
Questions about Coping Financially: Welfare Services Suggests Some Answers

Why is my individual financial and resource management a religious concern?

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The Lord and his prophets speak of material possessions as a stewardship—one to be managed wisely and in accordance with divine principles. The prophet Jacob said: “Before ye seek for riches, seek ye for the kingdom of God.

“And after ye have obtained a hope in Christ ye shall obtain riches, if ye seek them; and ye will seek them for the intent to do good—to clothe the naked, and to feed the hungry, and to liberate the captive, and administer relief to the sick and the afflicted” (**Jacob 2:18–19**).

The Lord holds us accountable for this stewardship: he expects us to pay tithes and offerings, provide for the temporal well-being of our families, and preserve and wisely use our financial and material resources. These are more than mere temporal commandments—they are spiritual as well: “All things unto me are spiritual, and not at any time have I given unto you a law which was temporal” (**D&C 29:34**).

What resources do I have? What is resource management?

Resources are anything we use to accomplish goals. Economic and material resources include money, homes, cars, food, clothing, household furnishings, and other personal possessions and property. Time, energy, credit, and good relationships are examples of intangible resources. Some of our most valuable resources are our own human abilities, such as knowledge, creativity, determination, skills, talents, feelings and beliefs.

Resource management means controlling resources to accomplish our most important goals. Developing a talent, earning money, growing a garden, and sewing clothes are examples of using resources to accomplish goals. Rather than setting goals based on what resources are available to us at the time, we should base our goals on our values and priorities, and then determine what resources are available, what resources we still need, and how we can develop or substitute for the resources we need. Thus, we can control our resources and our lives rather than being controlled by them.

How should I determine the amount of offerings, besides tithing, to pay to the church?

The minimum suggested fast offering is the equivalent of the cost of two meals for your family. President Spencer W. Kimball has said that members who are able should give an

even more generous offering:

“Sometimes we have been a bit penurious and figured that we had for breakfast one egg and that cost so many cents and then we give that to the Lord. I think that when we are affluent, as many of us are, that we ought to be very, very generous. ... I think we should ... give, instead of the amount saved by our two meals of fasting, perhaps much, much more—ten times more where we are in a position to do it” (in Conference Report, Apr. 1974, p. 184).

Other contributions, aside from tithing, should be based upon your own feelings and conscience and what you can afford to pay without unduly depriving your family. A family should discuss contributions together and try to have compatible and positive feelings about them.

How would one prepare for financially hard times?

1. The breadwinner in the family should make every effort to stay employed and keep earning wages or salaries, profits, and benefits.
2. Try to build tenure or seniority with your employer, and demonstrate both creative and productive skills.
3. Keep knowledge and skills current through continuous upgrading; thus, you can compete with the best and offer the best service or product available in your field. Even family members not employed should do the same. Where possible, everyone should have or work toward a potentially marketable skill or product.
4. Protect yourself during a recession—or times of inflation—by keeping monthly expenditures well under control. It is no time to have any excessive debt or large installment payments. Also, you may not be able to borrow money for major things like houses, farms, or businesses. Wait until money is more available and the interest levels are moderate.
5. Have an emergency cash reserve. The longer or deeper the economic downturn, the greater the need for ready money in such cases as unemployment, reduced income, illness, or injury.
6. As much as possible, get ownership and clear title (or deed) to cars, major appliances, homes, farms, businesses, etc. During a recession or depression, repossession, foreclosure, and garnishment—and the resulting risk of bankruptcy—are more likely since cash demands continue and income may stop. Ownership of your major possessions would provide you with great security.
7. Have an adequate one year’s supply of food and clothing. It takes most families months and even years to build a good supply and learn how to store and rotate it

properly. Get started now.

8. Be willing to make significant life-style changes. Economic hardship could force you to sacrifice many comforts and luxuries such as recreation, travel, nonessential clothing, eating out, entertainment, and gifts; can you make some of these changes voluntarily now? Expenditures might have to focus on essentials such as food, housing, utilities, health care, and transportation.

9. Organize your extended families to give help to each generation as needed.

10. Self-reliance is important. Knowing how to make bread, sew clothes, make gifts, toys, and home decorations, paint the house, fix the plumbing, etc., will become increasingly valuable. As much as possible, be able to sustain life. Grow a garden, cultivate fruit trees, keep animals, etc., wherever practical, or have access to these resources.

