



Cash Flow Management

Presented Feb. 20, 2021 by Jada Beazer

- What's your relationship with money?
- Creating a spending plan vs budget
- Changing your mindset and generating wealth

These are presenter notes that may help you recall what was discussed and what actions you can take.

The FBC Financial Awareness Ministry (FAM) is hosting sessions, as we have done over the past several years to help us all *Become Better Stewards of God's Blessings*. We will hold sessions on the 3rd Saturday of each month from 10-11 AM via Zoom for you, your family, and your friends to attend.

Our first session, led by Jada Beazer, is about Cash Flow Management. We will cover the topics listed and offer ways for you to take action. If you have attended our sessions in the past, you will notice this is not new information but you may be in a different place in life to hear and receive it differently. If nothing else, it will reinforce what you are doing and offer opportunities for you to share this information with others.

Money Management Principles in the Bible

Does God want you to be wealthy?

The Bible contains a wealth (no pun intended) of financial guidance which, if applied, can't help but make you prosperous. Throughout this course, we will share several principles, along with scripture that highlights them, that will grow anyone's net worth.

Many of these will sound like "Money 101" tips. But just because they are basic doesn't mean they don't work. The reason they are so effective is that they are the foundational, biblical tenets for money management.

This slide is to set expectations.

Spend Less than you Earn

In the house of the wise are stores of choice food and oil, but a foolish man devours all he has. Proverbs 21:20 (NIV, 1984)

- *Wise people have plenty left over because they don't spend all they make. On the other hand, fools spend all they get (and maybe even more).*
- Once you have an income, you **MUST** spend less than that income to make financial progress.
- Doing so will give you a surplus that you can save and invest — and thus grow your net worth.
- Conversely, if you spend all your income and then some, your finances are doomed. Whether you're making \$50,000 a year and spending \$51,000 or making \$5,000,000 a year and spending \$5,100,000, you're going backwards financially.
- By **spending less than you earn** you will save money which is a key part of financial success.

Biblical references to what we will be discussing and how it applies in our everyday life.

Spend Less than you Earn

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

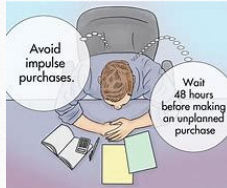
- The ant saves in a time of plenty for a time when there will be lack or need. If we're wise, we'll do the same thing — save now for future expenses that we can be pretty sure will occur (retirement, a home, cars, kids college fund, etc.)
- Save a part of every paycheck you receive. A good rule-of-thumb is to start by saving at least 10% of your income, and from there the amount should increase over time, perhaps 1-2% annually.

Biblical references to what we will be discussing and how it applies in our everyday life (cont).

Conflict with Money



- Unrealistic Goals



- Emotional Use of Money

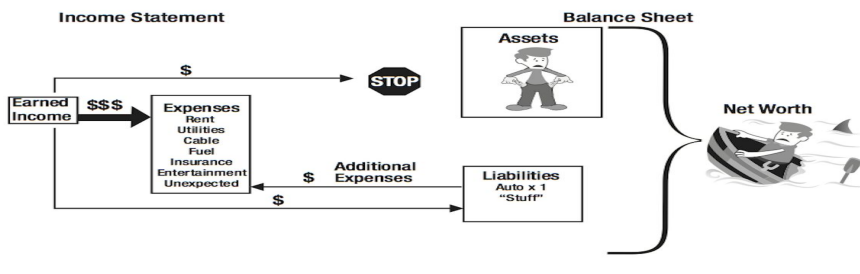


- Lack of Planning

Credit balances up, income down
Paying only minimum required or less
Juggling bills
Charging more than paying each month
Don't know how much you owe & don't want to
Near limits on all cards
Carrying too many cards
Getting phone calls about late bill payments
Using card to buy necessities (food, gas)
Using cards for lack of \$\$
Dipping into savings to pay bills
Hiding true cost of purchases from spouse

Budget

Fig. 1-1 Cash Flow Path of Poor Households



- Set your goal to save for your 8 month emergency fund
- Do not max out credit cards
- Set realistic savings and debt management goals

