Ten Money Tips for Ministers

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1. **Reduce debt.** Scrimp, save, cutback, eat at home, whatever it takes to raise the money to eliminate those corrosive payments on student loans and credit card balances. Only items likely to increase in value should be debt-financed. Typical examples are land, housing, and education. High interest credit card debt is especially crippling. Don't charge what you can't pay off next month.

2. **Build up an emergency fund.** How much? At least enough to cover three months' living expenses plus an airline ticket for you or a family member. Money market funds are usually the best means of saving for emergencies. Save something out of every paycheck before paying bills; it's called "paying yourself first."

3. **Open a low cost Money Market Fund account.** You can open a money market account with TIAA-CREF with a minimum deposit of $50 per month that earns more than a bank savings account; 800/223-1200, www.tiaa-cref.org. This non-profit organization also offers good stock funds and bond funds at no sales charges and low management fees. The PAX WORLD money market fund can be opened with $250; 800/767-1279.

4. **Move other retirement savings accounts** into the UUA retirement plan. This important feature of the 2001 federal tax legislation may make it possible to shelter additional amounts from income tax to the extent they are spent to provide a residence for a retired minister. Ministers with 403(b) or 401(k) accounts from previous employers, or with regular IRAs, should consider transferring these dollars to their existing account in the UUA plan.

   Age 62 or older? Use social security retirement benefits (or other forms of income) to live on while increasing voluntary contributions for retirement. Contributions into the UUA plan by clergy are not reported as earned income, thus are not subject to social security or income taxes. Social security benefits are not subject to social security tax either. Effective January 1, 2002, up to $12,000 in voluntary contributions can be made by persons age 50+.

5. **Home ownership** may be the best investment if held for at least five years. Why five years? So the six percent real estate commission that you will pay as the seller will be more than offset by the increase in value.

   Mortgage rates are very low. Payments toward both principal and interest can be made from the clergy housing allowance that is exempt from income tax (but not exempt from social security tax). Interest payments are also deductible and thus reduce your annual taxable income. You have to have a place to live anyway, and even if you only recoup the original purchase price, you will have had a roof over your head for the expense of taxes, utilities, repairs, etc. This is likely to be less than what would have been paid in rent over the same period.

   Making additional payments to the principal on a home mortgage significantly reduces the long-term costs of interest. Adding $25 per month to payments on a 30 year $100,000 loan at nine percent will save $29,440 in interest and shorten the loan period by almost four years. Taking a $90,000 mortgage for 10 years instead of 15 years at six percent will also save about $29,000 in interest. Dedicate all windfall income (unanticipated gifts, inheritances, etc.) to paying down the principal on one's home mortgage.
6. **Don't be home alone.** Some retirees may need to consider sharing household expenses with others in order to have adequate and affordable housing. Multiple family residences or homes suitable for two or three adults may be the most economical way for retired friends to have an enjoyable abode, plus the comfort of companionship. Even if friends live in different sections of the country now, they can begin to plan how to pool housing resources after retirement.

7. **Never buy a new car,** even with zero interest loans from the dealer. There has to be a source of profit somewhere, and dealers will either up the price and lower the loan interest rate, or raise the interest rate and drop the price. Many mid-price new cars depreciate about 15 percent when driven off the lot. It is worth paying a qualified mechanic $100 to examine and test drive a two to three-year-old used car and save several thousand dollars, even if the used car needs new tires and minor repairs.

On average, credit unions charge about one percentage point less than banks or dealers on auto loans - if borrowing for this purpose is an absolute necessity. Restrictions on credit union memberships have been eased considerably.

8. **Don't be talked into taking out a home equity loan** for the purpose of buying a new automobile. While such loans permit deducting the interest on tax returns, they shrink the home equity by the amount borrowed. Then in the event of a financial setback, the homeowner has less value in the real estate that could be realized from a sale. Thousands of American homeowners are in deep trouble because they used home equity loans or refinancing to pay for non-essentials such as vacations and new cars. Foreclosures are up; some are actually losing their homes when they can't make their new mortgage payments. A case can be made for using home equity to pay for a child's college education, so long as there will be ample time for the parents to put that money back into their house, but scholarships are better.

9. **Can't keep a daily log of miles driven on business?** Record the miles driven the first week of every month and multiply by four for a monthly estimate. Reasonable auto expenses on church business aren't likely to be challenged by the IRS, and evidence of an effort to identify expenses through sampling will probably help in case of an audit.

10. **The financial cost of becoming a minister.** *Economic Realities of the UU Ministry* is a valuable booklet recently republished by the Department of Ministry. Anyone considering ministry as a career choice must study this information before entering seminary.

For further information, read *Making the Most of Your Money* by Jane Bryant Quinn or the *Consumer Reports Money Book* from Consumer Reports. Both are probably in your library.

— Ralph Mero