

---

# Making Money Your Ally

By *W. Steve Albrecht*

W. Steve Albrecht, "Making Money Your Ally," *Ensign*, Dec. 1988, 49  
Make contributions to the Church, support a large family, stockpile a year's supply of food, send children on missions. How do you make ends meet?

Your friends who are not Latter-day Saints have trouble doing it without these extra demands, so how can you become secure in a world where financial failures are becoming commonplace?

As an indication of the magnitude of the problem, more people declared bankruptcy in the United States in 1987 than ever before, and welfare rolls throughout the world swelled at unprecedented rates. Ever since the first jolt of worldwide inflation in 1972, people have spent and enjoyed, then borrowed and enjoyed, and then borrowed some more. Consequently, the average U.S. family spends an estimated 19.7 percent of its earnings just paying off consumer debt—not including home mortgages. Add mortgage costs and the fact that real household income (adjusted for inflation) has declined in the past decade, and it's no surprise that most people worry that they owe more than they can afford.

Poor financial management can destroy an otherwise stable family, and many divorces can be traced to quarrels over money. The ten money-management laws that follow will help you assess your financial situation and plan how you can improve your management skills. Some of these come from counsel given by Church leaders, some from common business practices, and some from personal experience.

## **Law 1—Pay an Honest Tithing**

Though counsel to increase your spending may seem unusual, there is no single action that will help you more than paying a full tithe. It brings a literal opening of the windows of heaven.

When our first two children were small and I was doing graduate work at a university, my wife and I found that paying tithing opened up financial opportunities that other students didn't have. And as a bishop for the past three years, I have noted the financial well-being of most honest tithe payers as contrasted with the constant money problems of those who are less faithful.

In addition to following the spiritual law of obedience, paying tithing has three practical benefits: (1) It makes us account for our money; (2) it teaches us to sacrifice, making us more discretionary consumers; and (3) it makes us better planners.

## **Law 2—Budget Your Expenditures**

Every family should have three budgets: monthly, yearly, and long-range. The long-range budget is to plan major purchases and commitments: buying homes, automobiles, and major appliances,

---

and financing missions, education, and marriages of children, for example. Shorter-term budgets provide guidelines for everyday expenditures.

The two most common reasons budgets fail are that they are too complicated or that they are unrealistic. Three simple steps will help you overcome these problems.

First, analyze your expenditures to see where your money is going. You cannot budget effectively until you know how you spend your money. (It is a good idea to pay for everything by check so you will have an accurate record.) Prepare a spreadsheet (either on computer or manually) with check numbers and payees listed on the left side of the page and amounts spent for tithing and offerings, utilities, gas and other car expenses, clothes, food, house payment or rent, etc., listed in columns on the right. This lets you know exactly how much you are spending in each area. Now you can make a realistic budget.

I saw this principle in action a few years ago when one family I know decided they would spend \$300 a month for food—a number they pulled out of the air. Every month the wife would overrun her food budget, which led to frustration and conflict. When this couple analyzed their spending, they found that they were actually spending \$400 a month for food (an amount that included occasionally eating out and supplementing their food storage program). The knowledge allowed them to adjust their budget to a realistic level and cut down on their frustration.

The second step in budgeting involves separating fixed expenditures from variable expenditures. For example, house payments, car payments, and other loan payments can't be controlled by budgeting. The only time you have any choice over these expenditures is when you commit to them. On the other hand, variable expenditures such as food, clothing, gas and other car expenses, and miscellaneous items can be adjusted.

Step three is budgeting variable expenditures. Make sure you subtract taxes and other withholdings as well as fixed expenses from your monthly income before you begin. This residual amount will probably be much smaller than you thought, and you'll soon realize why you must budget and monitor your discretionary expenditures carefully.

### **Law 3—Save Some Money Every Month**

In the United States, for every one hundred people who reach age sixty-five, only five can retire without some form of assistance from government or family. The percentages aren't much better for the rest of the world. In order to provide for future needs, you should save every month. You cannot be content because your lamp is full today; it may be empty tomorrow. The percentage of your income that you pay for necessities (food, clothing, and housing) is expected to rise in the future. In addition, there are many investment opportunities available to those who have saved enough money to meet minimum investment criteria.

