An Eternal Perspective on Personal and Family Finance

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Our financial house must be built on a firm foundation to withstand the rains of recession, the floods of layoffs, and the winds of high interest rates. Part of this foundation comes from viewing and managing our finances from an eternal perspective rather than the world's materialistic perspective. The eternal perspective assumes that all material resources are owned by God and that we are responsible to use 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 makes a big difference in the way you manage your money and your life.

In this article we will share an eternal perspective on the whys, whats, and hows of managing finances.

Managing money can be tricky, especially when you are starting your family and career, but it's easier if you understand the whys, whats, and hows of finance.

Why Learn about Finance?

1. Spiritual: To bring us to Christ.

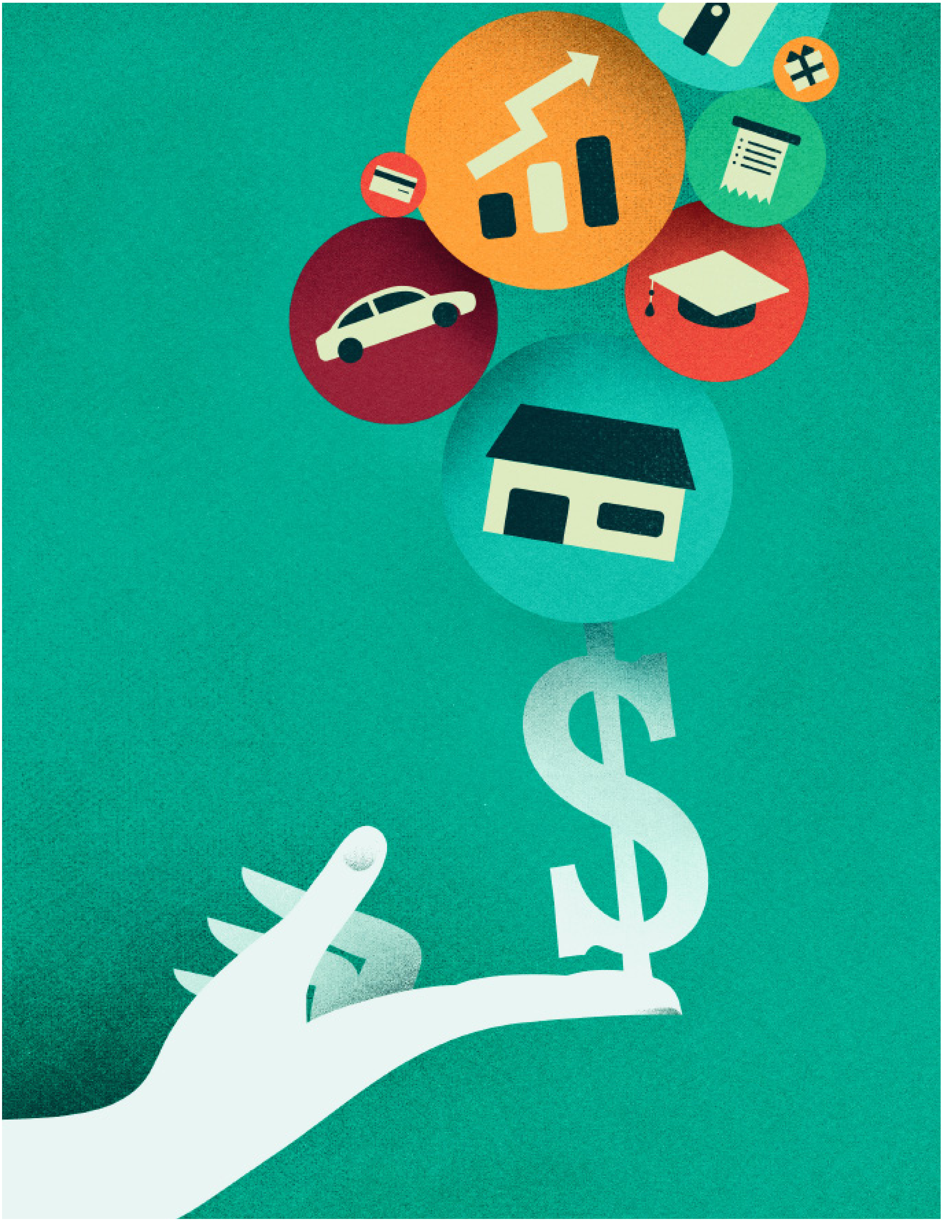
Because God's work and glory is to bring to pass the "immortality and eternal life of man" (Moses 1:39) and the only way we can have eternal life is through Jesus Christ (see John 14:6), then the purpose of all mortal experience is to bring us to Christ. Learning to manage our finances according to gospel principles will help us grow spiritually as well as help build up the kingdom of God.

