# Session Seven - User Review

1. The Pyramid Plan is a set of _____.

2. Level One to be completed within 60 days includes:
   a. Create a Safety Net of _____.
   b. Complete a Spending _____.
   c. Contribute up to your _____ match.
   d. Complete _____ _____ and get a _____.
   e. _____ Review.
   f. Consider your _____ strategy.

3. In Level Three, save at least _____ months expenses if you are employed.

4. A Personal Spending Plan is _____.

5. Categories in the Spending Plan are not given the same _____.

6. Absolute Spending consists of _____, _____, _____, and _____.

7. Necessary Spending is designed to meet the basic _____ of your family.

8. Lifestyle Spending defines who you are…….your _____.

# Session Seven - Facilitator Questions

1. Does your financial personality lead you to be a more or less natural long term planner?

2. Where are you on the pyramid? What is an important step you can take this week to move up the pyramid.

3. Do you have certain financial categories that have been neglected and need a higher priority in a spending plan? If so, what are two of those areas?

4. What area do need to focus most on for your plan to work….absolute, necessary, or lifestyle spending?

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# The Pyramid Plan

To help you prioritize your focus on absolute spending, we have developed the Pyramid Plan. You will note that the plan builds upon itself. You want to focus your attention on one particular step at a time. Here is how the plan works:

Step I. Safety net of $1,000/Retirement (contributions up to company match)

Begin giving If you do not have $1,000 saved in a savings or money market account, you need to do that immediately. This may include significantly cutting expenses for a few months or getting a part time job. This is called your "safety net." It is not meant to cover all of life's emergencies, but it is a start to the process. We can promise you that you will sleep better just knowing this money is available to you. It is only to be used for emergencies and must be immediately replenished if the amount dips below $1,000.

In addition, you need to be prepared for "budget busters" – expenses that are large annual obligations (i.e., home owner's association fees, property taxes, insurance bills). So, determine the amount of these one-time expenses per year, and divide by 12 and save that amount in addition to your safety net account.

Retirement – up to company match. If you have access to a retirement plan where the company matches your dollars invested with a specified percentage, then take advantage of this in step one by investing up to the company match amount. The benefits to a retirement account were listed earlier in the section.

Giving – As we outlined in lesson 6, if you are not giving, then this is a great time to start.

Step II. Debt Repayment Plan

This is where you may be spending a large amount of your time depending upon your level of debt. You'll recall that we discussed your debt repayment plan in lesson six and you came up with a plan to begin paying off your debts. This is where you want to implement that plan. Pull out your

Home Equity Loan Examples:

Example 1
Value of Home
$200,000 x .8 = $160,000
1st Mortgage - $140,000
Home Equity Loan - $40,000
All Other Debts Paid

Decision
Stay in step two until both
Loans together equal $160,000

Example #2
Situation
Value of Home
$200,000 x .8 = $160.000
1st Mortgage - $140,000
Home Equity Loan - $15,000
All Other Debts Paid

Decision
Graduate to Step 3!

debt repayment sheet and begin the process of attacking all your debt (this includes car notes, personal loans, loans to relatives, credit cards, and home equity loans). You will not leave step two to go to step three until all of your debts are paid off with one important caveat. If you have a home equity loan that causes your primary loan and home equity loan value to be higher than 80%, you will continue paying off the home equity loan until it is down to 80% (see example on pp. 90.) If you have paid off all your debts and the home to equity ratio is 80% or below, you can move on to step three.

Note: Once your loan amount is equal to or less than 80% of your home market value, you should be able to remove PMI by just calling your lender. PMI is private mortgage insurance and is expensive. This is another reason to get your loan to home value ratio down to 80% or less.

Now, some of you may be thinking that you will be stuck in step two for the rest of your natural lives. You will not!! The power of paying off your debts will be like a snowball rolling down hill . . . it will continue to pick up speed until your debt is paid. This may take a few years, but it is time well spent and will set you on the course of financial security.

