

THE BUSINESS  
— *of* —  
YOUR LIFE

A Young Christian's Guide to  
FINANCIAL LITERACY

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*Deep River*  
B O O K S

## DEDICATION



I dedicate this work to young Christian men and women who, through no fault of their own, aren't given the loving attention and instruction on how to draw up a financial battle plan that empowers them to survive and prosper in the secular world.

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# Chapter 1



## WHAT'S ALL THE FUSS?

Once again, the chatter was about people who “can’t seem to get their financial act together.” This time it was in a Dunkin’ Donuts, instead of in a radio segment.

“Heck. Personal finanth is juth common thenth.”

I wanted to tell the stranger not to talk with his mouth full, and not to couple personal finance with common sense. Having common sense isn’t the answer (which is fortunate because some people don’t seem to possess it). The fault occurs when a reasoned person attempts to apply a concrete discipline—such as mathematics—to the elusive concept of financial literacy. Consequently, the results are haphazard.

To successfully solve a problem of any type, you have to first know what you’re working with. Looking for a definition of financial literacy in Merriam-Webster will prove fruitless, in this case; it doesn’t exist there. Rather, financial knowhow is scattered throughout books on economics, law, taxes, insurance, accounting, and securities. Knowledge also shows up in fragments within periodicals, newspaper columns, TV programs, and on Internet sites. It’s no wonder even college grads have trouble making “thenth” of it all.

So, let’s start with a workable definition: Financial literacy is an acquired skill set, comprised of basic knowledge in key areas and an assortment of tools designed for a specific end purpose. Instead of wringing

their hands, complainers and educators should just give you this complete set of tools and demonstrate how to accomplish that specific end purpose.

“What exactly *is* this specific end purpose?” I hear you ask. It’s to make your business operation run profitably.

“What are you talking about, mister? I don’t own a business!”

You most certainly do. You earn money, spend it, and hope to have some left over. You’re running the “business of your life,” and cannot afford to fail. As Chief Executive Officer (CEO) your objective is to move in the opposite direction of poverty.

The stark reality of occupied cardboard boxes under interstate bridges leads us to believe that some people are trying to run their business without a complete skill set. I don’t want that to accidentally happen to you, even though I’m sure you’ve been handling money pretty well since age ten. So, what’s next?

Next are the intense challenges arising from increased income and higher expenses. My strategy to help you conquer them is to supplement what you’re currently learning in school, and to fortify the skills you have under your belt. As we tackle the chapters ahead, you’ll learn both practical applications and aspects of personal finance that aren’t a standard part of contemporary curriculum. As I demonstrate tools and share industry secrets, be assured that you’ll gain every skill and bit of knowledge you’ll need to successfully manage your business.

Each chapter is designed to lead to financial independence—thereby bolstering your ability to build an equitable society, respond to appeals, and responsibly care for our planet as you do for yourself. The book ends with a picture of what happens if you crash the bus.

Key terms to know are presented in boldfaced type, **like this**, and I strive to define them within their given paragraphs. With a wicked vocabulary, you’ll be able to drop *debenture*, *derivative*, and *fiduciary* in front of your folks. These terms also comprise the index, which serves as a trail marker now and for the years to come.

To enrich your understanding of a new financial word or topic, I recommend [investopedia.com](http://investopedia.com). But any word search, as you know,

will produce a ton of information. In that respect the Web has become immensely helpful. Digging there also brings up opinion blogs, retailers, and distributors of financial products. I say that as a reminder, because it's easy to forget that people and institutions position themselves there to make money.

At the end of each chapter I've listed URLs for referenced concepts, topics, and supplementary sources. For example, our nation's executive branch offers [www.mymoney.gov](http://www.mymoney.gov); and the American Institute of Certified Public Accountants (AICPA) reinforces what you'll learn here by visiting their website, [www.360financialliteracy.org](http://www.360financialliteracy.org). These professionals have been hammering millennials with billboards lately to get them to save.

What you won't find ahead are schemes to amass the equivalent of a king's ransom. An obsession with money is just another obsession to lead you off course. If future blessings do include a sizable accumulation of wealth, you'll have the resources necessary to someday craft an endowment, trust, or foundation—all of which will aid others long after you're six feet under. And an estate-planning attorney will help you pass wealth to others with minimal tax consequences. The world half-jokingly says, "You can't take it with you," which is hardly sage advice compared with the expectation that you're not going to need it anyhow.

You won't find unsolicited advice ahead, either. Our Creator didn't wire our brains with reception antennae, but human behavior suggests that He left a few connections open to inquisitiveness and self-thinking, once we've absorbed knowledge and truth. This blessing allows us to think and live uniquely, rather than being automatons.

You will find ahead, by the way, chapter-and-verse-only Scripture notations. In that way you can use the Bible of your choice to reference them.

Becoming financially independent is not the same as becoming independently wealthy. Just as cold is the absence of heat, I define "financial independence" as an absence of financial insecurities. One example is running out of paycheck before running out of month. Another is

having the bank dishonor your check. While both events are painful, the real threat to a happy life is accumulating so many financial insecurities that, in total, they ultimately destabilize your marriage—if that union is what God has planned for you.

In managing your earnings to accomplish your objectives, I suggest you imitate Michelangelo and be creative with knowledge you gain here. When all is said and done, personal finance is really more of an art than any of the sciences, which have no room for expression or multiple answers. The degree of financial literacy you ultimately reach will determine how close you'll get to the masterpiece you first had in mind.

Moreover, this skill set adds to a healthy mental outlook—which can be less resilient than the outlook of your heart. Hearts mend in due time. Moms are right when saying, “There are other fish in the sea.” Conversely, the blues won't let go when you can't make the rent each month. You know exactly from experience what makes the clouds evaporate: mastering a skill, or completing a difficult project, justifiably makes you beam with pride and stokes your self-confidence.

