

Getting A Grip *On Your* Resources



Planning
Godly Strategy

Fulfilling
Godly Goals

Building
Godly Dreams



Mennonite Brethren Stewardship Ministries

GETTING A GRIP ON YOUR RESOURCES

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Getting a Grip

HOW TO USE THIS BOOKLET

The purpose of this booklet is to help you discover the basic principles of managing your resources, and to help you live in freedom and generosity within these principles using the resources which God has entrusted to you.

It is a paradox that within our affluent Canadian culture, many Christians live under the stress of a serious financial burden.

Our society often measures us by our possessions and lifestyle. Subtle social pressures urge us to live at unrealistic levels given our present income. As a result many of us fall into the trap of easy credit and the illusion of affluence made possible by spending today what we hope to earn tomorrow. Too much debt takes the joy out of generosity and makes it difficult to save for future needs.

This booklet is intended to help you avoid financial entrapment. You will be challenged to set goals that reflect God's leading in your life, and to order your affairs to effectively pursue these goals. This booklet will be most useful when used in a small group setting, led by someone with an understanding of Christian stewardship and financial planning. It can also be used as a personal study guide. In all cases, it should be supplemented by further reading and research.

The projects at the end of each chapter are intended to help you apply the material to your own situation. If you are married, the benefit will be greatly enhanced if you and your spouse work on these together.

Getting a Grip on Your Resources

Discovering Your Resources

1

Why do we struggle in the use of our resources? Because we often have an inadequate understanding of Stewardship. If we accept the perspective that all of our resources are gifts from God, it will be easier for us to adopt godly goals and to use our resources wisely.

Stewardship

Definition

The word Stewardship is a combination of two Greek words: *oikos* – meaning **house** and *nemein* – meaning to **divide/distribute/apportion**. The most direct meaning is “the administration or management of a household.” A steward is a trustee, one to whom something of value is entrusted.

A Christian’s responsibility

A good steward uses God-given resources to accomplish God-given goals. Our responsibility as Christians is to live within God’s world according to the will of God. Stewardship should not be confined to any one area of our lives. As Christian stewards, we are creative partners with God, working with him to achieve and serve his purposes.

Parables Luke 12:42-48

The stewardship drama in Jesus’ parables involves three elements: **master, servant & estate**. There are also three themes: **faithfulness** to the master, **wisdom** in the use of resources and **accountability** for one’s actions.

Matthew 25:14-30

We are all entrusted with the management of God’s resources in our lives. God gives each of us the freedom to manage his resources faithfully, wisely and creatively.

Titus 1:6-9

What are the characteristics of a good steward?

Notes... ..

- 1.
- 2.
- 3.
- 4.

CHALLENGES TO GOOD STEWARDSHIP

- ☞ We want it all now
- ☞ We have dreams - not goals
- ☞ We fail to realize the wealth of our spiritual & material resources
- ☞ We use credit poorly
- ☞ We give up too easily



Using God-given resources to accomplish God-given goals... ..

Identifying our resources is the first step to godly management

Notes... ..

Teaching our children well is a key part of our discipleship.

Widely differing spending styles can add stress to a marriage relationship.

God has given each of us a wealth of resources... ..

The Good News - Salvation for everyone who believes
John 14:6 "No one comes to the Father except through me."
Ephesians 1:3-13 Our blessings in Christ.

Everyone has Spiritual Gifts - The Holy Spirit anoints us for service!
1 John 2:20-27 _____
Romans 8:11-16 _____
1 Peter 4:8-10 _____
Our natural abilities complement our spiritual gifts, giving us power to serve

Health - Our body is a temple of God
1 John 3:2 _____
1 Corinthians 3:9-23 _____

Integrity - Our character, who we are
1 Corinthians 13:7 _____
1 Peter 2:12 _____
Proverbs 10:9 _____

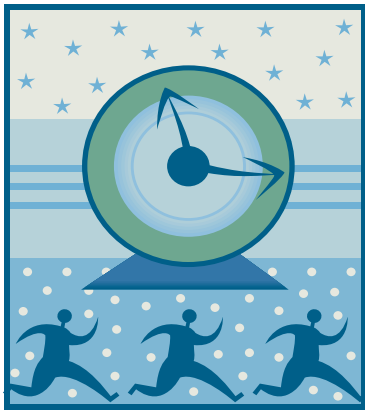
Time
Ecclesiastes 3:1 _____
Ephesians 5:15-16 _____
2 Corinthians 6:2 (keep in context) _____

Family(ies)
1 Timothy 5:8 _____
Deuteronomy 6:7 _____
Jude 4 _____

Material possessions
Psalm 119:34 _____
Proverbs 1:2-5 _____
Ephesians 5:17 _____
2 Timothy 2:7 _____
Matthew 25:14-30 _____
Luke 19:11-27 _____



Two important resources are **TIME** and **MONEY!**



Time: Reality check

Weekly time budget	Sample	My time
Worship alone with God	4 hours	
Work - adjust for travel time	45 hours	
Sleep	56 hours	
Home & family		
a) Family sharing evening	6 hours	
b) Meals	14 hours	
c) House/yard work	14 hours	
d) Recreation	4 hours	
e) Personal hygiene & grooming	4 hours	
f) Shopping	2 hours	
Night out with spouse	4 hours	
Personal time	4 hours	
Christian service - includes church, weekly activities & other ministries	10 hours	
Working out your financial plan/budget	1 hour	
Total hours	168 hours	

Notes... ..

Money: one of our major stewardship resources

Money is a **learning tool** ⁽¹⁾

Jesus' parable - Matt 25:14-30 _____

Paul's experience - Phil 4:1-12 _____

Money is a **test**

Luke 16:11-12 _____

Money is a **testimony**

Matt 5:13-16 _____

How we use our material resources reflects our faith to the world. It is a serious matter to misuse our financial resources.

Acts 4:32-5:10 _____

But: Money handled unwisely leads to bondage and destruction

1 Timothy 6:9-10 _____

Debts can destroy relationships

Proverbs 22:7 _____

JESUS OFTEN TAUGHT ABOUT THE USE OF MONEY AND POSSESSIONS

Almost half of the parables and one out of ten verses in the Gospels deal directly with the subject of money.

The Bible contains 500 verses on prayer, 500 verses on faith but more than 2,000 verses about money/possessions!

Follow Through...

Project

1. Keep track of how you spend your time for one week. Use the chart on [page 8](#)

Questions

1. In what areas is your actual use of time in line with your intended priorities?

2. In what areas do you need to adjust your use of time?

3. What changes would you like to make?

Financial planning can help us distinguish between needs and wants. It is a vital discipline for every faithful steward. A good financial plan helps us establish godly priorities.

Obstacles to financial planning... ..

Lack of discernment - difficulty distinguishing needs from wants

Pressure to maintain a lifestyle - to keep up with the "Joneses"

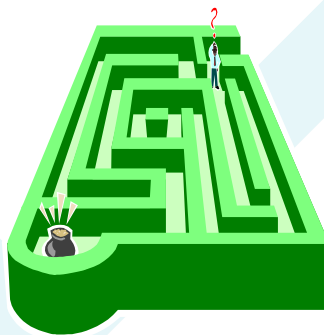
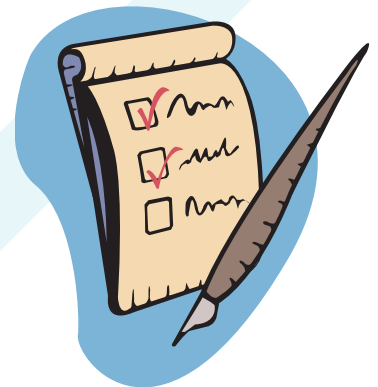
Lack of discipline - difficulty giving up a present want to meet a future need

Notes... ..

What are the benefits of a financial plan?

- ☞ **It allows us to honour God with our income and material possessions.** A good plan frees us to give more to God's work from planned surpluses. It will also help us avoid the burden of debt.
- ☞ **It helps us provide for our family's needs in a unified atmosphere.** A financial plan created by the whole family reduces conflict over spending and improves family communication. Planned spending leads to fewer 'spending regrets'.
- ☞ **It establishes an emergency fund.** Emergencies can arise at any time. Careful financial planning makes funds available for those unexpected events without the need to borrow.
- ☞ **It allows us to achieve family goals that require financial strength.** Financial freedom and security in retirement are difficult to achieve without a good financial plan.

A personal financial plan allows us to leave behind a testimony of God's faithfulness...



...that will inspire future generations.

It is impossible to create a Christian financial plan without first spending time with God...

Notes... ..

The most important part of any financial plan is a clear spiritual purpose in your life.

Be content - Proverbs 30:7-9: _____

Give yourself - Romans 12:1-3: _____

Grow in relationship & loyalty to God - Ephesians 5:10 _____

Grow in relationship & loyalty to family - Ephesians 5:22-6:4 _____

Grow in relationship & loyalty to others - 1 John 1:7 _____

Grow in relationship & loyalty to church community - Galatians 5:22-26 _____



Before making a financial plan you need to:

- **Know where you are**
Good planning will be much easier if you know your present spending patterns and the value of what you currently own.
- **Set godly goals**
These will give direction to your planning.



Follow Through...

Project

List the difficulties you are experiencing in your financial planning.

How do you intend to overcome these?

Complete an annual balance sheet and spending summary to track your progress toward your goals.

Your Balance Sheet - a snapshot of where you are now...