The 5% guideline – To help you with deciding how much you should put toward your entire debt repayment (over and above the minimums) we suggest at least
5% of your gross income. If you make $65,000 a year in combined income, that is
$270 extra a month above the minimums as a guideline. With some focused attention and cutting back on some spending areas, could you find that amount to apply on a regular basis? If so, then it will supercharge your debt repayment plan.

## Step III. Emergency savings plan

Congratulations! You are now ready to set up an emergency savings plan for yourself. The idea here is to save at least 3 months of living expenses for the eventual emergencies of life. This money is intended to replace lost income should you become unable to work or unemployed. However, these funds can also be used for larger unexpected emergencies beyond your safety net. You want to save this money in a money market account and can have it withdrawn from your paycheck with direct deposit.

You may be thinking, “How can I save up that much money?” At this point, you will likely have hundreds and hundreds of dollars that you can apply to this step as the majority (if not all) of your

debt is paid. Imagine how you can supercharge your savings when the cars, credit cards, loans, etc., are paid off. This will not take nearly as long as you think and puts your finances in a position of strength and not weakness!

## Step IV. Retirement plan/College plan

You are now ready to either increase your retirement planning (if you have a company match account and had begun in step one) or begin one altogether. This fourth step primarily revolves around saving 10% of your gross income in a retirement account. We have discussed the importance of saving in a retirement account earlier and will not belabor the point. Suffice it to say, no one is going to loan you money for your retirement while you are in retirement so you need to begin saving as soon as it makes sense.

If you have children, now is the time to begin systematically saving for their education. You can complete financial calculators on the Internet and, while it is likely you would not need to save 100% of the college costs due to a variety of reasons, we suggest you plan on at least 50% of the total cost. After investing 10% in your retirement plan, it is time to begin putting aside money each month for your children's college education.

## Step V. Financial Freedom

At this point, you have achieved financial freedom. You have significantly cut down or eliminated your debt, begun an aggressive savings plan, have money set aside for emergencies, and can now apply your discretionary money to a variety of areas. Here are some choices for you to consider:

### Purposeful savings

All of those short to midrange issues where saving beforehand will ensure you will not need to go into debt (i.e., vehicle purchases, down payment, etc.) .

### Increased giving

Even if you are giving at 10% or more, continue to become an abundant giver!

### Retirement continuation

Raising that percentage saved to 15% of your income will allow for compounding to really take hold.

### Home equity loan plan

Time to get that home equity loan paid off if not done so already!

### Primary home mortgage payoff

How will it feel to be completely debt free?! This is a process . . . and it is one that will prepare you for the session of developing your plan for the future.

# Lesson 7

# Create an Itinerary

One of the neatest innovations to come from the advent of the internet is the ability to book travel online. With very little effort, you can go to dozens of websites and plan an entire trip. By clicking on the tab that says, "Create an Itinerary," you can begin building your travel plans. You can book airline flights, choose your seats on the plane, book hotel rooms and rental cars, and make dinner reservations. The options are endless. When you are finished, you have a total overview of your trip, complete with times, dates, confirmation numbers, phone numbers, and access to any number of help lines and emergency operators. This brings great comfort to the overly detailed statesmen or litigator in your life.

You need an itinerary for your financial journey as well. Something that will help you organize your monthly spending plan. Your financial itinerary is called a Personal Spending PlanTM (PSP). The PSP will help you walk through all of your monthly expenses. These expenses fall into three categories: absolute, necessary, and lifestyle spending. The PSP is the itinerary for your journey to financial freedom.

Let's create an itinerary . . .

## Building Your Personal Spending Plan (PSP)

Personal Spending plan vs. Budget.What's the difference? Most financial plans, biblical or secular, teach about budgets. For many of these plans, the centerpiece of the financial plan is the budget. Budgeting is simply the managing of the income and outflow of cash. The principle is easy: "Do not have more money going out than you have coming in."

A budget is tactical. Its line of sight is 30 days. You set your monthly budget, then begin again next month. It is quite simple. If you can write and add, then you should be able to create and follow a budget. Odds are, most of us have sat down at one time or another and made a monthly budget. Why do so many people have a hard time staying on a budget? Why is "budget" a four letter word?