2. Temporal: To help us become wise in our use of resources.

Managing resources is a skill that Heavenly Father wants us to develop during mortality. "For he who is faithful and wise in time is accounted worthy to inherit the mansions prepared for him of my Father" (D&C 72:4).

3. Individual: To accomplish our divine missions.

We all have sacred missions to perform here on earth as part of our "divine nature and destiny."[1] Many of our missions will require material resources. As we are faithful in managing our finances, we can acquire resources that we can then consecrate to the work God has for us to do.



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

An eternal perspective on finances can prepare us for eternal marriage, strengthen existing marriages, and be a conduit for positive parenting. President David O. McKay (1873–1970) reminded us, "No other success can compensate for failure in the home."[2] We will be disappointed in life if we gain the riches of the world and lose our families (see Matthew 16:26).

What Are the Foundations of This Perspective?

Principle 1: Ownership

The Psalmist wrote, "The earth is the Lord's, and the fulness thereof; the world, and they that dwell therein" (Psalm 24:1). The Lord is the Creator of worlds and all things therein (see John 1:3; D&C 93:10), the supplier of our breath, the giver of our knowledge (see Moses 7:32), the giver of our life, and the giver of all we have and are (see Mosiah 2:21–25). Nothing we have is our own—it is all God's. As such, there should be no feeling of pride or ownership for the things He blesses us with.

Principle 2: Responsibility

Because God owns everything, we have a responsibility to use these resources for His purposes. We 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 be seen not only as a blessing but also as a responsibility, "for of him unto whom much is given much is required" (D&C 82:3).

Principle 3: Agency

President Thomas S. Monson taught: "When we came to the earth, we brought with us that great gift from God—even our agency. In thousands of ways we are privileged to choose for ourselves."[3] How we use that gift in managing our finances is one way we show what we believe and how much we love Heavenly Father and His Son, Jesus Christ.

Principle 4: Accountability

The first three principles outlined above are God's gifts to us. The principle of accountability can be our gift to God to show how much we love Him through our obedience.

How Can We Best Apply These Financial Principles?

1. Pay the Lord first in tithes and offerings.

Tithing is the primary law upon which financial blessings are predicated. If we pay tithing and are generous with fast and other offerings, we are promised that the windows of heaven will be opened (see Malachi 3:10). Paying tithing is a reflection of our faith.

2. Create and use a budget.

Prophets have counseled that everyone should have a budget.[4] Budgeting is the process of pondering, planning, setting goals, and following through on our financial plans and goals. If you are married, you can develop your budget with your spouse. Most budgets include a monthly plan for expenditures by category (such as tithing, investments, food, housing, clothing, insurance, medical expenses, cars, entertainment, and so on) and then an annual budget for other planned expenses, such as Christmas, vacations, and birthdays. The total expenses should be less than the net income.

It is important to review expenses regularly, perhaps weekly, to assess the current status of the budget. When followed, a well-designed budget helps keep us out of debt. You can find sample budgets on numerous Internet sites, including **lds.org/topics/family-finances** and **personalfinance.byu.edu**, and on many apps.

3. Avoid debt.

We have repeatedly been counseled to avoid debt wherever possible. President Ezra Taft Benson (1899–1994) taught: "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."[5] And President Gordon B. Hinckley (1910–2008) urged Church members: "Be modest in your expenditures; discipline yourselves in your purchases to avoid debt to the extent possible. Pay off debt as quickly as you can, and free yourselves from bondage."[6]

The only exceptions to this counsel are debt for a modest home, for education, and perhaps for basic transportation.[7] Consumer debt—that is, debt for lifestyle items like clothes, electronics, vacations, and so on—should be avoided.

If you are in debt, follow a debt elimination plan and cut spending wherever possible.

