stewardship®

Christian Workers – Finance for Living Series

retirement

Stephen Mathews and Myles Wilson

Stewardship 1 Lamb's Passage, London EC1Y 8AB
t. 020 8418 8880 **e.** education@stewardship.org.uk **w.** www.stewardship.org.uk/money

CONTACT DETAILS
Stewardship
1 Lamb's Passage, London EC1Y 8AB
t 020 8418 8880
f 020 8502 5333
e education@stewardship.org.uk
w www.stewardship.org.uk

what's the problem?

If you are reading this then you are probably in a ministry where you depend on the financial support of others, or you are thinking about it. But what you might not be thinking about is what happens a few decades, or less, from now, at that time in life when your peers in society are retiring.

The concept of 'retiring' as we know it is a relatively recent phenomenon. You certainly don't see the likes of Noah, Moses, Joshua and Caleb counting the days to their 65th birthday, eagerly looking forward to having more time to potter around in their gardens! And many who work in Christian ministry today see it as a life-calling and not just a job that ends when the UK state pension kicks in.

However, our society has built a financial model around the assumption that you will stop your normal work around the age of 65. This tends to be financed by a combination of state pension and whatever investments the person has built up over their working life. But that model doesn't always work as well for people in Christian ministry who live on a support basis.

At Stewardship, we see far too many Christian workers who have spent a lifetime on the mission field, in the UK or abroad, who reach around 50 and look a few years ahead – and what they see causes them real problems. A combination of concern that they haven't provided well enough for their future and a not being able to talk about the topic with their supporters can lead to an action paralysis. An approach based on "*Let's hope it all works out somehow*" or "*I must do something about that sometime*" tends to kick in – but neither of these deals with the issue.

In a survey we undertook in 2011, it was interesting that by far the largest concern to Christian workers was finance – more than double that of any other concern. Secondly, 65% said they found it 'difficult' or 'very difficult' to talk to their supporters on the issue of their retirement needs – again, much higher than on any other subject.

So, we have a problem. When Christian workers are young they don't talk to their supporters about planning for their old age – so when they are older they often don't have enough to meet their needs. This isn't a lack of faith but a lack of the right action. We want workers to be practical **and** faith filled.

Tom and Margaret's story

Tom and Margaret (not their real names) had spent almost all their married life serving as missionaries in Latin America. They were highly respected, often talked about with awe by others in their mission agency. Decades of willingly accepting hardship for the sake of those they served while looking for nothing in return for themselves had set a high bar for the next generation to follow.

Tom and Margaret were now retired, living in a small flat about an hour's train ride from London. I met up with them at a mission conference some years ago, where the many there who knew them were keen to sit with them at meal times or grab a quick cup of coffee together. I got a few minutes with them, eager to gain some wisdom from this couple about whom I'd heard so much.

"What advice", I asked, "would you give a young couple going into mission today?" I'm not sure what answer I was expecting from this Godly, highly experienced missions couple, but their reply surprised me. "That's simple", they said, "buy a house before you go." Had I misunderstood this couple? Were they really as self-sacrificing as I had been led to believe? Or were they only interested in building security for themselves in their old age?

They went on to explain. They had gone to Latin America in the days when missions tended to say, 'don't worry about the support. Just go and God will take care of you'. They went, and, yes, their daily needs in Latin America were met by God through the giving of faithful supporters over many years. There wasn't enough to set aside for the future, but there was enough for each day.

Tom and Margaret were now older and retired. So were their supporters – this is, those who were still alive. Unfortunately neither Tom and Margaret nor their mission had made any adequate pension provision. It just wasn't thought about back in those days.

Almost all the little income they had in retirement was swallowed up paying the rent on their flat. They had a huge amount of experience and still a good amount of energy. They would have loved to have been able to serve the Spanish-speaking churches dotted around England. But they didn't have enough money to cover the cost of what they would have loved to have done. Instead of being able to use their vast mission experience to help Latin-American Christians in Britain, they spent too many days looking at the walls of a small flat.

So it wasn't about wanting security in their old age. Tom and Margaret were still as selfless as ever, still wanting to serve others, but increasingly frustrated that they couldn't use the experiences God had given them more effectively. If only they had made some provision for the future, then their limited income in retirement could have been used to continue serving those God had called them to serve all those decades ago. They weren't in any way negative about their past - they weren't that sort of couple - but they were disappointed and it left me feeling sad. A little thought and a little planning over the decades would have made a huge difference to them now.

Thankfully their mission has learned the lesson and today's missionaries are encouraged to provide for their future when their supporters are still in a position to give. A wise choice, and one that should allow the next generation of Toms and Margarets to continue serving God well into their old age.

the big picture

People who rely on personal support for their income tend not to stop working; they want to keep going as long as their energy allows. But what happens to their support?

