

Dave Ramsey's

**Financial** *Peace*  
UNIVERSITY




***Super Saving***<sup>TM</sup>

**Common Sense for Your Dollars and Cents**

## The Seven Baby Steps

There is a process for getting out of the mess that we created without feeling overwhelmed. Getting out of debt will not happen overnight; it takes time. Here are the Baby Steps that will get you started:

- Step 1:** \$1,000 in an emergency fund  
(\$500 if your income is under \$20,000 per year)
- Step 2:** Pay off all debt except the house utilizing the debt snowball (found in the Dumping Debt lesson)
- Step 3:** Three to six months expenses in savings
- Step 4:** Invest 15% of your household income into Roth IRAs and pre-tax retirement plans
- Step 5:** College funding
- Step 6:** Pay off your home early
- Step 7:** Build wealth and give!



You can get anywhere if you simply go one step at a time.

“If you do the things you need to do when you need to do them, then someday you can do the things you want to do when you want to do them.”

– Zig Ziglar



If you will live like no one else,  
later you can live like no one else.



## Baby Step 1

\$ \_\_\_\_\_ in the bank.

If your income is under \$20,000, make this \$\_\_\_\_\_.



“For the love of money is a root of all kinds of evil.”

– 1 Timothy 6:10 (NIV)

“In the house of the wise are stores of choice food and oil, but a foolish man devours all he has.”

– Proverbs 21:20 (NIV)

- Saving must become a \_\_\_\_\_.
- You must pay yourself \_\_\_\_\_.
- Give, save, then pay \_\_\_\_\_.
- Saving money is about \_\_\_\_\_ and \_\_\_\_\_.
- Building wealth is not evil or wrong. Money is \_\_\_\_\_.
- Larry Burkett, a famous Christian author, said, “The only difference in saving and hoarding is \_\_\_\_\_.”

You should save for three basic reasons:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_



## Emergency Fund

\_\_\_\_\_ events do occur—expect them!

**Remember:** Baby Step 1, a beginner emergency fund, is \$\_\_\_\_\_ in the bank (or \$500 if your household income is below \$20,000 per year).



“And let them gather all the food of those good years that are coming, and store up grain under the authority of Pharaoh, and let them keep food in the cities. Then that food shall be as a reserve for the land for the seven years of famine which shall be in the land of Egypt, that the land may not perish during the famine.”

– Genesis 41:35-36 (NKJV)

### Baby Step 3™

\_\_\_ to \_\_\_ months of expenses in savings.



In our lives, we all go through “times of famine.” Whether it’s a layoff, lengthy illness, large financial loss, etc., we need to be prepared and save up while we can. It will allow us to better cope during tough times and, in some cases, to survive.

A great place to keep your emergency fund is in a \_\_\_\_\_ account from a mutual fund company.

Your emergency fund is not an \_\_\_\_\_; it is \_\_\_\_\_.

Do not \_\_\_\_\_ this fund for purchases.

The emergency fund is your \_\_\_\_\_ savings priority. Do it quickly!

## Purchases

Instead of \_\_\_\_\_ to purchase, pay cash by using a \_\_\_\_\_ fund approach.

### *For example...*

Say you borrow to purchase a \$ \_\_\_\_\_ dining room set. Most furniture stores will sell their financing contracts to finance companies.

This means you will have borrowed at \_\_\_\_\_% with payments of \$ \_\_\_\_\_ per month for \_\_\_\_\_ months. So, you will pay a total of \$ \_\_\_\_\_, plus insurance, for that set.

But if you save the same \$ \_\_\_\_\_ per month for only \_\_\_\_\_ months, you will be able to pay cash.

When you pay cash, you can almost always negotiate a discount, so you will be able to buy it even earlier.



One definition of maturity is learning to delay pleasure. Children do what feels good; adults devise a plan and follow it.



Save for a \$4,600 car by putting \$\_\_\_\_\_ per month in the cookie jar for only 10 months!

Since we have pledged to borrow no more, this is the only way to make a purchase.

If your teenager really got this lesson early and **never** had a car payment throughout his whole life, do you realize how wealthy he could become just from this **one decision?**

## Wealth Building

*Retirement & College Funding, Etc.*

\_\_\_\_\_ is a key ingredient.

Building wealth is a \_\_\_\_\_, not a \_\_\_\_\_.

Just \$\_\_\_\_\_ per month, every month, from age 25 to age 65, at \_\_\_\_\_% will build to over \$\_\_\_\_\_.



