STEWARDSHIP Matters...

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Sam Thorpe, Jr.

Relativity and Accountability

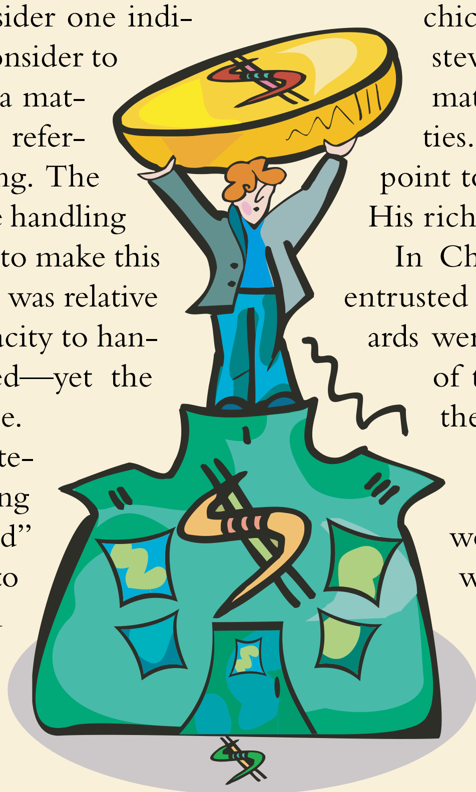
BY SAM THORPE, JR.

"And to one he gave five talents, to another two, and to another one to each man according to his own ability; and immediately he went on a journey. . . . After a long time the lord of those servants came and settled accounts with them." Matthew 25:15,19

Why are we more comfortable spiritualizing the talents of Matthew 25 as spiritual gifts or human abilities, and not money? The literal teaching here addresses the handling of the Lord's money by His stewards. In this context, there are at least two primary truths about financial wealth.

First, estimation of one's financial wealth is a relative concept. Some may consider one individual to be rich whom others consider to be poor. The wealth of others is a matter of perspective based on the reference point of our own standing. The Lord Jesus Christ, teaching on the handling of His money, uses three servants to make this point. Each servant's endowment was relative to his abilities. Each servant's capacity to handle money was fully maximized—yet the endowment varied in actual value.

The world has three broad categories of wealth. Many of us living in a "first-world" or "second-world" nation have difficulty relating to "third-world" hardships. Yet even within the poorest one-talent, third-world culture, wealth remains a relative concept. God sees each of us as rich with the material goods He places in our stewardship according to His divine understanding of our human capabilities. This knowledge should prevent us from labeling some of God's saints as rich as if we are not. Relatively speaking, we are all rich as we stand before our Master.



In third-world nations, the man with three goats is rich in the eyes of the man with three chickens. Yet before God, each man's stewardship capacity is divinely matched with his individual abilities. We can't escape it—let's not point to others—before God we are all His rich stewards.

In Christ's parable, all three servants entrusted with the master's goods as stewards were accountable. The expectation of the master for each servant was the same. "So you ought to have deposited my money with the bankers, and at my coming I would have received back my own with interest." (Matt. 25:27). The master's desire, regardless of the relative wealth entrusted to each servant, was the same—

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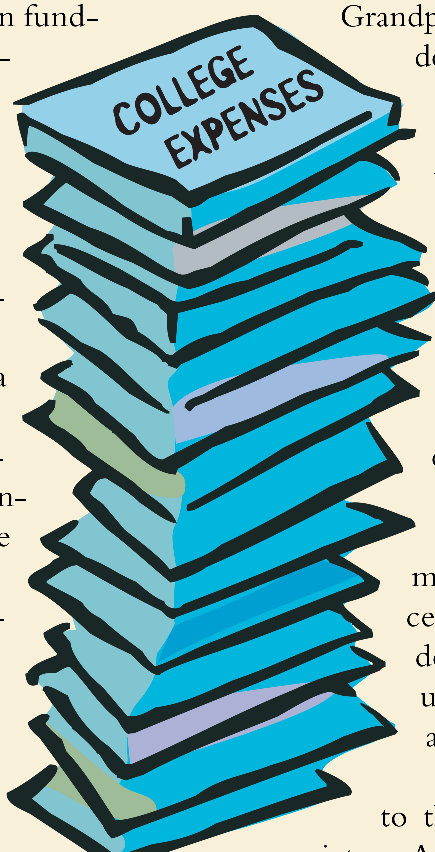
to realize profit on his money from their faithful stewardship. All three were held accountable to the same performance expectations.

