



BEYOND THE TITHE

Practical Lessons on Personal Finance

1

SESSION 5

TRADING THE TALENTS

Principles on Investing

2

Saving the Crumbs

SAVINGTHECRUMBS.COM

3

You ought to have **invested my money** with the bankers, and at my coming I should have received what was my own **with interest**.

—Matthew 25:27

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The followers of Christ are not to despise wealth; they are to look upon wealth as the Lord's entrusted talent. By a wise use of His gifts, they may be eternally benefited, but we are to bear the fact in mind that God has not given us riches to use just as we shall fancy, to indulge impulse, to bestow or withhold as we shall please.

—Counsels on Stewardship, 113.1

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PRINCIPLES ON INVESTING

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I. INVESTING IS FOR DEFINED
FUTURE NEEDS, NOT FOR
HOARDING.

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Hoarded wealth is not merely useless, it is a curse. In this life it is a snare to the soul, drawing the affections away from the heavenly treasure. In the great day of God its witness to unused talents and neglected opportunities will condemn its possessor.

—Christ's Object Lessons, 352.1

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Had you and your wife understood it to be a **duty** that God enjoined upon you, to deny your taste and your desires, and **make provision for the future**, instead of living merely for the present, you could now have had a competency, and your family have had the comforts of life.

—Counsels on Stewardship, 250.2

THAT'S THE PURPOSE OF A
SAVINGS PLAN!

2. EVERYTHING EXTRA SHOULD FLOW INTO GOD'S TREASURY

The best investment is in the bank of heaven

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Brethren, awake from your life of selfishness, and act like consistent Christians. The Lord requires you to economize your means and **let every dollar not needed for your comfort flow into the treasury.**

—Testimonies for the Church, Vol. 5, 156.1

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3. TAKE ADVANTAGE OF THE POWER OF COMPOUND INTEREST BY MAKING TIME YOUR ALLY

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THRIFTY TIFFANY & SPENDY SALLY



- Saves \$2000/year from age 20-30.
- Invests at 8% rate of return.
- **Invested \$20,000 over 10 years.**

- Saves \$2000/year from age 30-65.
- Invests at 8% rate of return.
- **Invested \$70,000 over 35 years.**

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TIFFANY & SALLY AT 65



Invested \$20,000 over 10 years.