- Supporters get older too and need to reduce or stop their support.
- Some supporters see themselves as supporting 'ministry' and not 'retirement' and stop supporting the Christian worker when they reach official retirement age.
- Church support can cease as Christian workers are seen to be less active, especially if there is a bright young missionary in the church needing the support.

As you get into your older years it is almost a given that your support will go down, sometimes drastically. Yes, there is the state pension, but more often than not, this is a lot less than the reduction in the support.

So it is a good idea to look at your income over your life as a Christian worker as a whole – covering the 'ministry' years as well as the 'later' years. This means you will need to:

- raise sufficient funds not only to give you a reasonable living now but with enough to set aside for later years.

or

- have very strong personal links with supporters who understand that they are supporting you for the 'whole of life' not just for your years of frontline ministry. And some of them need to be a lot younger than you so they still have the ability to support you as you get older.

or

- know that you will have another source of income (inheritance or similar) that will cover your financial needs for 20-30 years.

Whatever way, it is best to have real communication on this issue with ministry supporters at all stages.

Ideally supporters should be asking "are we giving you enough not just for now but for then", but many supporters have a pension from their work that just happens automatically. They might gripe at how the fund has performed in recent years but they still take its existence for granted. So working without any adequate provision for the future is a foreign concept for many supporters and if the Christian worker doesn't explain the situation, the supporter won't really know the big picture of their financial lives. This is an important area in which 'support groups' can help but we do recommend that the worker themselves is clear on what they think.[1]

why do some Christian workers not plan for retirement?

Some Christian workers have thought through this issue and know what they are going to do. But many haven't. Some reasons that prevent clear thinking can be:

- It is not right to 'save' - *this can be based on thinking that Jesus' teaching in Matthew 6 means we shouldn't plan for the future. God will take care of us. Yes, it is totally true that God will provide for us, but this passage is about not worrying, it isn't about not planning. We plan all the time for the future, where we will go tomorrow, what we will do next week, where we plan to live next year, our mission strategy for the next decade. These plans are all in God's hands, but we still plan. So, similarly, we should feel comfortable planning for our future financial provision, conscious that the plans are in God's hands.*
- Some assume they will die in ministry - *but the supporters might die before them! Or at least they will have greatly reduced ability to give.*

[1] Stewardship is planning a guide for Christian Workers on 'Support Groups' and why they are important

- Some are also not convinced by saving and pension plans because they are seen as being 'the world's system' - *saving and pension plans are not the only way to provide for the future; wise advice from a Christian financial adviser who lives and works by Biblical principles and who understands the unusual context of those in Christian ministry can point you in a useful direction.*
- Some think that a small amount over a long period of time will be sufficient. *It depends how small! If the amount you are setting aside hasn't been reviewed it may not be enough.*
- Some aren't comfortable using money given by supporters to provide for their future, especially if they think that the supporters have their own needs and may not be very well off – *it is precisely those supporters who may be struggling themselves who want to make sure that their missionary friends will be well provided for in the future.*
- Some think that they are too young to think about it; they'll sort it out later – *to provide a realistic pension takes 40 years setting aside around 10% of your income, or 20 years setting aside 20% of your income. The earlier you start the easier it is in the long run.*
- Some don't know where to start – *keep reading!*

it's your choice – but you need to think about it

We recognise that choices you make about how you prepare for your future are yours to make. What we are trying to do in this guide is to help you think about the issues, become clear in your own mind about what you think is right, and then to give some suggestions that might help you put your decisions into practice. It isn't our job to change your mind. First of all, your mind may not need changing. Secondly, if it does, changing it is your job, not ours. And we certainly advise caution about taking a path of action that may work in the long run but is inflexible in the short/medium term.

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issues to think about

Provision for retirement mainly consists of three main components:

1. Building up a financial reserve to provide a long-term income to draw on. This is mostly done through pension planning (but see below).
2. Getting rid of debt – paying off loans and mortgages.
3. Working towards having somewhere to live in later life. When the golden years arrive and the Christian worker needs to slow down and/or stop working, they should aim to have a home, free of mortgage or at an affordable rent, where they can live.

Building up a long-term financial reserve does not have to come from savings or pensions plans. Normally the detail will come from talking through your own individual situation with a qualified advisor and Stewardship can point you in the direction of qualified Christian financial advisors if you want.

