



DEBT REPAYMENT PLANNING

A BIBLICAL PERSPECTIVE

*“The rich rule over the poor and the borrower is slave to the lender.”
Proverbs 22:7*

The total amount of personal debt in the UK currently stands at over £1.6 trillion, more than £30,000 per adult over the whole country. Debt has become accepted and regarded as the norm and we have largely become a materialist culture, often seeking instant gratification and succumbing to the world's temptations. As demonstrated by the credit crunch of 2007 and the proceeding recession, debt can have a devastating effect on lives, impacting the health of individuals and tearing families apart. Many now look in the wrong places for the answers, without wisdom or guidance, relying on man's economy.

The Bible does not state that debt is a sin, but it does give warnings about being in debt and provides guidelines and instructions so that we may be wise in our ways and the decisions we make. We are taught that living on credit and not repaying what is owed is the characteristic of 'the wicked' and one should be cautious when presuming we will earn enough in the future to pay off debt. We are also taught to focus on God in times of hardship, to have patience and confidence that such times will pass.

We should also consider how being in debt affects our relationship with God. Can we truly be spiritually free if we are financially bound? Can we truly focus on Him if we are distracted by the material pleasures of this world?

God is not just concerned about the debt but the symptoms that have caused the debt in the first place. This may be through circumstance, lack of self-worth, lack of self-control or greed, lack of understanding, poor planning or not trusting in God. We would encourage those in debt to seek counsel in order to deal with the root cause.

Although the Bible does not promise that He will fulfil our carnal desires or provide the luxuries of this world or riches, it does state that we will be provided with our daily bread if we put our trust in Him.

DEBT REPAYMENT PLANNING - INTRODUCTION

Background

- Total UK personal debt stood at £1.661 trillion in Q3 of 2019.
- Borrowing (public sector net borrowing excluding public sector banks) in May 2019 was £5.1 billion, £1.0 billion more than in May 2018
- Excluding mortgages, the amounts owed by British households stood at a combined £297bn in the third quarter of 2019 - equivalent to £10,711 per home.
- UK banks and building societies wrote off £2.76 billion of loans to individuals by the end of 2018. This amount is a £490 million increase from the year before.
- Unsecured borrowing is continually increasing, often for items that are not necessary and/or a lifestyle that is unrealistic
- Lending has been irresponsible, especially leading up to the credit crunch
- Credit is too easily available
- Individuals are after immediate gratification as opposed to saving for an item over time. The latter teaches us patience and we would probably, and perhaps ironically, appreciate the item more once purchased. Alternatively we may realise whilst saving that we do not actually need or want the item in question!
- Debt can be used as a quick fix or early exit to a problem. This leaves open the possibility that the root issue is not fully addressed or that all the lessons are not learned and the problem may repeat itself
- Repayment should be priority over seeking a higher standard of living
- Relying on debt does not send the right message to our children

The Bible teaches us to focus on God and to put on His whole armour. That we should prayerfully seek His counsel and allow his word to help you overcome.

To avoid and/or repay debt requires a disciplined approach to your finances and a budget managed with an awareness of your current financial situation at all times. One also needs to be as prepared as possible for future events, both positive (child starting school) and negative (an appropriate emergency fund) as these can change your situation in an instant.

Not all debt is bad

Of course, in many cases debt is unavoidable and necessary, with a mortgage being the obvious example or alternatively, when investing in a business or training for a career. The Bible is not clear in this area, but debt should be deemed acceptable if the following five criteria are met:

- There is an agreement to repay the debt within a reasonable timeframe
- The item purchased is an asset with the potential to appreciate or produce income
- The value of item is equal to or greater than the amount owed against it
- The debt is not so high that the repayment puts undue strain on expenditure
- The debt does not give rise to sleepless nights (anxiety)

Student debt

Again this is often unavoidable and is generally faced by both the student and the parents. With careful planning in advance of your children going to university, a large proportion of these costs can often be provided for but if debt is incurred it is important that your child / children take a mature attitude towards the debt. They should structure a realistic budget and stick to it, and actively work at minimising their debts. Through doing this, they will learn valuable lessons from the whole experience which they can then apply to the rest of their lives.

Guidance from the Bible

Debt

- The rich rule over the poor and the borrower is slave to the lender.
Proverbs 22:7

- You were bought at a price; do not become slaves of men.
1 Corinthians 7:23

Love of Money

- Whoever loves money never has money enough; whoever loves wealth is never satisfied with his income. This too is meaningless.
Ecclesiastes 5:10

Guaranteeing the debt of others

- A man lacking in judgment strikes hands in pledge and puts up security for his neighbour.
Proverbs 17:18

Being Content with what you have

- But godliness with contentment is great gain.
1 Timothy 6:6

Repay debt and Give generously

- The wicked borrow and do not repay, but the righteous give generously.
Psalms 37:21
- Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellowman has fulfilled the law.
Romans 13:8

Give generously

- Do not withhold good from those who deserve it, when it is in your power to act. Do not say to your neighbour, "Come back later; I'll give it tomorrow"- when you now have it with you.
Proverbs 3:27-28

DEBT REPAYMENT

The Objective

To structure and repay your existing debts as efficiently as possible and in a timely manner.

To avoid accruing additional unnecessary debt, in particular high interest bearing debt.