The second great truth of this passage is that we are absolutely accountable to God for what He has entrusted into our care. Relative wealth may vary from millions of dollars to three chickens, but He will hold us accountable to show a profit with His money. This is a core principle of good stewardship. How are we handling the money He loaned to us for His best interest? After all, we serve the very best of Masters—the Lord Jesus Christ.

I have eaten side by side with saints owning only three goats at a table hosted by a man owning only one chicken. I have often blushed at the generosity of the Lord's people living in a third-world, one-talent economy. Out of their poverty they serve well their Master from their relative abundance. What does the Lord expect of us but to do the same?

An Educated Gift

One might think of college education funding and charitable giving as mutually exclusive concepts—that choosing one is necessarily at the expense of the other. Past guidance by the IRS, however, approved of a creative use of charitable gift annuities to help with the future costs of a child's college education.[1]



A charitable gift annuity ("CGA") is a contract between a donor and a qualified charity that exchanges a gift to the charity for an annuity. The annuity is a guaranteed income stream payable for the lifetime of one or two named beneficiaries. The annuity payments may commence immediately or be deferred until a later date. Upon the death of the income beneficiary, all remaining proceeds go to the qualified charity. More information about CGAs can be obtained in our brochure entitled *Questions and Answers About Charitable Gift Annuities*.

To illustrate this college funding CGA concept, let us assume Grandpa Smith wants to help with anticipated college expenses of his grandson, Sonny Smith, age 3. Let us further assume Grandpa Smith has a strong desire to confer a benefit in the process to one or more charities. The college funding CGA may provide a way for Grandpa Smith to fulfill both of his desires.

The IRS approved of an arrangement where Grandpa Smith may purchase a deferred payment gift annuity naming Sonny as the income beneficiary. Sonny will be entitled to a lifetime payout, or he may sell his annuity to a third party. That third party may purchase this annuity for a lump sum or for installments paid over several years (e.g., the four years anticipated for college). Although Sonny may use the purchase proceeds for any purpose he desires, he will most likely use them for college tuition and other college expenses.

Putting some numbers to this idea gives us a clearer picture. Assume Grandpa Smith purchases a $50,000 deferred CGA for Sonny Smith with payments starting when Sonny turns 18. Grandpa Smith receives an immediate charitable deduction of $8,602.30 to use against other income. Under current CGA guidelines, Sonny will receive annual lifetime payments of $4,158 starting at age 18.[2] In lieu of these lifetime payments, Sonny may sell his income stream to a third party for a lump sum of approximately $85,622.78.[3] He may also opt to receive payments over four years or some other payout method that meets his needs.[4]

As you can see, this plan provides some benefit to all three parties involved. For Grandpa Smith, he now has a tool that allows him to benefit both his grandson and a charity that is near and dear to him, resulting in a current charitable deduction for a portion of the money he uses to purchase the annuity. Sonny Smith benefits by having a guaranteed income stream to begin when he starts college, which he may then sell to generate cash for college expenses. Finally, the charity benefits by virtue of being the remainder beneficiary (i.e., the beneficiary who receives what remains at the end of the payout term). If the charity is also the school Sonny chooses to attend, then the charity may be the third party that purchases the annuity from Sonny so it will have the right to both the income and the remainder. With such a merger of interests, the charity might even be able to accelerate the annuity, receiving all or part of the proceeds faster. Assuming a conservative return on investment for the CGA reserve account, the school should be able to net at least the original $50,000 investment over its lump sum payment.

