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## ***The Why's, What's and How's of Family Finance***

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January 21, 2016

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Managing money can be tricky. We are told to save and invest money for our mortal future, and yet the scriptures counsel us to also “lay up for yourselves treasures in heaven.”<sup>2</sup> It is not so difficult, though, if we build our finances upon a firm foundation: the gospel of Jesus Christ. If we do this, then as the rains of a recession descend, floods of a lay-off come, and winds of high interest rates blow and beat upon our house, it will not fall, for it is founded upon the rock of Christ.<sup>3</sup>

Family finance can generally be viewed in two ways, either from an eternal perspective or the world's materialistic perspective. The eternal perspective assumes all material resources are owned by God and we are stewards over those resources to bless His children. The world's materialistic perspective is any other perspective that takes God out of the equation. The perspective you choose will make a big difference in the way you manage your money and your life. Perhaps family finance, from an eternal perspective, is simply the temporal application of spiritual principles.

In this article we will share an eternal perspective on the “why's”, “what's”, and “how's” of family finance. We will highlight inspired financial doctrines, profound financial principles, and practical financial applications to help you put your financial house in order. Success is

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essential. How you choose to consecrate your material resources is at the core of your purpose in life.

## The Why's

In order to answer the question “Why should we learn about family finance?” we must reflect on inspired doctrine.

### 1. Spiritual: To bring us to Christ

The ultimate doctrine of everything God does is to **bring us to Christ**. If God's work and glory is to bring to pass the “immortality and eternal life of man”,<sup>9</sup> and if the only way we can have eternal life is through Jesus Christ,<sup>10</sup> then the purpose of all God does, including finance, is to bring us to Christ.

### 2. Temporal: To help us become wiser stewards

The Lord said, “For it is required of the Lord, at the hand of every steward, to render an account of his **stewardship**, both in time and in eternity. For he who is faithful and wise in time is accounted worthy to inherit the mansions prepared for him of my Father.”<sup>11</sup>

### 3. Individual: To accomplish our divine missions

We all have **sacred missions** to perform here on Earth, our “divine nature and destiny.”<sup>16</sup> Many of our missions require material resources.

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As we are faithful financial stewards, we can acquire resources to be consecrated to the work God has for us to do.

#### 4. Family: To return with our families back to Heavenly Father's presence

An eternal perspective of the finances of the home **strengthens our eternal marriage** and is a conduit for positive parenting. President David O. McKay reminded us: “No other success can compensate for failure in the home.”<sup>19</sup> We will be disappointed in life if we gain the riches of the world and lose our spouses and families.<sup>20</sup>

### **The What's**

The second important question is “What are the *what's*, the profound principles on which this stewardship perspective is based?”

#### Principle 1: Ownership

The Psalmist wrote: “The earth is the Lord's, and the fullness thereof; the world, and they that dwell therein.”<sup>24</sup> We know from scriptures that the Lord is the creator of the earth<sup>25</sup>, the creator of worlds, men, and all things<sup>26</sup>, the supplier of our breath, the giver of our knowledge<sup>27</sup>, the giver of our life<sup>28</sup>, and the giver of all we have and are.<sup>29</sup> **Nothing we have is our own**—it is all God's. As such, there should be no feeling of pride for the things we acquire.

#### Principle 2: Stewardship

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Because God owns everything, we have a **responsibility** to resources for His purposes. We should first meet the needs and appropriate wants of our families and then consecrate the rest to bless God's other children. Being blessed with material things in life should not be seen only as a blessing but also as a responsibility, "for unto whom much is given much is required."<sup>31</sup>

### Principle 3: Agency

Our financial stewardship enables us to **make choices**. President David O. McKay wrote: "Next to the bestowal of life itself, the right to direct that life is God's greatest gift to man."<sup>32</sup> The blessing of agency is an unconditional gift of God. How we use that gift shows what we believe and how much we love Him and His Son Jesus Christ.

### Principle 4: Accountability

The Lord counseled, "For it is required of the Lord, at the hand of every steward, to render an account of his stewardship, both in time and in eternity."<sup>33</sup> The first three principles outlined above are God's gift to us. The fourth principle of **accountability**, if done wisely, can be our gift back to God.

## The How's

The final question to answer is the "how's" of personal and family finance, the practical application. Now that we understand the

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doctrines and principles, the “why’s” and the “what’s,” it should help us with the application, or the “how’s.” What are the things we should be doing to get our financial houses in order? After review of the scriptures, counsel from Church leaders, and discussions with bishops, stake presidents, academics, and practitioners, we suggest **eight key areas** which are critically important for us to follow in becoming wiser financial stewards and in getting and keeping our financial houses in order.