Monthly Expenses

HOME EXPENSES	PROJECTED	ACTUAL	DIFFERENCE	SAVINGS	PROJECTED	ACTUAL	DIFFERENCE
Mortgage / Rent			\$0.00	Emergency Fund			\$0.00
Electricity	\$0.00		\$0.00	Investment Fund			\$0.00
Gas			\$0.00	Retirement Savings			\$0.00
Water/Sewer/Trash			\$0.00	Travel & Tours Fund			\$0.00
Phone			\$0.00	Others			\$0.00
Cable/Satellite			\$0.00	TOTAL	\$0.00	\$0.00	\$0.00
Internet			\$0.00				
Furnishing			\$0.00	OBLIGATIONS	PROJECTED	ACTUAL	DIFFERENCE
Home Supplies			\$0.00	Loans			\$0.00
Maintenance			\$0.00	Student Loan			\$0.00
Improvement			\$0.00	Credit Card 1			\$0.00
Appliances			\$0.00	Credit Card 2			\$0.00
Others			\$0.00	Alimony/Child Care			\$0.00
TOTAL	\$0.00	\$0.00	\$0.00	Federal Taxes			\$0.00
				Local Taxes			\$0.00
DAILY LIVING	PROJECTED	ACTUAL	DIFFERENCE	Legal Fees			\$0.00
Food			\$0	House Worker's Wages			\$0.00
Groceries			\$0	Life & Disability Insurance			\$0.00
Personal Supplies			\$0	Health Insurance			\$0.00
Clothing			\$0	TOTAL	\$0.00	\$0.00	\$0.00
Cleaning Services			\$0				
Dining Out			\$0	EDUC & ENTERTAINMENT	PROJECTED	ACTUAL	DIFFERENCE
Laundry			\$0	Book & Magazine			\$0.00
Salon/Barber			\$0	Tickets for Shows			\$0.00
Medicines			\$0	Movies			\$0.00

High priorities

Housing related expenses (mortgage/rent, utilities, association fees)

Food

Transportation – (car loans, gas, maintenance)

Insurance

Taxes

Questions to help you decide:

-Which bills are essential to my family's well-being?

-What will I lose if I don't pay this/these bills?

-How much is still owed on the loan? - If not much left, consider paying off ahead of others to get it out of the way.

-What interest rate am I paying? - Pay off higher interest rate loans first?

Multiple Accounts – Track Spending

Main Checking Account

-Regular monthly bills

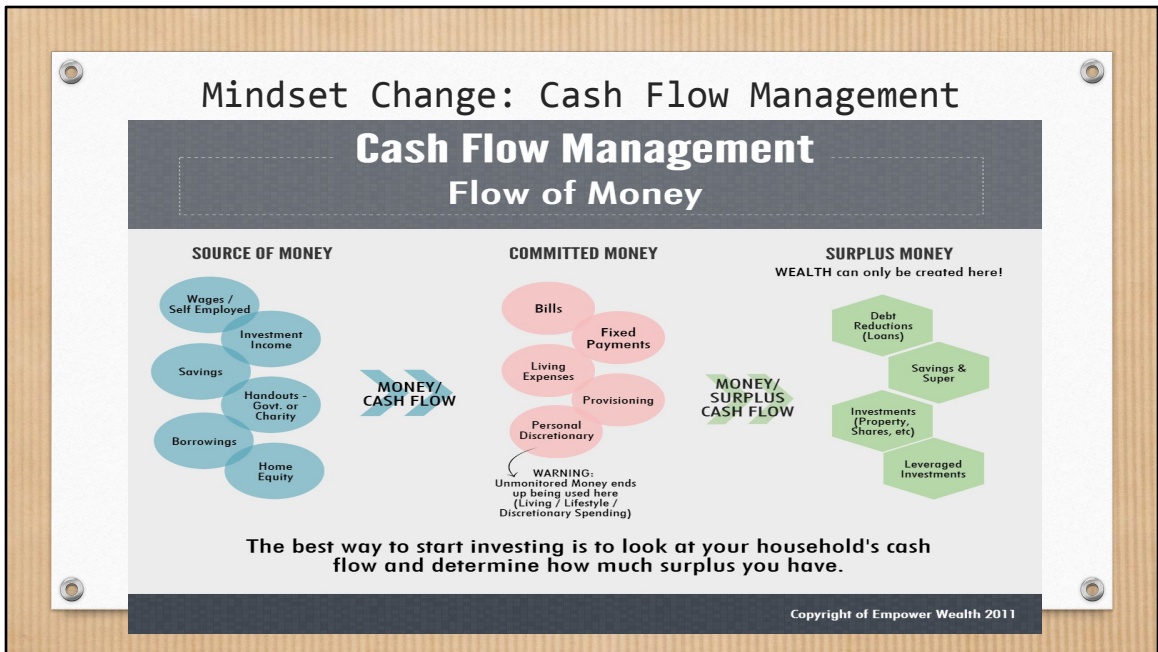
Annual Bills Savings Account

-Monthly money you save to pay bills when they are due

Mortgage Account

Regular Saving Account

- 8 Month Reserve



Educate yourself

Look at the “Big Picture”

Find the method that is right for you

Make a plan, and stick to it

Net Worth gives us an indication of our ability to survive a long-term economic downturn. It is not a measure of your worth as a person!

