CSN · AUGUST 5, 2022

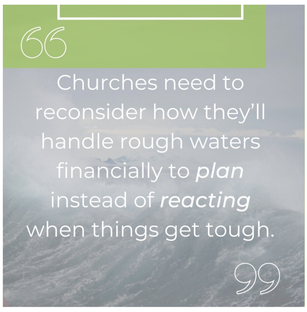
7 Ways Churches Can Prepare Financially for Rough Waters

Guest Writer: Joe Park, Horizons Stewardship

We live in a fast-changing world. Those changes also impact churches. For instance, we have levels of inflation not seen in the last 40 years. Things ebb and flow, and what's different today is unpredictability. It comes from rapid cultural change, shifting demographics, rapidly evolving technology, and an interdependent global economic climate.

As a result, churches face challenges requiring more strategic and visionary thinking and action than in the past. Moreover, church leaders must continually face evolving finances within their communities that could change on a dime due to inflation, recession, or even another pandemic. Some economic realities resulting from a Horizons' church giving and worship survey include good, bad, and ugly news.

- **The Good:** Churches with annual ministry budgets of greater than $500,000 reporting growth in giving increased from 43% in 2021 to 48% through June of 2022. The percentage reporting declining giving remained flat at 28%.
- **The Bad:** Churches with annual ministry budgets of under $500,000 experiencing increased giving declined by 4% to 37%, and the percentage that reported falling giving grew from 41% to 44%.
- **The Ugly:** Churches with annual ministry budgets below $100,000 reporting growth in giving fell from 37% in 2021 to 14% in 2022, while those that reported a decrease in giving grew from 31% to 49%.
- **More Ugly**: 2022 worship attendance (in-person, online, and on-demand) in churches of all sizes fell in 49% of reporting churches.



As a result, churches need to reconsider how they'll handle rough waters financially to plan instead of reacting when things get tough. The following represents seven ways to prepare your church financially to ensure you are able to grow disciples and fund ministry.

1.SET YOUR MINISTRY FUNDING PLAN ON YOUR VISION

Ideally, every church would have a ministry funding plan driven by a well-defined vision and measurable ministry goals. However, far too many churches' vision is determined by income projections instead of God's leading. This places the focus on expense control rather than growing generosity to fully fund the ministry plan. The reality is that every number tells a story. So, it's up to church leaders to ensure that the story they are telling is of spiritual growth.

While grounded in vision and measurable ministry goals, spending plans today must also be flexible and able to reflect changes in circumstances, both positive and negative. The balance is found in placing the primary focus and expenditure of resources on growing disciples, which means measures to balance an underfunded budget happen only after best efforts are made to grow giving.

2. BUILD A ROBUST PLAN FOR SUSTAINING MINISTRY TODAY—AND TOMORROW

Money and ministry are an essential combination for impact. We know church finances experience financial challenges from time to time. As a result, preparing is essential, so you don't have to make knee-jerk reactions to cut critical ministries or employees. It is critical that you build both a spending margin and a sufficient financial reserve to deal with unplanned circumstances. In other words, you don't want money (or lack of it) to limit your ministry.

Most churches need four to six months of expenses held in a reserve. If your church consistently creates a ministry spending plan with a margin of 5-10% unallocated income, over time, you can build or replenish your reserve. In the meantime, consider establishing a modest line of credit to serve as a reserve until yours is fully funded.

Unless your church is experiencing economic or growth volatility, holding reserves of greater than six months can have a negative impact on growing giving. That is not to say you cannot accumulate significant amounts of capital for a specific purpose, such as a maintenance sinking fund or to funds set aside for a future location or innovative ministry.

Another important way to immediately boost dollars for ministry is by addressing debt. By doing so, you'll be able to shift dollars currently utilized for debt service to do more ministry. And all this happens while you are able to unite your church as you prepare and plan for an exciting future.

3. IDENTIFY, ENGAGE, AND DISCIPLE FINANCIAL LEADERS AND HIGH-CAPACITY DONORS

The importance of financial leaders to ministry funding, especially those with high giving capacity, is driven by the significant shift in wealth and income taking place. **Since 1990, approximately 20% of the US wealth and annual income has shifted from the bottom 80% to the upper 1% of US households.** Those in the 81-99% have retained about the same percentage of income and wealth as they had in 1990.