This will then release you to fulfill other goals for your life and fulfill God's plan for your life.

The Key Steps to This Process

1. Pray. Take the time to focus on God, communicate with him and give ownership of the debt to him. Then listen for his guidance in *all* matters
2. Stop Borrowing. If you are using credit cards, stick to the following four rules:
 - Never use them for anything other than budgeted purchases.
 - Pay them off every month.
 - The first month you cannot pay the account, think through whether to destroy the card and never use it again.
 - Just because you can afford something, you don't necessarily need it.
3. Record Expenditure. For the next 3-6 months record all of your income and expenditure and note what you spend your money on. We can provide you with a tool to do this.
4. Prepare a Budget using the information that you have gleaned from the above and decide what is necessary and what is not moving forwards and stick to it! The aim of this is to avoid accruing any further debt and to reduce your expenditure, thus freeing up funds to invest towards your goal. Manage your debt with a top down approach. Manage your new Budget and spend within the set limits asking Gods help to achieve this.
5. List what you own. It may be more efficient, for example, to use an existing investment to reduce your debt / mortgage than to retain it
6. Establish a debt repayment plan. If you are unable to do this then seek specialist counsel and advice from the recommended organisations (see debt glossary).
7. Earn Additional Income. This will often not be possible or necessary, but, for example, it could be used to avoid future debt e.g. school fees, with a spouse who is not working taking up a part time job to provide additional funds for saving towards this goal.
8. Be content with what you have.
9. Consider a change in lifestyle if your expenditure exceeds your incomings.
10. Keep praying and seeking God for his guidance and help.

Trinity's Role

The role of Trinity Wealth Management is to point you in the right direction or if appropriate to help you through the above process step by step, putting together a Financial Plan for you to achieve the following:

- Pay off your existing debt(s) as efficiently as possible in a timely manner, whilst also incorporating your other goals into the plan.
- Help you to avoid (additional) debt in the future by planning for future events, whilst also ensuring that you have sufficient provisions available for unforeseen circumstances.

Having a Financial Plan in place will help you to know exactly where you are, exactly what you are aiming for and how you are going to get there, which will in turn help you to remove any fears that you may have and bring you peace of mind.

WHAT THE BIBLE SAYS

Scriptural Insights on Debt Repayment

- “The rich rule over the poor and the borrower is slave to the lender.”
Proverbs 22:7
- “Now listen, you who say, “Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money.”¹⁴ Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes.¹⁵ Instead, you ought to say, “If it is the Lord’s will, we will live and do this or that.”
James 4:13-15
- “A man lacking in judgment strikes hands in pledge and puts up security for his neighbour.”
Proverbs 17:18
- “Do not love the world or anything in the world. If anyone loves the world, the love of the Father is not in him. For everything in the world—the cravings of sinful man, the lust of his eyes and the boasting of what he has and does—comes not from the Father but from the world. The world and its desires pass away, but the man who does the will of God lives forever.”
1 John 2:15-17
- “People who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge men into ruin and destruction. For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs.”
1 Timothy 6:9-10

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- “The wife of a man from the company of the prophets cried out to Elisha, “Your servant my husband is dead, and you know that he revered the LORD. But now his creditor is coming to take my two boys as his slaves.”
2 Kings 4:1
 - “You were bought at a price; do not become slaves of men.”
1 Corinthians 7:23
 - “Whoever loves money never has money enough; whoever loves wealth is never satisfied with his income. This too is meaningless.”
Ecclesiastes 5:10
 - “But godliness with contentment is great gain.”
1 Timothy 6:6
 - “The wicked borrow and do not repay, but the righteous give generously.”
Psalms 37:21
 - “Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellowman has fulfilled the law.”
Romans 13:8
 - “Give me neither poverty nor riches, but give me only my daily bread. Otherwise, I may have too much and disown you and say, ‘Who is the LORD?’ Or I may become poor and steal and so dishonour the name of my God.”
Proverbs 30:8-9
 - “Consider it pure joy, my brothers, whenever you face trials of many kinds, because you know that the testing of your faith develops perseverance.”
James 1:2-3
 - “Put on the full armour of God so that you can take your stand against the devil’s schemes. ¹² For our struggle is not against flesh and blood, but against the rulers, against the authorities, against the powers of this dark world and against the spiritual forces of evil in the heavenly realms. ¹³ Therefore put on the full armour of God, so that when the day of evil comes, you may be able to stand your ground, and after you have done everything, to stand.”
Ephesians 6:11-13
 - “But seek first his kingdom and his righteousness, and all these things will be given to you as well.”
Matthew 6:33
 - “Trust in the LORD with all your heart and lean not on your own understanding; in all your ways acknowledge him, and he will make your paths straight.”
Proverbs 3:5-6

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- “So I will come near to you for judgment. I will be quick to testify against... against those who defraud labourers of their wages.”
Malachi 3:5
 - “When you make a vow to God, do not delay in fulfilling it. He has no pleasure in fools; fulfil your vow. It is better not to vow than to make a vow and not fulfil it.”
Ecclesiastes 5:4-5
 - “Do not withhold good from those who deserve it, when it is in your power to act. Do not say to your neighbour, “Come back later; I’ll give it tomorrow”- when you now have it with you.”
Proverbs 3:27-28