Learn how to drive FREE CARS for the rest of your life! Check out **"Drive Free, Retire Rich"** on this section's "Helpful Stuff" page in FPU Online!

"No discipline seems pleasant at the time, but painful. Later on, however, it produces a harvest of righteousness and peace for those who have been trained by it." – Hebrews 12:11 (NIV)





“A faithful man will abound with blessings, but he who hastens to be rich will not go unpunished.”

– Proverbs 28:20 (NKJV)



You will either learn to manage money, or the lack of it will always manage you.

\_\_\_\_\_ (PACs)  
withdrawals are a good way to build in discipline.

Compound interest is a mathematical \_\_\_\_\_.

You must start \_\_\_\_\_ !

## Daily decisions can make a HUGE impact!

Expense	Cost per day	Cost per month	If invested at 12% from age 16-76
Cigarettes	\$3	\$90	\$11,622,000
Gourmet Coffee	\$5	\$150	\$19,371,943
Lunch (5 days/week)	\$8	\$160	\$20,663,319

***Is it worth the cost in the long run?***



“If riches increase,  
do not set your heart  
on them.”

– Psalm 62:10  
(NKJV)

## The Story of Ben and Arthur

Both save \$2,000 per year at 12%. Ben starts at age 19 and stops at age 26, while Arthur starts at age 27 and stops at age 65.

Age	Ben Invests:		Arthur Invests:	
19	2,000	2,240	0	0
20	2,000	4,749	0	0
21	2,000	7,558	0	0
22	2,000	10,706	0	0
23	2,000	14,230	0	0
24	2,000	18,178	0	0
25	2,000	22,599	0	0
26	2,000	27,551	0	0
27	0	30,857	2,000	2,240
28	0	34,560	2,000	4,749
29	0	38,708	2,000	7,558
30	0	43,352	2,000	10,706
31	0	48,554	2,000	14,230
32	0	54,381	2,000	18,178
33	0	60,907	2,000	22,599
34	0	68,216	2,000	27,551
35	0	76,802	2,000	33,097
36	0	85,570	2,000	39,309
37	0	95,383	2,000	46,266
38	0	107,339	2,000	54,058
39	0	120,220	2,000	62,785
40	0	134,646	2,000	72,559
41	0	150,804	2,000	83,506
42	0	168,900	2,000	95,767
43	0	189,168	2,000	109,499
44	0	211,869	2,000	124,879
45	0	237,293	2,000	142,104
46	0	265,768	2,000	161,396
47	0	297,660	2,000	183,004
48	0	333,379	2,000	207,204
49	0	373,385	2,000	234,308
50	0	418,191	2,000	264,665
51	0	468,374	2,000	298,665
52	0	524,579	2,000	336,745
53	0	587,528	2,000	379,394
54	0	658,032	2,000	427,161
55	0	736,995	2,000	480,660
56	0	825,435	2,000	540,579
57	0	924,487	2,000	607,688
58	0	1,035,425	2,000	682,851
59	0	1,159,676	2,000	767,033
60	0	1,298,837	2,000	861,317
61	0	1,454,698	2,000	966,915
62	0	1,629,261	2,000	1,085,185
63	0	1,824,773	2,000	1,217,647
64	0	2,043,746	2,000	1,366,005
65	0	<b>2,288,996</b>	2,000	<b>1,532,166</b>

**Saving only  
\$167 a month!**

**\$2,288,996**

*With only a  
\$16,000 investment!*

**\$1,532,166**

*Arthur NEVER  
caught up!*





“Make all you can,  
save all you can,  
give all you can.”