For most people, a budget is restrictive. It's confining. It's no fun. And, most importantly, it doesn't guarantee that at the end of the month you'll be in a better financial position than when you started. After a few months of that, it's no wonder that people scrap the budget.

In lesson one, we discovered our financial personalities. Throughout these lessons, we have discovered our differing attitudes towards money. We explored our belief systems and our values. Then we did some self discovery into our cur- rent financial condition. Now it's time to bring all those elements together into a "first draft" personal spending plan.

A personal spending plan is strategic. Its line of sight is far reaching. And, most importantly, it will help you improve your financial situation from month to month.

Unlike a budget, your PSP helps you achieve the goals you set for yourself and your family. Your PSP reflects your beliefs and values. It allows for flexibility in spending from month to month depending on your personality and needs. Another unique element is that your PSP will help you analyze your spending and allow you to meet your needs and prioritize your wants. All in a way that honors God. Let's look at your PSP.

A PSP is strategic.
Its line of sight is far reaching.

## Three Elements of a PSP

In order to create a spending plan that is flexible, it is critical that we break your spending into three distinct categories. These three spending categories are absolute spending, necessary spending and lifestyle spending. Most people will plan for spending in all three areas. Let's discuss each one briefly. Note: Use the paycheck analyzer in the Forms section to help you determine all of the deductions on your paycheck and put them in the correct place on your PSP

## Absolute Spending.

The first piece of your spending plan goes to your absolute spending category. This is the non-negotiable category. There are only a few items in the absolute spending area, but they are important and must be accounted for before all other expenses.

The first area is giving. If this is an area of conflict or lack of discipline in your household, then agree on a percentage to begin giving.

The second expense is taxes. Most of us have no way around this one. Complete this section by adding up all the taxes taken from your gross monthly salary.

Savings is the third area. Include all money that is allotted for savings, including money deducted from your paycheck.

Debt reduction is the final expense item. Determine if you are paying off just the minimum payments on your debt, or if you are starting your debt reduction plan (we will discuss this further during the Pyramid Plan in chapter 9.

There can be other absolute expenses in your PSP. If you pay child support or have a garnishment on your salary, you would include these in this category of spending.

## Necessary Spending

Once you have met your absolute obligations, it's time to move on to the necessary expenses. These are the things required to meet the basic needs of your family. This is the food, shelter and clothing category. Unlike the non- negotiable items of the absolute category, the necessary spending items must be chosen carefully. This is where you begin to separate your needs from your wants. The deeper you are in a financial hole, the tougher the choices.

Many people may struggle with separating needs from wants. We live in such a "give it to me now!" world, many people expect immediate gratification. The idea of sacrifice or delayed gratification seems foreign or old fashioned. The world says, "Why wait?" "You deserve a break today." "90 days same as cash." "No payment until next year." "One-day-only sale." "Zero percent financing." "Introductory low rate." These are just a few of the many ways the world convinces us to buy now and pay later. You should strive to be as thrifty and efficient as possible in this category to be able to free up as much money as possible for the absolute and lifestyle areas.

If your personality is such that you have a hard time deciding on your necessary spending items, this may be a good time to get some help. A trusted friend or family member can help you go through your spending plan to be sure your priorities are on track with your values.

## Lifestyle Spending

Many of you may interpret lifestyle spending as bad. That is the wrong view. Lifestyle spending does not equal sin or waste. We all need some fun and relaxation in our lives. And when it comes to our PSP, we all need to be sure we can afford our lifestyles!

As we move from absolute spending to those necessary items for basic living, lifestyle spending is buying those nice things that make life enjoyable, but aren't necessary for our existence. Lifestyle items are the ice cream sundaes after we've finished our vegetables. After we've met all our obligations and basic needs, the rest goes to fun and "extras."

If you find that your absolute or necessary spending is higher than you anticipated for some reason, you cut from your lifestyle area. That's the flexible part. You choose where you cut based on the need and your personality. It helps you prioritize your spending patterns.

