

Big Money Mistakes Children's Ministers Make

There probably isn't a huge difference between children's ministers and other ministers when it comes to handling money and taxes. Clergy people have a wealth of tax benefits and retirement products available to them that lay people cannot utilize. Here are a few tips to keep you on your toes.

Mistake Number 1: *Not taking advantage of all the tax benefits available to clergy people.* This is one problem that we, at Clergy Financial Services see frequently when some well meaning person offers free or reduced rate tax preparation to their pastors. We love the idea that congregations are willing to help their leaders. However, clergy tax law requires unique expertise. We have found that the free tax return is often the costliest one of all. If people really want to help their ministers they will help them find a professional who specializes in *clergy* tax planning and preparation.

Mistake Number 2 *If you're like most ministers, you're not taking full advantage of the entertainment deduction allowed to you.* And boy, are you missing out. Next to car expenses, those for entertainment are the highest and the most overlooked. Don't feel you're being dishonest or too aggressive in taking business entertainment deductions. Serving meals at your home is an integral party of any ministry, and if the church isn't reimbursing you, the most you can claim is 50%. You're saving the church money by conducting business at home; so the next time the youth group raids your fridge, make notes for your records.

- When eating out, always keep the receipt and file it as soon as possible.
- Include the tip when figuring your deduction.
- Use your kitchen calendar to keep track of home entertainment. Write down the people involved, the business purpose, and the estimated cost of the event. If it's less than \$75 each meal, you don't need a receipt.

- *Use these per guest averages as a guide when figuring deductions for home entertaining:*
 - o *light refreshments, \$1 - \$10*
 - o *meals, \$5 - \$10*
 - o *potlucks or take-out, \$8 - 20/event*

Mistake Number 3: *Ministers often in accurately assess financial needs.* One example is leaving funds in a bank for a number of years for fear of losing money in another higher yielding investment vehicle. Putting money into a bank or a CD has its uses but not for keeping up with inflation or taxes. We all avoid making decisions that we aren't sure about—we hate making mistakes or doing something that *might* regret later.

Always take advantage of time and compound interest in investing. Einstein called Compound Interest the “Most powerful force in the universe.” This is especially important for the young investor to understand. A 25-year-old investing \$25 a month is the same as a 50-year-old investing \$400 a month. It's never too late to take advantage of the principle. We don't want people to feel like they've blown it because they haven't been investing regularly just *start* doing it now and be as consistent as you can.

Mistake Number 4: *Most investors rank themselves as more knowledgeable than they are.* Consumer surveys show that upwards of 2/3 of all investors don't understand basic principles of money management. On one hand they tend to overestimate the income value of lump sums in retirement and other accounts. On the other hand, they underestimate true income needs for retirement. Here's what we mean; \$120,000 sounds like a lot of money, right? In reality, that amount in an IRA translates to about \$7000 per year for the average 65 year old in retirement. This is partly true because people also underestimate their longevity. A 65 year old today has a good chance of living another 25 to 30 years on good old planet earth.

These mistakes are understandable but avoidable with the right counsel and information. Let a professional who knows clergy tax issues and the specialized strategies and financial products help you determine your risk tolerance to meet your investment goals. Make sure you take advantage of all opportunities available to you.