The college funding charitable gift annuity is unique among college funding options by providing a way for a donor to help an individual with college expenses and also plan a gift for a favorite charity. If you would like more information about this or any other planning idea, please feel free to contact us.

1. General Counsel Memorandum 39826, 8-17-90; Private Letter Ruling 9042043.
2. "Suggested Charitable Gift Annuity Rates," American Council on Gift Annuities, effective July 1, 2003.
3. Assuming an "Applicable Federal Rate" of 6% when he turns 18.
4. Sonny's lump sum payment may be subject to income tax and a 10% penalty for early withdrawal under Internal Revenue Code Section 72(q).

Benevolence and the Local Church

James 1:27 tells us, "Pure and undefiled religion [is] . . . to visit orphans and widows in their trouble. . . ." Assembly leaders generally rejoice to see believers growing in faith and sacrificing for the needs of others. Like any other type of growth, however, this spiritual growth may come with growing pains.

We often field questions from assembly leaders seeking guidance on their version of a benevolence fund. Although no particular form or structure is required, some basic principles should be observed.

A "benevolence fund" (i.e., a separate account or fund set aside to assist people in need) can enhance fellowship in the local church. For example, it provides the assembly a tool for ministering to practical needs of qualified people. It also helps donors feel they are an active and vital part of the ministry to those in need, building a sense of community. Finally, it allows donors to make tax deductible gifts for needs where a direct gift to the individual would not.

We often field questions from assembly leaders seeking guidance on their version of a benevolence fund. Although no particular form or structure is required, some basic principles should be observed. Failure to do so could result in the donor being denied an anticipated income tax deduction and, in extreme cases, loss of the assembly's tax-exempt status.

Although we hear the questions posed in various forms, the main issue boils down to one question: When are gifts to a benevolence fund tax deductible? There is no bright line test to answer this question, and much of the direction that is available comes from IRS private rulings that offer some insight and guidance, but do not technically constitute binding legal precedents. Drawing on IRS rulings and tax cases as a whole, however, contributions to a benevolence fund should be tax deductible if the facts demonstrate:

- Any donor recommendation is advisory only;
- The assembly retains "full control of the donated funds, and discretion as to their use;" and
- The donor understands the preceding two points.

Control of the assembly leadership over the disposition of the funds is a key element to deductibility of the gift. Let us illustrate with a fairly typical gift scenario:

1: **Contribution.** Joe Donor contributes to the assembly indicating his desire that it be used for the benevolence fund.

2: **Suggestion.** Joe also suggests that the donation be used to assist Slim Pickens, a brother in fellowship enduring some hard financial times.

3: **Decision.** The local church leadership reviews the gifts to be made from the benevolence fund, including Joe's suggestion for Slim.

4: **Distribution.** After determining his needs warrant assistance, the assembly leadership provides the appropriate distributions to Slim from the benevolence fund.

Under current rules, Joe would unquestionably be entitled to a tax deduction if he made his donation to the assembly's benevolence fund without further suggestion. Since Joe did suggest the individual to receive the assistance, though, deriving the answer is more difficult. Among the factors IRS would consider in an audit, perhaps the major one is whether the assembly exercises "full control of the donated funds, and discretion as to their use, so as to insure that they will be used to carry out its functions and purposes." If IRS determines that the assembly is serving as a mere conduit to provide a tax deduction for otherwise nondeductible gifts, then the deduction will be denied, and the assembly could jeopardize its Section 501(c)(3) tax-exempt status.

IRS will look at the facts in each situation. The donor can help by *not* listing suggestions for ultimate distribution in the memo portion of the check, as that looks too much like a restricted gift. A properly adopted and executed benevolence fund policy, however, will weigh heavily in favor of allowing tax deductions for the gifts. This policy should be explained to the local body and made available to anyone making a gift to the fund. It should also make clear that the donor surrenders all control of the donated funds and that the assembly leadership has "full control" over the ultimate use of the funds.