– John Wesley

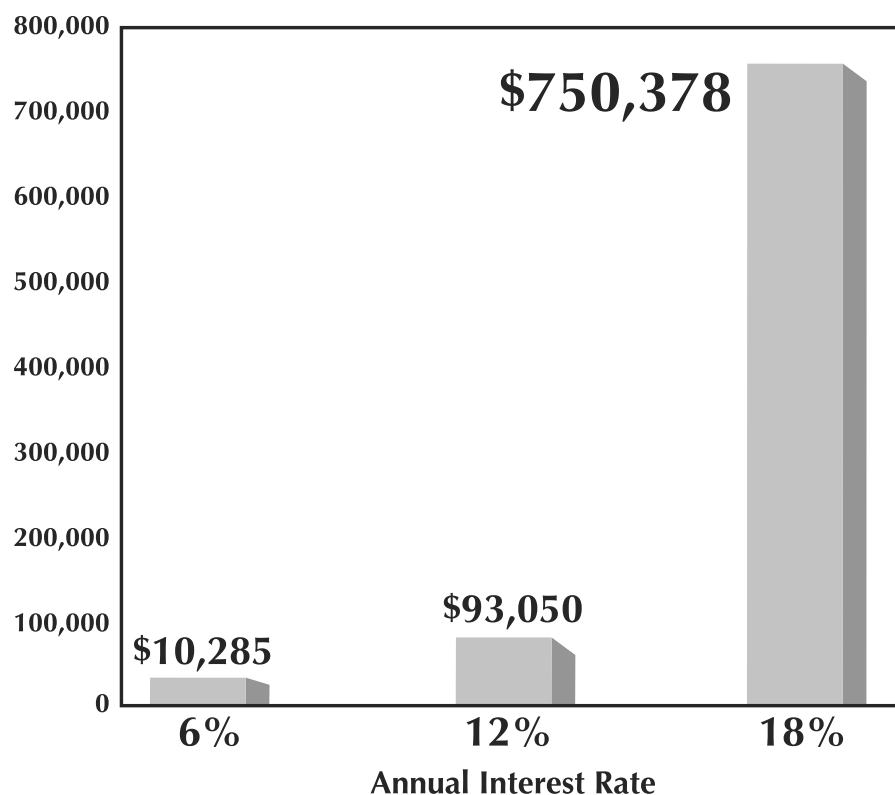
“Get Rich Quick” never works. You will lose your money. Saving faithfully over time will always build wealth — it just takes a little while.

## *What do we learn from Ben and Arthur?*

Rate of return, or \_\_\_\_\_ rate, is important.

A simple, one-time investment of \$1,000 could make a huge difference at retirement...if you know how and where to invest it.

### **\$1,000 One-Time Investment, No Withdrawal Age 25 to Age 65 (40 years)**



***Where you put your money DOES MATTER!***

## The Basic Quickie Budget (Instructions)

This form will help you get your feet wet in the area of budgeting. It is only one page and should not be intimidating as you get started. The purpose of this form is to show you exactly how much money you need every month in order to survive. We won't get into the details of your credit card bills, student loans, and other consumer debts here. *This is just to give you a starting point as you begin to take control of your money.* You will learn how to create a full monthly cash flow plan in the third class session.

**There are four columns on this form:**

### 1. Monthly Total

- This column shows you how much you are spending on necessities each month.
- If you do not know the amount, write down your best estimate.
- If an estimate is grossly inaccurate, then you may have never even noticed how much you were spending in that area before now. Don't beat yourself up about this!

### 2. Payoff Total

- Write down how much money is required to completely pay off that item.
- This line only appears in the relevant categories (mortgage, car debt, etc.).

### 3. How Far Behind?

- If your account is past due in any category, write down how many days you are behind.
- If you are up-to-date, simply write a zero or "N/A" (not applicable) here.

### 4. Type of Account

- Write in how this area is paid—by check, automatic bank draft, cash, etc.
- Early in the FPU course, you will see the benefits of using cash for certain items. Challenge yourself by identifying categories for which you can use cash only.
- The asterisks ( \* ) on the form indicate areas in which a cash-based approach could be helpful.

## The Basic Quickie Budget

Item	Monthly Total	Payoff Total	How Far Behind	Type of Account
GIVING	<u>\$366</u>		<u>NA</u>	<u>Check</u>
SAVING	<u>\$100</u>		<u>NA</u>	<u>Bank Draft</u>
HOUSING				
First Mortgage	<u>\$915</u>	<u>\$125,000</u>	<u>NA</u>	<u>Bank Draft</u>
Second Mortgage	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Repairs/Mn. Fee	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
UTILITIES				
Electricity	<u>\$100</u>		<u>NA</u>	<u>Check</u>
Water	<u>\$55</u>		<u>NA</u>	<u>Check</u>
Gas	<u>\$75</u>		<u>NA</u>	<u>Check</u>
Phone	<u>\$45</u>		<u>NA</u>	<u>Check</u>
Trash	<u>          </u>		<u>          </u>	<u>          </u>
Cable	<u>\$21</u>		<u>NA</u>	<u>Check</u>
*Food	<u>\$360</u>		<u>NA</u>	<u>Cash</u>
TRANSPORTATION				
Car Payment	<u>\$400</u>	<u>\$8,500</u>	<u>2 months</u>	<u>Check</u>
Car Payment	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
*Gas & Oil	<u>\$200</u>		<u>NA</u>	<u>Cash</u>
*Repairs & Tires	<u>          </u>		<u>          </u>	<u>          </u>
Car Insurance	<u>\$80</u>		<u>NA</u>	<u>Check</u>
*CLOTHING	<u>\$100</u>		<u>NA</u>	<u>Cash</u>
PERSONAL				
Disability Ins.	<u>          </u>		<u>          </u>	<u>          </u>
Health Insurance	<u>\$300</u>		<u>NA</u>	<u>Bank Draft</u>
Life Insurance	<u>          </u>		<u>          </u>	<u>          </u>
Child Care	<u>          </u>		<u>          </u>	<u>          </u>
*Entertainment	<u>\$200</u>		<u>NA</u>	<u>Cash</u>
OTHER MISC.	<u>          </u>		<u>          </u>	<u>          </u>
TOTAL MONTHLY NECESSITIES	<u>\$3,311</u>			



