

Manna for Tomorrow: Investing with Faith and Foresight

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An introduction to an Investment Policy Statement (IPS)

Faithful stewardship of church resources is a vital part of our mission as The United Methodist Church. As we manage the gifts entrusted to us by God and the congregation, church leaders are responsible for ensuring that those resources are used wisely – both in meeting current ministry needs and preparing for the future. Transparency and shared understanding are key to building a strong financial foundation for all the work God has called us to do.

"Moreover, it is required of stewards that they be found trustworthy." – 1 Corinthians 4:2

This scripture reminds us that our work in overseeing church finances is not merely administrative. It is a faith-driven responsibility rooted in trust and accountability.

One important tool in managing a church's financial health is the Investment Policy Statement (IPS). An IPS is a common governance document for most nonprofits. For United Methodist Churches invested with the United Methodist Foundation of Michigan, the IPS is charted by the Foundation and contained in our offering circular. Reliance on this IPS ensures that all elements of the *Book of Discipline* and *Social Principles* are being followed. It serves as fiduciary protection for local church leaders, especially the trustees and finance leaders, who are charged with this oversight. The IPS provides the primary protocol for how church reserve funds and long-term investments are managed. Whether you are a church leader, a generous giver, or an interested constituent, understanding the IPS is a key step in supporting the financial stability of your church's ministries.

What is an Investment Policy Statement (IPS)?

An Investment Policy Statement is a written document that outlines how an organization – in this case, your local church – manages its investment funds. It provides a clear framework for making investment decisions and ensures that these decisions align with the church's mission, values, and financial goals.

For United Methodist church investors, the offering circular is especially important because it provides investment options relevant to the time horizons. Some church funds are often held for future needs, such as major repairs, new ministry initiatives, long-term capital improvements, or perpetual endowments. These funds are typically not needed immediately and probably have different timeline projections. Thus, investing them accordingly allows us to grow them over time and protect against market fluctuation and inflation.

"The plans of the diligent lead surely to abundance, but everyone who is hasty comes only to want." – Proverbs 21:5

A well-crafted IPS helps us be diligent and thoughtful in our financial planning, allowing us to prepare for future needs with care and foresight.

Why Is the Foundation's IPS important for churches?

- Stewardship: An IPS helps ensure that the financial gifts we receive are managed with care, consistency, and integrity.
- Discipline: It helps prevent emotional or reactive decision-making during periods of market volatility.
- Clarity: It offers a shared understanding for all church leaders, contributors, and the broader congregation on how investments should be handled.
- Accountability: It provides a structured way to evaluate investment performance and adjust when necessary.
- Risk Management: It helps church leaders manage investment risks appropriately for different types of funds and time horizons.

"Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?" – Luke 14:28

This verse highlights the importance of planning and managing resources well, which is exactly what an IPS enables a church to do.

What does an IPS typically include?

A strong IPS usually contains several key components:

- Investment Objectives – This section defines the primary goals of the church's investments. These could include:
 - Capital preservation (protecting the principal)
 - Spending policy (supporting ongoing ministries)
 - Long-term growth (funding future projects or endowments)Each fund may have different objectives depending on its purpose.
- Risk Tolerance – Risk tolerance refers to the amount of risk the church is willing and able to accept in pursuit of its objectives. A short-term reserve for operating expenses will likely need to be low risk, while a long-term endowment fund will sustain more risk for higher potential returns.
- Asset Allocation – This pivotal concept refers to how the church's investments are spread across various types of assets, such as:
 - Fixed income (bonds)
 - Equities (stocks)
 - Cash equivalents (money markets)

The mix of assets will vary based on the time horizon and goal of each fund. For example, an endowment might include a higher percentage of equities, while short-term reserves may prioritize liquidity and stability.

- Investment Guidelines – This section outlines specific rules or restrictions for managing investments, which may include:
 - Requirements for diversification
 - Prohibited asset types
 - Ethical or faith-based screening in alignment with United Methodist *Social Principles*

- Performance Benchmarks – An IPS should establish metrics or benchmarks to evaluate how well the investments are performing. These benchmarks help the church measure success in meeting its financial goals over time.
- Review and Oversight – The IPS is reviewed annually to ensure it continues to align with the church’s financial needs, market conditions, and mission.

"Whatever you do, do it all for the glory of God." – 1 Corinthians 10:31

By using faith-based guidelines in our investment decisions, we ensure that even our financial stewardship honors God.

Applying the IPS at your church

Church leaders should regularly review the varying purposes and timelines for their investment and reserve accounts. For example, funds that support current-year expenses or near-term projects should be fully invested in low-risk, short-term instruments, such as the money market investment account. Liquidity and stability are the top priorities for these types of funds.

In contrast, capital reserves and endowment funds are intended for use in three to five years in the future or are chartered to last perpetually. Since these needs are longer-term, a balanced asset allocation between stocks and bonds is appropriate and generally offers higher returns over time.

Recognizing these different purposes will help church leaders shift from a "one-size-fits-all" or an ultra-conservative approach to a more strategic asset allocation. A balanced fund through the Foundation will provide diversification and reduce the risks associated with internal investment self-selection. The Foundation is best equipped to match the faith-driven investment strategy with the church’s goals and financial responsibilities.

Final Thoughts

The Investment Policy Statement (IPS) contained within the offering circular is more than just a legal document. It is a cornerstone of responsible and faithful stewardship. By clearly defining how we manage church investments in a faith-driven manner, we ensure that resources are used wisely, with an eye toward both today’s ministries and tomorrow’s possibilities.

As we continue to invest in your mission and your community, the IPS helps guide us with wisdom, consistency, and integrity. These values reflect our faith and our commitment to serving God through sound financial practices.

"Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things." – Matthew 25:21

Our goal is to be found faithful in the way we steward all the blessings entrusted to us, including the financial ones, so that the church may continue to make disciples of Jesus Christ for the transformation of the world.

The Foundation’s IPS equips church leaders with the structure and confidence to manage financial resources faithfully and effectively. By grounding our investment

decisions in both sound principles and scriptural wisdom, we prepare our church to thrive in its purpose and ministry.