ASSETS (what you own)

LIABILITIES (what you owe)

	VALUE		VALUE
Residence	\$ _____	House Mortgage	\$ _____
Farm, Cottage, rental property	\$ _____	Auto loans/leases	\$ _____
Furnishings (at garage sale value)	\$ _____	Credit card balances	\$ _____
Vehicles	\$ _____	Bank loans & line of credit	\$ _____
Bank accounts	\$ _____	Investment loans	\$ _____
RRSPs/RRIFs	\$ _____	Business loans & debt	\$ _____
Other Investments (Stocks, Bonds)	\$ _____	Personal guarantees	\$ _____
Life Insurance - cash value	\$ _____	Debt owed to family	\$ _____
Business	\$ _____	Student loans	\$ _____
Debts owed to you	\$ _____	Other	\$ _____
Other	\$ _____		
TOTAL ASSETS	\$ _____	TOTAL LIABILITIES	\$ _____
Less TOTAL LIABILITIES	\$ _____		
Equals NET WORTH	\$ _____		

Your Present Spending Patterns

(Spending Summary)

Income

Sources	Amount Paid Monthly	Amount Paid Annually	Total Annual Amount
Take Home Wages - you	\$ _____	\$ _____	\$ _____
Take Home Wages - spouse	\$ _____	\$ _____	\$ _____
Child Tax Credits -	\$ _____	\$ _____	\$ _____
Dividends - _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Interest - _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Business - _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Take Home Income	\$ _____	\$ _____	\$ _____ [A]

Outflow

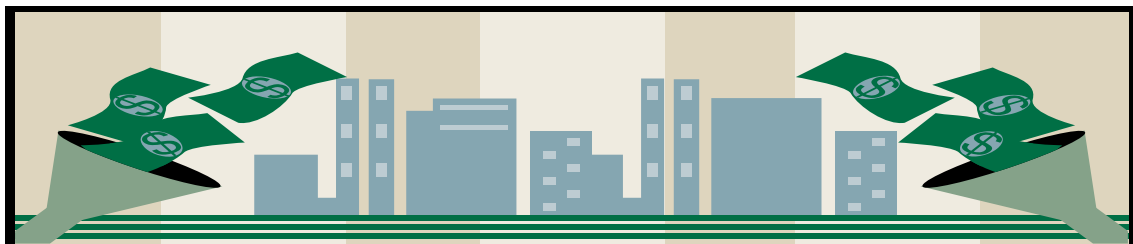
Giving	Monthly	Annual	Total
(Recipient)			
My Church -	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Totals	\$ _____	\$ _____	\$ _____ [B]

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Debt Repayment

Creditor	Balance	Amount Paid Monthly	Amt Paid Other than Monthly	Total Annual Amt
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
Totals	\$ _____	\$ _____	\$ _____	\$ _____

Total Annual Debt Repayment \$ _____ [C]



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Living Expenses

	Amount Paid Monthly	Amount Paid Other Than Monthly	Total Annual Amount
Housing:			
Rent or Mortgage	_____	_____	_____
Property Taxes & Insurance	_____	_____	_____
Home Maintenance	_____	_____	_____
Utilities	_____	_____	_____
Food	_____	_____	_____
Clothing	_____	_____	_____
Transportation:			
Car expenses	_____	_____	_____
Public Transit	_____	_____	_____
Entertainment/Recreation:			
Eating out	_____	_____	_____
Magazine/papers	_____	_____	_____
Vacation/travel	_____	_____	_____
Clubs & activities	_____	_____	_____
Medical expenses (uninsured)	_____	_____	_____
Life Insurance (Private)	_____	_____	_____
Children's expenses	_____	_____	_____
Gifts	_____	_____	_____
Other	_____	_____	_____
Totals	_____	_____	_____ [D]

Spending Summary - enter data from lines indicated in brackets []

Income		\$ _____ [A]
Less: Giving	\$ _____ [B]	
Debt repayment	\$ _____ [C]	
Living Expenses	\$ _____ [D]	
Total Expenses	\$ _____	- \$ _____
Surplus available to achieve your goals		\$ _____

Setting Financial Goals: Deciding Where to Go

4

A financial plan cannot be completed without first establishing goals. We sometimes fail to make goals because of: (1) neglect, or defaulting to what comes easily, (2) fear of failure to meet the goals, (3) lack of knowledge about how to set goals.

“Take no thought for the future...” refers to worry, not planning⁽²⁾



Notes... ..

Why Set Goals?

- ✓ Scripture encourages us to do so - Phil 3:12-14; 2 Cor 5:8-10
- ✓ They provide direction & purpose - we need to know where we are going
- ✓ They help us crystalize our thinking - we focus on what we really want to accomplish and how we want to do it
- ✓ They provide personal motivation - a clear focus can help energize us
- ✓ They are statements of our understanding of God's will for us⁽³⁾



Set Goals with God's Guidance

Psalm 25:4-5 “Show me your ways, O Lord, teach me your paths; guide me in your truth and teach me, for you are God my Savior, and my hope is in you all day long.”

Psalm 37:4 “Delight yourself in the Lord and he will give you the desires of your heart.”

Psalm 37:23-24 “If the Lord delights in a man's way, he makes his steps firm; though he stumble, he will not fall for the Lord upholds him with his hand.”

Proverbs 10:22 “The blessing of the Lord brings wealth, and he adds no trouble to it.”

Proverbs 14:22 “...those who plan what is good find love and faithfulness.”

Proverbs 16:3 “Commit to the Lord whatever you do, and your plans will succeed.”

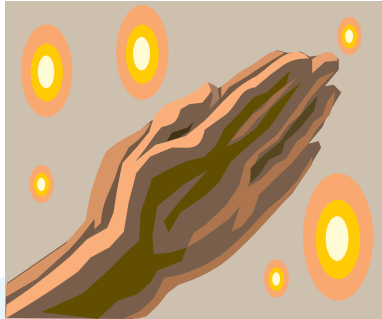
Proverbs 16:9 “In his heart a man plans his course, but the Lord determines his steps.”

Proverbs 21:5 “The plans of the diligent lead to profit, as surely as haste leads to poverty.”

Proverbs 30:25 “Ants are creatures of little strength, yet they store up their food in the summer.”

Luke 14:27-30 “Anyone who does not carry his cross and follow me cannot be my disciple.”

A Faith Goal - An objective toward which I believe God wants me to move; my present understanding of God's will for me. Hebrews 11:6 "And without faith it is impossible to please God, because anyone who comes to him must believe that he exists and that he rewards those who earnestly seek him."



Notes... ..

Ephesians 3:20
 "...to him who is able to do immeasurably more than all we ask or imagine..."

Phil 3:13-14
 "Forgetting what is behind and straining toward what is ahead, I press on toward the goal to win the prize for which God has called me heavenward in Christ Jesus."

John 15:7
 "If you remain in me and my words remain in you, ask whatever you wish, and it will be given you."

Setting Faith Goals ⁽⁴⁾

1. Spend time with God - that is the beginning point of stewardship. Psalm 119:105 **Your word is a lamp to my feet, and a light to my path.** We need to let God direct us. God reveals his will for our lives through his Word as we study it.

Some guideposts:

- ★ Matthew 6:33 _____
- _____
- ★ Psalm 37:4 _____
- ★ Matthew 6:19-21 _____
- _____
- ★ Proverbs 10:22 _____
- _____
- ★ Matthew 25:21 _____
- _____
- ★ 1 Timothy 5:8 _____

- 2. Record the impressions God gives you.** When testing comes this record will encourage you.
- 3. Write out your goals.**
- 4. Make your financial goals measurable.** Unless you detail them with dates and amounts, they will become purpose statements instead of goals. When goals are measurable, we can be held accountable for them.

Moving toward your faith goals

Your part: Be obedient. Act on what you know God wants you to do. Note the example of Noah, Abraham & Sarah in Heb 11:7-11.

God's part: To provide resources and to change your heart so that he can do what he wants to do in your life.

Results of setting faith goals

- ★ Discerning God's will for your life will become easier as you practice obedience. If your goals are God-given, they will be achieved because God will provide the resources.
- ★ You will grow as you experience the results of your obedience and the power of God displayed in your life.
- ★ God will receive glory.

Goal setting don'ts

- ⊗ **Don't focus on the past.** God can do far more than we can ask or imagine.
- ⊗ **Don't focus on present resources.** God is not limited to these.
- ⊗ **Don't set goals apart from your spouse.** Take full advantage of your differing approaches and points of view to arrive at wise decisions.

Meeting your financial goals is a step by step process. It will not happen overnight. Set aside a block of time with your spouse to carefully work out your goals.

Goals Worksheet

Goals & strategies to reach them

Goals	Amount Required	Achievement Date	Strategy & Budget Action
Pay off credit cards	\$ _____	_____	_____
Build emergency reserve	_____	_____	_____
Replace car	_____	_____	_____
Home down payment or early mortgage pay off	_____	_____	_____
Children's college fund	_____	_____	_____
Special charitable giving	_____	_____	_____
Home improvements	_____	_____	_____
Special vacation	_____	_____	_____
Retirement	_____	_____	_____
Personal ministry projects	_____	_____	_____
Regular giving goals	<u>Monthly</u>	<u>Annually</u>	<u>Total</u>
Church	_____	_____	_____
Organization	_____	_____	_____
Other _____	_____	_____	_____
Other _____	_____	_____	_____
Totals	_____	_____	_____



➡ **Goals set the financial course for your family.**

➡ **Goals help you save - it is easier to save for a specific goal than to set aside a percentage.**

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Proverbs 30:8-9 “Give me neither poverty nor riches, but give me only my daily bread. Otherwise, I may have too much and disown you and say, ‘Who is the Lord?’ Or, I may become poor and steal, and so dishonour the name of my God.”



Notes.....

Matthew 6:19-21
Proverbs 23:4-5

1 Timothy 5:8
2 Corinthians 12:14-15
Proverbs 13:22
Psalm 127:1-2

Matthew 25:14-30

James 2:14-16
2 Corinthians 9:6-11

Ecclesiastes 5:13-20

How Much is Enough?

Determining your appropriate Net Worth is a key component in setting godly goals. The goals you set will imply a certain net worth. Your goals are unique to your situation and God’s plan for you. For this reason your standard of living, net worth and financial plan may differ from those of other Christians. You need to discover what God wants YOU to accumulate. You are responsible to him for your resources.

How do you discover what God wants you to accumulate?

1 Thessalonians 4:1-12 _____

Proverbs 24:30-34 _____

Colossians 3:23-24 _____

Guidelines to consider:

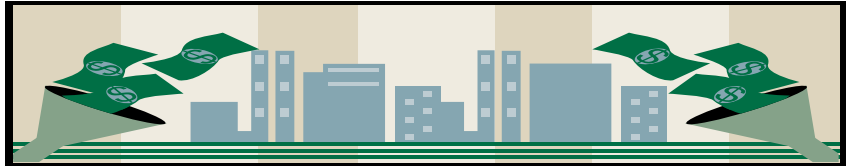
- * Guard against loving material things and accumulating earthly treasure.

