

## Money is a great servant but a terrible master

Sermon for Sunday, May 13, 2007, by Bruce Fraser

**Scripture:** Proverbs 22:7

We're continuing to find what the Bible teaches us about money: how to use it, how to control it—because if you don't, it will control you. We'll see that in a minute.

This might seem like an odd topic for a sermon on Mother's Day. But consider this: money is the second biggest problem in marriages, causing arguments, spouse abuse, and divorce. (The # 1 problem? – alcohol.) Getting a handle on money will help Mothers and Fathers and entire families.

### 1) People in debt are modern day slaves

Today we're looking at being in debt. The Bible takes a dim view of going into debt. For instance, this verse in Proverbs warns against the danger of being in debt.

**Proverbs 22:7, New International Version:**

**The rich rule over the poor, and the borrower is servant to the lender.**

When you're in debt, you are no longer in control of your money. Money controls you. It is the master and you are the servant.

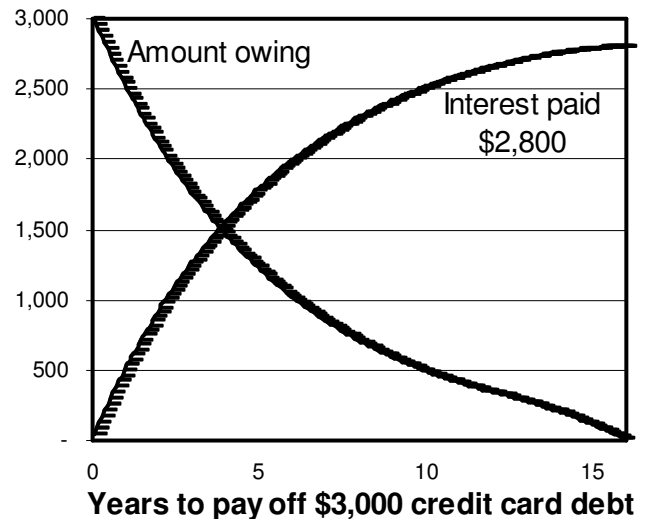
The one exception to this is where the loan is secured by collateral. You are not personally on the hook for the money. A mortgage is an example. If you start missing payments on your house, the worst that can happen is that you lose the house. You can just walk away free.

A car loan is the opposite. If you start missing payments on your car, your lender will take the car *plus* you'll still owe money because the car has dropped in value.

Let's take credit cards for an example. Suppose you owe \$3,000 on your credit card, and the interest rate is 18%. That's an average rate. Some store cards go up to 28%, while a few bank cards are below 10%—at least their introductory offer is below 10%. But once they've got you hooked, after six months or a year they bump the interest rate back up. So 18% seems pretty standard.

Now suppose you pay the minimum each month. On our credit card, that's 3% or \$10, whichever is greater. So the first month, I'd pay 3% of \$3,000, which is \$90. But at the same time, they're adding interest on, at the rate of 18% per year, or about 1.5% per month.

Question: How long will it take to pay off this credit card, so that you are clear of debt?



Answer: 16 years! This chart shows how the balance owed goes down over time. But see how much money you pay in interest over those years!

Reuben Clark wrote:

**Once you are in debt, interest becomes you companion every minute of the day and night, and it is working against you. It has no love, no sympathy. It is as hard and soulless as a granite cliff, and you cannot dismiss it. Whenever you get in its way or cross its course or fail to meet its demands, it crushes you.**

By the way, if you want to really get your life in a mess, go to one of those places where you can borrow money for just a couple of weeks. They go by names like "Quick Cash" or "Money Mart" or "Payday Loans." In preparation for this sermon, I went to the one in Belleville in the King George Plaza and said I needed a thousand dollars. They said that, based on my income, they could give me only \$700. How much would it cost? The woman told me I'd have to pay them back \$938 two weeks later. That's a charge of \$238 for a \$700 loan! That works out to 34%. But that's not 34% per year; that's 34% in *two weeks*! Multiply that by 26 (to make it 52 weeks, a full year), and that comes out to an annual interest rate of 884%!!! No wonder these businesses are popping up all over the place!

