

About Stocks and Bonds and Church Financial Policies

Is it true that the church has lost millions of dollars in recent years through its investments in stocks and bonds?

By ROBERT H. PIERSON

RECENTLY I HAVE RECEIVED several letters from lay persons and workers inquiring about some of the financial policies of the church. These letters have asked questions such as Does the church invest in stocks and bonds? Is it true that we have lost "millions of dollars" through such investments in recent years? What are you doing with the laymen's money? Why don't leaders keep the church better informed regarding its financial policies?

These are good questions. I am always happy when members are interested enough in the operations of their church to write and ask questions. You have a right to know how any administrative policies are adopted and operated. This is *your* church, or actually it is *our* church—we are all in this together and we want to keep operations as open as possible so that confidence may be maintained and we all may move forward together and get the work finished quickly.

Report to the Church

First, let me answer the last question about keeping the membership informed regarding the financial policies of the church. We receive very few letters asking this question. Those who read denominational journals and brochures have been kept informed through these media. Several times in recent years explanations regarding our denominational financial policies have appeared in the REVIEW AND HERALD. Also, the financial statement of the General Conference that is presented during its quinquennial session always appears in the REVIEW AND HERALD and is open for all to inspect carefully. In addition, K. H. Emmerson, treasurer of the General Conference, prepared a series of articles for the REVIEW, later printed in booklet form, entitled "Financing a World Church," and it explains the financial operation of the church. Some months ago W. P. Bradley wrote a protracted series on church administration in the REVIEW AND HERALD. A series by the General Conference treasurers is running currently. (The most recent

article in the series appeared in the October 9 issue.) Also, letters addressed to any of us in the General Conference on this subject have been answered.

We are endeavoring to keep the church informed regarding our financial policies. Anyone interested in further details regarding church financing may receive a copy of Elder Emmerson's booklet on the subject by writing to him at the General Conference office, 6840 Eastern Avenue NW., Washington, D.C. 20012.

Now to our investment policy. Many years ago—back even before I entered the work in 1933—the General Conference began investing some of its funds in proper banks, savings organizations, government obligations, corporate bonds, and high-grade equities. Here is how it works:

The General Conference constitution and bylaws require the treasury to maintain a working fund or a reserve that is sufficient to care for the world work of the church should any emergency arise. Every businessman understands the need for such careful financial provision.

Some have spoken at times of "vast sums of money," as if the General Conference were hoarding great sums that should be out in the field financing the preaching of the gospel. The funds we have in reserve are large sums, for we are a large church with budgets throughout the world totaling hundreds of millions of dollars.

Funds to Operate in an Emergency

This working fund—cash or readily convertible securities available for any emergency, according to the constitution and bylaws—is 20 per cent of the previous year's appropriations and operating expense of the General Conference. From this you can see that if an emergency occurred we would have funds to operate the work a little over 70 days, which is certainly not too long. When we consider the financial problems, the political uncertainty, and other prevailing conditions in the world today this amount is very conservative.

The question may arise—What are these monies that are being "invested"? They originate from several sources. First, the General Conference, *acting on behalf of the North American Division*, holds certain trust funds—monies already voted for various projects: church buildings, college development, office buildings, and a host of other projects—until the receiving organizations are ready to proceed with the project. These funds accumulate.

Second, there are funds such as tithe, Sabbath school offerings, Ingathering, and other monies appropriated to *overseas divisions* for specific projects—similar to those held for North America. These also may include funds for publishing houses, medical launches, planes, hospitals, and other specific projects. Usually there is some delay before these projects are undertaken, and the General Conference holds these funds until the mission fields are ready to begin work on the project specified.

Third, sustentation (retirement) funds are held in trust by the General Conference. Years ago Ellen White wrote, "A fund should be raised for such workers as are no longer able to labor. We cannot be clear before God unless we make every reasonable effort in this matter, and that without delay. . . . Do what you can toward creating a fund for the aged ministers, worn out with constant labor and care."—*Testimonies*, vol. 7, pp. 294, 295.

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Plan was inaugurated some 65 years ago, and ever since it has proved a blessing to workers who have devoted their lives to the cause of God. By mid-1975 in North America alone there were 4,578 persons on this sustentation plan. According to the General Conference *Working Policy* (1972), page 344, "Each sustentation/retirement fund shall maintain a reserve equivalent to three times the amount of the preceding year's sustentation/retirement fund expense." You can readily see that this requires the maintenance of quite a sizable fund, and presently the fund is below the ceiling provided by policy.

Fourth—another substantial source of church trust funds is seen in those generated through a program of deferred giving—wills, trust agreements, gift annuities, and other funds. Of these funds Elder Emerson writes, "Thousands of church members are entering into these arrangements with our various conferences and institutions, and each year sizable sums of money and other assets are coming in to benefit the Lord's work. This deferred-giving program is an excellent source of non-tithe income, and it is strongly assisting in the building up of the physical facilities of our work."—*Financing a World Church*, p. 24. Such funds are held by the General Conference until they mature or until the death of the trustor as the law and the agreement stipulate.