Generally it will include some combinations of the following:

- Previous employer schemes for yourself or your spouse.
- Potential future inheritances for you or your spouse. But relying on an inheritance is unwise[2] and, sadly, divorce is not unknown even among Christian workers so you may not want to view this as the whole answer to your future.
- Downsizing your home. Depending on the amount of mortgage still owed on your home, this can help reduce or eliminate a mortgage. If your home is already mortgage free, any balance between the selling price and the cost of what you buy could give your financial reserves a boost. However, giving up the family home can be an emotional wrench.
- An asset held for that purpose e.g. rental property or endowment policy.
- UK state pension – but see next section for some thoughts about this.
- General savings.
- Finally, supporters who are committed to continue support into retirement and you can be sufficiently confident of the level at which they will do this.

[2] Whilst you may know that a loved one has named you as a beneficiary in their Will, you cannot be certain that this will lead to an expected monetary payment. For example, the person concerned may need to use a significant proportion of their assets to pay for care home fees. Equally, you cannot guarantee the timing of the legacy!

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how much is enough?

There is no rule on this. However, to provide a reasonable pension employers and employees normally work on the following basis:

- To provide a basic pension: 10% of gross salary paid each year for 40 years.
- To provide the equivalent of a final salary scheme, or if there is not a full 40 years of investment: 20% of gross salary annually. Some work on the basis of paying a percentage equal to half the person's age (e.g. at 54 someone should be putting in 27% of their gross income). For someone investing from age 30-60 this averages 22.5% over 30 years.

This is a lot more than people tend to realise. Sometime people *think* they are setting aside enough for their future needs, but this may not at all be the reality. This is quite common among those that took out pensions more than 10 years ago because 'pension estimates' at the time used high assumed investment returns and didn't have to state the pay outs in terms of 'current day purchasing power'. So what looked good then may not buy you as much as you think in the future.

UK State pension

We recommend that every worker checks out whether he or she will be entitled to a UK state pension. Remember, what applies today might well change by the time you reach retirement age. In fact, even the retirement age might well change! It is, however, unlikely that increases in state pension will keep pace with earnings between now and retirement.

Being entitled to the full basic state pension currently depends solely on the number of qualifying years an individual has accumulated. No other financial circumstances are taken into account. Qualifying years are achieved either by paying sufficient levels of National Insurance contributions or, in certain cases, by receiving National Insurance credits from the Government. As of now 30 qualifying years are needed to receive the full basic state pension[3]. The Stewardship guide to UK pensions explores this in more detail.

Gaps in qualifying years, caused perhaps by working long-term overseas, can be avoided by paying Class 3, voluntary contributions which is currently (2012/2013) £13.25 per week or if certain criteria are met (including country and sending agency) then a special class 2 rate for volunteer development workers may apply. This is currently £5.35 per week.

UK resident individuals can get a pension statement from the UK Government website.

[3] Men aged 65 and women aged 60 on 5 April 2010 had to achieve 44 qualifying years and 39 years, respectively.

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increasing the amounts set aside

Take a look back some years and remember what food, petrol and other everyday items costs. Now take a look into the future and ask yourself what they are likely to cost by the time you creep into the senior citizen category. What you see might cause you to re-think the amount you are setting aside for your future. But maybe you can't see how you can balance covering today's needs with increasing what you set aside for tomorrow's needs. How you communicate with your supporters is a big issue and beyond the scope of this guide. If you have not already done so we do recommend Myles Wilson's book 'Funding the Family Business', published by Stewardship. It doesn't deal with the specific topic of raising support for your pensionable years, but it will encourage you to have a more open and complete relationship with your supporters, and so make it easier for you to talk to them about your future financial needs. See www.ftfb.org for more information.

Some quick points for you to consider:

- Who among your existing supporters could you talk with about your need to set aside funds for your future as well as your current living expenses? Remember, these are the people who have already demonstrated that they care about you now, so they are often likely to want to care for your future – but they may not even know that there is a need. Asking them to contribute to your long-term needs, either by giving additional support now or committing to support you into your senior years (depending on the age of the supporter!) is allowing them to continue the care they have already shown. (*Stewardship can help here and we would recommend that if you are going to do a wider communication to your supporters, we review this – partly as we can help take the sense of 'selfish asking' out and partly to ensure the wording is appropriate).*
- Take another look at your current finances.
  - You might be able to squeeze the orange a bit more to set aside small/medium amounts out of your existing resources. If you can do this on a regular basis over some years it can make a significant difference in the long run. (*This is part of the big question of whether budgeting is part of your lifestyle or whether you feel money is out of your control! If you feel it is 'out of control' Stewardship has some practical guides to budgeting and money management on our website and some specific tools to help Christian workers budget in their unique situations.*)
  - You may make the question of using 'special gifts' or lump sums a special matter for prayer. Are these for living? Are these for giving? Or are these for retiring? Or some combination of all three? Only you can answer that one!
- Maybe as your family situation changes and the children leave home you or your spouse (assuming you have a spouse and children!) might be able to use some of the available time to earn some money towards your future needs. But make sure that this doesn't distract from God's primary call on your time in Christian ministry.