It's a criminal offence in Canada to charge more than 60% annual interest on a loan. The way these outfits do it, is they charge 59% annual interest; then there is a flat 20% "broker fee" for providing someone willing to give me the money; then there is an "administration fee." By the time you add up all the hidden charges, you're talking robbery—but it's legal! The police have charged some of these places, but so far most of them have been slippery enough to get away with it.

Part of the problem is that the banks aren't interested in anyone who wants to borrow less than \$5,000. That's nickel and dime stuff, not worth their time. So people are forced to go to these loan sharks.

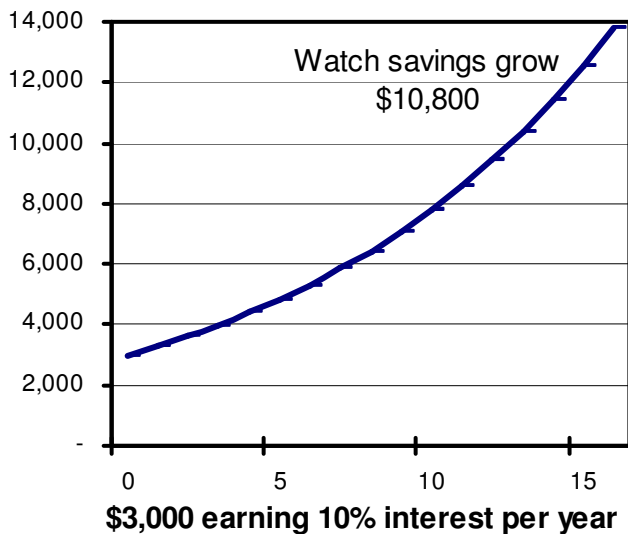
I've heard of churches in third world countries which do "micro loans" to people. These are loans of around a hundred dollars, say enough to buy supplies to start a home business. They have been remarkably successful, with default rates under 5%. That's what we need here.

## 2) Money can be your servant, if you have a plan

What if, instead of borrowing \$3,000, you had saved \$3,000 and put it in a mutual fund? And you never paid another penny to that account. Let's say it's in a mutual fund which earns an average of 10% interest per year. You leave it there for the same amount of time, sixteen years.

Question: How much will be in your account after sixteen years?

Answer: Almost \$14,000.



Look at the difference between the two situations.

- The debt took \$2,800 away from you. At the end you have nothing.
- The savings added \$10,800 to you. And see how the curve is just starting to go up, up and away? If you left that money there for just nine more years—without adding another penny—you would be earning \$3,000 in interest every year!

When you owe money, interest is your worst enemy. But when you have money invested, then interest is your best friend. Money is a great servant but a terrible master. Don't let it get control over you. Instead, put it to work for you.

Here's the question for today: Which of these two Bible verses would you like to have for your reputation?

**Psalm 37:21, New Living Translation:**  
The wicked borrow and never repay.

**Proverbs 22:1, New International Version:**  
A good name is more desirable than great riches.

If you're in debt, I'm going to give a few steps for how to deal with it. I'm away next Sunday, but when I'm back on May 27, we're going to go into a lot more detail on the Bible's instruction on how to be a wise money manager. This is just an introduction to that.

## 3) How to escape the debt dungeon

There are many ways to get into debt but only one sure way to get out and stay out of debt: self-discipline.

### a) Transfer ownership of every possession to God

We learned this back at the start of this series.

Everything we have came from God and belongs to God. When we acknowledge that, and use it as God's money, our whole attitude changes.

### b) Allow no more debt

Do surgery on your credit cards. Keep one if you really need one; but only if you can pay the whole balance every month.

### c) Develop a realistic balanced budget

If you can't afford it, don't buy it. Galatians 5:23 in the Bible says that one of the fruit of living by God's Spirit is that we have self-control. We need that if we're going to make any progress.

### d) Start paying the debt

Go to your creditors and ask to make arrangements. Right away, you've earned their respect. They'd much rather see you coming towards them, than running away.

Be humble and honest. Say, "I've blown it; I was a poor manager of money. I cannot repay you according to our agreement. Will you allow me to give you this much now, and so much per month? And as soon as I can increase it, I will. Would you let me do that?"

Most creditors will try to find a way to make it work (the phone and power companies being the main exceptions). Five dollars a week is better than nothing.

One final thought:

**Romans 13:8, New Living Translation:**  
Pay all your debts, except the debt of love for others.  
You can never finish paying that!