

For heaven's sake!

I grew up in a 'happy clappy' charismatic church in Durban. And for most of the time I attended the church, it had a building fund. I vividly remember the day that we broke ground for the building of the new church, mainly because I could see the building site from my classroom. It was 1984 and I was in Standard 3 (Grade 5) at the time, and I thought it was cool that I would be able to look outside my classroom window and watch the church go up. I was to be terribly disappointed – I think the church was opened during my third year at Wits University – so I missed the opening ceremony and celebrations.

I remember that day we broke ground very clearly for a number of reasons: I was the youngest person there that day, so I got a lot of attention from the pastors and elders who were admiring my eagerness and willingness to help. It was also the day that I realised that I was not cut out for a job that entailed manual labour (I fell asleep under the tree during my lunch break and had to be woken up a few times just so they could see that I was still alive and okay). It was also the day that I would start the learning process about how to fund an expensive project relying largely on the financial support of a mainly poor congregation. I recall questioning my mother many times over the years about the progress of the building and why they were taking so long to complete it. As time went on though, my fascination with the building faded.

A recent evening's entertainment got me thinking about that church again, and the funding model used by many similar churches and organisations. I was watching *Kings of Comedy* (again after many years), and my favourite comedian Steve Harvey did a set on the church he attended when he was a kid. His one frustration with his church was that it "always had a building fund going..." The punch line went something like "this church always had a building fund, every week we had to contribute to the building fund. They ain't put a doorknob on the place in twenty years, but they still got a damn building fund..." This obviously resonated with me somewhat and I had a good laugh about it. Until I started thinking about the building fund a bit more.

In our business we follow developments of the Yale Endowment Fund (YEF) quite closely. In fact, we have modelled our asset allocation process and philosophy on that of the YEF. The fund is the main contributor of funding to the university and is worth in excess \$20bn. For Yale's 2014 fiscal year, the endowment is expected to make a distribution of \$1.05bn to the university's operating budget. This comprises 35% of the university's budget for the year. The endowment has more than doubled its contribution to the university's operating budget in the past 10 years.

I missed the last part of *Kings of Comedy* because I decided to run some calculations instead. What if our church had decided to invest a portion of contributions from the members since 1984 and simply invested it into the JSE? Assume they decided to invest R1 000 a month (which is a reasonable amount for the size of the church and the sort of donations it was receiving on a regular basis) since January 1984. At the beginning of 2013 that investment would be worth a tidy R7.17m, and R8.4m by the middle of December 2013. Many of the young people I grew up with in the church have gone on to succeed in business, and would no doubt be in a position to contribute to such a fund and help grow it even further.

The benefit of such a fund is that the church would reach a point where it would

not need to tap members on the shoulder for a donation to fix a leak in the roof, or to put a new "doorknob on the place", and like the YEF it could become a significant source of funding for ongoing and future expenses.

There are many organisations out there that often tap the public on the shoulder for financial support to augment the usually insufficient stipend they receive from Government. How many of these organisations have taken a bold decision to allocate even a small portion of their regular income to an investment strategy that would see them building up an endowment that would carry much of the future funding requirements of the organisation? We have done numerous presentations to organisations over the years trying to get them to consider starting such an investment. In most cases the governing committees are swayed by existing financial pressures and tend to allocate resources there.

When it comes to churches such as the one I was a part of in my youth, I imagine that many of the pastors and elders and governing committee members rely heavily on Malachi 3:10 (which states according to the New International Version: "Bring the whole tithe into the storehouse, that there may be food in my house. Test me in this," says the LORD Almighty, "and see if I will not throw open the floodgates of heaven and pour out so much blessing that there will not be room enough to store it.") for ongoing funding. However, I would suggest that they consider augmenting it with a forward-thinking contribution to a fund that will, over time, reduce the need for a building fund as well. ■

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