Your financial leaders already want you to succeed and desire to help you pivot to the future God is calling you to embrace. One of the best strategies to cultivate this desire on their part is to be intentional about building a financial leader ministry that is attuned to their need to be discipled and their capacity to help you lead and fund ministry.

As you lean into building authentic relationships with your financial leaders and high-capacity donors, you may be surprised to hear how far down on their charitable giving list the church is.

4. AVOID FINANCIAL MISTAKES AND LEARN BEST PRACTICES

Even if your church is financially healthy, you may still make financial mistakes. Having some areas where you're not as solid or knowledgeable as you would like to be is normal. For example, you may be considering a renovation or expansion project but don't fully understand all aspects of the decision. That's where data, analytics, and interpreting the information well matter. A good starting place to learn more is to take advantage of Horizons free on-demand resource library called Giving365.

As a church leader, you're trying to accomplish a lot and must also deal with growing uncertainty. However, we're fortunate at this time in history to have powerful financial platforms that offer church leaders the best insights and analytics to make the right decisions and minimize mistakes. In the digital age, even churches should incorporate analytics into their ministry strategy.

5. REMAIN FUTURE-FOCUSED REGARDING FINANCES

As we know, learning from the past is essential, but it's also easy to become mired in it. Unfortunately, church leaders could sometimes become so focused on what happened and why that they lose sight of what lies ahead. Therefore, you don't want to become so attached to the past that you can't see the future. You don't want only history to define your decisions. Instead, you want to look forward to the future and see what lies ahead for your church.

By staying future-focused, you better prepare your church financially for rough waters. Some questions to continually ask and refine include, where is God leading you, and what are you being asked to do? When you have clarity, what are the human and financial resources that will be required to bring this vision into reality? Clarity around these questions helps you clarify your priorities when things get challenging.

6. UNDERSTAND YOUR GIVERS AND THE CONCEPT OF GENEROSITY

Church leaders need to understand their givers. You want to be strategic about who gives to your church. The most successful churches create a counternarrative to economic scarcity with the idea of generosity. In fact, creating a meaningful culture of stewardship and generosity helps to ensure church finances because generosity is a transformational concept.

Creating a culture of generosity is different than simply asking your church members to give and support your ministries. That approach is predicated on obligation. Instead, with a culture of generosity, your church members tap into what many people believe is core to our collective humanity—generosity. It's an alternative path to what many people experience in their daily lives due to social media, the news, and social discord.

7. DETERMINE WHAT CAN BE OUTSOURCED

When you outsource some or all your church's finances, it's essential to understand the benefits. In addition to a fractional generosity pastor or leader, you can also outsource various financial services, including auditing, cash management, investment advisory services, investment management, financial planning, and accounting. For example, you could use fractional services from a team of experts at a lower cost because of changes in how services get delivered.

Financial services, creating an integrated funding plan, and a culture of generosity are highly specialized skills, and often churches find both cost savings and increased competencies by bringing outside specialists on board. Outsourcing services allow you to focus on your core competencies (i.e., ministering) while also ensuring you get high-quality advice and assistance with relatively low risk.

THE WORLD IS CHANGING, AND CHURCHES ARE NO EXCEPTION

Church stewardship and financial leaders must be flexible and pivot when things get challenging. At the same time, they must be strategic about managing their resources to prepare and plan for the future.

That means discerning a clear vision and measurable goals, aligning resources, setting financial goals, developing financial leaders, avoiding financial mistakes, remaining future-focused, and understanding your givers. By following these steps, your church will be better prepared to weather the financial storms almost guaranteed to hit. New ministry challenges require new strategies that are tailored to your church's culture and context.

The future of church funding will be different than you think. Now is the time to prepare and plan for an exciting road of endless ministry opportunities ahead.

This article was written in partnership with our friends at Horizons Stewardship. To learn more, visit them at Horizons Stewardship.

If you're a pastor or spiritual leader, consider joining our CSN community. We are a group of passionate Christ-followers with a burden to teach and equip God's people with God's financial principles so they can live purpose-filled and generous lives. Sign up for our mailing list to get new content from CSN directly to your inbox!

For Further Reading:

The Leading Cause and the Remedy for Apathy in the Church

The Danger of Wealth

Financial Surrender

4 Things You Can Do to Make Sound Financial Decisions in Financially Lean Times

Stewardship for the Entire Congregation