- * Provide appropriately for your family. An excessive inheritance may be harmful. _____

- * Determine what is required to fulfill your God given responsibilities and ministries _____

- * Be generous with what God has given you. _____

- * Enjoy the fruits of your labour. _____



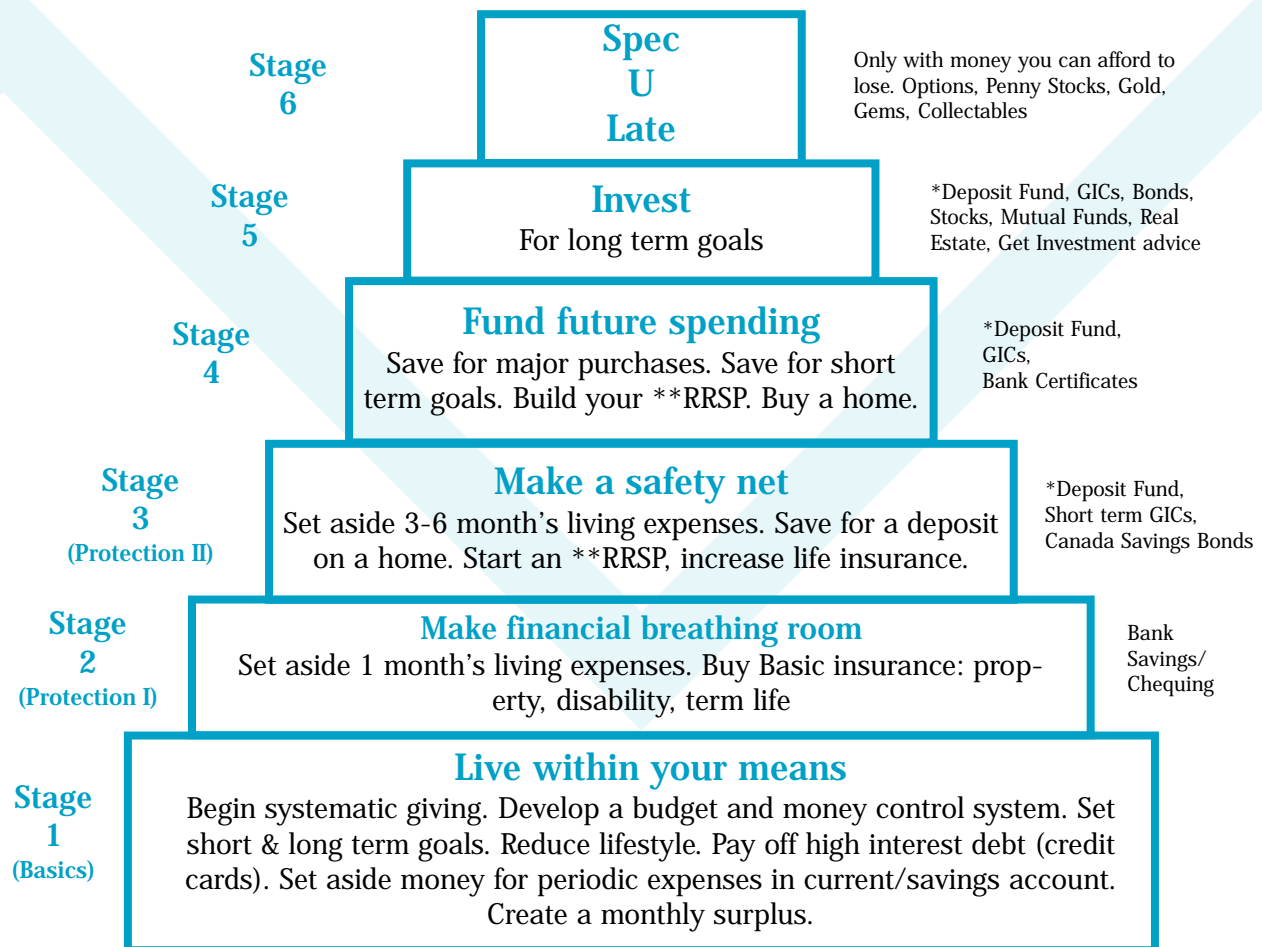
Fulfilling Godly Goals - Getting There

5

The Priority Model helps you to manage your money carefully. The various stages are designed to promote gradual and safe financial growth. While the stages may overlap somewhat, it is risky to deviate too much from the set order.

The Priority Model

Stages of Godly Money Management



*The Deposit Fund and **The Registered Retirement Savings Plan (RRSP) of the Canadian Mennonite Brethren Conference allow withdrawals at any time without penalty. They also pay attractive interest at rates adjusted semi-annually.

▲ Stage 1 creates a foundation for your entire financial plan. It develops healthy financial habits.

▲ In Stages 1 to 4, place savings in interest bearing investments so that the principal will be there when you need it.

▲ Paying a consumer debt is of greater benefit than investing that money and paying tax on the earnings.

▲ Don't go to Stage 5 prematurely. Resist the urge to invest in things like stocks or real estate, until you can afford to ride out a downturn in their value.

A well thought out Christian financial plan is essential for getting a grip on your resources.

Planning tips...

If your financial plan is not succeeding, you may have to change either your goals or your spending habits.

Certain events such as marriage, birth of a child, inheritance, death, divorce or windfall gains can cause you to rethink our financial plans.

Notes... ..

A Christian Financial Plan

The foundation of a godly financial plan is the realization that everything we have is given to us *in trust* by God - we are *managers* of the resources he gives us.

You must be convinced that *careful planning* under the direction of the Holy Spirit will lead to the wisest use of your resources. Such planning will result in income and assets being distributed in a manner consistent with God's will for you life - according to *scriptural* principles.

Leviticus 27:30 God's share should be the _____.

Romans 13:6-7 Payment of applicable _____.

1 Timothy 5:8 Providing for _____.

Romans 13:8 Payment of _____.

2 Corinthians 9:8-13 Creation of a _____ should be a goal.

Making your financial plan work

There are several things you can do to make your financial plan work:

- ✓ Keep the plan simple *and* flexible - it will be easier to stick with the basics and will allow for changes when required.
- ✓ Develop specific *written* goals - this will help to ensure that you actually succeed in accomplishing your goals.
- ✓ Be *realistic* - your goals, estimates and expenditures will be easier to meet.
- ✓ Select budget periods that *fit* your needs & habits - a budget could cover each pay period and could be reviewed and adjusted quarterly or semi-annually. The amount of detail included is up to you.
- ✓ Get *organized* - paying bills will be more efficient and less complicated. Keep your records, incoming bills, etc. in a convenient place. Determine each partners responsibilities for purchases & bill paying. Keep valuable papers and records in a safety deposit box if possible.
- ✓ Give the process *time* - you are growing an oak tree, not a mushroom.

Financial planning is not a matter of saving what is left over at the end of the month. It is a lifelong commitment to planning your spending and living according to those plans.

God smiles on those who take time to plan... ..

...

Proverbs 13:11

Proverbs 16:3

Proverbs 21:20

How priorities should look:

1. Giving
2. Saving and investing
3. Supporting lifestyle
4. Repaying credit (debts)

How culturally determined priorities usually look:

1. Supporting lifestyle
2. Repaying credit (debts)
3. Saving and investing
4. Giving

Financial planning tips:

- ✓ Make the plan together with your spouse so it will work for both of you.
- ✓ involve your children at an appropriate level in developing the plan. Teach them to handle money within a budget.

Notes.....



Financial planning does take time - you need to do the initial planning and perform periodic reviews. But it is time well spent when you can achieve your goals. Establishing a positive financial direction involves five steps:

1. Set short & long term goals
2. Be generous
3. Spend less than you earn
4. Avoid debt
5. Build a surplus

If we don't know where our money goes we cannot improve our financial situation. If we know our present spending habits we can adjust them to fit our goals and plans.



Some shopping tips to make you a smart consumer:

- Pray...ask God for wisdom.
- Plan your menu before going grocery shopping.
- Eat before you go grocery shopping!
- Make as few trips to the store as possible.
- Stick to your plan - know what you can spend.
- Buy used goods whenever practical.

Caution: Don't become obsessed with squeezing every penny out of every dollar. You may be taking another's bread.

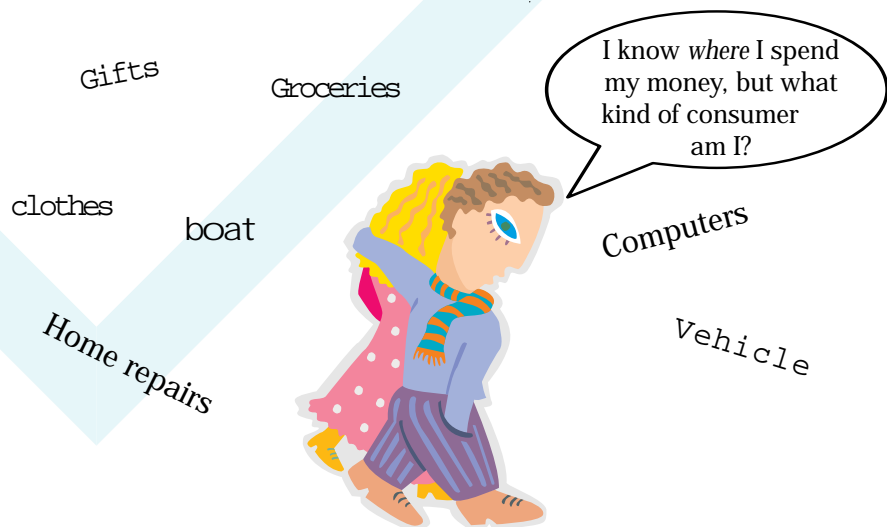
Spending

The cost of living for identical consumption can vary by as much as 50% depending on a family's spending habits. ⁽⁵⁾

Ways to reduce the cost of consumption:

1. Avoid the use of credit. Save the money first and buy with cash. You get interest on your savings and avoid the cost of interest charges. Your actual purchase cost is greatly reduced.
2. Take advantage of cash discounts. Small businesses often prefer cash to avoid the credit card fee and the delay in getting their money.
3. Separate needs from desires. Control spending on desires by applying scriptural principles and establishing priorities.
4. Don't permit someone else to create a need for you. Resist the influence of advertising.
5. Never buy on impulse. Separate the decision to buy from the buying situation.
6. Anticipate your needs and exercise patience. Take time to study, compare and shop for price - more time gives you more options. Wait for sales, buy in bulk if possible, use coupons.
7. Buy value, not only price. Don't pay too little and get inferior products.
8. Repair instead of replace - especially important for automobiles. Only buy a newer car when the cost of repairing the old one exceeds its value, or when repairs no longer make it safe and reliable. Remember: no newer car you can buy will give you cheaper transportation than the old one you currently drive.
9. Always buy at your initiative. Never let anyone sell you anything. Pressured decisions are almost always wrong. Observe the proper buying sequence:
 - ➔ realize a need ➔ decide to purchase the item ➔ find a supplier
10. Consider buying a critical life skill. Disciplined buying can greatly increase the purchasing power of our financial resources. A penny saved is equal to 1.2 to 2 pennies earned because it is a tax free benefit.