The person who consumes all of his earnings without saving for the future is like a farmer who eats his seed corn. A savings plan that is started early and added to consistently will accumulate to sizable amounts in the future. For example, if you invest an equal amount every year from age

---

twenty-five to age sixty-five, it will grow to be worth approximately 440 times the annual investment.

#### **Law 4—Decrease Your Expectations**

Because of easy access to credit and increases in absolute income levels, many people become spending addicts. Without realizing the consequences, you spend when you're bored and you spend when you're celebrating. Worldwide, consumer credit has increased dramatically in recent years, as have retail sales and other spending-level indicators. It becomes easy to think that you must have every convenience available. Two common rationalizations used to justify excessive spending are "If I don't buy it today, I won't ever be able to afford it" and "My neighbor has it, so I need it, too." Both of these justifications are messages from retailers, who are trying to sell their products, and from Satan, who is trying to get us into financial bondage.

#### **Law 5—Stay Free from Debt**

Many economists say that a future worldwide recession is inevitable. If a recession were to come, it would be particularly hard on those who drink deepest from the debt trough. Even a small recession would bring defaults at all levels—international, national, and personal.

From the early days of the Church, leaders have counseled Church members to stay out of debt, except for homes, education, and other vital investments. To the extent possible, it is wise to purchase consumer durables (furniture, automobiles, etc.) with cash.

Inflation and the tax-deductibility of interest often make debt look attractive. But don't be fooled. If you try to "beat" inflation by paying back borrowed amounts with cheaper dollars, you are still paying a monthly debt. And I have never figured out how a tax deduction makes paying interest a good investment. For example, if you're entitled to a tax deduction of 40 percent because of interest charges on credit, you are wasting 60 percent of the money paid for interest. When you borrow and pay interest you lose twice: the money you pay out and the income that money could have earned for you if you had invested it.

Use credit cards carefully. If you do, they can be helpful. They are excellent for traveling because of their universal acceptance, they often allow a one- or two-month interest-free loan, and some even provide travel insurance and other amenities. However, it is easy to forget how often you use your credit cards; many people find that their bills are two to three times what they remembered spending.

Other types of debt can be equally troublesome. Lending institutions entice us to borrow money. For example, banks around the world offer home equity loans, often with no origination fees. These loans make borrowing really easy; in fact, when you want a loan you merely write a check from the credit line. What the banks fail to mention is that if you borrow, you must make significant monthly payments; they also gloss over the fact that you are risking your home ownership by allowing a second mortgage. Exercise care when you borrow money, because once you are in debt, interest is your constant companion; it never rests, and it works on Sundays and holidays.

---

## **Law 6—Become Knowledgeable Consumers**

Many people waste a certain amount of money. You either spend it for things you don't need or you pay too much for items that you do need. After analyzing how you spend your money, work to improve your spending habits. If you are spending on impulse for unneeded items, a strict budget will help. In other areas, you can save money by gaining expertise. Most families spend 50 to 60 percent of their income in three or four basic areas. If those four areas are food, taxes, insurance, and transportation, for example, learn more about each area and the kinds of steps you can take to cut costs.

Food costs can probably be decreased by always preparing a shopping list and following it closely, by shopping on a full stomach, by not buying snack foods, by watching ads and comparing prices, by using “cents-off” coupons, and by making nutritional tradeoffs—peanut butter for meat, for example.

You can often reduce your income taxes by becoming knowledgeable about tax laws. Know which deductions apply to you, and keep accurate records of your expenses. Most tax preparers make their money by completing tax returns as fast as possible, so it is difficult for them to take a personal interest in your tax matters. Your knowledge can help the preparer—if you choose to use one—serve you more effectively.

Likewise, while having insurance is absolutely critical, you can probably reduce your insurance costs. Most people need high amounts of coverage while their children are young and their mortgages high, and less insurance later in life. Compare carefully the advantages and disadvantages of term and other forms of insurance.

You should also make sure that you are insured adequately against fires and catastrophes, serious illnesses, and death or disability of wage earners.

Transportation is another area in which costs can probably be reduced. If you buy an automobile, understand how much each option costs and make a conscious decision of whether to include it.

Understand how much difference there is in the price of cars. Many people rationalize buying a luxury car over a smaller car by saying the difference is only 40 or 50 percent. However, if you bought the smaller car and invested the balance, in thirty years your investment would accumulate to an amount approximately five times the cost of the luxury car. Is the more expensive car worth sacrificing that much future income?

