

CHRISTIAN MONEY \$ENSE

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A Balanced View of Investing (Part 2)

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This has been a bumpy year for the stock market. Some major markets are trading below the levels at which they began the year. A situation like this is called a “bear” market. Needless to say, many investment and retirement accounts are affected by these fluctuations. This makes some people as grumpy as bears. Last week we laid some groundwork regarding a biblical view of investing. We discussed two concepts: (1) Stewardship requires taking care of God’s resources and family needs, and (2) Good fiscal control must be balanced with generosity. Both of these ideas must be held in balance or our investing can go awry.

Proverbs 13:11b states, “He who gathers money little by little makes it grow” (NIV). Notice the idea of diligence in this verse. “Get rich quick” schemes are not encouraged by Scripture. Rather, hard work and effort are commended and blessed by God. Let’s discuss some practical topics about diligent and balanced investing.

- **Cash Flow** – On a monthly basis, you should be spending less money than you earn. If you don’t, then you are going into debt or spending your savings. It was recently reported by the Federal Reserve (the national bank) that the personal savings rate in America is zero percent. We as individuals are saving nothing. If you want to invest, you must have money at the end of the month.
- **Emergency Funds** – What would you do if you lost your job? National studies show that because of high debt, many people are only three weeks away from bankruptcy. It is important to have savings outside of retirement funds for the unexpected (three to six months’ living expenses). These are best kept in funds such as money markets and CDs that do not lose value.
- **Risk** – Don’t be too impressed when someone tells you that he or she made such and such return on his or her money. The key question is, “how much risk was taken to get the return?” Diversify your money to balance your risk. As the saying goes, don’t put all your eggs in one basket. Don’t bet your life savings on one company or one type of investment. The best approach to diversified investing is to balance investments between stocks, mutual funds, money market funds, and bonds. However, never invest in anything you don’t understand or feel comfortable investing in. The general

rule is, the longer the timeframe, the more risk you can accept or tolerate.

- **Retirement Funds** – The earlier you start saving for retirement, the more money you will have because the earnings grow or compound on each other. If you have a tax-deferred retirement plan at your work (401k, Keogh) or other plan (regular IRA), use it! You are able to put in money pre-tax (which reduces your taxable income), and many companies match contributions to your account. These funds are taxed once you withdraw them at retirement. Alternatively, you can save money in a Roth IRA, which allows you to withdraw money at retirement tax-free. However, you pay regular payroll taxes before the money is deposited in the account. Roth IRAs make a lot of sense for younger investors.
- **Non-retirement Investments** – You or your loved ones may need access to significant funds before retirement because of death or health reasons. Tax-deferred retirement plans can have tax penalties if funds are withdrawn before retirement. Have some long-term investments with greater risk outside of traditional retirement plans. Roth IRAs that are invested in CDs, money market funds, and mutual funds can work well for this category.

Balanced investing is built upon balanced philosophy. Don’t build so much for the future that you neglect current family needs or an emergency fund. Don’t focus so much on present needs or desires that you fail to begin saving for the future. Most importantly, remember that God ultimately owns all you have. Honor Him with the growth you are blessed with by making financially smart gifts, which save you taxes instead of increasing your taxes. If you desire to honor the Lord’s work with a gift to your church or other ministry, contact BBC FOUNDATION INC. for information on the best methods of giving.

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