Planning your shopping



Budgets can be difficult to keep. Improve your chance of success by keeping the budget simple. Be prepared to live with unfulfilled wishes.

YOUR BUDGET IS THE HIGHWAY TO YOUR FINANCIAL GOALS

Notes.....

Budgeting tip:

If you prefer to use cash only, try the envelope control system. Use one envelope for each spending category.

Questions:

- \$ Who will be responsible for each budget item?
- \$ Will we involve the children in the budget process? To what degree?
- \$ What kind of record keeping will we use?

Budgeting

- ⇒ Every spending decision is a spiritual decision
- ⇒ The amount we possess is not the most important issue. The **critical factor** is **our faithfulness**. In Matthew 25, the master uses the same words of commendation for the servant with 2 talents and the servant with 5 talents.
- ⇒ **Surprise!** Your balance sheet (pp 13-16) is a “budget in the rough.” Mold it into a budget suitable to your goals.

Make your budget stick

- ⇒ Keep track of your actual spending. This will help develop new spending habits consistent with your objectives. You may wish to use some record keeping helps. One manual you may find useful is:
God’s Managers by Ray and Lillian Blair, published by Herald Press of Waterloo, ON. It is available for purchase through Stewardship Ministries, 169 Riverton Ave., Winnipeg, MB R2L 2E5.
- ⇒ Use broad spending categories and assign specific categories to each spouse.
- ⇒ Adjust budget items that don’t work.
- ⇒ Set aside some money for fun.
- ⇒ Use a money control system. You might do something like this:
 - ⇒ Use bank books to keep track of your cash flow
 - ⇒ Deposit your pay cheque to a chequing account
 - ⇒ Transfer to a savings account with the same bank:
 - ⇒ the amount set aside for larger periodic expenses
 - ⇒ the savings called for by your budget
 - ⇒ Write a cheque(s) for your tithe for each pay period
 - ⇒ Pay your regular loan payments by automatic deduction
 - ⇒ Pay your utilities as soon as practical
 - ⇒ Enter credit card purchases in your bank book as you would a cheque. Your bank book will then show how much money remains. You will also have money to pay off credit card balances in full at the end of every month.
 - ⇒ Never spend more than you have in your chequing account. As payments come due or emergencies arise, transfer money from savings to cover the expense.
 - ⇒ if practical, keep separate chequing accounts for each spouse and divide the money between them so each can spend the budgeted amount on agreed categories without fear of overdrawing the account due to the other’s spending.

Proper use of our resources requires a carefully planned budget. A budget is not meant to confine. Rather, it frees us to use our God-given resources wisely...Proverbs 16:9

A well planned budget will: tell you what you can afford to spend in a category and how much you need to save for annual expenses; teach and measure your self-discipline; help you to decide how to spend an allocated sum of money.



Think about... ..

- ◆ How does the world you live in determine success?
- ◆ How do you or would you handle prosperity? (Look at Revelation 3:15-17 to see what can happen with wealth.)
- ◆ How do **YOU** determine success?
- ◆ We cannot serve two masters (1 John 2:15-17). It's either God or Mammon! Mammon was a god of wealth for the Assyrians & Babylonians - Jesus was asking, "which God will you serve?"

“At age 20 we worry about what others think of us; at age 40 we don't care what they think of us; at age 60 we discover they haven't been thinking about us at all!”

Your Monthly Budget

Take Home Income (after deductions)	Budget	Actual
Salary	_____	_____
Spouse's salary	_____	_____
Child tax credits	_____	_____
Other	_____	_____
Total Take Home Income	_____	_____
Less:		
Giving (generous)	_____	_____
Debt repayment (excluding mortgage)	_____	_____
Savings	_____	_____
Total Priority Expenses	_____	_____
Spendable Income		
Lifestyle Spending	Sample %	Budget % Actual
Housing	38	_____
Rent or mortgage		_____
*Property taxes & insurance		_____
*Home maintenance		_____
Utilities		_____
Food	19	_____
Clothing	6	_____
Transportation	11	_____
Car expenses		_____
Public transit		_____
Entertainment/recreation	6	_____
Eating out		_____
Magazines/papers		_____
*Vacation/travel		_____
Clubs/activities		_____
*Medical/Dental (uninsured)	2	_____
*Life Insurance (private)	3	_____
Children's expenses	6	_____
Gifts	2	_____
Other	7	_____
Total	100	_____

Note: Amounts for * categories should be set aside monthly and placed in a savings account until needed.

Honor the Lord with your wealth, with the firstfruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine. *Proverbs 3:9-10*

Giving...

Giving is a key to good stewardship

A godly budget needs to include a line for charitable donations. Giving is an investment in eternity. In Matthew 6:19-21, Jesus taught his disciples “Do not store up for yourselves treasures on earth, where moth and rust destroy, and where thieves break in and steal. But store up for yourselves treasures in heaven, where moth and rust do not destroy, and where thieves do not break in and steal. For where your treasure is there your heart will be also.”

Giving back to God involves us in the work of God around the world. People’s lives are changed by our investments in kingdom work. The Bible teaches that giving is both a privilege and opportunity - it is also a witness to the reality of our faith. Think about the following biblical principles as you decide how much to give:

⇒ Giving is like planting seed. The more seed you plant, the greater the harvest you can expect - **2 Corinthians 9:6-10** _____

⇒ Give with joy! God is not just concerned *that* we give, but also about our attitude and desire *as* we give - **2 Corinthians 9:7** _____

Deuteronomy 15:10-11 _____

⇒ Give as the Holy Spirit directs you. Remember that God supplies all of your needs: **Phil 4:19** _____

Luke 6:38 _____

Mark 11:23-26 _____

⇒ Give according to your ability - **Luke 12:48** _____

2 Corinthians 8:12 _____

⇒ We give to God alone - not so others will notice our generosity - **Matthew 6:3-4** _____

When we talk about giving...What is a *Tithe*? Is it Legalism or is it a Challenge? Does the Tithe apply today? ...What are “first fruits”?

Leviticus 23:9-14 _____

Proverbs 3:9-10 _____

Consider ‘tithing’ as a minimum when giving.

Notes... ..

Charity...is an essential part of Christian morality...I do not believe one can settle how much we ought to give. I am afraid the only safe rule is to give more than we can spare... If our charities do not at all pinch or hamper us, I should say they are too small. There ought to be things we should like to do and cannot do because our charitable expenditures exclude them.
C.S. Lewis
Mere Christianity

Giving provides an opportunity to teach our children about love, compassion, generosity and lordship. Through our giving we model the stewardship God desires of all his children. Why not plan your giving as a family - it can be an effective growing and learning time for everyone.

Where to give?

Give to God - Mal. 3:10

Give to the poor - Luke 3:11

Give to Christians - 1 John 3:16-18

Give to Christian work(s) - 1 Cor. 9:14

Give to worthy secular charities - Matt. 5:42



◆ Our giving should be motivated by our desire to live out God's will for our lives, not by a preoccupation with financial prudence.

◆ Canada is one of only a few countries providing tax credits for charitable giving. Tax credits are useful in wise stewardship.

◆ Tax credits are available for gifts of cash or capital assets (land, buildings, life insurance policies or company shares).

◆ You can receive tax credits on gifts up to 75% of your net income in the year.

Where to give

Start with ministries you know well and with which you already have a relationship.

Support your local church

⇒ You know and trust its leaders and they already are accountable to you. Your giving will be an extension of your personal involvement in your church's ministry.

Support our Mennonite Brethren ministries and institutions

⇒ You have easy access to information about what they do through literature, personal contact and through their web sites. In many cases you know some of the people who work in them.

Support other Christian organizations with which you have contact

⇒ They may have ministered to you or they may employ friends whose ministry you wish to support.

Support other worthy Christian or secular charities

⇒ Charities with which you are not personally familiar will require some investigation.

Consider the following criteria:

- ⇒ For Christian ministries, is the organization communicating the true Gospel of Jesus Christ?
- ⇒ Are people responding to the organization positively? Does its work change lives?
- ⇒ Does the organization have well defined goals? Is it reaching them? Can it explain those goals to you?
- ⇒ Are the lives of those in leadership positions consistent with scriptural principles?
- ⇒ Is there a standard of excellence and financial responsibility? Are its overhead costs reasonable?
- ⇒ Does the organization have a good reputation in the Christian community?

How to give

A word about the Canadian tax treatment of charitable giving:

⇒ The Canadian government recognizes that the valuable contribution made by charities helps to reduce the government's own financial burden within the community. Because of this, the government provides tax credits for gifts made to Canadian registered charities. These credits offset some of our income taxes.

⇒ Churches and other ministry organizations are usually eligible for registration. As they receive donations they can issue receipts which are used to claim the tax credits.

⇒ The tax treatment allows us to increase our giving since we can, in effect, direct to ministry money we would otherwise pay in taxes.

Notes... ..

Giving from our income

- ⇒ This is the central feature of a good personal giving plan. It promotes regular, systematic giving - according to our means. It is wise to set aside our predetermined gift(s) at the end of each pay period.
- ⇒ Personal giving goals should determine how each gift is distributed. A substantial part should go to the church where we fellowship and receive spiritual nurture. Distribute the rest according to our other giving goals.
- ⇒ The amount we set aside should be the amount we understand God would have us give. This may change as we get more involved with our ministry goals. We usually find the money for what we consider most important. With greater ministry involvement comes more prudence in how we manage our resources, in order to further increase our giving.

Giving from our lifetime accumulation

- ⇒ As we seek to live within God's will for us regarding how much we should accumulate, God may direct us to give some of our accumulated resources.
- ⇒ We may wish to fund a special ministry need or project. Usually these gifts are larger and may involve some additional planning.
- ⇒ It may be wise to structure such gifts to be paid over time. This can be particularly important in the case of a small ministry, as a large gift could have the effect of interfering with its regular support base. The Endowment Fund and the Deposit Fund programs of the Canadian Conference of Mennonite Brethren Churches are designed to administer such gifts according to the direction of the donor(s).
- ⇒ If a donor wishes to transfer company shares or real estate, special tax treatment may be available to make the transfer more cost effective.
- ⇒ The fact that charitable gifts up to 75% of the donor's net income are eligible for tax credits is useful in the case of large gifts. Any part of the gift exceeding that limit can be carried forward for use in later years.

Giving from our accumulation upon death

- ⇒ A gift made at the time of death is a good way to support ministry, if we have first fulfilled our responsibility to provide for our families.
- ⇒ Such a gift can be a continuation of the giving we have practised during our lifetime.



