

# WSBM440 Financial Wisdom:

*Biblical Principles for Today's Challenges*

## Session V: Owe

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# Session V: Owe

## FORMAT

- Introduction
- Example: Who Goes Bankrupt?
- Canadian Statistics
- Video: Presentation
- Small Group Discussion
- Class Discussion / Summary

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## LEARNING OBJECTIVES:

1. Classify specific debts into the proper debt category.
2. Greater understanding of the biblical principles of borrowing.
3. Integrate the four questions about borrowing into your financial decision making.

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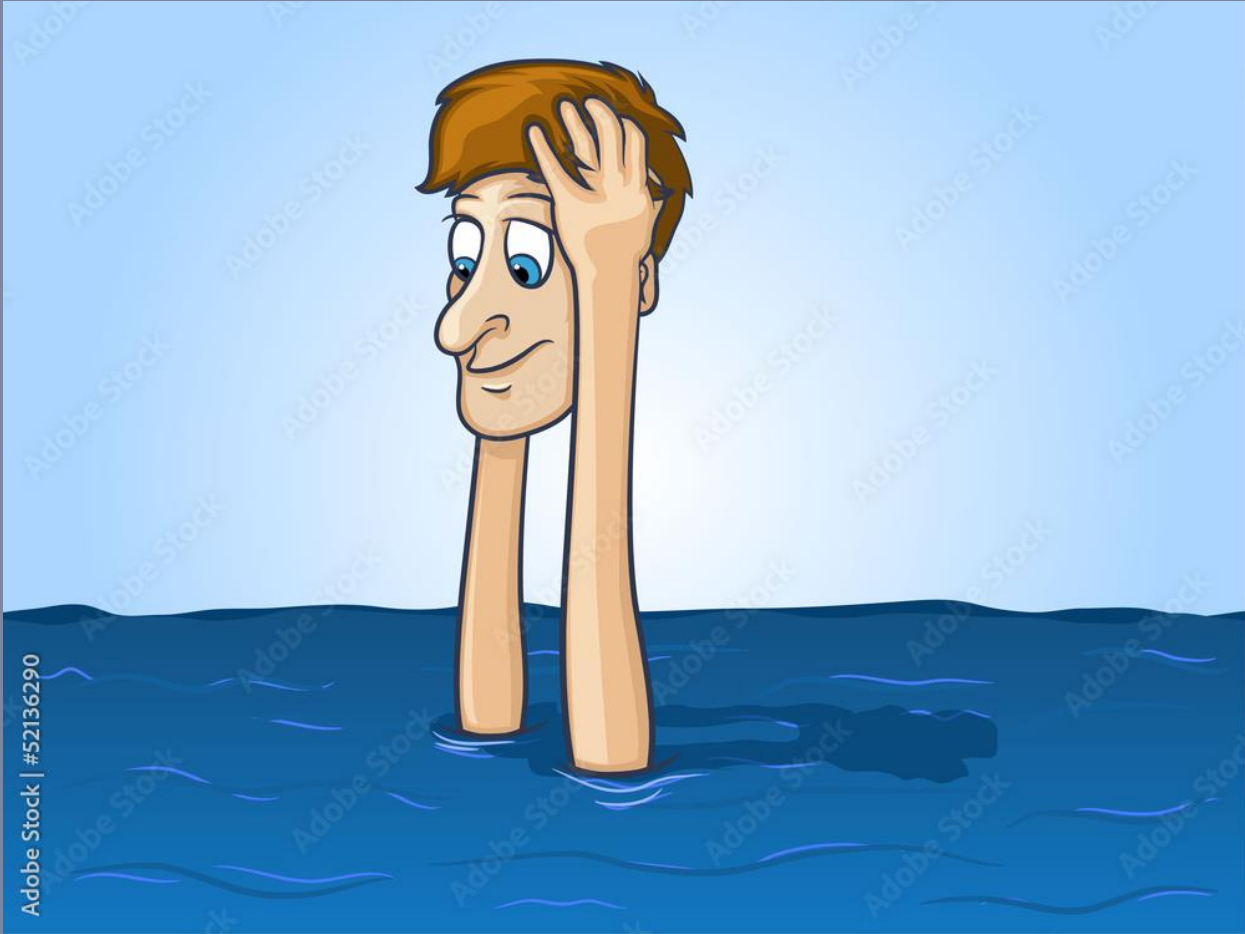


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What is a Payday Loan?

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## What is a Payday Loan?

- A payday loan is a small unsecured loan, usually for \$100 to \$1,000, which is designed to meet a client's short term financial needs until his or her next payday.

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How much does it cost?

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How much does it cost?

- Cash One provides short term loans only.
- Loans you receive from us should NOT be considered as a long term solution for financial difficulties which may require professional credit counseling.
- A typical Annual Percentage Rate ( APR) on a 14-day \$300 loan is 546%.

# Owe: Canadian Statistics

Why has household debt in Canada increased so much since the mid-1900s?

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Why has household debt in Canada increased so much since the mid-1900s?

