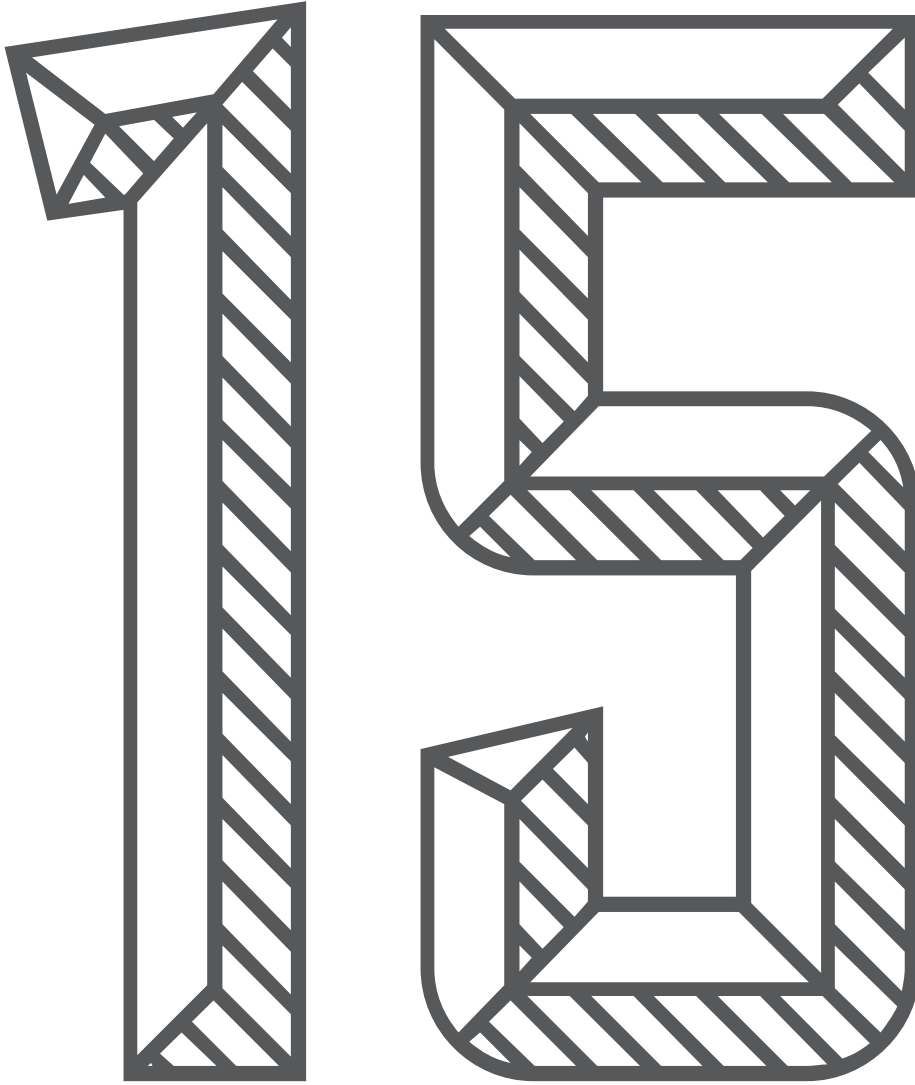


S E S S I O N



***LIFESTYLES OF THE  
RICH AND FAMOUS***

# CAR FACTS

• **Average price of a new car?**

<sup>(140)</sup> \_\_\_\_\_  
According to Kelley Blue Book (kbb.com)

• **Percentage of loans greater than 48 months?**

<sup>(141)</sup> \_\_\_\_\_  
According to Experian Automotive

• **Percentage of loans greater than 72 months?**

<sup>(142)</sup> \_\_\_\_\_  
According to J.D. Power and Associates

• **Average vehicle age?**

<sup>(143)</sup> \_\_\_\_\_  
According to Kelley Blue Book

People today are demanding pricier cars with more options and lower payments. In other words, we want it all! Yet that comes at a significant price. The table below compares the total cost of this average car over the life of varying loan periods.