- Assets, or things that you own are listed at their market value – the money you would get if you sold the item – not at which you purchased the item
- Liabilities, or things that you owe for past consumption, are important because they are a drain on your finances now. Money spent paying off credit cards, mortgages, auto loans and other loans leave you less to spend on today’s needs. Some liabilities are “good” liabilities, but most are “bad” liabilities.

Money problems stem primarily from cash flow problems.

Cash flow is basically a measure of money coming in and going out over a given period of time, such as a month. If your cash flow is positive, your income exceeds your expenses. If it is negative, you are spending more money than is coming in, and

that translates into adding to your debt.

Current Debt – Is based on a declining balance

Consolidated Debt – Is based on extending your payments to get a lower monthly bill

Accelerated Debt – Is based on consistently paying the same amount each month

Ways to manage your cash flow (choose what works for you):

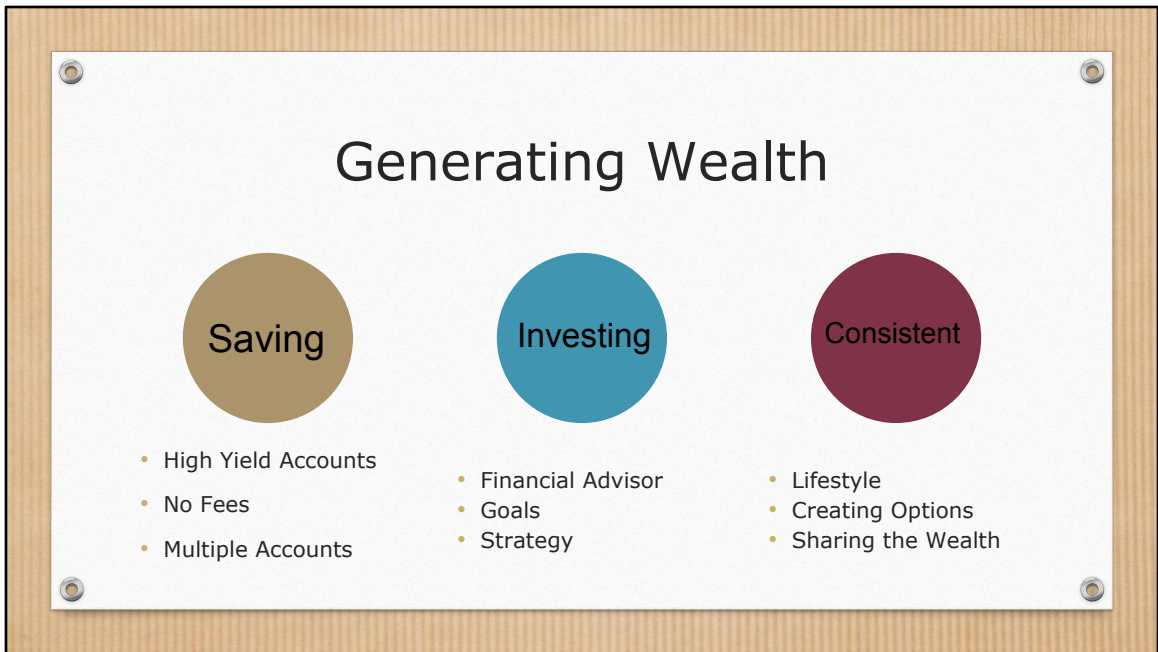
- Snowball Method
- Envelope Method
- Separate Bank Accounts Method
- Reward Card – Let your money work for you
- Mint Method
- Pick up the phone
- Just Say No....

When can you stop taking annual increase and make it work for you?

Did you know about the max social security contribution for high earning contributors? – Stop paying into SS in 2021 \$142,800 (increase by \$5,100 in 2020)

What are you really doing with those tax refunds?

Are you not taking a vacation this year? -- save this money



Savings:

Best rate on your savings account. Allow your money to work for you
 Multiple Accounts (Monthly Bills, Emergency Fund, Travel, Annual Bills)

Investing:

- 401K (max contribution of company matching)
- 40 years old 2 times annual salary
- 50 years old 3 times annual salary
- \$19,500 Max Contribution
- \$6,500 Contribution 50 and up “catch-up”

Roth IRA

- \$6,000 annual limit
- 50 and older \$7,000 annual limit
- Modified Adjusted Gross Income (MAGI)
- \$140,000 max salary single person
- \$208,000 max salary married filing joint