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how/where do I invest?

First a word of warning: **Stewardship is not authorised to provide personal financial advice**. All we can do is make some general suggestions and comments. You will probably need the help and advice of a qualified independent adviser. But some of the following thoughts may help:

- Pension plans: These are attractive because of the tax relief on the contributions. This means if you save £80, £100 actually gets credited to your pension.
  - However they are restricted in the way you can draw down an income in the future.
  - If you are a worker being funded by personal support it is important to set this up correctly if tax relief is to be obtained.
- ISAs: This is a popular alternative or 'add on' to a pension plan. There is no tax relief on what you put in but the ISA itself enjoys tax advantages in the underlying investment. And there are very few restrictions on how you can draw down the income or savings.
- Take a long-term view: Whether using ISAs, pension plans or other investments, there is always a balance between growth potential and risk. It is sensible to aim for growth assets to start with and moving to income/low risk assets nearer the date of retirement, and of course there is the also the question of whether to choose to invest ethically.
- Getting a balance: You might need to decide how you juggle issues like paying off your mortgage and other debts early and setting aside funds for the future. This is a financial planning balancing act for which you should seek good advice, but in the end you will need to choose.
- Employer requirement: Starting from October 2012 for larger employers and 2014 for smaller organisations, employers will be required to make pension provision for their staff (unless the employee opts out). This means that organisations that fund Christian workers *as employees* will, in future, need to factor pension contributions into how they pay their workers. Because you raise all the support yourself and the organisation you work with doesn't pay you from central funds, you and your organisation might not consider you to be an employee. This may not be as clear-cut as you think.

Working out how much, and when, and where you should invest isn't easy and you should get good professional advice. This can significantly increase the long-term returns and take the pressure off the cost in early years. There is a list of Christian Independent Financial Advisors working with Stewardship set out in the Appendix.

other issues

There are some other issues that fall into this category of planning for future provision, including providing an income for dependants in the event of serious illness or death during or before "retirement" and providing housing for workers who may not have been able to buy their own home during their middle years. And sometimes Christian workers find that their UK state pension is less than they expect because they haven't paid all of the necessary National Insurance to obtain the full entitlement.

There are no easy answers to these issues but we know that they are important. Remember Paul's comment to Timothy in 1Timothy 5:8? *If a man does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever.* The immediate context here is about taking care of elderly relatives in the family, but the overall principle remains true. There are serious implications in not making adequate provision for those God has entrusted to our care.

If you want to talk over any of the issues raised in this guide feel free to contact **Stephen Mathews at Stewardship on 020 8502 5600**. Stewardship will not, and cannot, give detailed advice as we are not authorised to do so. But we can discuss the general issue and point you in the direction of people who may be able to give the detailed advice that you need.

The Finance for Living series of papers forms part of Stewardship's resources for Christian Workers. With contributions from a panel of advisors each of whom has significant experience within the area of mission, the series draws on their expertise to offer biblical teaching and practical guidance on issues affecting those living on personal financial support. The papers are available to download from the Stewardship website see http://www.stewardship.org.uk/christian-workers

This paper has been written by Stephen Mathews and Myles Wilson. Stephen is a senior consultant with Stewardship with a background in professional accountancy and church leadership. Myles works with a wide range of mission agencies and Christian organisations with a special emphasis on training people in raising support. He is also the author of Funding the Family Business, see www.ftfb.org.

If you have any questions or comments arising from the material presented here, you can contact us at education@stewardship.org.uk or by telephone on 0208 418 8880.

Appendix

Independent Financial Advisers for Christian workers

Association of Christian Financial Advisers
Cathy Cleveland
PO Box 728, Rickmansworth, WD3 0HT
Tel: 07583 349229
Email: acfa@live.co.uk
Website: www.christianfinancialadvisers.org.uk

CI Financial Planning
Ian Butler
70 High Street, Great Baddow
Chelmsford, Essex, CM2 7HH
Tel: 01245 477474
Email: ian@cifp.co.uk
Website: www.cifp.co.uk

Flowers McEwan Ltd
David S Flowers
Financial Planning and Asset Management
PO Box 795, Leeds, LS1 9LX
Tel: 0113 237 1979
Fax: 020 7492 3316
Email: david.flowers@flowersmcewan.co.uk
Website: www.flowersmcewan.co.uk

Stephen Riseley
Independent Financial Adviser
22 Albert Road, Belvedere, Kent, DA17 5LJ
Office: 0845 4663355
Fax: 0845 4663366
Mobile: 07885 899265
Email: steveriseley@financial-alliance.co.uk
Website: www.financial-alliance.co.uk