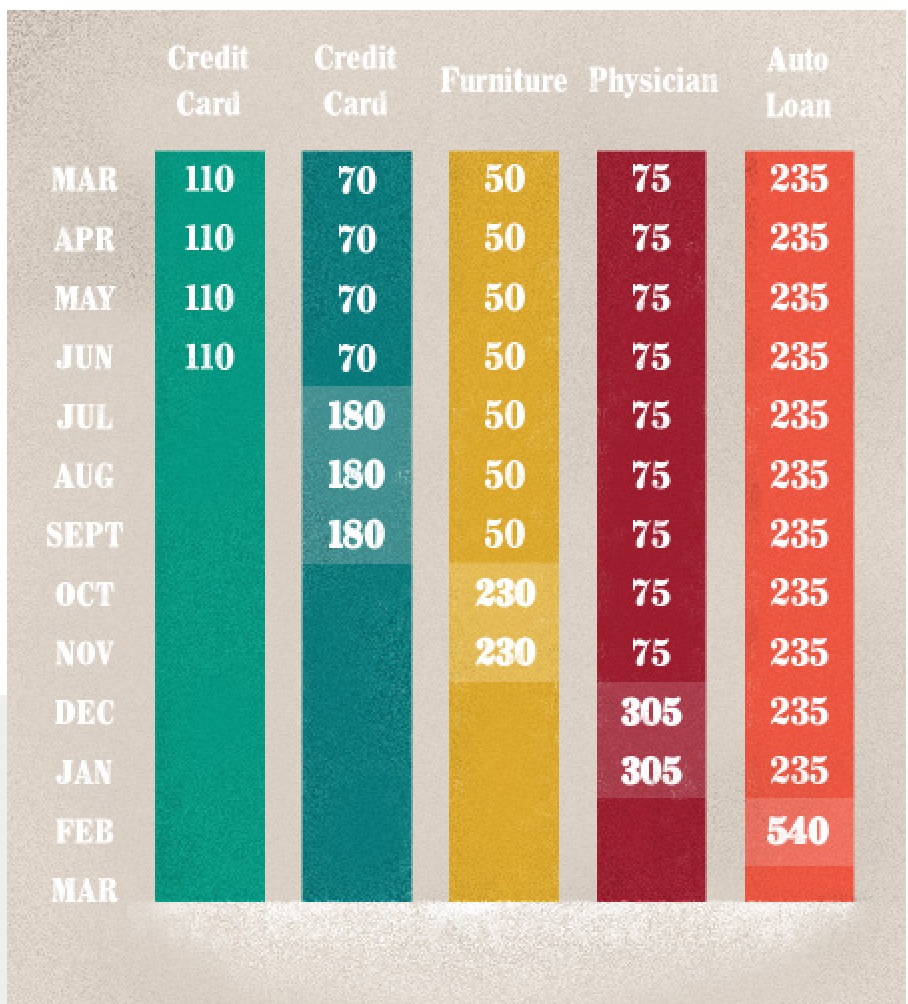
Learn and apply responsible use of credit cards—such as regularly paying them off and only spending money you have. If they cause too great a temptation to spend, perform what Elder Jeffrey R. Holland of the Quorum of the Twelve Apostles called "plastic surgery" and cut up your cards.[8] However, don't close the accounts, as simply having your accounts open (even if they are not being used) can help build your credit score over time.

4. Prepare for emergencies and build a financial reserve.

Most financial planners recommend having three to six months' worth of living expenses set aside in an easily accessible savings or money market account as a cushion for unexpected financial difficulties. That money is ready to be used when truly needed: in case of a lost job, medical bills, unplanned home or car repairs, travel to a funeral, and so on.

5. Save for short- and long-term expenses.

After a reserve is built, you can begin saving for short- and long-term goals. Some short-term goals may include purchasing a vehicle or



***Build a Debt Snowball:** Pay off one debt as fast as possible and then use the money that is freed up from that first debt to pay off the next and so on until all your loans are paid off.*

buying furniture. It is gratifying to save and sacrifice for these goals.

Many couples set the goal to own their own home. It is appropriate to borrow for a modest home, but be cautious. A mortgage will likely be your largest financial obligation and will impact your budget and finances until the day it is paid off. Shorter-term mortgages (say, 15 or 20 years as opposed to 30 years) require much less debt to be paid over time.

Saving for retirement is another long-term goal. If your employer offers a matching contribution to a retirement fund, it is wise to contribute at least enough to get the full match. If your employer does not offer a retirement plan, you can establish your own long-term savings and retirement plans. You may also want to save for missions and education for your children.