One of the best defenses against a recession or a depression is owning things like food surpluses (such as grain, sugar, corn, rice, beans, and dried fruits), precious metals and gems, coal and wood, land, etc. They have intrinsic value, demand for them stays high, and they can be used in many ways.

11. Be good friends and neighbors. During hard times, you'll be exchanging products and services much more.

What are some examples of good financial goals?

Every person and family should set individual goals, but here are some priorities to consider: First, insure family security and freedom from debt. Second, don't let immediate goals squeeze out long-range goals. Too often, the savings account is the first to go when a pinch comes.

A good goal for one family wouldn't be good for another. A family with a very limited income, for example, may be challenged by making the money last as long as the month. Young couples may work towards enough money for a house down-payment, home furnishings, or a family car. Other families set goals like saving for vacations. Financing missions, education, and marriage, as well as planning a retirement program, take long-range planning and should begin early in a family's life.

Other good financial goals include increasing one's income by qualifying for promotions, establishing a business, or making wise **investments**. These financial goals may be stepping-stones towards the long-range goal of complete financial independence.

When is it accepted to go into debt?

There is a difference between planned and unplanned debt. Planned debt is building monthly payments into your budget to reach desirable goals. Credit thus is only a part of

your total money management plan. Impulse buying, which seldom figures payments and interest into your budget, usually produces unplanned debt.

Most leaders and individuals within the Church recognize and accept the need for reasonable borrowing for a home, a business, or a farm. It may also be necessary to borrow for some education or training programs, some health care or rehabilitation needs, or safe transportation.

But beyond these categories, indebtedness may be hazardous financially and emotionally—and is strongly discouraged by Church leaders. Give yourself a think-it-over period of a day or so before you buy a home, a car, furniture, major appliances, electronic or sports equipment. If you find yourself susceptible to such temptations as a passion-to-purchase, pleasing a salesman or glorifying your ego, be sure you get physically away from the desired object before deciding. Talk it over objectively and thoroughly before you plunge. Remember that credit costs plenty.

I want to stop buying everything on credit and to get out of debt. Where do I start?

Most people get into debt through plastic money, or credit, because they've wanted to live at a higher level than they can honestly afford. Facing, acknowledging, and rejecting that life-style is a necessary first step.

1. Learn how to judge the quality of a product. Many things on the market are of poor quality, do not serve your needs, and last only a short time. The shiny trinkets and flimsy toys that appeal to children have counterparts in expensive items that adults buy every day.
2. Determine whether a product is a *need* or a *want*.
3. Plan a budget and stick to it.
4. Leave your credit cards at home when you go shopping.
5. Reduce the amount you can spend with your credit card.
6. You may even need to cancel your credit cards.

How can I budget effectively?

Here are several hints for effective budgeting:

1. Base your budget on goals—immediate and future. Consider savings as a fixed expense.
2. Be truly committed to following through with the plan. Involve family members in budgeting so they, too, feel committed. Once you've formulated a wise plan, discipline,

self-control, and determination are essential in carrying it out.

3. Choose expense categories that fit your particular circumstances and that will include all of your individual and family expenses.

4. Your budget should be flexible enough to allow unexpected expenses or monthly variations. A small “misc” or “mad money” category can provide this cushion.

We can't afford a home right now, so we're renting. But rent is so high that we can't save much for a down-payment. We feel caught. What can we do?

First, don't give up even that small monthly saving. No matter how small, it's better than nothing, and forming the habit will make it easier to increase the amount as your salary increases.

Second, research alternatives. Families in the United States may qualify for a Veteran's Administration guaranteed mortgage loan available without a down-payment. Could your family organization offer low-cost, long-term loans for such purposes? Do you have a parent or other relative who may be willing and able to loan you a down-payment at a reasonable rate of interest and allow you a longer repayment period?

Third, be realistic. Look for a smaller house than you might prefer. Few couples can start out at the level they'd like.

Fourth, some owners in the U.S. are willing to sell on contract with a lower down-payment than a mortgage lender would require because of tax advantages for the seller.

How much of my monthly income should I spend on mortgage payments?