As in your spiritual journey, you need sharp skills in the marketplace to defend yourself against people who operate from a position of unfair advantage. Competing with honest men and women is tough enough without having to watch for sharks—like **predatory lenders**, who take financial advantage of uninformed people or those in immediate need. The range of practice is wide, including burdensome payday loans, mortgages with poor terms, and various manipulative business practices. Search “predatory lending” to find more examples.

Many such arrangements are deemed usurious. **Usury**, which is now defined as the practice of charging an interest rate that's far higher than the going rate, was first known as the cost of using someone else's money. The non-bank lenders above—including pawnbrokers—fall within the **subprime lending market**. You're forced to borrow here when you have a low credit score and minimal assets. The subprime is a subset of the larger **secondary lending market**, which represents varied

alternatives. For example, if your folks lend you the money to buy a car, they are part of the secondary market. The **prime lending market** includes state and federally regulated banks, thrifts, and credit unions.

This less-than-desirable subprime market won't go away, despite humane society's best efforts to lend a hand to those who find themselves subject to it. There are just too many people who are unwilling or unable by circumstance to get their act together. In its defense, the subprime does serve a community need. Upright business owners, who have been at the bottom themselves, are there to serve the undereducated and disadvantaged—but shouldn't work them over. As the Lord tells us, the poor will always be with us (Matt. 26:11). But I doubt that this was simple commentary, since He didn't engage in small talk. Rather, He envisioned our inadequacies. Yes, poverty in its many forms can be circumstantial, but Jesus calls us all to do better, regardless of our state in life, as He does in the parable of the bags of gold—as some translations state it (Matt. 25:14–30).

Some municipalities have explored banning operators they view as undesirable, but doing so may be constitutionally impossible, and outlawing them will only create a larger, less regulated black market. As it is, state and local governments follow a zigzag pattern of regulating these businesses and educating the public. An effective way to deal with the issue is to create effective usury legislation that puts a floating cap on this market's interest rates. Ideally, the law's maximum should rise and fall relative to the **prime rate**. If you recall from economics, the prime rate is what traditional banks and credit unions charge their best customers. Moreover, we must do what we can to help the less fortunate move upward.

On a national level, during the early part of this century, our country experienced the symptoms of predatory lending, due in part to the avalanche of mortgage-loan defaults. The details of this long story are best discussed in a different book, but it's important to emphasize that some financial operators intentionally packaged “garbage mortgages” and sold them as singular cuts of prime beef, making that sin one of



the fundamental causes of distress. A search on the Web for “predatory lending and mortgage default crisis” will bring up plenty of stories.

Our faith isn’t opposed to lending with interest *per se*. Our belief set takes into account that the money necessary to build homes, office buildings, churches, roads, and dams can’t come solely from profits, donations, and taxes. To erect the walls, we need to compensate investors for lending their savings—which they’ve put at risk of loss in the process.

Lending with interest at a personal level is quite another thing. Our faith maintains that if you front me some money, you should not ask for more in return. That practice leaves me worse off than I was. We find references in the Bible to this as far back as Ezekiel 18:8.

Reflecting on interpersonal lending is relevant, as you develop your own personal philosophy: If I ask you for a loan to meet a necessity, you must rightfully consider first if my request fits into your budget. If you think it does and you lend interest-free, we’re both in luck—an act of mercy like that is a beautiful treasure to lay up in heaven. If the repayment date passes and the specter of loss gnaws at you, then either you actually couldn’t afford to lend me the money in the first place, or you have a quite strong attachment to the stuff. To avoid having the matter become a point of contention when your own assets are limited, it may be better to turn me down in self-defense. That would not be uncharitable. If I ask for a loan to buy a luxury, your internal discourse won’t be much different, but in this case it’s much easier to respond flatly with “no.” After all, are you really in the lending business? TV episodes of *Judge Judy* suggest otherwise.

In time, you may choose to make **charitable giving** a permanent part of your budget. Then you have the option to say, “Just keep the money.” In reality, if I can’t afford a necessity right now, what reason do you have to believe that I will anytime soon? Our Jewish friends carved out eight insightful levels of charitable giving; check them out in the link at the end of this chapter.

Department stores and the like strive to make *your* budget go to *their* business. The goal of raw **capitalism** is not to keep you fed

and in fashion—it's to move money from designer-jean pockets into armored trucks. In the war to win sales, retailers and service providers launch intense advertising bombardments that assault the will. To make matters worse, Madison Avenue's slick marketing insults the intelligence.

All systems of trade are the indispensable engines that drive economies, but those that overheat cause inflation; consume valuable resources; and, among other things, damage global cultures and clash with religions. These circumstances have become politically hot topics around the world, especially since digital commerce began. Such is **consumerism**.

Not surprisingly, there's resistance to it. People who adhere to the "simple living" lifestyle express their philosophy and ideas through art, literature, popular culture, politics, and religion. Some are activists in the green movement, while others stand steady by living, working, and playing passively. Two good Christian examples are the Amish and the Religious Society of Friends (Quakers). Search the Web to learn more about "simple living."

Despite their political differences, Republican and Democrat business owners agree that an effective way for people to raise their economic and social status is by joining the club. Either you'll create a company based on the three basic business structures featured in Chapter 8 of this book, or you'll work for one—unless you plan to be a professional student. Owning an enterprise may not be your cup of tea, but you should and can own part of one or more companies by at least becoming a passive investor—which I'll show you how to do.

Before we wade into that pond, imagine that your teacher jotted a list of basic financial skills on the board:

1. Demonstrate how you make your checkbook balance agree with your bank statement.
2. Name an investment that simultaneously reduces taxes and builds wealth.