CHARITABLE GIVING POSSIBILITIES

Gifts made by will

- ★ Take care not to cause your children to feel disinherited because of your ministry gifts. Involve them in planning your estate giving. It can then become a family ministry project in which they take ownership.
- ★ Ensure a charitable gift does not cause distribution problems. An estate made up mostly of properties which you want your children to receive in kind (land, business interests), should have enough other value to make the gift and pay any debts, estate expenses/taxes. Otherwise the estate may be forced to sell assets to make the gift.

RRSP & RRIF gifts

- ★ RRSPs and RRIFs provide you and your spouse with income for retirement. The amount left in these accounts when the last one of you dies, becomes taxable income for that person as if earned just prior to death.
- ★ This may result in a large tax bill for the estate. If you make a charitable gift upon death, the tax credit will reduce this tax liability.
- ★ You can name a charity as beneficiary in an RRSP or RRIF contract. That account will then go directly to the charity without passing through your estate. It will also result in charitable tax credits.

Life insurance gifts

- ★ These can be used in various ways to provide a ministry gift upon death. Substantial insurance gifts can greatly reduce taxes payable on death - thereby protecting the assets for the family.

Endowments

- ★ An endowment gift is held in trust, invested and paid out periodically, according to the donor's directions. It produces a regular, dependable income stream for the beneficiary named by the donor.
- ★ Such gifts can be made in your lifetime, or by will upon your death.

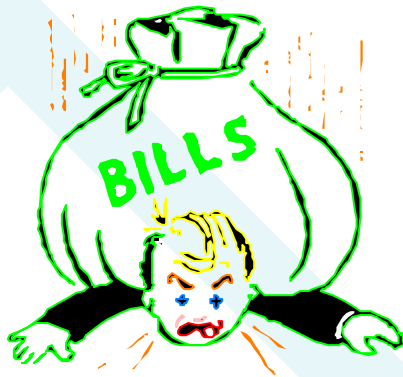
Tax implications upon death

- ★ Charitable gifts made by naming a charitable beneficiary in a will, RRSP, RRIF or life insurance policy qualify for tax credit receipts.
- ★ Charitable gifts made upon death are tax deductible to 100% of the deceased's net income in the year of death. If gifts exceed that deduction, the excess can be used against the previous year's income up to 100% of net income.



A deficit is what you've got when you haven't got as much as when you had nothing.

You can only spend a dollar once - make it count!



You get out of debt little by little. The major requirement is discipline

Notes...

Debt

Goals and plans provide a blueprint for our personal stewardship, but they can easily be blocked. Our spending habits and our use of credit often pose the greatest threat to achieving our goals.

Before credit buying became common, “being able to afford it” meant being able to pay for it. Today it means being able to afford the payments. Purchases are made affordable by extending the payments over a sufficient time. Undisciplined spending coupled with easy credit can quickly cause us to lose financial control.⁽⁶⁾ This can lead us into financial bondage characterized by:

- Constant worry and concern about financial matters, some times leading to loss of health and family breakdown.
- Excessive obligations which are burdensome and limit our freedom.
- Delinquency; an inability to meet obligations as they fall due.
- Inability to extricate ourselves from difficult situations; frustration and discouragement.
- Inability to live by our priorities; instead being governed by financial considerations.
- Restricted generosity.

DEBT...

What the Bible teaches about borrowing

The Bible does not forbid it, but does provide guidance and warnings.⁽⁷⁾

- **All borrowing must be repaid:**

“The wicked borrow and do not repay...” **Psalm 37:21**

“Let no debt remain outstanding, except the continuing debt to love one another...” **Romans 13:8**

- **Borrowing leads to hardship:**

The borrower is the lender's slave: **Proverbs 22:7; Habbakuk 2:7**

- **It is foolish to guarantee another's debts: Proverbs 6:1-5**

- **Do not presume upon the future: James 4:13-15**

We have no control over the future and it is inappropriate for us to behave as if we do. Borrowing presumes upon the future unless there is a guaranteed way to make the payments. (Giving an asset we own as security for payment, i.e. a mortgage) Often when we borrow we use now what we hope God will give us in the future.

- **God has promised to provide for our needs if we trust and follow him: Matthew 6:31-34.** By borrowing we may be denying God an opportunity to meet our needs in a much better way.

General rule:
Don't spend what God has not yet given you.

Exception:
Incur debt only if after careful research, prayer and discussion both you and your spouse sense that it is what God wants you to do.

Notes...

The adverse effects of debt

1. Credit buying is cost inefficient. In the long term it erodes our standard of living.
 - a. The price of every item is increased by the interest cost.
 - b. The magic of compound interest works against us in all its fury.
 - c. Credit buying produces a temporary illusion of affluence - making us less cautious buyers.
2. Debt forces us to use our time and energy to earn more money just to make a living.
3. Debt reduces our future freedom of choice by locking us into paying for past consumption.
4. Debt can have the potential to interrupt or destroy our ministry.
5. Debt presumes on the future. It anticipates good times but not adversity. It can rob us of the reserves needed to weather difficult times.

Debt...



Avoiding and getting out of debt ⁽⁸⁾

1. Ask God for wisdom and strength. Take some Christian friend into your confidence and make this matter a subject of united prayer.
2. Consistently live **below** your income. Reduce living expenses.
3. Stop going further into debt. Put some money from each pay cheque into an emergency fund. This will free you from using credit. Give this priority over increasing your loan repayment.
4. Develop a repayment plan.
 - a. Get advice.
 - b. Sell what assets you can and apply the proceeds against debt.
 - c. Pay off the smallest debt or the debt with the highest interest rate first. Accelerate the payment of one loan at a time. When the loan is paid off, apply those payments to the next loan and so on until all the consumer debt is paid off.
 - d. Resist using a debt consolidation loan. It prevents you from making fundamental lifestyle changes. It may only make it easier to carry even more debt.
5. Establish accountability. Ask someone to hold you accountable to follow through on your repayment plan. Establish the accountability period and set reporting dates.
6. Reward yourself. Do something special to celebrate the payoff of each debt. This will help keep you motivated.
7. **GET STARTED!** This is a task for the determined, not the timid.

Notes...

When should you use credit?

There are times when the use of credit is appropriate. Special precautions should be taken to prevent it from leading you into financial bondage.

A variety of credit options are available:

MORTGAGES ON REAL ESTATE - Usually necessary for a home purchase. Involve a long term commitment, regular payments, a minimum down payment of 5% (CMHC backed) to 25% (conventional mortgage). Repayment terms, interest rates and fees vary among lending institutions. It pays to shop around and negotiate. Mortgages can have variable interest rates or have rates locked in for up to 5 years. Repayment may be amortized for up to 25 years. Mortgages normally carry lower interest rates than consumer loans.

LINE OF CREDIT - A borrowing contract usually attached to a chequing account. It provides a set amount of credit which can be used at any time. It is convenient short term borrowing that does not require a separate loan for each expenditure. Interest charges occur on a monthly basis.

CONSUMER LOANS - Arranged for a specific purpose. May be repayable upon demand or by regular instalments over a period of up to 5 years. Consumer loans may be secured against specific property or guaranteed by another person. Interest rates are usually higher than mortgages and lower than credit cards.

CREDIT CARDS - Convenient credit that may encourage impulse buying. If paid in full each month, the transaction record can be a good money management tool - especially in a business. It is the most expensive form of borrowing (18% + /-) if used for cash withdrawals or if not paid in full each month. Use great discipline, or limit their use to situations which will not result in financial difficulty (i.e., gasoline and travel expenses). Keep a record of purchases in your chequebook to avoid overspending what is in your bank account.

BEWARE!

We tend to spend more when we use credit cards than when we use cash.



Borrowing guidelines ⁽⁹⁾

Borrow only if:

1. It makes good economic sense. What is purchased must either grow in value or pay an economic return greater than the cost of borrowing.
2. There is a guaranteed way of repaying the loan so you are not presuming on the future for repayment. Examples: a loan secured by pledging of some property as security for payment; credit card purchase when you have the money to pay the full balance at month end.
3. You have peace of heart over what you are doing (spiritual and emotional evaluation). Ask yourself, "Why am I doing this? What are my motives? Am I about to violate a biblical principle?" Seek God's wisdom.
4. You have peace of mind over what you are doing (intellectual evaluation). Do you have a clear conviction that this is the right decision?
5. If you are married, you and your spouse are in agreement on the matter. Men and women assess situations differently. One is likely to see dangers that the other does not. You are much less likely to make errors if both you and your spouse are comfortable with incurring the debt.

Remember...

A bad investment remains a bad investment even if the loss is tax deductible.

Our generosity should not be limited to recipients who can give us tax deductible receipts.



Notes... ..

Taxes

We are privileged to live in a land of freedom and plenty. Taxes are necessary to pay for the benefits we enjoy. We have an obligation to pay the taxes which are due.

Luke 20:22, 24 - 25
Romans 13:7
1 Peter 2:13 - 16



Our government uses the tax system to encourage desirable activities through special tax treatments:

- Charitable giving is encouraged through tax credits
- Saving for retirement is encouraged through RRSP and Pension Plan deductions
- Education is encouraged through deductions for tuition fees
- Business activity is encouraged through various tax write-offs
- Investment in Canadian businesses is encouraged through dividend tax credits, capital gains deductions and various investment incentives

It is appropriate for us to organize our affairs within the law in order to minimize our taxes. Careful tax planning is a part of good stewardship. We must be careful not to become so absorbed with reducing taxes that we make decisions that are unwise on other grounds.

Some tax planning options:

1. Equalize taxable income between spouses to get a better tax result. Over time this can be achieved by:
 - a. Spending the earnings of the higher income spouse and saving the earnings of the lower income spouse. Have the lower income spouse invest the savings and report the investment income in his/her tax return.
 - Be careful about the attribution rule. Money coming from the high income earner and invested by the lower income earner will produce income taxable in the hands of the high income earner
 - To avoid tax law problems the lower income earner must be able to show that the income producing asset did not come from the higher income spouse
 - b. Investing in a spousal RRSP
 - The contribution is made by the higher income spouse and is deductible from that spouse's income
 - The lower income spouse owns the RRSP and pays tax on the money as it is withdrawn
2. Postpone taxes by using RRSPs
 - a. The contribution can be deducted from taxable income
 - b. The contribution and its earnings are not taxed until they are withdrawn from the plan. Contributions can grow tax free for many years
3. Make ministry gifts which result in tax credits.

Follow Through...