You can also save money by selling your car yourself—as opposed to “trading it in” and letting the automobile dealer take the profit—and by paying cash for a newer one. You can reduce automobile operating costs by purchasing high-mileage-per-gallon cars, doing some of your own service work, and walking or carpooling when possible.

## **Law 7—Teach Family Members the Importance of Work and Managing Money**

---

We work hard to give our children music lessons and swimming lessons and to teach them sports skills. Yet we rarely teach them money management. Children need to understand the financial pressures on a family. They need to know why they can't have everything they want.

Children can contribute to family welfare by helping control expenditures—turning off the lights in rooms when they won't be in those rooms, for example—and by earning part of their expense money. You should also teach them to save for the future expense of missions and education. Elder Marvin J. Ashton once said, "I think it is unfortunate for a child to grow up in a home where the seed is planted in the child's mind that there is a family money tree that automatically drops 'green stuff' once a week or once a month." (*Ensign*, July 1975, p. 72.)

### **Law 8—Make Wise Investments**

If you have money to invest, you should recognize that every investment represents a trade-off between risk and return. If you have only small resources, safe investments such as saving accounts are probably best. On the other hand, if you have more resources to invest, you can probably try investments that are a bit riskier, yet still have excellent likelihood of preserving your principal.

The first investment every Church member should make is a good food storage program. This investment makes you panic-proof; there is considerable comfort in knowing that no matter what happens, you will always be able to feed your family. A home is also an excellent investment: inflation increases a home's value, and while rents often increase, house payments stay constant. Home ownership often provides considerable tax savings, and the real monthly cost of owning a home decreases over time. For example, if your wages increase each year over the next fifteen years, your monthly house payment remains constant and will be the *equivalent* of approximately one-fifth its current amount.

If you have sufficient money to invest, a diversified portfolio is probably best. An honest, competent financial planner can help you decide where you can most profitably invest your resources.

Some investments should be avoided altogether. Don't ever invest in something that does not make business sense. If it sounds too good to be true, it probably is. Remember, there are few ways to get rich quick, and fewer still that are legal. Most wheeler-dealers are on roller-coaster rides that sooner or later fall all the way to the bottom.

Remember, too, that an investment must be judged on its own merits—not because a friend, neighbor, relative, counselor, or Church leader recommends it. Many have experienced financial disaster by trusting the person promoting the investment instead of examining the investment itself.

### **Law 9—Have a Will**

No matter what your financial situation, have a current will that specifies both how your assets will be distributed and who will be the guardian for your children. In many countries, the courts

---

decide who should raise a couple's children if both parents die without leaving a will. Also, estate proceedings can take a long time and can be expensive.

### **Law 10—Keep Money in Perspective**

While money management is important, it is not an end in itself. How we use our money must be based on the more important goal of seeking the kingdom of God.

Satan uses money to twist our values. Through money he changes our perspective from serving God to accumulating wealth and serving self. Through money he warps our thinking so that we believe our wants are really needs. Through money he redirects our thoughts from others to ourselves. More than once I have watched people alienate themselves from God and the Church by seeking after “filthy lucre.”

Heavenly Father has blessed us with a prosperity unequaled in times past. The resources that have been given us are good and are necessary for our work here on earth. As long as we don't allow money to have power over us and as long as we don't worship it as a false god, it can be the source of much happiness. But as Joseph F. Smith said, “True riches is really the love of our families, the confidence of friends and neighbors, and faith in God. The poorest Saint in the Church who possesses loved ones and is following the Savior's path is incomparably more wealthy than the one who has untold wealth.” (W. Steve Albrecht, *Money Wise: Money Management for Latter-day Saints*, Salt Lake City: Deseret Book Co., 1983, p. 188.) Money is certainly desirable, but there are other things far more important and enjoyable.

Money is like a carpenter's saw. It can build you the most beautiful financial castle or it can cut you up in a thousand financial pieces. You must learn to use it wisely in order to benefit from it.

*Gospel topics: financial management, marriage, self-sufficiency*

[illustrations] Illustrated by Cary Henrie

© 2003 Intellectual Reserve, Inc. All rights reserved.