

## Financial Planning for Ministers

Ministers are in a unique situation. Our culture tells us not to be concerned about money. The attitude is, "Lord, you keep him humble and we'll keep him poor." This attitude is coupled with the statement, "Trust the Lord to provide." The Lord does provide, but he expects us to use wisely what he bestows upon us.

Where do we start? How do we provide for our families, both now and when God takes us home? There is a healthy balance between trusting God and wisely managing what he has placed in our care.

First let's look at goals. Goals are desires that we can measure, achieve and complete in a certain amount of time. We need to plan goals at one, five and twenty plus year intervals. What are some goals that we might consider?

1. Get out of debt
2. Plan for college, for ourselves or our children
3. Buy a house
4. Buy our cars with cash
5. Take a special vacation
6. Put away adequate money for retirement

These questions all revolve around timelines. When do you want to retire? What day and year will you leave your current position? You must know the date in order to know how much money you need to put away now on a monthly basis. The longer you wait, the more you will have to put away and it will produce less income. Why? Because it takes time plus compound interest to provide the income you will need to retire. Let me give you an example. One dollar per month at 12 percent interest for 45 years will produce \$21,455.00. That is from an investment of \$540.00. One hundred dollars per month at 12 percent interest for 45 years will produce over 2.1 million dollars. Wait just five years and the amount drops to 1.1 million dollars. You need to start now; don't wait.

What will you do when you retire? Other ministry? Travel? Move to another location? These questions will also help you determine how much you need to put away. Of course, current expenditures can get in the way of your retirement goals. We love our children, but they are expensive to raise. This is compounded when we live in large cities with high living costs. Does that mean we do nothing and try not to think about it? No, it simply means that we put away what we can now and add to it as our expenses go down.

Second, learn to become good money managers. Our society says debt is acceptable, even expected. God's Word says that we put ourselves in bondage to the lender when we go into debt. Is all debt bad? No, but all consumer debt should be avoided. Consumer debt is buying anything that decreases in value. That is most of what we buy today. The exception would be a home, certain types of collections or anything that increases in value more than the cost of financing.

How do we become good money managers? Many of us were not taught how to manage money by our parents. Did your parents teach you how to balance your checkbook? Manage your credit cards? Why not? Their parents probably did not teach them. You can break that cycle by learning how to handle money and teaching your children how to handle it before it handles them. You can get training in money management from many sources.

California Southern Baptist Convention's church finance ministry has many men and women who can come to your church and teach you, and your congregation, how to set goals, get rid of your debt, determine your net worth, determine your monthly spendable income, set up a budget and learn how to keep simple, accurate records. You may contact CSBC at 559.229.9533 x.258. You can also get help at [www.financialplan.about.com/library/blfinancial.htm](http://www.financialplan.about.com/library/blfinancial.htm). This Web site will walk you through all the things discussed above plus such areas as investing and estate planning.

Here is one final word on money management. A good Christian money manager gives generously, saves consistently, and never spends more money than he or she has.

Second, begin investing for your future. If your current plan for financial independence does not satisfy expected needs for the future, you have four options. They are:

1. Live on less. This means decreasing your current standard of living.
2. Save more. This means finding more money each month to put aside in tax-sheltered savings.
3. Earn more. This may mean a job change, increased schooling or vocational training or taking on a second job.
4. Delay the day. You may need to postpone the date you plan to retire so that you can put aside the money you will need in the future.

What is the best savings plan? A plan that is tax sheltered or deferred will earn the most interest and the taxes will hopefully be less when you take the money out. Two excellent plans are the 401k (for profit companies) and the 403b (nonprofit companies) tax sheltered annuities. In order for you to not be income taxed, you must not come into possession of the money put into these accounts. This means your employer puts money into this account before you receive your check and/or you have a salary reduction agreement that has money deducted from your paycheck before you receive it. Ministers (licensed, ordained or commissioned) do not pay social security tax on this money. "Non-minister" do pay social security tax on their salary reduced contributions.

Congress enacted the Economic Growth and Tax Relief Reconciliation Act (ECTRRA) that made over 440 changes to the tax code. This provides many benefits to you of which I will list a few. They are:

1. People under 50 can put \$11,000 in their TSA in 2002. It will go up in successive years until the year 2010.
2. People over 50 can put \$12,000 in their TSA in 2002. It will go up in successive years until the year 2010.
3. The tax rates are being phased down over the next six years to more reasonable rates.

4. The child tax credit is increased to \$600 in 2001 and will increase to \$1,000 by 2011.
5. Annual contributions to IRAs and Roth IRAs have been increased to \$3,000 for the 2002-2004.

The list goes on and on. You can get more information by logging onto [www.irs.gov](http://www.irs.gov). Most people try to invest in the stock market before maximizing their 401k or 403b accounts. This is a big mistake because you pay taxes on the income from your stocks, whether you receive that income or have it reinvested. Money in your TSA is not taxed until you take them out.

Third, get a will written with durable power of attorney. This means that in the event that something happens to you or your spouse, the other party can handle financial matters. California is a community property state, which means that everything in the marriage is jointly owned. A durable power of attorney is needed in order for one party to act without the other party's consent.

You may need a trust if you have a million dollars in assets. You may be thinking, "who has that kind of money?" However, if you have a large life insurance policy and own a house in a large city, you may have well over million in assets. You will want to contact an attorney who specifically handles wills and trusts. Do not try to write your own using a kit, be it from the stationary store or the Internet. Poorly written wills are hard to execute and it takes a professional to write a proper will that covers all aspects of your assets.

Last, but not least, get the proper insurance. You need medical, dental, and life insurance. Again, contact a professional to help you with your insurance needs. Ask them to discuss the different insurances (term vs. whole life or variable whole life). Find an insurance person who understands your situation as a minister. Talk with your friends or get a recommendation from your co-workers.

Handling God's possessions that have been left in your care is not easy, but necessary. Take some time to start with your goals. Consider your insurance needs and get a will done as soon as possible. All of us think we are going to live longer than we do. Waiting until it's too late to make the right choices will cause pain to you and your loved ones. Consider talking to the following specialists who can help you make the right choices in a timely manner.

1. Insurance sales representative
2. CPA
3. Estate attorney
4. Certified Financial Planner

These people can help you sleep well at night knowing you have provided well for your family. The scriptures say, "But if anyone does not provide for his own, and especially for those of his household, he has denied the faith and is worse than an unbeliever. 1 Timothy 5:8 NKJV.

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