Believers Stewardship Services has a sample benevolence fund policy that you can consider for your assembly. If you would like a copy of that policy, or if we can assist you in this or a related manner in any way, please feel free to contact us.

Just What is it You do Again?
Part Two

The last issue of this publication contained part one of this article to help readers understand just what Believers Stewardship Services, Inc. ("BSS") does for the assemblies and those in fellowship with them. The basis of the article comes from several questions commonly posed that illustrate some misconceptions about our ministry as a Trust Service. We hope the following answers will help clarify these matters for you, and we stand ready to provide additional answers or assistance upon request.

May I do my financial planning through you? Although our staff includes a Certified Financial Planner and others with financial experience, we do not offer "financial planning" in the conventional sense of the word. That is, we do not lead you through a process of assessing your financial situation, determining your goals, and formulating a plan to achieve them, and then sell insurance or investments to you. We do offer basic financial counseling in which we answer questions on budgets and handling the resources the Lord entrusts to your stewardship. We also help review your financial situation, determine investment risk tolerance, and even suggest certain classes of investment or insurance that may be appropriate. Actual investment product recommendations, however, must come from a licensed professional working in the private arena.

May I place my investments with you? No, we are not a brokerage nor an investment firm. We will, however, help with basic financial counseling and then work with your current investment advisor (or connect you with a reliable advisor) to determine what is best for you.

Will you draft my Will for me? BSS is not a law firm, and thus cannot undertake the "practice of law." We do have an attorney and other experienced estate planners on staff who help believers understand their needs and options in estate planning, and then help them design a plan that best meets the needs of their family and their desire to leave a legacy of good stewardship. At some stage we need to work with local counsel to represent you. Since we do a great deal of the work normally performed by the attorney and his staff, however, we often help clients receive high quality estate planning work at a significantly reduced price.

Don't I have an obligation to take care of my family? This question comes from the misconception that ministries like BSS are eager to have you disinherit your children in favor of charity. That is one reason we have our nonsolicitation policy. Our goal is to help you be the best possible steward of the Lord Jesus Christ. That not only includes considering whether the Lord would have you make charitable gifts in your lifetime or at death, but also making sure the needs of your family are met as required by God's Word (1 Tim. 5:8). BSS is here to help you sort through these often difficult issues to devise a plan best tailored to your particular situation.

OUR STAFF

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General Counsel . . . . .William R. Gustoff
Trust Officer . . . . .Andrew C. Tuecke
Administrative Assistant . . . . .Lorraine Allison

NOTICE: The estate planning and financial counseling services of Believers Stewardship Services, Inc. are provided without charge or obligation. Nothing in this publication should be taken or relied upon as legal or investment advice. Such advice should be provided only by competent professionals based upon the specific facts and information involved in each case. For additional information, please contact our office.

OUR MISSION

Believers Stewardship Services is a ministry designed to glorify God by helping Christians accomplish their financial and estate planning goals in fulfilling biblical stewardship.

"Honour the Lord with thy substance, and with the firstfruits of thine increase…."

PROVERBS 3:9 (KJV)

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Feedback

Dan and Louise Woehl write:

"And thanks also for the tremendous service you provided us during this past year in reviewing our family trust. We are grateful for your help. We ended up making some major decisions concerning our assets. . . . We believe the Lord has directed us thus far and we continue to look to Him for guidance—He is faithful!"

BSS presented a stewardship seminar at Park Manor Bible Chapel (Elgin, Illinois) on February 29, 2004. Steve Modrzejewski (an elder in the assembly) writes:

"The presentation by Believers Stewardship Services was beneficial for the whole fellowship. Those that attended were shown the importance and need of planning, and even some different options available to allow the Lord's work to benefit after we are gone. The attitude in the presentation was one of service and very Christ honoring. We look forward to having BSS back again."