Begin to invest now while you have time on your side. The sooner you start investing, the greater your money will grow. Albert Einstein supposedly said: "Compound interest is the eighth wonder of the world. He who understands it, earns it. . . . He who doesn't, pays it."[9]

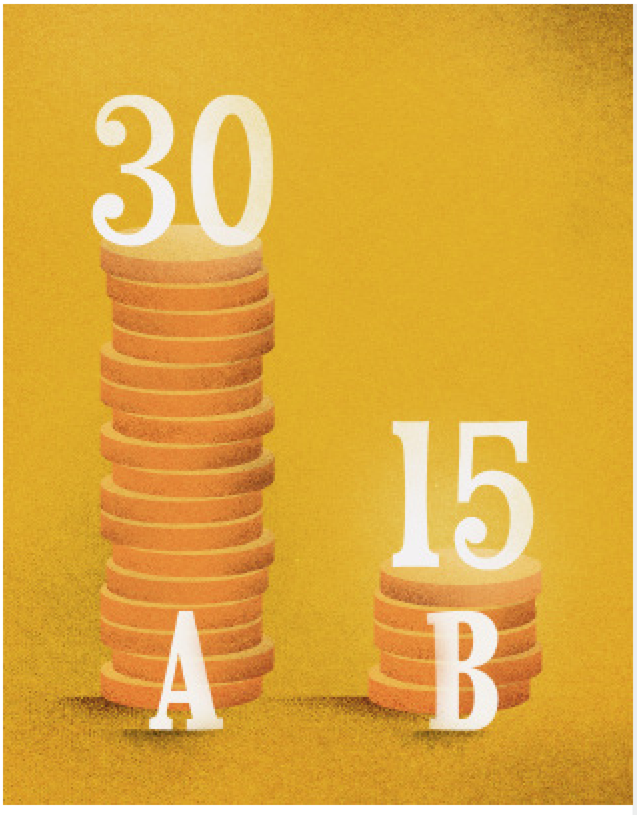
Where possible, invest in tax-advantaged, primarily stock-based, diversified mutual funds consistent with your ability to tolerate risk. Invest for the long term and don't try to time the market.

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 peace of mind.

Elder Marvin J. Ashton (1915–94) of the Quorum of the Twelve Apostles counseled: "It is most important to have sufficient medical, automobile, and homeowner's 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."[10]

Once you have someone who is dependent upon you for income, consider getting life insurance. The goal is to have enough insurance to replace your income for long enough to raise your children and for your spouse to be financially self-sufficient. Some financial planners recommend 10–15 times your gross annual salary. In general, term life insurance is preferable to permanent life insurance.