The cost of the mortgage payment, which includes the payment of principal and interest on the mortgage, real estate taxes, and homeowner's insurance should approximate 25 percent of your monthly income after taxes, unless special circumstances are involved.

How can we save profitably and safely? Should we put our money into something like gold or land?

Everyone needs an emergency cash reserve. Many experts recommend having a fund equal to three to six times your monthly net income or enough to handle typical cash requirements for one year. Of course, if you have a year's supply of basic food, clothing, fuel, and other commodities, you'd need less cash. This emergency cash reserve is *not* your savings for special events such as mission, college, marriage, travel, etc.

Beyond your savings account for specified purposes and for an emergency, experts recommend diversified **investments** that will make varying returns depending on the market, inflation, etc. Such **investments** may help you keep up with inflation and cope

with a recession. If you're buying a home, you've already got a program underway.

Other good **investments** would be good quality common stocks, mutual funds, gold, silver, and diamonds from thoroughly reliable and carefully researched companies, and good quality real estate (fertile and developed farm land, property in small towns with expanding population, suburban property in residential or business development areas, etc. Consider such features as water, green belt, view, oil and mineral rights, location, control of surrounding areas, etc.). As the value of such **investments** increases, it may provide additional income in the form of dividends or capital gains. In the United States, a married couple holding stock jointly would not pay taxes on the first \$200 of dividend income.

We cannot stress enough, however, that you should not invest money you cannot afford to lose. Be wary of "get rich quick" schemes and real estate that you can't inspect personally.

Our times of rapid inflation have made some formerly good **investments** less effective: bonds, savings accounts, and certificates of deposit that promise a fixed rate of return. Some fixed-rate **investments** that pay at higher levels include money market certificates, commercial paper, and treasury notes and bills. Before you do any investing, be sure to consider the annual percentage rate, the duration of contract, and the frequency of compounding.

Is it wise to have a supply of cash at home?

Generally, and particularly during inflation, most of your surplus cash should be working for you in sound **investments** and high interest bearing savings. Storing current money at home is a guaranteed loss under present inflationary conditions. The main concern is to have some assets that can be converted to cash within two or four weeks.

What kinds of insurance should I get and how much?

Most people should have life, health, accident, liability, home, auto, and income protection insurance. Analyze your current policies carefully since many standard policies are inadequate. For example, liability coverage on automobiles often will not handle one law suit, let alone multiple suits on the same accident, and fire insurance coverage may be several years behind the inflated market value of your home.

Does your health policy cover current daily rates in the hospital? Does it provide adequate major medical coverage? What about help for rehabilitation or long-term institutionalization? Is your maternity insurance adequate? It's a good idea to appraise your insurance protections every year and get appropriate levels and types of coverage. Life insurance can be important, depending upon your circumstances, and the principles regarding term insurance are financially sensible.

Do I need a will? If so, what do I need to know when making one out?

Almost without exception, every adult (both husband and wife) who owns property needs a will to distribute the property after death. In addition, a will lets parents designate a legal guardian for their dependent children. If you don't have a legally valid will, the laws of the state or country will determine the disposition of your property.

To be sure that your will is legally valid and that it will accomplish exactly what you want, you should consult a competent attorney. His fee is relatively small compared to the costs of an improperly drawn will. If you are also going to create a trust, be sure your attorney specializes in taxes and estate planning.

Be prepared to tell your attorney: who your heirs are and how much you want each to receive; what property you have to distribute; whom you want to appoint as guardian for any minor children or other dependents and their property; whom you wish to settle and administer your estate; and what distribution procedures you want to use during your lifetime and at your death.

One final point: you should review your will periodically to determine whether changes need to be made. If yes, an inexpensive codicil, or addition, may serve. Other times, an entirely new will may be needed.

This article was prepared under the direction of the Welfare Services Department by BYU's Family Resource Management Department, including Dr. Gary Hansen, Dr. Kay Edwards, Dr. Susan Easton, Beth Bastian, and Connie Roberts. For further information on financial management and planning contact the Family Resource Management Department, 1216 Smith Family Living Center, BYU, Provo, UT 84602. The department is willing to provide information or answer questions on various aspects of personal or family money management.

Gospel topic: financial management

[illustrations] Illustrated by Dennis Millard

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