Project

A. Write out your financial goals for the next year using the following outline:

I. Take Home Income (at present \$_____ per year)
 Goal
 _____ Stay at the present level
 _____ Increase/decrease to \$_____ per year, _____% of income

II. Giving (at present \$_____ per year, _____% of income)
 Goal
 _____ Stay at the present level
 _____ Increase/decrease to \$_____ per year, _____% of income

III. Debt
 Present debts (List creditor and amount owing)

Creditor		Amount owing
_____	\$	_____
_____	\$	_____
_____	\$	_____

Goal
 _____ Pay the scheduled loan payments
 _____ Increase loan payments as follows:

Creditor		Amount
_____	\$	_____
_____	\$	_____
_____	\$	_____

IV. Savings (at present \$_____ per year, _____% of income)
 Goal
 _____ Maintain present savings level
 _____ Increase/decrease savings to \$_____ per year, _____% of income
 _____ Withdraw \$_____ from accumulated savings to fund the following:

V. Lifestyle Spending (at present \$_____ per year, _____% of income)
 Goal
 _____ Maintain present spending level
 _____ Increase/decrease spending level to \$_____ per year, _____% of income

B. Prepare your next year's budget using page 28.

Things to Consider

Definitions... ..

Risk - financial uncertainty; the possibility of losing some or all of your invested funds

Market Risk - the chance that an investment may lose value due to the investment climate, including factors such as the state of the economy, interest rates and government policy. Historically, markets have recovered and moved on to greater heights

Investment specific risk - the chance that an investment may lose value due to factors that relate specifically to it, such as the skill of management, product quality and demand, industry regulatory changes

Return or Yield - the income earned from an investment. It is shown as a % of the investment's current market value

Liquidity - the ability to convert your investment into cash (without significant penalty)

Term - the length of time until your investment reaches maturity

Notes... ..

Why Invest?

- To preserve the value of our savings. Without investing money for a return, it loses value over time due to inflation.
- To meet future needs which cannot be met by savings alone. Ordinarily, savings alone are insufficient to fund retirement or to meet large unforeseen expenses.
- To increase resources for the purpose of helping others and supporting Christian ministry.

Keys to Wise Investing ⁽¹¹⁾

1. Ask God for guidance as a good steward
2. Start with your financial goals
3. Select advisors you can trust
4. Keep it simple and go slowly
5. Diversify to manage risk
6. Learn all you can about your investments
7. Be unemotional about your investments
8. Don't invest based on "hot tips" or rumours
9. Invest on a regular basis
10. Allow your returns to compound
11. Be patient - invest for the long term

Investment Return

It's Correlation with Risk, Liquidity and Term

- Higher risk must be justified by a higher possible return. A small start up company pays a higher interest rate on its bonds than a large established company because it has a greater risk of bankruptcy.
- Greater liquidity reduces the risk and the possible return. Cash is the most liquid asset. It involves the lowest risk but produces little or no return.
- Longer term investments have less liquidity, higher risk and a higher possible return. A three year locked in Guaranteed Investment Certificate pays a higher rate of interest than a six month one.

The challenge is to manage risk effectively in order to produce a reasonable return with reasonable safety. Diversification is the key to managing risk and the cornerstone of long term investing success.



Notes.....

Ways of Investing

1. Buying your own home

Purchasing a home may be your best possible investment, provided you don't move too often and can manage the monthly payments. Money spent on paying rent is gone forever; mortgage payments build home equity. Other benefits of home ownership include:

- Mortgage payments are a form of forced savings.
- If your home is well located and held a long time, it will likely increase in value.
- You can make improvements that increase home value as you have time and money.
- If you sell your home any increase in value is a tax free capital gain.
- You can easily add to your investment when you have extra money by paying down your mortgage.
- A home is an investment you can use while it increases in value. Home ownership increases your quality of life and provides financial security.

2. Registered Pension Plan through your place of work

- Provides a conservative investment without the need to make day to day investment decisions.
- Offers the benefit of matching contributions from your employer.
- Contributions are deductible from taxable income. Income tax is deferred until you receive pension income.

3. Registered Retirement Savings Plan

- Contributions to RRSPs are deductible from taxable income. The tax is deferred until you draw out the money.
- Investment earnings within the plan accumulate tax free until you draw them out. This leaves more money available to grow for you. You get the full benefit of compound interest.*
- RRSPs are the single most significant tax planning tool available. They can give you tremendous benefits, particularly if you start contributing early in life.
- A large range of investment options are available, including:
 - Interest earning investments - Canada Savings Bonds, Guaranteed Investment Certificates, interest bearing government/corporate bonds
 - Mutual Funds from conservative to high risk.
- Self directed RRSPs can hold all of the above investments plus the shares of publicly traded companies.
- Depending on the complexity of your RRSP you may be wise to seek the help of a financial advisor.



Seek sound advice in assembling your portfolio. A financial adviser can be very helpful in determining and setting up an investment plan which takes into account your needs and your ability to tolerate risk.

***The Power of Compound Interest**
\$1,000 deposited into an RRSP on January 1 of each year

**R
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Year End Values	Years							
	5	10	15	20	25	30	35	40
4%	\$5,416	\$12,006	\$20,024	\$29,778	\$41,646	\$56,085	\$73,652	\$95,026
6%	5,637	13,181	23,276	36,786	54,865	79,056	111,435	154,762
8%	5,867	14,487	27,152	45,762	73,106	113,283	172,317	259,057
10%	6,105	15,937	31,772	57,275	98,347	164,494	271,034	442,593
12%	6,353	17,549	37,280	72,052	133,334	241,333	431,663	767,091
14%	6,610	19,337	43,842	91,025	181,871	356,787	693,573	1,342,025

In an RRSP investment you receive the full benefit of compounding because annual earnings are not decreased by income tax.

Notes... ..

4. Through your own business or farm enterprise

- If you own a business or farm, you can reinvest earnings in it and cause it to grow.
- If you have the necessary knowledge and skill and access to sufficient start-up capital, you may be able to start your own enterprise.

5. Through investing in a business run by others

- Lend money by purchasing interest bearing bonds or debentures on the stock market. If you sell before the instrument matures, you may realize a capital gain or loss.
- Purchase company shares. This gives you ownership in a company.
 - when a company pays a dividend you receive some of its earnings as income. Dividend income is not taxed as heavily as interest income.
 - if the business is prosperous it will increase in value. This will be reflected in a capital gain when you sell the shares. This gain is taxed at a lower rate than either interest income or dividend income.
- Investing in companies involves significant risks. It requires the guidance of a financial advisor or the willingness to learn the process yourself.

Estimating financial growth: - The Rule of 72

To determine how many years it will take an investment to double, divide 72 by the rate of return. Example: a GIC earning 6% doubles in 12 years (72 divided by 6 = 12).

Remember... ..

☆ Your **real rate of return** is what's left after inflation and taxes.

Example:

GIC earning 6%

Taxes (at 50%) - 3%

Inflation - 2%

Real rate of return = 1%

☆ Interest earning securities yield low real incomes as they are fully taxable and do not increase in value with the company issuing them.

☆ Company shares have the potential to produce:

- Dividend income - given to shareholders from corporate earnings. Dividends are taxed at a lower rate than interest income.

- Capital gain - reflects an increase in the value of the company. It can be very substantial if a company does well, but it can also turn into a loss if the company does poorly. Half of a capital gain is taxable to the investor. If there is a capital loss, it can be used to offset capital gains.

☆ Over the long term stocks have significantly outperformed interest investments. For this reason it is wise to include some stocks in your investment plans.

Which Investment Approach is Best for You?

1. If you are likely to stay in your present area for at least 5 years, buy a house you can afford in the best location you can find. Improve it to increase its value.

Pay down the mortgage on your home whenever you can. Use the tax refund from your RRSP contribution for this.

2. If your employer offers a pension fund, be sure to enrol in it - often this is a condition of employment.

When changing employers, transfer pension benefits into your new employers plan or into a locked in RRSP. **DO NOT** withdraw any portion.

3. If you can benefit from the tax deduction, contribute the maximum amount to an RRSP. Choose an RRSP that includes a range of securities including bonds and stocks.

Make monthly contributions to the RRSP so that you get the advantage of "dollar cost averaging."**

4. If you are a farmer or business owner your best investment may be to build your enterprise. Enhance your financial investment through your personal knowledge and effort.

5. You can invest in fixed interest investments such as guaranteed investment certificates, bonds, term deposits or special savings accounts. The Canadian Mennonite Brethren Conference provides Deposit Savings Plans and Registered Retirement Savings Plans which pay attractive interest rates, and include the right to withdraw without loss of interest or advance notice.

6. If you have the financial and business knowledge, you may wish to invest in stocks and bonds through the stock market. People without this knowledge are better off purchasing mutual funds. Mutual fund investment managers look after the investment decisions for you.

Choose one or more mutual funds that deal in the kinds of investments you wish to pursue. It is wise to seek the help of a financial planner in assembling the funds that meet your objectives.

****Dollar cost averaging** - Investing the same dollar amount at regular intervals. When the price of a stock is up fewer shares are purchased; when the price is down more shares are purchased. This technique allows you to have investment growth when the market fluctuates but fails to move generally higher.

TIPS... ..

- Stay away from investments that make you anxious. Preserve your ability to sleep at night.
- If you are married, make investment decisions together with your spouse. Your differing approaches will generally produce better results.



Sound Investing Requires Balancing Safety, Income and Growth



Notes.....

Building a Balanced Portfolio

1. Safety: Cash

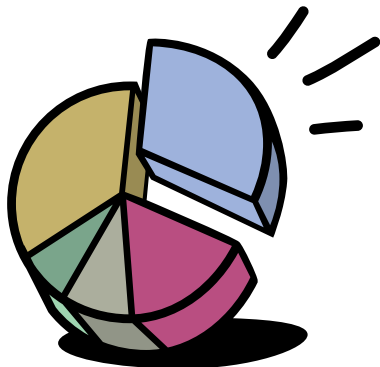
- ⇒ **Purpose:** To provide funds to meet emergencies and anticipated large expenditures that cannot be paid from your regular income. Adequate cash will allow you to meet these needs without cashing in other investments while they are locked in, or when their values are depressed.
- ⇒ Keep enough in your Safety Portfolio to fund these needs for one year.
- ⇒ Replenish your Safety Portfolio by selling assets in your Growth Portfolio at times when prices are high.
- ⇒ Invest cash in:
 - A **savings bank account** - to provide immediate cash
 - A **money market account** - to receive a higher interest rate while still being available for use at any time. Set this up with a stockbroker. Money market transactions can often be made without paying brokerage fees.
 - Short term **Guaranteed Investment Certificates**, to mature in 1, 3, or 6 months. Use these to increase your interest rate return.