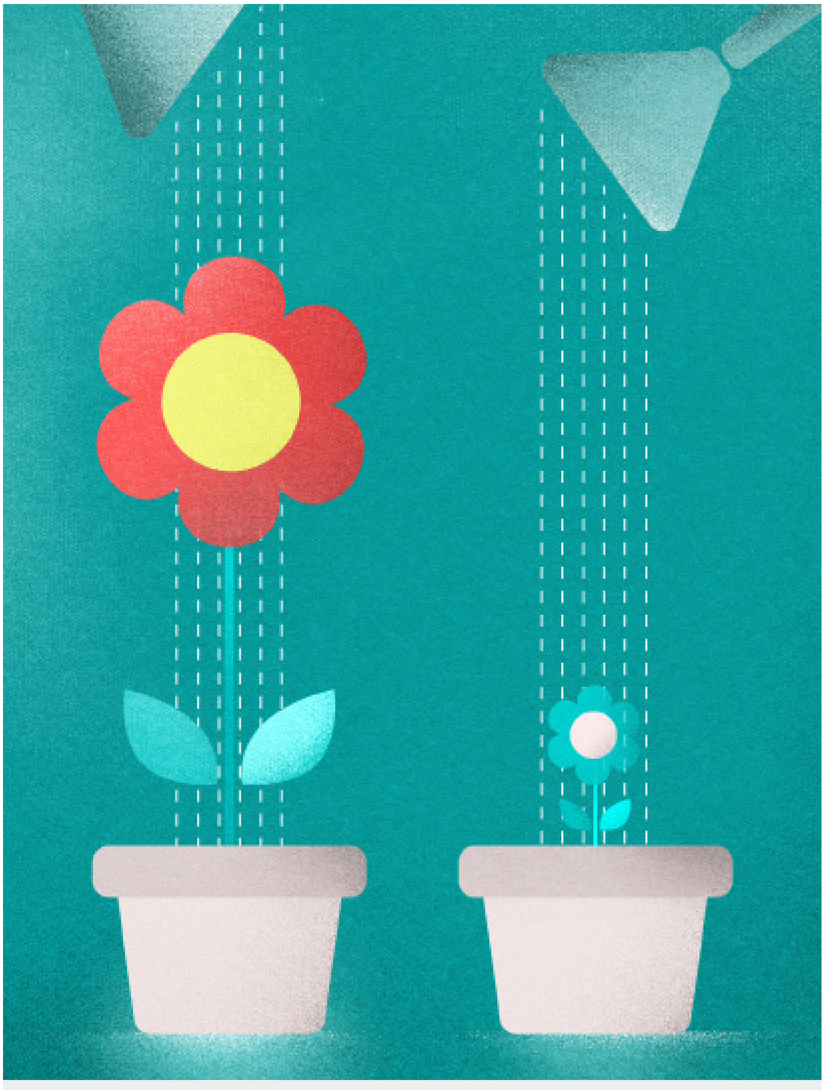


Check the Terms of Loans: ***Couple A chooses a 30-year mortgage for their new home. Couple B chooses a 15-year mortgage. Even with the same interest rates, couple A pays more than twice as much in interest as couple B over the life of the loan.***

Summary

Understanding the doctrine, principles, and application of financial management is critical. With every dollar we spend, we choose which perspective we take—either the eternal perspective or the world's materialistic perspective. God prepares a way for us to obey His commandments concerning our finances (see 1 Nephi 3:7). With this eternal perspective, you lay up for yourselves true "treasure in heaven" (Helaman 5:8) as you plan for and begin your careers and families. ■

Note: As you make large financial decisions, it is important to obtain adequate and accurate information before prayerfully making a decision. Many books, websites (such as **lds.org/topics/family-finances** *and* **personalfinance.byu.edu***), and experienced financial advisers can help you with these decisions.*



***Start Investing Early:** From age 25 to 65, investor A saves $100 per month earning 6 percent interest and ends up with $199,000. From age 35 to 65, investor B saves $100 per month earning 6 percent interest and ends up with $110,000.*

NOTES

1. "The Family: A Proclamation to the World," *Ensign,* Nov. 2010, 129.
2. *Teachings of Presidents of the Church: David O. McKay* (2003), 154.
3. Thomas S. Monson, "Ponder the Path of Thy Feet," *Ensign,* Nov. 2014, 86.
4. See *Teachings of Presidents of the Church: Spencer W. Kimball* (2006), 198; L. Tom Perry, "Becoming Self-Reliant," *Ensign,* Nov. 1991, 66.
5. *Teachings of Presidents of the Church: Ezra Taft Benson* (2014), 271.
6. Gordon B. Hinckley, "To the Boys and to the Men," *Ensign,* Nov. 1998, 54.
7. See Robert D. Hales, "Becoming Provident Providers Temporally and Spiritually," *Ensign,* May 2009, 7.
8. See Jeffrey R. Holland and Patricia T. Holland, "Things We Have Learned—Together," *Ensign,* June 1986, 30.
9. Albert Einstein, www.goodreads.com/quotes/76863-compound-interest-is-the-eighth-wonder-of-the-world-he.
10. Marvin J. Ashton, *One for the Money: Guide to Family Finance* (booklet, 2006), 10.

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LEARNING THE FINANCIAL JARGON

This brief glossary defines some of the terms in this article that might be new to you.

Diversified investments: Investing your money in many different types of assets—such as stocks, bonds, real estate, commodities, precious metals—in order to minimize risk (don't put all of your eggs in one basket).

Life insurance: Term life insurance covers the insured person for a certain period of time, such as 20 years. It typically costs less than permanent life insurance, which covers the insured for his or her lifetime and includes an investment component.

Matching contribution (in a retirement investment, such as a 401k): For every dollar employees contribute, employers contribute the same amount or a certain percentage to the employee's retirement plan.

Risk tolerance: Your psychological disposition to handle the ups and downs of the financial markets without undue stress.

Tax-advantaged investments: Funds where you can invest your money and pay fewer taxes. Some common options allow you to deduct your investment from your taxable income (such as traditional IRA's/401k's) or allow you to accumulate gains without ever paying taxes (such as with Roth IRA's/401k's or tax-exempt bonds).

Timing the market: The difficult-to-implement practice of trying to buy stock when its price is low and sell it when the price is high. A better approach is *dollar-cost averaging*—investing a set amount on a regular basis.