<b>Loan Amount</b>	\$31,200	\$31,200	\$31,200	\$31,200
<b>APR</b>	3.00%	3.00%	3.00%	3.00%
<b># Payments</b>	48	60	72	96
<b>Monthly Payment</b>	\$690.59	\$560.62	\$474.04	\$365.96
<b>Total Cost</b>	\$33,148	\$33,637	\$34,131	\$35,132
<b>Total Interest</b>	\$1,948	\$2,437	\$2,931	\$3,932
<b>Cost Increase</b>	6.2%	7.8%	9.4%	12.6%

## 20/4/10 RULE

- **20% Down Payment**
- **4 Year Term (or less)**
- **Payments limited to <= 10% of Gross Income**

<b>Loan Amount</b>	\$24,960
<b>APR</b>	3.00%
<b># Payments</b>	48
<b>Monthly Payment</b>	\$552.47
<b>Total Cost</b>	\$32,759
<b>Total Interest</b>	\$1,559
<b>Cost Increase</b>	5.0%

# THE NO PAYMENT PLAN!

	1 <sup>ST</sup> CAR	2 <sup>ND</sup> CAR	3 <sup>RD</sup> CAR	4 <sup>TH</sup> CAR	5 <sup>TH</sup> CAR
Cash Price	\$10,000	\$19,394	\$28,003	\$41,922	\$41,922
Yrs Driven	5	7	10	10	10
Monthly Savings*	\$300	\$300	\$300	\$300	\$300
Savings Rate	3.00%	3.00%	3.00%	3.00%	3.00%
Total Savings	\$19,394	\$28,003	\$41,922	\$41,922	\$41,922

## KEY ADVANTAGES:

- **You NEVER require debt!**
- **You NEVER have to shop for a loan!**
- **You NEVER go upside down on a car loan**
- **You NEVER lose sleep over debt payments!**
- **If you experience a financial emergency, you have cash available to meet the need**
- **You ALWAYS have options**
- **You ALWAYS have a “FIXED” car cost (\$300 per month) for the rest of your life**
- **You ALWAYS look forward to a better car in the future**

While the 20-4-10 rule is better than today’s norm of extending the length of car loans, paying cash and consistently saving for the next car is far superior financially, emotionally, and spiritually. Remember this warning and don’t be a slave to car debt ever again!

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

NOTE: Google ‘car loan payment calculators’ for helpful tools

## TIPS FOR BUYING NEW

- *Don't consider buying a new car unless you plan to drive it for as many as 10 years. As soon as you drive the car off the lot, it will lose as much as 20% of its resale value.*
- *Don't think in terms of how much you can afford each month. Rather think in terms of the total cost of the purchase and the cash available.*
- *Don't look at any car until you have a budget established. It's our human nature to set our heart on a choice and then find ways to legitimize that choice. Dealers will try hard to upsell you and they are very good at their craft. Know your limits in advance and don't violate them.*
- *Don't <sup>(144)</sup> \_\_\_\_\_ a car. The total effective interest rate for leasing is approximately <sup>(145)</sup> \_\_\_\_\_.*
- *Don't fall prey to the lure of 0% financing if you don't need a new car. Even at 0%, a new car you don't need is a bad decision.*
- *Don't try to justify a new car purchase because of gas prices or maintenance costs. In 9 times out of 10, the most economical car to drive is the one <sup>(146)</sup> \_\_\_\_\_ sitting in your driveway.*
- *Don't cosign for a car loan for anyone!*

## TIPS FOR BUYING USED

- *Examine the car using an inspection checklist. You can find checklists in magazines, books, and on websites that deal with used cars.*
- *Test drive the car under various road conditions, including hills, highways, and stop-and-go traffic.*
- *Use services such as CarFax. While these services aren't fool proof, they do provide added protection against unknowingly buying a lemon.*
- *Hire a trusted mechanic to conduct a thorough inspection. You can expect to pay up to \$150 for this service, but it will give you peace of mind as well as negotiating power with the owner. An inspection is a good idea even if the car has been "certified" and inspected by the dealer and is being sold with a warranty or service contract.*
- *Research the frequency of repair and maintenance costs on the selected model in auto-related consumer magazines and/or Consumer Reports. The U.S. Department of Transportation's Vehicle Safety Hotline (1-888-327-4236) and website provides information on recalls.*
- *Inquire about a Warranty, and make sure you thoroughly read all printed material.*
- *Don't cosign for a car loan for anyone!*

For additional advice on car buying, search reputable sources on the internet, ask for recommendations from trusted advisors, and *Don't Gamble on Presumption.*

# HOME BUYING WISDOM

1. Don't buy if you can't stay put.
2. Run the numbers & don't shop until you run the numbers.
3. Save 20 percent for a down payment.
4. Don't fall victim to the home-mortgage deduction myth!
5. Google "rent vs. buy" calculators for great tools.
6. Be an informed buyer.
7. Start by strengthening your credit.
8. Get pre-approved for a mortgage.
9. Find a knowledgeable and trustworthy agent.
10. Learn D.I.Y. skills - built sweat equity!