# Discussion & Accountability

## Answer Key

\$1,000	\$1,000	\$5,064
\$500	3	\$211
Priority	6	18
First	Money	\$464
Bills	Market	Discipline
Emotion	Investment	Marathon
Contentment	Insurance	Sprint
Amoral	Touch	\$100
Attitude	First	12%
Emergency	Borrowing	\$1,176,000
Fund	Sinking	Pre-Authorized
Purchases	\$4,000	Checking
Wealth	24%	Explosion
Building	\$211	Now
Unexpected	24	Interest

### Set Your Goals for the Week / Gazelle Focus

I am going to sit down and do my first Quickie Budget before next week's class.

Also this week, I am going to ...

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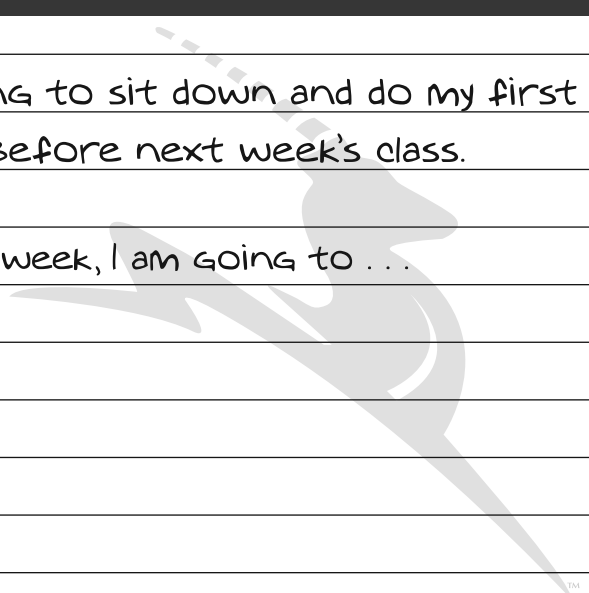
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## online resources

Be sure to check out the special online features for this section.

- **Financial Reality Check:** Find out where your current financial plan will lead you!
- **Emergency Fund Tracker:** How fast can you save your first \$1,000?
- **Drive Free, Retire Rich:** Discover the best way to buy a car!
- **Private Journal:** Record your progress in your own private journal!

## Welcome and Introductions

As you begin FPU Online, take a moment to introduce yourself to the online community of men and women around the world who are currently working through FPU Online with you. Go to the Community Forums in the “Community” area of the site and reveal:

1. Who you are,
2. Why you’re here, and
3. What you hope to get out of this program.

## Discussion and Accountability

These questions are provided at the end of each course section. Use them to further personalize and apply the principles you’ll learn throughout FPU Online.

1. What is keeping you from saving?
2. What is Baby Step 1? Why is this important?
3. Why do so many people use debt (credit cards, loans, etc.) for emergencies? Have you ever done this? Be honest!
4. Dave talked about how money is amoral, using the analogy of the brick. What did this illustration mean to you? Have you ever thought of money as being “good” or “bad” in and of itself?
5. What does “Murphy Repellant” mean? If you had some savings built up, do you think you’d have fewer emergencies?
6. Statistics show that most of us will have a major, unexpected, negative financial event in any 10-year period. What would constitute a “negative financial event” in your situation? How would you handle that today?
7. How would it feel if you had savings to cover an emergency? How would that change your attitude when unexpected things happen?

## Homework

Get your FPU experience off to a great start by completing these crucial tasks for this section of FPU Online:

1. **Complete the Basic Quickie Budget form or begin building your budget online.** The Basic Quickie Budget form is available online in the “Forms” area and our complete Gazelle Budget online software is available in the “My Money” area of the site.
2. **Financial Peace Revisited:** Read chapters 1, 2, 3, and 10.