## 1. Pay the Lord first in tithes and offerings

**Tithing** is the primary law upon which financial blessings are predicated. If we pay a full tithing and are generous with offerings, we are promised that the windows of heaven will be opened.<sup>34</sup> What is a full tithing? The First Presidency gave the following definition of tithing: “The simplest statement we know of is the statement of the Lord himself, namely, that the members of the Church should pay ‘one-tenth of all their interest annually,’ which is understood to mean income. No one is justified in making any other statement than this.”<sup>35</sup>

For husbands and wives with regular monthly income, making out the first check each month to the Church for tithing is a reflection of their united faith. While there is no promise that the blessings will immediately be financial, they will be the blessings we need, nonetheless. We should always remember, as the scriptures remind us, that “when we obtain any blessing from God, it is by obedience to that law upon which it is predicated.”<sup>36</sup> And obedience is the first law of heaven.<sup>37</sup>

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## 2. Create and use a budget

**Budgeting** is the process of pondering, planning, setting goals, and following through on our financial plans and goals. Most budgets include a monthly plan for expenditures by category (e.g., tithing, investments, food, housing, clothing, insurance, medical, cars, entertainment, etc.) and then an annual budget for other items. The amounts in a monthly and annual budget should be less than the net income available. When followed, a well-designed budget helps keep us out of debt.

If we have a family, we develop our budget with our spouse and may include the input of children as well. In essence, a budget is the spiritual creation first (as we plan our expenses), followed by the physical creation next (as we spend according to the plan). In a family, it is important to review expenses regularly, perhaps weekly, to assess the current status of the budget.

A living prophet counseled:

Every family should have a budget. Why, we would not think of going one day without a budget in this Church or our businesses. We have to know approximately what we may receive, and we certainly must know what we are going to spend. And one of the successes of the Church would have to be that the Brethren watch these things very carefully, and we do not spend that which we do not have.<sup>38</sup>

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If one of the reasons for the financial success of the Church is that of living within a budget, shouldn't we do the same individually and in our families?

### 3. Avoid debt

We have repeatedly been counseled to **avoid debt** wherever possible. President Monson recently wrote, "We urge you to be modest in your expenditures; discipline yourselves in your purchases to avoid debt. Pay off debt as quickly as you can, and free yourselves from this bondage."<sup>39</sup> The only exception to this counsel is debt for a modest home, for education, and perhaps for modest transportation (if needed). Consumer debt should be avoided like the plague. President Ezra Taft Benson counseled: "The Lord desires his Saints to be free and independent in the critical days ahead. But no man is truly free who is in financial bondage."<sup>40</sup>

If you and your family find yourselves in debt, then be smart about eliminating indebtedness. Stop unnecessary spending. Follow a debt elimination calendar and cut spending wherever possible to make this happen. Think of debt reduction as an investment with the highest possible returns and no risk. Cut up cards and close accounts if they are too great a temptation. And work to pay off all debt, including mortgage and education debt, as you save for your other long-term goals.

### 4. Prepare for emergencies and build a reserve

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A family will have greater peace of mind and will be more insulated from unexpected financial difficulties if they **build a financial reserve** to act as a cushion for rough times. Most financial planners recommend 3 to 6 months' worth of living expenses be set aside in a savings account or money market fund. That money, then, is ready to be used immediately, when truly needed. These emergency funds should be held in reserve for major unexpected needs—lost job, hospital or medical bills, major home or car repairs, travel to a funeral, etc. In addition to a cash reserve, it is important to be prepared in other ways: build up appropriate food storage and assemble 72-hour kits, first aid, and other emergency essentials to prepare against a time of need.

## 5. Save for short- and long-term goals

After a reserve is built, a husband and wife should agree on, and **begin saving** for, short- and long-term goals. Some short-term goals may include the down payment to buy a home, to purchase a newer vehicle, or to buy furniture. It is gratifying to work together and sacrifice as a couple to save for these short-term goals.

Most couples will set the short-term goal to own their own home. It is appropriate to borrow for a modest home, but be cautious. A mortgage is the likely largest financial obligation you will take on, and it will be a burden on your shoulders until the day it is paid. President Gordon B. Hinckley's advice was to "[get a modest home and pay off the mortgage](#),"<sup>41</sup> the same advice he received from his father. Try not to be "house rich and cash poor."

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A long-term goal that most couples have is retirement. A couple should decide together to save for retirement and understand their available options. If your employer offers a matching contribution to a 401k, always contribute enough to get the full match. If your employer does not offer a 401k, then consider investing in an IRA. Until you make a substantial income, it is usually advisable to choose a Roth 401k or Roth IRA rather than the traditional 401k or IRA. When you are young, invest in primarily stock-based, diversified mutual funds consistent with your ability to tolerate risk. Invest for the long term, and don't try to time the market.