2. Income

- ⇒ **Purpose:** To provide a secure income stream using low risk investments.
- ⇒ For retirees this is the main source of income. For pre-retirees, it provides cash flow for use or reinvestment, and reduces risk for the overall investment portfolio.
- ⇒ The income portfolio may include:
 - A Registered Pension Plan, holding interest bearing investments (a plan may also hold some growth investments as protection against inflation)
 - RRSPs or RRIFs holding interest bearing investments
 - Non tax sheltered investments in bonds, GICs and high dividend paying corporate shares

⇒ Bonds

- Are issued by governments or by corporations.
- Can be held in mutual funds or bought and sold through your stock broker.
- They pay set interest rates. They also rise and fall in the stock market producing capital gains and losses. Generally, when interest rates rise, bond prices drop; when rates drop, bond prices rise.



Notes... ..

- Short term bonds (5 years or less) usually have a reduced capital risk because if you hold them to maturity, you will receive their face value.
- Long term bonds (10-30 years) can have a significant capital gain or loss.
- Bonds decrease the volatility risk in your overall portfolio because they always pay interest and their value generally does not fluctuate as widely as that of company shares.

The risk is that the underlying issuer may go bankrupt and so fail to repay the bond. This risk is not significant if you stay with government and high grade corporate bonds.

⇒ **Guaranteed Investment Certificates (GICs) of 1 to 5 year terms**

- Are issued by banks, credit unions and other financial institutions.
- Pay interest but cannot generate capital gains or losses.
- Are locked in for predetermined time periods.
- Many are insured by the Canadian Deposit Insurance Corporation.
- “Laddering” is a useful investment technique. Divide your GIC investment into 5 equal parts. Buy 5 separate GICs, one to mature in each of the next 5 years. Every year, as a GIC matures, you can either reinvest it or use it.

3. Growth - Company shares (stock)

⇒ **Purpose:** To generate a greater rate of return than is available within your income portfolio. It serves as a precaution against inflation.

⇒ You can purchase company shares through a stock broker, or own them through mutual funds.

⇒ Your growth portfolio is a long term investment. Values will fluctuate with the economy and the fortunes of each company. Your cash portfolio should be large enough to allow you to hang onto growth investments when prices are depressed. When the economy is buoyant and values are high, sell some growth assets to replenish your cash portfolio or to enrich your income portfolio.

⇒ Hold your growth portfolio outside of your RRSPs or RRIFs.

- Since your accumulating capital has been taxed when it was earned, you have access to a lump sum of tax paid money when you need it.
- The income earned will consist of capital gains and dividends, both of which receive better tax treatment than RRSP withdrawals.
- When you suffer a capital loss, you can apply it against capital gains to reduce taxable income.

The secret to stock market success is “time in the market” not “market timing.”

Diversify by:

- Investing similar amounts in a number of companies
- Investing in each of the 5 major economic sectors:
 - Financial - lower volatility
 - Utilities - lower volatility
 - Consumer - medium volatility
 - Manufacturing - higher volatility
 - Resources - higher volatility

Volatility - this is the fluctuation in a security’s share price from its long term mean value

- A stock is volatile because no one knows how things will turn out for it, but investors think the outcome could be drastically different from the present situation.
- Risk increases with volatility

⇒ Your risk lies in the possibility that a company may not do well or may even go bankrupt. This risk is significant, so you should take precautions to minimize it. You can reduce risk by diversifying your investments, investing in large companies which pay dividends and by using professional investment help. Mutual funds provide both diversification and professional management. You can invest in a fund which holds a broad range of investments, or invest in several mutual funds specializing in a variety of economic sectors.

⇒ You may consider investing in ethical mutual funds. They screen investments to exclude companies involved in areas which many Christians find objectionable such as alcohol, tobacco, pornography and munitions. Some also do positive screening to include companies which exhibit an exemplary social conscience.

In determining how to set up your investment portfolio, remember that the proportions of Safety, Income and Growth will differ depending on your age, circumstances and risk tolerance. The following proportions based on age are suggested in The Investment Reporter. ⁽¹²⁾

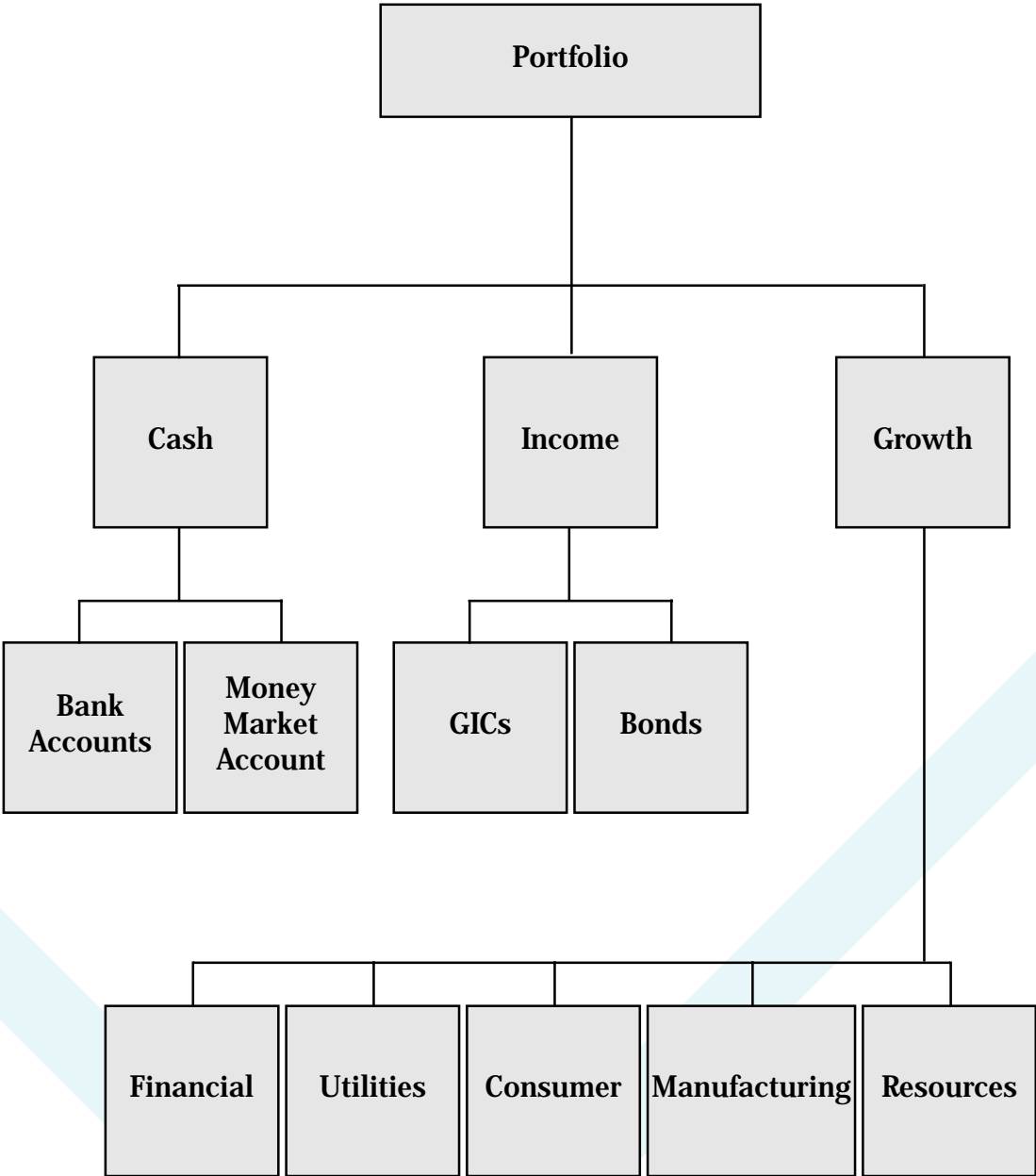
Age	% Safety	% Income	% Growth
20 to 40	10	30	60
41 to 60	10	40	50
61 and over	10	50	40

Ethical Investment

Pay attention to the activities of the companies in which you invest. Stay away from those whose activities you find morally objectionable. Certain mutual funds restrict their investments to companies which meet certain ethical criteria. Typically they do not invest in companies involved in alcohol, tobacco or munitions business.



CHART OF A TYPICAL PORTFOLIO



Notes... ..

Additional thoughts on investing

When you make an investment, be careful to avoid speculation and hasty decisions - **James 4:13-15**

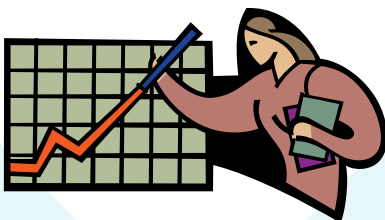
Seek advice and counsel with your spouse or trusted friend. If required, find a professional who can help you avoid unwise decisions. Always avoid **high leverage** situations. Count the cost of investing:

Proverbs 28:20 _____

Proverbs 28:22 _____

Proverbs 13:11 _____

Selling your investment for less than you paid for it results in a real loss. When the value of an investment decreases but you don't sell, the loss is only a **paper loss**. Keeping your investment despite a **paper loss** gives you the opportunity to recover the loss when markets improve. If you are not comfortable with market volatility, it is wise to stick with **less volatile** investments.



For the Lord your God will bless you as he has promised, and you will lend to many nations, but you will borrow from none.

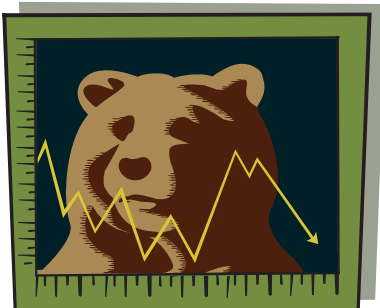


You will rule over many nations, but none will rule over you.
Deuteronomy 15:6

***High Leverage**

Leverage occurs when you borrow funds to purchase an investment - often with the intent of getting rich quickly. Borrowing greatly increases risk.

Loans for investments should be repayable from **personal** earnings, not from **potential** earnings or capital gains from the investment itself.



Protecting Your Dependants

7

Insurance protects against financial hardship resulting from catastrophic events. Get it early - it may suddenly be too late!



Kinds of Insurance

Asset Insurance

- Fire and casualty insurance - protects your home and other property which would otherwise be difficult to replace.
- Automotive - covers damage to vehicles, personal injury and liability to other parties.

Disability Insurance

- Protects against loss of income resulting from illness or accident.