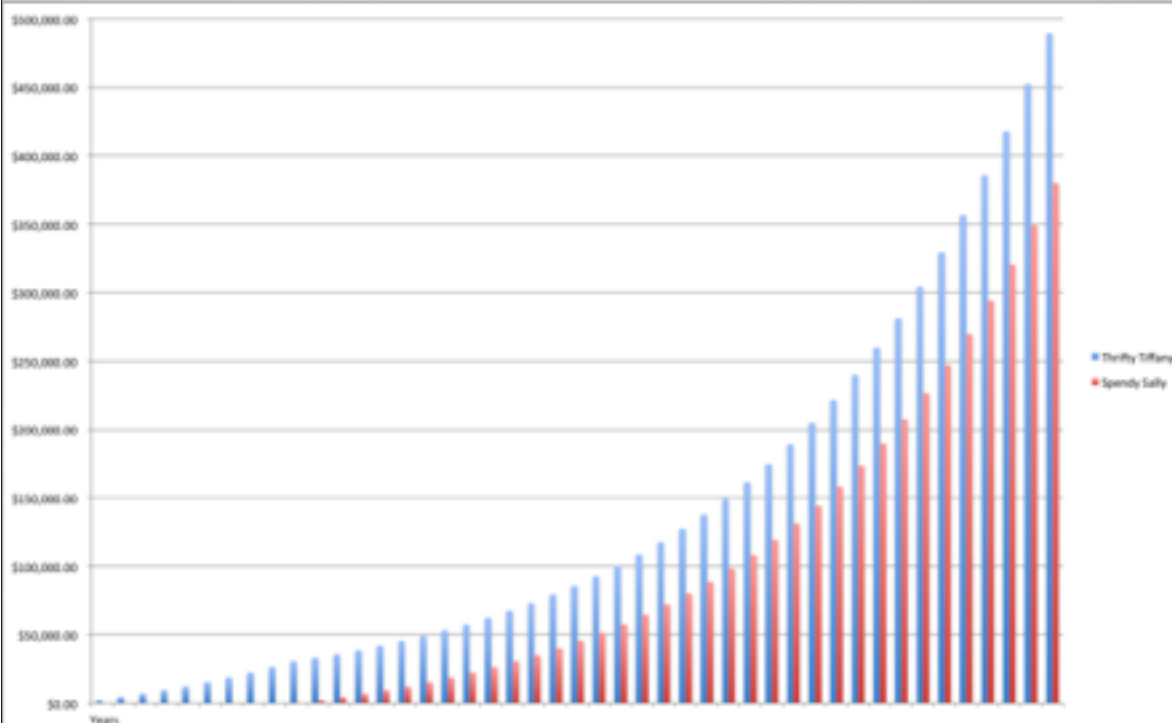
Final: \$500,000

Invested \$70,000 over 35 years.

Final: \$380,000

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HOW CAN THIS BE?



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LIFEHACK FOR STUDENTS

- Once graduated or after student loans are paid off, live on 40% of earnings and invest the other 60%. Assuming 8% returns, in 10 years, the amount you've invested will be enough to cover your annual living expenses.
- **Example:** If you earn \$50,000, live on \$20,000 and invest \$30,000 each year for 10 years at 8%. In 10 years, you would have right around \$500,000. Using the 4% safe withdrawal rate, your investment will net you \$20,000 each year—equivalent to your yearly expenses.
- You could theoretically “retire”!

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LIFEHACK FOR COUPLES

- The just one year after you get married, if you live on just one income and invest the second plus all cash wedding gifts, you may be done saving for retirement completely.
- **Example:** You get married at 25, and both spouses work. One income plus all of the wedding cash gifts from the wedding equal **\$50,000**. If invested at 8%, in 40 years when you turn 65, that \$50k has turned into **almost \$1.2 million**.
- This will yield **\$48,000/year** retirement income.

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“The best time to plant a tree was 20 years ago. The second best time is now.”

—Chinese Proverb

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4. INVESTMENTS SHOULD
NOT TAKE MUCH OF YOUR
TIME.

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VALUE YOUR TIME

- Your money should be working for you, not you working some more for your money.
- It shouldn't be another job.

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5. NEVER INVEST IN
SOMETHING YOU DON'T
UNDERSTAND.

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DO YOU UNDERSTAND?

- How does it make money?
- How can it lose money?
- What are the costs?
- What are the rules/regulations?
- Hot stock tip?
- An investing fad?
- Too-good-to-be-true business opportunity?
- Ponzi scheme?

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6. DON'T TRY TO GET RICH QUICK. DON'T BE GREEDY. DON'T SPECULATE.

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Wealth gained hastily will dwindle,
but whoever gathers little by little will
increase it.

—Proverbs 13:11 ESV

A faithful man will abound with blessings,
but **whoever hastens to be rich will not go
unpunished.**

—Proverbs 28:20 ESV

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TULIPMANIA!

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SPECULATING VS. INVESTING

Speculating	Investing
Hoping for quick riches	Patient and steady for the long-term
Motive is to get rich	Motive is to meet needs
Based on arbitrary price movement	Based on expected productivity of asset
"What is the price?"	"What is the value?"

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7. BALANCE RISK AND RETURNS

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RISK & RETURNS

- **Returns:** What you earn on your investment. (Interest, dividends, capital gains, etc.)
- **Risk:** The possibility of losing money on your investment. (Market crash, loan default, etc.)
- All investments have risk.
- Higher returns correspond with higher risk. (But higher risk doesn't always mean higher returns.)

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INFLATION & LONG-TERM RISK

- "Low-risk" accounts are guaranteed (FDIC), but have returns that lag inflation.
- Inflation has been 3-4% historically for the past century.
- Investments that lag this figure actually is losing purchasing power in the long-term.
- **Example:** It takes \$18.48 in 2015 to buy what cost \$10 in 1990.

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VOLATILITY & SHORT-TERM RISK

- “High return” investments that beat inflation in the long-term have short-term risk in the form of volatility.
- Volatility is the up and down price movement.
- The S&P 500 stock market index has returned 8-9% annualized during the past century. (Factor in inflation, real returns are between 4-6%.) But it’s a bumpy ride up.
- **Example:** \$10 invested in 1990 can be worth \$44 in 2015, but may have dipped down to \$5 or less along the way.