## 6. Protect yourself and your family through adequate insurance

Without insurance, major financial setbacks could wipe out decades of savings. **Adequate insurance** that protects major investments provides a family peace of mind. Elder Marvin J. Ashton counseled:

Appropriately involve yourself in an insurance program. It is most important to have sufficient medical, automobile, and homeowners insurance and an adequate life insurance program. Costs associated with illness, accident, and death may be so large that uninsured families can be financially burdened for many years.<sup>42</sup>

Once you have someone who is dependent upon you for income, you have a moral obligation to get life insurance. You should have enough insurance to replace your income for long enough to raise your children

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and for your spouse to be financially self-sufficient. Some financial planners recommend 8-12 times your gross salary. In general, term life insurance is preferable to whole life insurance to obtain this coverage. In addition, be sure to have adequate insurance against other catastrophic losses as your financial stewardship increases. This should include, at a minimum, health, auto, life, and homeowners/renters insurance.

## 7. Open communication about finances

Open, transparent financial **communication** between husband and wife is critical to managing finances effectively. Husband and wife should each communicate about and agree to live within the family budget. Communication plays an important part as the couple works together and agrees upon financial goals. Major purchases require open communication so that each understands and agrees to these important financial decisions. Hide no assets or liabilities from each other.

Regarding open financial communication in marriage, Elder Marvin J. Ashton wrote:

Management of family finances should be full and equal and mutual between a husband and a wife. Control of the money by one spouse as a source of power and authority causes inequality in a marriage and is inappropriate. Conversely, if a marriage partner voluntarily removes himself or herself from family financial management, that is an abdication of necessary

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responsibility.<sup>43</sup>

Since family finance is a sacred stewardship, our communication with God through prayer is critical at every juncture. We have been promised that if we are humble, “the Lord thy God shall lead thee by the hand, and give thee answer to thy prayers.”<sup>44</sup> We also have the promise from Nephi that “the Lord giveth no commandments unto the children of men, save he shall prepare a way for them that they may accomplish the thing which he hath commanded them.”<sup>45</sup> This promise even includes divine help with our finances.

Christ-like attitudes and relationships toward money based on the doctrines and principles discussed above should be developed by all individuals and couples as they come closer to the Savior, work on common individual and family goals, and put their financial lives together as a couple.

## 8. Teach your children and family

It is essential that we **teach our children** to manage money. Teach family members why we want to be financially responsible, specifically the “why’s” and the “what’s.” Teach them to set and achieve goals, and let them see you doing the same. Teach them the principles of financial management and show them how you apply it in your life. Involve them in creating their own budgets and in the family budgets as well, and in saving and sacrificing to achieve individual and family goals consistent with their age and abilities. Teach the principles of hard work, frugality, and saving, and stress the importance of obtaining as much education

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as possible. And teach through your example, the most powerful method and teaching tool available.

## Summary

It is critical to understand the why's, what's, and how's of family finance--the doctrines, principles, and application. We choose with every dollar we spend which perspective we take, either the eternal perspective or the world's materialistic perspective. God has promised He will not give us a commandment unless he prepares a way for us to fulfill it.<sup>58</sup> We know that includes stewardship over our family finances. With this eternal perspective, we can be laying up for ourselves true "treasures in heaven"<sup>59</sup> at the same time we are planning for and supporting our families and careers.

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<sup>3</sup> Matthew 7:25

<sup>9</sup> Moses 1:39.

<sup>10</sup> John 14:6.

<sup>11</sup> D&C 72:3-4.

<sup>16</sup> Gordon B. Hinckley, "The Family: A Proclamation to the World," *Ensign*, Oct. 1995.

<sup>19</sup> Conference Report, Apr. 1935.

<sup>20</sup> Matt 16:26.

<sup>24</sup> Psalms 24:1.

<sup>25</sup> John 1:3.

<sup>26</sup> D&C 93:10.

<sup>27</sup> Moses 7:32.

<sup>28</sup> Mosiah 2:26.

<sup>29</sup> Mosiah 2:21.

<sup>31</sup> D&C 82:3.

<sup>32</sup> Conference Report, Apr. 1950.

<sup>33</sup> D&C 72:3.

<sup>34</sup> Malachi 3:10.

<sup>35</sup> First Presidency letter, 19 Mar. 1970).

<sup>36</sup> D&C 130:21.

<sup>37</sup> Bruce R. McConkie, *Mormon Doctrine*, p. 539.

<sup>38</sup> Spencer W. Kimball, April Conference, 1975, pp. 166-167.

<sup>39</sup> Thomas S. Monson, *Ensign*, 2014

<sup>40</sup> Ezra Taft Benson, "Prepare Ye," *Ensign*, Jan. 1974, p. 69.

<sup>41</sup> "Living Worthy of the Girl You Will Someday Marry," *Ensign*, April 1998.

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<sup>42</sup> Marvin J. Ashton, "Guide to Family Finance," *Liahona*, Apr. 2000, 42.

<sup>43</sup> Marvin J. Ashton, "One for the Money," Intellectual Reserve, 2006, p. 3.

<sup>44</sup> D&C 112:10.

<sup>45</sup> 1 Nephi 3:7.

<sup>58</sup> 1 Nephi 3:7.

<sup>59</sup> Helaman 5:8.