Life Insurance

- Provides cash to replace the earning power of the breadwinner. It helps those who are light in assets and heavy in responsibilities. Rule of thumb: 80% of the breadwinner's income is required, after his/her death to maintain the family's standard of living. Insurance money is available shortly after death and so is available to meet immediate family needs. Estate distribution may be delayed for a while.
- Provides immediate cash to pay estate taxes and debts without selling assets.
- Provides funds to distribute to children where there is a farm or business which is to stay in the family but cannot be easily split.
- Universal life policies can be used to create a tax free estate asset which can be used to make gifts, to benefit a ministry and also to reduce income tax resulting upon death. Premiums can be reduced by a couple taking the insurance on a "last to die" basis or by having policy earnings applied to premium payment.

Life Insurance...

Life insurance provides funds during the time that assets in an estate are being prepared for distribution.

Life insurance also helps to provide funds for the care of minor children or dependant adults

Types of Life Insurance

Term Insurance - provides insurance protection for a specific term (5, 10, 20 years or to age 100). Term Insurance normally has no savings features and only pays benefits if the insured person dies during the term. It is the least expensive; premiums increase as you get older.

Whole Life - usually the most expensive, but provides both protection and savings. Part of the premium builds up cash in the policy and earns a tax sheltered return. The cash value can be:

- 1) Left in the policy to be paid out tax free upon death
- 2) Withdrawn, in which case it is fully taxable as income
- 3) Used to secure a loan taken by the policy holder, to be repaid upon death out of the policy proceeds. Earnings within the policy will offset part or all of the interest costs.

Biblical foundation for having insurance...

1 Timothy 5:8 _____

Notes.....

Universal Life - provides both protection and savings. It can mimic term insurance or whole life insurance. It is flexible, allowing the policy holder to pay anywhere between a minimum premium (required to keep the policy in effect to age 100) and a maximum premium. Since the investment income earned on the cash value is not taxable while it remains in the policy, income tax regulations set a maximum premium. In this way the amount which can accumulate tax free within the policy is restricted.

Determining Your Life Insurance Needs

Determining the amount needed to supplement other estate assets:

1. Calculate your family's financial needs upon your death

- Amount needed to pay taxes and debts \$ _____
- Cash needed by your family pending estate settlement \$ _____
- Amount needed for long term support of children \$ _____
- Amount needed for long term support of spouse \$ _____

Total financial needs \$ _____

2. Subtract estimated value of your present estate \$ _____ (-)

3. Shortfall (or excess if figure is negative) \$ _____

Note: A shortfall indicates the need for additional funding or an adjustment of expectations, or both.

Life insurance is one way of filling a funding gap.



Notes... ..

Support for Dependents - an estimation tool (Prepared using Quicken software)

Support for a spouse

Presumptions:

1. Inflation..... 2%
2. Investment return..... 6%
3. Investment income taxed at..... 30%

Result: An after tax income stream with buying power equal to \$10,000 a year in today's dollars.

Years of benefit	Sum needed for investment
50 years.....	314,121
40 years.....	276,177
30 years.....	229,208
20 years.....	171,065
10 years.....	99,093

The cost of raising children

Presumptions: As above

Result: An income stream with buying power equal to \$6,000 a year in today's dollars.

Years of benefit	Sum needed for investment
18 years.....	90,637
17 years.....	86,463
16 years.....	82,198
15 years.....	77,841
14 years.....	73,391
13 years.....	68,845
12 years.....	64,200
11 years.....	59,455
10 years.....	54,608
9 years.....	49,657
8 years.....	44,598
7 years.....	39,431
6 years.....	34,152
5 years.....	28,759
4 years.....	23,250
3 years.....	17,622
2 years.....	11,873
1 years.....	6,000

Another Approach

You can calculate the amount required to generate a desired annual income, by dividing the desired income by the expected rate of return. This calculation ignores the impact of inflation and income tax. It also assumes that the principal sum will not be touched.

EXAMPLE:

Desired income	\$40,000.00
Expected return	6%
Required investment	\$666,666.00
	(\$40,000 ÷ .06 = \$666,666.00)

For a more precise picture, you can use computer software to calculate future buying power based on expected rates of investment return, inflation and income tax.

A good man leaves an inheritance for his children's children.

Proverbs 13:22a



Estate Planning Objectives

- √ Provide adequate funds to meet the needs of a surviving spouse to:
- √ Live and retire in an appropriate fashion
- √ Meet costs associated with emergencies, illness or disability
√ Provide adequate funds to meet the needs of children and others for whom you may be responsible.
√ Provide an orderly transfer of assets to persons, causes and ministries which you wish to benefit.
√ Provide competent asset management for beneficiaries who are unable or unwilling to handle their financial or business affairs.
√ Avoid unnecessary and excessive taxation and reduce estate expenses.
√ Continue your lifetime practice of investing in Christian ministry and in other worthwhile causes.

Some considerations in providing for your spouse

- √ Have I made generous provision? Normally, it is wise to pass the entire estate to the spouse, however, second marriage situations may require exceptions to this rule. Usually assets can be passed to a spouse without tax liability.
√ Have I given my spouse sufficient control over my estate? A spouse can be appointed as sole executor in most cases.

Some considerations in providing for your children

- √ What will provide the greatest long term benefit for my children and grandchildren? Do they have special needs to be met or special gifts to be nurtured? Can I help to empower them for the life work God has for them?
√ How do I best protect family relationships? Will my children perceive my treatment as fair?
√ Could the charitable giving in my will cause my children to feel disinherited? How can I include them in the giving process so they can take ownership of it with me?
Am I presently providing my children with a solid spiritual foundation and teaching them to be generous, wise financial stewards?

Proverbs 22:6

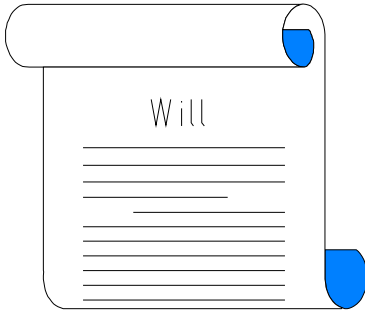
Other considerations:

- √ Are there other people in my life for whom I should provide upon my death?
√ What can I still do to influence the kind of world in which my children and grandchildren will live? What schools and Christian institutions do I want to protect for them? What Christian ministries could materially change their world?
√ What can I do to strengthen my church so that it will be there for them?
√ What portion of my estate do I want to give to God's work?
√ Should I consider giving part of my estate away while I am alive? To my children? To Christian ministry?

Check List

- √ I have an up to date will
√ I have an executor/trustee
√ I have guardians for my children
√ I have properly completed my power of attorney document
√ I use professional tax advice for my estate planning
√ My estate documents are organized & easily accessed
√ I have prepared a list of assets and important information for my executor

Your will - Your Key Estate Document



Notes... ..

You Need a Will

A will is a written document signed according to legal rules. It details how you want your estate distributed after your death. **Every person over the age of majority should have a will.** The requirements for a binding will are:

- ★ The maker must be of sound mind
- ★ Provisions must not be the result of undue influence by another person
- ★ It must be in writing, dated, signed by the maker and witnessed by two witnesses. The maker and both witnesses must be present at the same time and must see each other sign.

If you die without a will, the administration and distribution of your estate will be done according to provincial rules. This will increase costs. It is also likely that your estate will not be handled and distributed as you would wish.

Get help from a qualified professional in preparing your will - there may be potential problems of which you are unaware. Of all the wills which end up in court, most are prepared by the maker without competent assistance. Think of the cost of professional help as an insurance premium to protect your estate.

For a more detailed treatment of wills and estate planning, refer to the booklet *Planning Your Will* published by

**Stewardship Ministries
The Canadian Conference of Mennonite Brethren Churches**

Power of Attorney

A Power of Attorney is a legal document by which you appoint someone, referred to as your Attorney, to act on your behalf. It can be used when you need someone to act in your place on business matters such as buying, selling, signing contracts or writing cheques. If it is prepared as an Enduring Power of Attorney, it can be used even if you lose your mental ability to handle your own affairs.

In the absence of an Enduring Power of Attorney, if you are legally unable to handle your own affairs, no one can deal with your money or assets unless appointed by the government or a court of law. When someone is appointed, that person's activities will be monitored by the government. This process is often expensive and overly restrictive.

Powers of Attorney are very powerful documents and may be subject to abuse. You need to be careful how much authority you give and to whom you give it. The document should achieve your objectives without creating undesirable risks. The legal requirements of form and wording vary by province. Precise wording is important to ensure that the intended powers will actually exist. You should have this document prepared by a lawyer. The cost is good insurance against future difficulties.

Remember...

The authority of your Attorney ends upon your death, the authority of your Executor begins upon your death.



Contact Stewardship Ministries:

STEWARDSHIP MINISTRIES is a ministry of the **Canadian Conference of Mennonite Brethren Churches**. It provides resources in stewardship related areas, including budgeting and personal money management, estate planning, and ministry giving.

Stewardship Ministries operates an **Endowment Fund** which can be used to make gifts to beneficiaries chosen by the donor and distributed according to the donor's directions.

It also operates a **Savings Account Program**, a **Registered Retirement Savings Plan**, and a **Registered Retirement Income Fund** which pay interest to the contributor and provide capital resources for loans to Mennonite Brethren churches and institutions.

For more information contact Stewardship Ministries at:

Stewardship Ministries
Head Office
169 Riverton Ave.
Winnipeg, MB. R2L 2E5
Tel 204 669-6575
Fax 204 654-1865
email stewardship@mbconf.ca

For information regarding our regional offices and our Stewardship Representatives, consult our web page at:
www.mbconf.ca/stewardship

Footnotes

1. Ron Blue, *Master Your Money* (Nashville, Tenn: Thomas Nelson Publishers, 1986) p. 21
2. D. D. Busby, et al., *The Christian's Guide to Worry-free Money Management* (Grand Rapids, Michigan: Zondervan Publishing House, 1994) p. 4
3. Ron Blue, *Master Your Money*, pp. 100-101
4. Ron Blue, *Master Your Money*, pp. 103-105
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6. Jake Barnett, pp. 253-254
7. Ron Blue, *Taming the Money Monster* (Colorado Springs, Colorado: Focus on the Family Publishing, 1993) pp. 53-55
8. Ron Blue, *Taming the Money Monster*, p. 68
9. Ron Blue, *Taming the Money Monster*, pp. 92-102
10. Larry Burkett, *Investing For The Future* (Wheaton, Illinois: Victor Books, 1992) pp.31-34
11. D. D. Busby, et al., p.150
12. *The Investment Reporter*, a division of MPL Communications Inc. Vol LX, No. 5, February 4, 2000, p. 36

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