## MORTGAGE COSTS (sample)

	40-Year Fixed	30-Year Fixed	15-Year Fixed
<b>Loan Amount</b>	\$400,000	\$400,000	\$400,000
<b>APR</b>	5.00%	4.50%	3.50%
<b># Payments</b>	480	360	180
<b>Monthly Payment</b>	\$1,928.79	\$2,026.74	\$2,859.53
<b>Total Cost</b>	\$925,817	\$729,627	\$514,715
<b>Total Interest</b>	\$525,817	\$329,627	\$114,715



### *Advantages of Owning*

- Build equity (slowly)
- Make improvements
- Integrate into community
- Can't be displaced

### *Advantages of Renting*

- Lower monthly costs (usually)
- Not responsible for maintenance, HOA fees
- Save on interest costs
- Flexibility – move at will

# STUDENT LOAN DEBT

1. *Student Loan debt stifles* <sup>(147)</sup> \_\_\_\_\_ *choices (over 50% delay car purchases)*
2. *Student Loan debt impacts* <sup>(148)</sup> \_\_\_\_\_ *choices (over 40% delay home purchases)*
3. *Student Loan debt inhibits new* <sup>(149)</sup> \_\_\_\_\_ *(over 20% delay starting business)*
4. *Student Loan debt delays* <sup>(150)</sup> \_\_\_\_\_ *and families*

## BIBLICAL WISDOM

*For which of you, intending to build a tower, does not sit down first and count the cost, whether he has enough to finish it — lest, after he has laid the foundation, and is not able to finish, all who see it begin to mock him, saying, 'This man began to build and was not able to finish.'* - **Luke 14:28-30**

## AVOIDING THE PRESUMPTION

If you buy more house than you can comfortably afford, you will almost certainly come to regret that decision. It's tempting to think you might be the exception – that it's all going to work out – your income will be steady, your family situation remains stable, the economy will be strong, you won't suffer a health issue, etc. But that's presuming about the future, and the gamble is not worth it.

Can you afford to buy a home without violating the principle? Yes, if you are willing to be patient, disciplined to save a big down payment, and content with less house than many of your peers. Don't allow a realtor, mortgage broker, or "friend" talk you into something that saddles you with more debt than you can manage.

# PRACTICE SIX

**Start** <sup>(151)</sup> \_\_\_\_\_

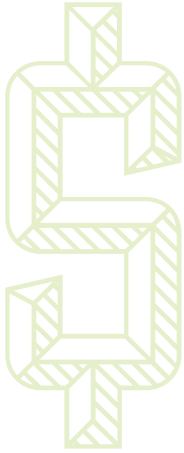
### **FIND RELIABLE COUNSEL**

- *Not someone who will simply say "yes"*
- *Ask lots of questions & listen*

### **TAKE PLENTY OF TIME**

- *No good decision is forced*
- *No good decision is hurried*
- *No good decision is automatic*

## SESSION 15 SUMMARY



Car and home buying mistakes are the single biggest cause of personal financial distress. When we violate the principle 'Don't Gamble on Presumption', we put our finances under pressure hoping nothing unexpected happens to upset our carefully laid plans. But that's unrealistic. Life is filled with surprises – hoping for nothing but good surprises is a child's fantasy.

Before you run out and make a mistake that is nearly impossible to fix, **START SMART.**

1. How should you change your decision making process in view of the principle, "Don't Gamble on Presumption"?

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2. How can a house or car purchase become the largest contributing factor to our financial success or failure?

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### GOD'S ENCOURAGEMENT FOR COUNSEL

*Where there is no counsel, the people fall; but in the multitude of counselors there is safety. - Proverbs 11:14*

- To avoid costly decisions, seek counsel
- To avoid costly decisions, use sound advice
- To avoid costly decisions, evaluate the message, not the messenger

*Likewise you younger people, submit yourselves to your elders. Yes, all of you be submissive to one another, and be clothed with humility, for "God resists the proud, but gives grace to the humble." - 1 Peter 5:5*

- To avoid costly decisions, embrace humility
- To avoid costly decisions, create a plan
- To avoid costly decisions, **SUBMIT**

### PRAY WITH HUMILITY

*Father, transform my thinking to agree with You.*

*Lord Jesus, thank You for demonstrating how to submit to the Father in every situation.*

*Holy Spirit, I recognize the pride in me that believes I know best, and I repent. I recognize the pride in me that seeks to elevate my thoughts, my desires, even myself above You, and I repent. By an act of my will, I ask You to lead me to wise counsel, and I ask for a spirit of humility to submit to Your voice speaking through wise counsel.*

*In Jesus' Name.*