Fifth—the General Conference accepts funds from field organizations for investment so that not all of our institutions have to follow money-market trends closely.

I have explained the provision made for these funds by the constitution and bylaws and the reason such funds are accumulated. I have also explained the source of the funds. Now let me tell you how they are invested. Any knowledgeable business person agrees that such funds held in reserve for a period of time *should be earning a reasonable return*. Jesus, in His parable of the talents as recorded in Matthew, chapter 25, confirms this principle that we seek to follow.

Several basic principles are strictly adhered to in the investment of the Lord's money.

1. *There must be no reckless speculation.* Every care must be taken to protect these sacred funds. Hence a very conservative and safe investment policy is followed. An investment committee of competent Seventh-day Adventist administrators meets weekly to make the decisions pertaining to funds available for investments. The General Conference treasurer is chairman of this committee.

2. Inasmuch as these funds may be required on short notice, they must be so invested as to be readily convertible into cash for dispatch to their intended project.

3. The funds must be invested only in companies whose services and products are in harmony with the goals and standards of the Seventh-day Adventist Church. This rules out firms dealing in liquor, tobacco, meat packing, entertainment not in harmony with our principles, and any other activities not in keeping with the standards of the church.

There have been instances when, through wills or trust agreements, the church has come into possession of property we do not wish to retain because of the type of business operated on the premises. We dispose of such properties as quickly as possible, for we want our business dealings to be in harmony with the high principles of the remnant church.

Yes, the church does invest certain monies in high-quality stocks and bonds and other investments. This has been explained in our church paper many times. I believe that after you consider the matter carefully and prayerfully you will agree that this is a reasonable course to follow—it has been the policy of the church for many, many years. This is no recent innovation. And the interest and gains that accrue from these investments are a part of the annual appropriations that are voted to the world field at the Annual Council. These funds have been a great blessing to the cause of God in all lands—today there are church buildings, schools, hospitals, and other projects, as well as strong programs of direct soul winning, that have been made possible from these monies.

But, someone asks, has not the church lost many millions of dollars as the result of the depressed stock market the past few years? If you were to believe some of the rumors emanating from mimeograph mills, you would think it had. The fact is that for many years your church investment program fund has been operating above the average for other similar professional funds across the nation.

"The church has not lost large sums of money," R. E. Osborn, our assistant treasurer in charge of investments, explained to me recently. "Money markets, as you know, go up and down. When the price of a stock falls below the figure we paid originally for it, naturally a paper loss is sustained, and if we were to sell when the price is below what we paid for it we would sustain an actual loss. In most cases we have retained our investments through the fluctuating markets until they steadied. Through the years the General Conference annually has had a net gain on the sale of securities—some have been sold at a loss at times, but more have been sold at a gain during the year.

"The general increase in interest rates during the past ten years has caused the current market value of corporate bonds held by the General Conference and other investors to decline," Elder Osborn continues. "However, we have not generally sold bonds purchased years

...will be no loss sustained." In all investment programs there are bound to be some realized losses at times—but, as mentioned above, there are also realized gains available to offset the losses. Summarizing the above, it should be clear to all that in a fluctuating investment climate we will almost inevitably show some "paper losses," but the General Conference has not lost large sums of actual cash.

Our investments in the General Conference office are handled by men who are committed Seventh-day Adventist Christian businessmen, whom God has endowed with considerable business acumen. The Lord has blessed them in this work. I have confidence in them. (I am thankful that the 25-30 per cent of my income that goes back into the church coffers is in their care!)

Now, there is one more fact I would like you to consider. Many who seek to break down confidence in the church refer to the funds of the laymen that are being mishandled and lost. A large percentage of our church income does come from lay members. I thank God for our faithful members around the world who support the cause of God so selflessly. We deeply appreciate their

employed workers who are turning back large percentages of their income into the church treasury. Some of us give from 20 to 35 per cent of our income to help the work we love. It is our work, and we love it too!

The funds that are being invested are partly our funds, also, and let me tell you, some of us want to assure that they are protected to the maximum and that they are used to the best possible advantage. We have a stake in this program in money, as well as in our lives of service. We will do our best.

It is a lot easier to criticize from the side lines, through mimeograph sheets filled with half-truths, when you have no responsibility than it is to be the ones whom the church has elected to make the decisions and who must render an account to God and to the church for their actions!

We are human. We need your prayers. We are prayerfully and carefully endeavoring to handle the sacred funds of God's church as He would have them handled—and to make every dollar, pound, franc, shilling, and yen do the most possible toward its intended use. Pray for us! □