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LONG-TERM VS. SHORT-TERM RISK

- | | |
|---|--|
| <ul style="list-style-type: none">• Savings Account.<ul style="list-style-type: none">• In a week: FDIC-insured not to lose money. (Good short-term risk)• In a decade: Very likely to lag inflation. (Poor long-term returns) | <ul style="list-style-type: none">• Stock Market.<ul style="list-style-type: none">• In a week: Potentially can crash. (Poor short-term risk)• In a decade: Very likely to exceed inflation. (Good long-term returns) |
|---|--|

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PICK YOUR RISK

	Short Term	Long Term
Low Risk	<ul style="list-style-type: none"> • Insured Accounts • US Treasury Bonds • Money Market Funds 	<ul style="list-style-type: none"> • Stock Market • Real Estate • Land
High Risk	<ul style="list-style-type: none"> • Stock Market • Real Estate • Land 	<ul style="list-style-type: none"> • Insured Accounts • US Treasury Bonds • Money Market Funds

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SAVE FOR THE SHORT TERM
INVEST FOR THE LONG TERM

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8. DIVERSIFY

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Give a portion to seven, or even to eight,
for you know not what disaster may happen on
earth.

—Ecclesiastes 11:2 ESV

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Don't put all your eggs in one basket.

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9. BE MINDFUL OF COSTS AND TAXES

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COSTS CAN COMPOUND

- Compounding costs (annual expenses and taxes) will negate compound interest and higher returns.
- Beware of high broker fees and hidden transaction charges.
- Use tax-sheltered accounts.

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TAX-SHELTERED ACCOUNTS

Retirement	College	Health
401k/403b	529	HSA (Health Savings Account)
IRA/Roth IRA	ESA (Education Savings Account)	

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10. STAY THE COURSE, BUT
HAVE AN EXIT STRATEGY

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EMOTIONS & INVESTING

- Don't invest based on emotions or fads.
- Ignore the noise. Sometimes less info is better.
- Be regular, be systematic, be in it for the long haul.
- Keep saving!

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INVESTMENT EXIT STRATEGY

- Houses and lands will be of no use to the saints in the time of trouble, for they will then have to flee before infuriated mobs, and at that time their possessions cannot be disposed of to advance the cause of present truth. I was shown that **it is the will of God that the saints should cut loose from every encumbrance before the time of trouble comes**, and make a covenant with God through sacrifice. **If they have their property on the altar, and earnestly inquire of God for duty, He will teach them when to dispose of these things.** Then they will be free in the time of trouble, and have no clogs to weigh them down. [CS 59.4]

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INVESTMENT EXIT STRATEGY

- I saw that if any held on to their property, and **did not inquire of the Lord as to their duty**, He would not make duty known, and they would be permitted to keep their property, and in the time of trouble it would come up before them like a mountain to crush them, and **they would try to dispose of it, but would not be able**. I heard some mourn like this: "The cause was languishing, God's people were starving for the truth, and we made no effort to supply the lack; now our property is useless. O that we had let it go, and laid up treasure in heaven!" [CS 60.1]

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INVESTMENT EXIT STRATEGY

- I saw that a sacrifice did not increase, but it decreased and was consumed. **I also saw that God had not required all of His people to dispose of their property at the same time, but if they desired to be taught, He would teach them, in a time of need, when to sell and how much to sell**. Some have been required to dispose of their property in times past to sustain the advent cause, while others have been permitted to keep theirs until a time of need. Then, as the cause needs it, their duty is to sell. [CS 60.2]

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INVESTMENT EXIT STRATEGY

1. It is the will of God that the saints should cut loose from every encumbrance before the time of trouble comes.
2. God does not require all of His people to dispose of their property at the same time.
3. Earnestly inquire of God for duty, and He will teach you when to dispose of these things.
4. If we don't inquire of our duty, God will permit us to keep our property, and be a huge burden that we won't be able to dispose of.

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INVESTMENT SCREENING

- | | |
|--|--|
| <input type="checkbox"/> Is it Easy to Understand? | <input type="checkbox"/> Is It Insured? (Short-term) |
| <input type="checkbox"/> How Much Time to Manage? | <input type="checkbox"/> Beats Inflation? (Long-term) |
| <input type="checkbox"/> Is It Speculative? | <input type="checkbox"/> Is It Low Cost? |
| <input type="checkbox"/> Is It Diversified? | <input type="checkbox"/> How Liquid is It? (Exit Plan) |

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TYPES OF SHORT-TERM INVESTMENTS

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TYPES OF SHORT-TERM INVESTMENTS

- CDs/Savings Accounts/Money Market
- Bonds
- SDA Union Revolving Funds

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DO THEY PASS?

