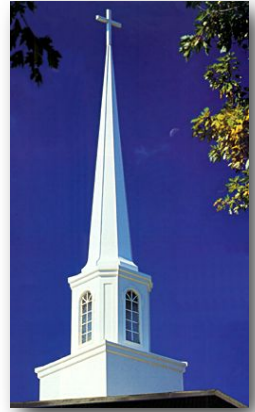


Church and Institutional Investing

Baptist Foundation of Illinois



For many church leaders, church investing is both an opportunity and a challenge for their congregations. There are some who resent the church ever having more than their immediate budgetary need while others wish to fully endow every aspect of the ministry. There are some who wish to keep renewing the church's money in bank certificates of deposit while others would be day traders in the stock market.

Is there a prudent course? Is there any spiritual guidance here? At BFI we think that there are some good principles for the church's finance committee to follow and, quite possibly, there are several areas where the Foundation can be of service in different areas of the church's finances. First, there are three questions every finance committee must answer before they can be effective with investing God's money responsibly:

- Does this money represent **wise planning** and good preparation for the future (what every believer should do), or does it decrease our dependence upon God?
- What is the **purpose** for this money? Money without a purpose tends to discourage stewardship among a congregation, while purposed money (i.e. a building fund or funds for students to go to camp, etc.) can enhance giving.
- What is the **time horizon** for this money? Is this a building fund that will be entirely accessed within the next couple of years or a cemetery or scholarship endowment that is designed to produce steady income for its mission each year until the Lord returns?

Wise Planning v. Independence From God

This first point really goes to the purpose for the particular funds. In fact, it is this issue, the *purpose of the funds*, that is key to helping us discern if we're being wise stewards or if we're hoarding cash and decreasing our healthy dependence on the Father for our provision. Somewhere between Jesus' acknowledgement that a wise man first considers the cost before "building a tower" (Luke 14:28) and His exhortation that He'll provide for us far better than the "lilies of the field" (Matthew 6:28) is the all important *purpose* of the fund.

Additionally, as is often the case with Biblical wisdom, there are very practical results. For instance, if you hoard operational cash (i.e. a church that has \$100,000 in a checking account for operations when their monthly needs are closer to \$5,000) that probably is not exhibiting dependence on God or encouraging meaningful stewardship among the membership. Whereas a church with \$100,000 in their building fund in anticipation of construction would not only demonstrate wise Biblical prudence but also provide an exciting funding target, stimulating stewardship and gifts among the membership.

So, what if you're a congregation that finds yourself with more money than your immediate needs and no "building program" on the immediate horizon? Go back to the all important *purpose* and challenge the church to establish one. That extra \$50,000, why not use it generate cash that sends missions volunteers either across the state or around the world next summer? Prudently invested, it should produce \$2,000 a year without significant risk and you've got a reason for others to give (*let's send out more volunteer missionaries next year*). Or that \$30,000 that started as a fund for something years ago but now has "lost its way," could be used to provide an educational scholarship for a young person each spring. In both these instances, the church owns the money, but it's been re-purposed into a Kingdom serving cause.

Time Horizon

Financial counselors who specialize in retirement accounts speak of this concept all the time and it has great application for other types of investing as well. The basic idea is that unless you have more than five years before you'll need to access your money, then avoid higher risk investments. If your time horizon is less than 5 years, then more prudent conservative investing is indicated. It seems that most all of church investing falls into this shorter timeline so, if we follow this principle, a more conservative approach is recommended. At the Foundation there are three conservative approaches to investing, and they correspond to three investment allocations that we've developed to help our churches.

- Cash management. Designed to help churches get return on operational funds (currently between 3/4% and 1%) that are needed seasonally in the church year. For example, if a church uses \$5,000 each month, it might be wise to have \$15,000 in operational funds. BFI can electronically move any amount and return it within 24 hours notice, thus making sure that a return is generated on a normal, operational reserve.
- Building Funds. By definition, building funds must not risk their principal, but good stewardship demands they also be invested to keep ahead of inflation (otherwise money given in one year, won't buy as many bricks two years from now when the church is ready to build -- churches that have invested their money in bank CDs are experiencing this problem even now). BFI uses, interestingly enough, a *church building loan pool*, for such investments. Churches invest in a very low risk pool that is then loaned out to other Southern Baptist churches in the Midwest for their construction projects. The fund offers guaranteed timed deposits from 30 days to two years, with returns ranging from 1.34% to 3.01% at current rates.
- Perpetual Funds for an Annual Mission. Cemetery, scholarship, and other missions funds need to have an annual (or quarterly), predictable return that is low risk in nature, but with a meaningful return. Through a combination of fixed income instruments (bonds of various types and some preferred stock), the annual yield for BFI fixed income ranges between 5 and 6%.

In Summary

Investing for faith based institutions can be challenging, yet deeply rewarding when we prudently help our institutions and congregations fulfill their missions and plan for their futures. It can also be confusing. Two key principles not only help clarify our thinking but also help keep us consistent with sound, Biblical money management. Money must be *purposed* -- helping us to avoid independence from God's provision while encouraging stewardship among our members. Secondly, our *time horizon* suggests how we should invest these precious assets of ministry.