Roth IRA “Loophole” for People who don’t qualify for a Roth

- Lump sum payment into Traditional IRA
- Converts money into Roth Account (No MAGI threshold with converting money)
- Works best if you don’t have a traditional IRA already. Then you don’t have to deal with a tax issue

Consistent:

Short Term Goals

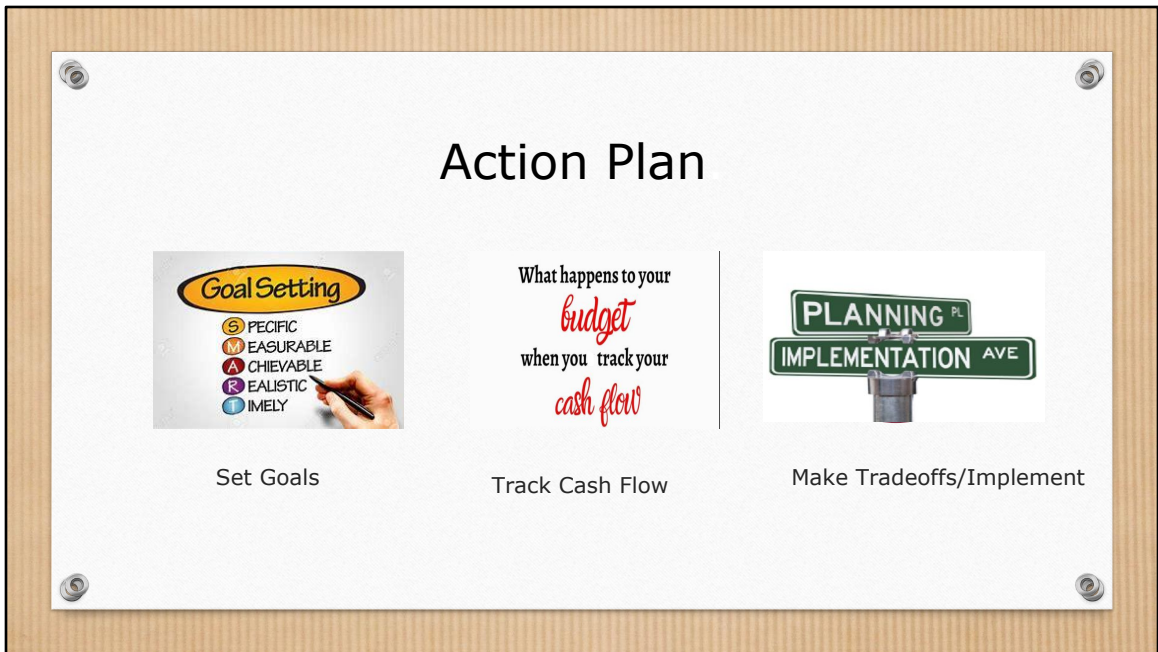
Mid Term Goals

Long Term Goals

Create a strategy look at the “big picture”

Sharing the Wealth

- Generation Wealth for your kids
- Share the knowledge with friends and family
- Creating multiple options for you in retirement



Set Goals – Goals provide a direction for us to take and are based on our values – what we want out of our lives

Example: Wipe out \$5,000 in credit card debts in 32 months.

Plan Spending – Income from all sources, expenses based upon past experience – include fixed, flexible and periodic expenses

Make Tradeoffs – Distinguish between needs and wants – can't have everything we want or sometimes even need – consider alternative approaches to increasing income or reducing expenses – make tradeoffs based upon priorities and values to spend within means

Implement Plan – Get financial records in order – impose financial discipline on yourself and family – talk to your creditors with a plan – put your plan into action and stick to it!



We covered ALOT of information quickly. We usually do this in a 90 minute session. :) Our goal is to introduce the concepts so you can "Take 2 and Do." We are available for questions, clarification and assistance as needed.

A few questions that came up:

1. Where should I start with tracking my spending; what software? Whatever you are most comfortable with - Excel, Mint, Quicken or pen/paper. Just start somewhere.
2. How many bank accounts should I have? Can they be at the same bank? You should have at least 2 banks so the saving and Annual Bill funds are not co-mingled. We recommend 4 accounts: House Bills, Daily Living/Spending, Savings, Annual Bill. You and your significant other may each have a "Personal SPending" account/amount where you take a portion Daily Living/Spending to use as you want.
3. One person handles the finances in our household. This is fine for ONE person to handle bill paying, reconciliation, etc. But BOTH of you need to set up the plan and discuss the status to reach you common financial goals. We recommend couples meet weekly to discuss their finances - how did you do last week, what is coming up this week/ in 2 weeks/ next 30, 60, 90 days. NOTE: It may take a while to get in a good rhythm and it may be challenging at first, but it is very important.