in their portfolios can increase the size of the summit by decreasing the other two sections, and those wanting less risk can increase the size of the base. The pyramid representing your portfolio should be customized to your risk preference.

It is important for investors to understand the idea of risk and how it applies to them. Making informed investment decisions entails not only researching individual securities but also understanding your own finances and risk profile. To get an estimate of the securities suitable for certain levels of risk tolerance and to maximize returns, investors should have an idea of how much time and money they have to invest and the returns they are looking for.

by Investopedia Staff (Contact Author | Biography)

Investopedia.com believes that individuals can excel at managing their financial affairs. As such, we strive to provide free educational content and tools to empower individual investors, including thousands of original and objective articles and tutorials on a wide variety of financial topics.

What Causes Small Businesses to Fail?

The short answer is, regardless of the industry, failure is the result of either the lack of management skills or lack of proper capitalization or both.

Eleven Common Causes of Failure

Choosing a business that isn't very profitable. Even though you generate lots of activity, the profits never materialize to the extent necessary to sustain an on-going company.

Inadequate cash reserves. If you don't have enough cash to carry you through the first six months or so before the business starts making money, your prospects for Success are not good. Consider both business and personal living expenses when determining how much cash you will need.

Failure to clearly define and understand your market, your customers, and your customers' buying habits. Who are your customers? You should be able to clearly identify them in one or two sentences. How are you going to reach them? Is your product or service seasonal? What will you do in the off-season? How loyal are your potential customers to their current supplier? Do customers keep coming back or do they just purchase from you one time? Does it take a long time to close a sale or are your customers more driven by impulse buying?

Failure to price your product or service correctly. You must clearly define your pricing strategy. You can be the cheapest or you can be the best, but if you try to do both, you'll fail.

Failure to adequately anticipate cash flow. When you are just starting out, suppliers require quick payment for inventory (sometimes even COD). If you sell your products on credit, the time between making the sale and getting paid can be months. This two-way tug at your cash can pull you down if you fail to plan for it.

Failure to anticipate or react to competition, technology, or other changes in the marketplace. It is dangerous to assume that what you have done in the past will always work. Challenge the factors that led to your Success. Do you still do things the same way despite new market demands and changing times? What is your competition doing differently? What new technology is available? Be open to new ideas. Experiment. Those who fail to do this end up becoming pawns to those who do.

Overgeneralization. Trying to do everything for everyone is a sure road to ruin. Spreading yourself too thin diminishes quality. The market pays excellent rewards for excellent results, average rewards for average results, and below average rewards for below average results.

Overdependence on a single customer. At first, it looks great. But then you realize you are at their mercy. Whenever you have one customer so big that losing them would mean closing up shop, watch out. Having a large base of small customers is much preferred.

Uncontrolled growth. Slow and steady wins every time. Dependable, predictable growth is vastly superior to spurts and jumps in volume. It's hard to believe that too much business can destroy you, but the textbooks are full of case studies. Going after all the business you can get drains your cash and actually reduces overall profitability. You may incur significant up-front costs to finance large inventories to meet new customer demand. Don't leverage yourself so far that if the economy stumbles, you'll be unable to pay back your loans. When you go after it all, you usually become less selective about customers and products, both of which drain profits from your company.

Believing you can do everything yourself. One of the biggest challenges for entrepreneurs is to let go. Let go of the attitude that you must have hands-on control of all aspects of your business. Let go of the belief that only you can make decisions. Concentrate on the most important problems or issues facing your company. Let others help you out. Give your people responsibility and authority.

Putting up with inadequate management. A common problem faced by Successful companies is growing beyond management resources or skills. As the company grows, you may surpass certain individuals' ability to manage and plan. If a change becomes necessary, don't lower your standards just to fill vacant positions or to accommodate someone within your organization. Decide on the skills necessary for the position and insist the individual has them.

So, the founder's attitude, ability to be objective, willingness to bring in needed help, and share power are all crucial to success. "Most startups make the mistake of falling in love with their product or service," says Shukla. "Ultimately, it is this lack of self-criticism that causes many companies, startups and their more mature counterparts, to fail. Startups suffer this fate more often because there are more dreamers than doers."

I think that fact speaks for itself," says Jonathan Goldhill, a small-business consultant and former director of an economic development center in California's San Fernando Valley. **"I would say that the primary reason for failure of startups within three years is usually...management's failure to act, or management's failure to react, or management's failure to plan."**

Other reasons why businesses fail in their early years include: poor business location, poor customer service, unqualified/untrained employees, fraud, lack of a proper business plan, and failure to seek outside professional advice.

While poor management is cited most frequently as the reason businesses fail, inadequate or ill-timed financing is a close second. Whether you're starting a business or expanding one, sufficient ready capital is essential. It is not, however, enough to simply have sufficient financing; knowledge and planning are required to manage it well. These qualities ensure that entrepreneurs avoid common mistakes like securing the wrong type of financing, miscalculating the amount required, or underestimating the cost of borrowing money.