- Is it Easy to Understand?
- How Much Time to Manage?
- Is It Speculative?
- Is It Diversified?
- Is It Insured? (Short-term)
- Beasts Inflation? (Long-term)
- Is It Low Cost?
- How Liquid is It? (Exit Plan)

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TYPES OF LONG-TERM INVESTMENTS

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TYPES OF LONG-TERM INVESTMENTS

- Real Estate
- Peer-to-Peer Lending
- Mutual Funds/Index Funds

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REAL ESTATE

- | | |
|---|--|
| <input checked="" type="checkbox"/> Is it Easy to Understand? | <input checked="" type="checkbox"/> Beats Inflation? (Long-term) |
| <input type="checkbox"/> How Much Time to Manage? | <input type="checkbox"/> Is It Low Cost? |
| <input checked="" type="checkbox"/> Is It Speculative? | <input type="checkbox"/> How Liquid is It? (Exit Plan) |
| <input type="checkbox"/> Is It Diversified? | |

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PEER-TO-PEER LENDING

 **LendingClub**

PROSPER.

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PEER-TO-PEER LENDING

- Is it Easy to Understand?
- How Much Time to Manage?
- Is It Speculative?
- Is It Diversified?
- Beats Inflation? (Long-term)
- Is It Low Cost?
- How Liquid is It? (Exit Plan)

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MUTUAL FUNDS

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MUTUAL FUNDS

- Is it Easy to Understand?
- How Much Time to Manage?
- Is It Speculative?
- Is It Diversified?
- Beats Inflation? (Long-term)
- Is It Low Cost?
- How Liquid is It? (Exit Plan)

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INDEX FUNDS

- Is it Easy to Understand?
- How Much Time to Manage?
- Is It Speculative?
- Is It Diversified?
- Beats Inflation? (Long-term)
- Is It Low Cost?
- How Liquid is It? (Exit Plan)

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INDEX FUNDS



Vanguard[®]

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INDIVIDUAL STOCKS?

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SESSION 5 SUMMARY

- Careful stewardship means we aren't burying God's money in the ground.
- Invest for needs not to hoard.
- All extra should go to God's work.
- Leverage compound interest. **START NOW!**

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SESSION 5 SUMMARY

- Never invest in something you don't understand.
- Don't try to get rich quick. Don't be greedy. Don't speculate.
- Save for the short term, invest for the long term.
- Diversify

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SESSION 5 SUMMARY

- Be mindful of costs and taxes.
- Stay the course, but have an exit strategy.
- God permits the owning of assets, but we need to lay it all on the altar.

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BEYOND THE TITHE

Practical Lessons on Personal Finance

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RESOURCES

- How My Belief in God Affects My Money (<http://www.savingthecrumbs.com/how-god-affects-my-money/>)
- How Should Christian's View Retirement? (<http://www.savingthecrumbs.com/christians-view-retirement/>)
- Thoughts on Retirement Accounts (<http://www.savingthecrumbs.com/thoughts-on-retirement-accounts/>)
- Why You Should Consider Online Banking: Ally Bank & Capital One 360 (<http://www.savingthecrumbs.com/online-banking-ally-bank-capital-one-360/>)
- Is a Home the Best Financial Investment? (<http://www.savingthecrumbs.com/home-best-financial-investment/>)
- How We're Saving the College—And How We're Not (<http://www.savingthecrumbs.com/saving-for-college/>)
- Retirement: The Best Graduation Gift (<http://www.savingthecrumbs.com/retirement-best-graduation-gift/>)

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RESOURCES

- The Magic Number: 8% Investment Returns (<http://www.savingthecrumbs.com/8-percent-investment-returns/>)
- Everyday Investing (<http://www.savingthecrumbs.com/everyday-investing/>)
- The Secret Ingredient to Investing (<http://www.savingthecrumbs.com/secret-ingredient-investing/>)
- Investing: A Game of Risk (<http://www.savingthecrumbs.com/investing-a-game-of-risk/>)
- Of Speculating, Investing, and Tulips (<http://www.savingthecrumbs.com/speculating-investing-tulips/>)
- How Stocks Make You Money (<http://www.savingthecrumbs.com/how-stocks-make-you-money/>)