“The increase in debt coincided with the economic boom that followed the Second World War. There was also a change in Canadians’ attitudes towards debt. In the past, people would try to avoid getting into debt because it was seen as something negative. After the Second World War, buying on credit and larger loans became more widely available and spending on credit slowly became more acceptable. However, it wasn’t until the 1990s that there was a prominent surge in household debt in Canada. Changes to the credit score system since it was introduced in 1971 have also made it easier for people earning a median income to get loans.”



# Session V: Example



Some of the reasons people go bankrupt:

1) Job Loss: A majority of bankruptcies in Canada are caused by a job loss.

Even with a severance package the loss of steady income can quickly deplete savings and put an individual in a tight financial situation.

2) Reduced Income: Some people might be able to keep their job, but at reduced hours or with the loss of potential benefits and other perks.

If you have a reduced income paying your debts can become a struggle and certain debtors consider bankruptcy to get out of debt.

3) Divorce: The cost of getting divorced can be very costly and the loss of a spouse's income, alimony costs, and a loss of assets and property can lead to bankruptcy.

# Session V: Example



4) Living With Credit Card Debt: Credit card debt is not always from overspending or poor budgeting. Credit debt can creep up over time due to illness, expenses for emergencies, a loss (or reduction) of income or for many reasons.

5) Unexpected Expenses: Unexpected events outside of your control can be just around the corner. Even if you are prepared a major unexpected expense can quickly drain a large savings account.

6) Overspending: Managing money can be quite a challenge and it is easier than ever to fall into debt.

# Session V: Example



“Almost all bankrupts are honest and hard working people who only turn to bankruptcy as a last resort.”

# Owe: Canadian Statistics

## What type of household is most likely to owe the most money?

- Statistics show Canadians aged 46-55 owe the most money. The consumer debt in this age group, not including mortgages, is \$36,241, making the total average household debt before a mortgage \$72,482.
- Canadians aged 18 to 25, owed on average \$8,847 per person at the beginning of 2020. The average consumer debt for 26 to 35-year-olds was \$18,398, \$28,863 for the 36-45-year-olds, \$30,000 for people aged between 56-65, and people over 65 had an average debt of \$16,491.

# Session V: Questions for Discussion

1. Have you ever owed money for something that you later regretted? What lessons did you learn from that experience?
2. From your perspective, what debts make sense and which don't? Why?
3. What is the ripple effect of being in debt regarding the overall aspect of managing your financial affairs and developing financial wisdom?

# Section V: Owe

## Key biblical passages:

- *Luke 14:28-30*
- *Proverbs 22:7*
- *Proverbs 22:26-27*

# Section V: Owe

## *Minimize Debt*

- Debt is the price between what you want and what you can afford.
- Beware: debt is constantly & heavily promoted
- It's not what you can afford, but what you can finance

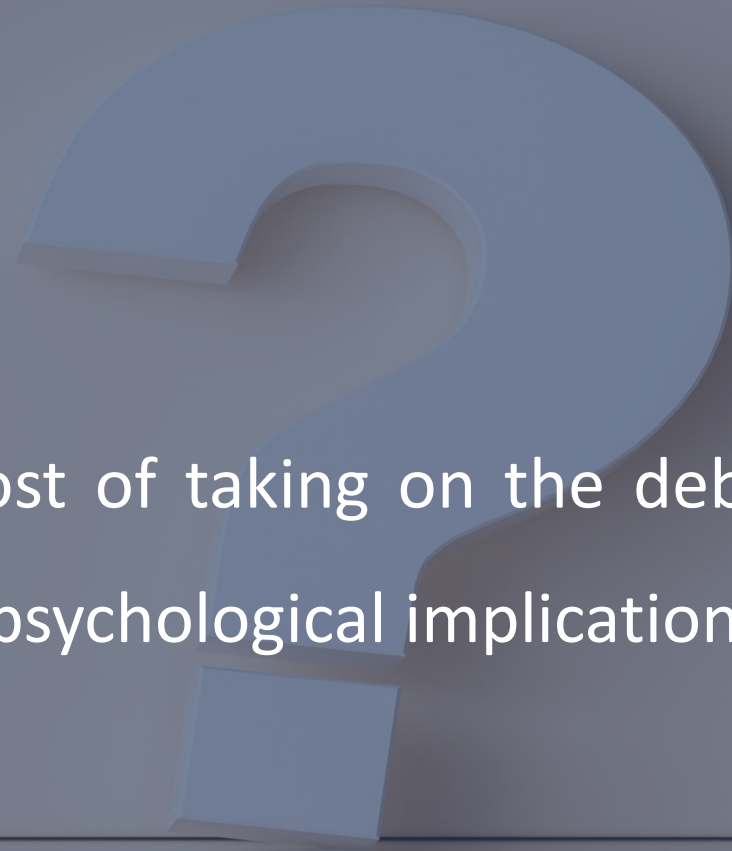


# Section V: Owe

## *Minimize Debt*

### Key Question:

Is the return greater than the cost of taking on the debt in light of the economic, spiritual & psychological implications?





## SESSION V: OWE

### CONCLUSION / OBJECTIVES:

1. Understand the different types of debt
2. Understand biblical principles of borrowing
3. Integrate the four questions about borrowing into your financial decision making.