For many of us, the problem begins when we spend on lifestyle items before we've taken care of the more important spending areas. This is why so many people live pay check to pay check without ever getting ahead. This is why so many people feel as though they don't have any money to give, save, or repay debts.

By following your PSP, you will guarantee that your financial situation will improve from one month to the next. By seeing the results of your PSP, you'll be encouraged rather than discouraged.

Unlike a budget, your PSP helps you achieve the goals you set for yourself and your family

# Personal Spending Plan

Total #1 $_____

**Gross Pay (Amount before any deductions)**

## Absolute Spending

**Giving**

Tithe $_____

Other (Include charitable organizations)

_____ $_____

**Taxes**

Include Federal, State, FICA $

**Debt**

Minimum Payments (See Debt Reduction Sheet) $

Additional Debt Reduction (above minimum) $

Deficit from previous month overspending $

**Savings**

Emergency (Safety Net) $_____

Other (Refer to Pyramid Plan- pp.88))

_____ $_____

**Total Absolute Spending $_____**

Total #2 $_____

**(Subtract Total Absolute Spending from Total #1)**

## Necessary Spending

**Home**

Mortgage $_____

Maintenance/Repairs $_____

**Utilities**

Electric $_____

Gas $_____

Water $_____

Trash $_____

Residential Phone $_____

Other _____ $_____

**Auto/Etc.**

Car Maintenance $_____

Fuel $

Public Transportation /Tolls/Parking $

**Insurance**

Auto $

Health $

Dental/Vision $

Life $

Disability $

Home $_____

**Food**

Groceries $_____

Warehouse Fees $_____

**Pers.**

Clothing $_____

Haircuts $_____

Medical Co-pay $_____

Prescriptions $_____

**Education**

Tuition $_____

Supplies $_____

Field Trips/Fees $_____

Other _____ $_____

**Children**

Allowances $_____

Day Care $_____

**Total Necessary Spending $_____**

Total #3 $

**(Subtract Total Necessary Spending from Total #2)**

## Lifestyle Spending

**Utilities**

Cell Phone $_____

Cable TV/Internet Service $_____

Other $_____

**Food**

Alcohol/Tobacco $_____

**Home**

Cleaning Service $_____

Lawn Service $_____

Furniture/Decor $_____

**Personal**

Special Clothing $_____

Manicure/Pedicure/Hair color/etc. $_____

Vacation $_____

Dry Cleaning $_____

Other _____ $_____

**Children**

School/Sports Photos $_____

School Lunches $_____

Gifts $_____

Recreation Fees $_____

Other _____ $_____

**Entertainment/Recreation**

Dining Out $_____

Movies/Theatre/Concerts/Sporting Events $_____

Magazine Subscriptions/Books $_____

Babysitting $_____

Video Rental $_____

Recreation Fees $_____

Other _____ $_____

**Total Lifestyle Spending $_____**

Total #4 $_____

**(Subtract Total Lifestyle Spending from Total #3. If Total #4 is not less than the amount of Total #1, you must cut your Lifestyle Spending. )**

# Account Information

Use this form as a reference point for your spouse/family in case of your death or disability. In the space provided below, list information for accounts loans, stocks, bonds, mortgages, etc. You can obtain most of this information right off your net worth statement. If properly filled out and annually maintained, this will prove to be a valuable resource in a time of dramatic life change.

## General Accounts

| Type | Account # | Financial Institution | Contact | Phone # |
|---|---|---|---|---|
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## Insurance

| Type | Account # | Insurance Company | Contact | Phone # |
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## Work Related Accounts

Human Resources Contact _____ Phone _____

| Type | Account # | Contact | Phone # |
|---|---|---|---|

## Important Phone Numbers

Phone _____

_____ Phone _____

Phone _____

_____ Phone _____

## Location of all Important documents

Last Will and Testament _____

Life Insurance Policy _____

Birth Certificates _____

Social Security Cards _____

Property Deeds _____

Other _____ _____

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