How much money should I save?

Part two: So, how much should I save?

In the previous article we explored “Is Dave Ramsey Right?” The summary of the article is that while he has helped many people get out of debt, his view of how much money we need to save for retirement is not biblical. His benchmark for what people should save displays a heart of greed and not a heart of godliness. He is promoting that we should be laying up treasure on earth ***more*** than investing in heaven.

So, how much should I save?

Good sources use varying benchmarks. It is easy to look them up on-line. While I am not a professional financial planner, I suggest that these guidelines are worth using.

1. You should have an emergency fund.
   * I recommend three months of your Housing and Essential expenses. If you want to make your goal four to six month worth, I do not think that displays greed - but check your heart. Be sure your Housing and Essentials are appropriate. Your house could be much more than you need and that will increase your taxes and insurance cost. It could also increase your utilities. You could be spending too much money on groceries or clothing. Check your true needs in the light of the Bible and not your neighbor.
2. You should have a long-term savings account. This is money set aside for larger predictable expense in your later life (retirement).
   * The roof is going to need replaced, the appliances will fail, etc. This is a harder number to define but I promise you - it is not $1-2 Million. I encourage people to get out of debt and then set aside 5-10% of their income until they reach a reasonable amount. My recommended target moves based on your current age. The following examples are a heart test and are not a guaranteed to meet all of your future needs. If you want a more accurate long-term goal, you would need to do a long-range maintenance and medical plan with estimates based on the current cost and then pro-rate the goal based on a reasonable projection of growth of the fund over the time until retirement.
     + If you are in your 30’s, I suggest about $25,000
     + If you are in your 40’s, about $30,000
     + If you are in your 50’s, about $50,000

I suggest that people who have formed a habit of living a modest lifestyle have $50,000 to $100,000 in long-term savings by the time they retire, but you need to do your homework to set your goal. If your lifestyle is not modest, $500,000 may not be enough. If you live the lifestyle Ramsey promotes, then he is right $1 Million will not be enough. The problem is the lifestyle not the savings rate.

I know people in full retirement who went into it with less than $50,000 in their long-term savings and they can take care of their daily needs. They cannot go on cruises every year or tour Europe for a month, but they have food to eat, can pay for their medications, be hospitable, enjoy their family and friends, and replace the refrigerator when it fails. They can afford to live a godly lifestyle.

If your employer has some form of retirement savings plan, take advantage of it to meet your long-term savings need. They often do some sort of match up to a certain amount. Take advantage of that extra money to grow your long-term savings account.

Remember, money in a saving account gets compounded interest. The sooner you can put aside some long-term savings, the less you need to set aside. That long-term savings should be wisely invested. If God wants you to be “rich,” He can prosper that fund.

Two Key Points

1. This strategy will not make you rich here on earth. It will not provide you a life of leisure, but it can give you an opportunity to lay up treasures in heaven.
2. You have to adjust your lifestyle to meet God’s plan for your life. He wants us to be rich in His grace and in love for the lost. Psalms 37:25 says, “I have been young, and now am old; yet have I not seen the righteous forsaken, nor his seed begging bread.” Trust God, not retirement accounts.

I expect that before I die, America will feel the hand of God judging us for our greed - Christian’s greed. He warned the northern tribe of Israel, through Amos, that they were wrong to think that they were wealthy because of His blessing. The truth was He was preparing them for judgment – total destruction. He condemned them for their greed. They were selling whole cities into slavery to get rich. They were getting rich on the backs of the poor instead of obeying His instruction to care for the poor. Can America be far behind? I am convinced that those who use their resources now to honor God will be honored by Him when the time of financial trouble come. Those who store up the money here on earth, will lose it - and lose the rewards God intended for them if they had obeyed Him and laid up treasure in heaven.

One more note about Ramsey’s recent articles. He tells his followers if they are not getting rich fast enough, go get a better paying job. What about God’s plan for your life? Is it possible that He has already given you all the income you need? Maybe what He wants you to do is change your wants, not your job. He may have placed you where you are to be salt and light to the people around you. Your job can be a ministry. It can be an opportunity to serve God and bless others.

Do not pursue money. Pursue God.

As a Christian we have something the lost do not have. We have a Father who loves us. How capable is your Father? Mine is capable of meeting all my needs.

Save for the future but do not trust in your savings accounts. Ask God for extra funds to invest in His kingdom, not to become a millionaire. If God wants you to have a million dollars when you retire, He can turn a few penny stocks into a million dollars. If you trust in your investments, He can turn a million dollars of blue-chip stocks into pennies. Only what you invest in heaven will last.

Coming soon, Debt … (hint: your money problems might be exacerbated by your home) …

Tom