

# Family Finances

## Three Important Steps

### I. Save \$1,000 for an emergency fund.

**Proverbs 21:20, There is treasure to be desired and oil in the dwelling of the wise; but a foolish man spends it up.**

**Proverbs 22:3, A prudent man foresees the evil, and hides himself: but the simple pass on, and are punished.**

A. You need hard cash for emergencies.

B. Cash avoids all these pitfalls.

### II. Pay off every debt except for your house.

**Proverbs 22:7, The rich rules over the poor, and the borrower is servant to the lender.**

**Proverbs 6:1-5, My son, if you are surety for your friend, if you have struck your hand with a stranger, <sup>2</sup>You are snared with the words of your mouth, you are taken with the words of your mouth. <sup>3</sup>Do this now, my son, and deliver yourself, ... <sup>4</sup>Give not sleep to your eyes, nor slumber to your eyelids. <sup>5</sup>Deliver yourself as a roe from the hand of the hunter, and as a bird from the hand of the fowler.**

A. There are two methods of doing this.

1. Debt avalanche

2. Debt snowball

B. I prefer the debt snowball. Here is how it works.

1. Refer back to your debt list you made.

2. Start at the smallest debt and begin to throw all your extra money on it.

3. Once you eliminate the smallest one take the money you were using to make that payment, and pay the next smallest one off.

4. Now take both those payments, plus any extra money and attack the next one.

5. Keep repeating until all but the mortgage is gone.

Lender	Contact	Payoff	Payments left	Monthly Payment	Due Date	Interest Rate
Visa	555-5555	\$4,000	60	\$ 100	5 <sup>th</sup>	18%
Kohls	555-5555	\$3,000	30	\$ 55	28 <sup>th</sup>	23%
Car Loan	555-5555	\$30,000	52	\$ 575	15 <sup>th</sup>	12%
Mortgage	555-5555	\$125,000	324	\$ 850	1 <sup>st</sup>	8%
Total		\$162,000		\$ 1,580		

### III. Save 3-6 months of emergency funds.

A. With the debts out of the way there is surplus money.

B. We are committed to not going into debt.

C. Something could happen that I would have no income for a few months.