A CALL FOR FINANCIAL TRAINING TO HELP MINISTRY STUDENTS MANAGE PERSONAL FINANCES

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According to a recent study by the Higher Education Research Institute, the reason most students choose to attend college is prepare to get a better paying job (Wyer, 2013, para. 4-5). Institutions of higher education may be guilty of perpetuating this motivation as well, for we have promoted, even if partially, our degree programs as tracks to higher paying jobs. Schools have offered financial aid packages that require students and/or families to take on a debt load in hopes of securing a better job that will allow those loans to be repaid while still reaping financial rewards.

Researchers Dwyer, McCloud, and Hodson (2012) studied this "debt as investment" approach to education through the analysis of the affects of debt incursion upon graduation rates in American universities. "Credit is one such resource in that it can allow people access to education – an option that would be unavailable to many without it" (Dwyer, McCloud, & Hodson, 2012, p. 1135). The reliance upon school loans may be "attributable to amendments to US federal legislation that increased loan limits", which saw undergraduate debt "triple between 1991 to 2001" (Miller, Early & Ruger, 2014, p. 3). While recent changes to the banking policy have slowed the rate of increasing debt loads (ibid, p. 3), "The Institute for College Access & Success found … in the 10 years from 2004 to 2014, the average student debt rose by 56% from $18,550 to $28,950" (Zillman, 2015, para. 2). The average school loan debt varies per study to an undergraduate debt range from $28,950 (ibid, para. 2) to $29,400 (Miller, Early & Ruger, 2014, p. 3) to $35,200 in "college-related debt", which is comprised of government loans, personal loans and credit card debt (Ellis, 2013, para. 1, 4). This is exacerbated by theological graduate school borrowing, which averages $37,952 total for M.Div. graduates (Miller, Early & Ruger, 2014, p. 5).

Auburn Seminary research found most schools do not discuss education indebtedness with students; “Almost all graduates (90 percent) disagreed with the statement, ‘The administration and faculty discouraged borrowing at my school’ “(Miller, Early, & Ruger, 2014, p. 11). The authors concluded this approach most likely contributed to the amount of student debt taken on by these students. This financial situation requires a deeper look at the true cost of school debt and calls for Christian institutions of higher education to take an active role in providing financial training, through classroom instruction and personal appointments, for students preparing for vocational ministry positions.

The True Cost of School Debt

The result of school loans has had some positive results in helping students attain a college degree (Dwyer, McCloud, & Hodson, 2012, p. 1143), however we also need to consider there is a tipping point of diminishing results due to the stress of debt. “A certain amount of debt may help many complete college, but taking on too much debt may push students toward less desirable borrowing options that may actually undermine attainment” (ibid, p. 1137). This may be due to the harmful effects of repayment stress upon physical and mental health (Drentea & Lavrakas, 2000, p. 527).

The recognition of the inability to repay high levels of debt is often realized after the student loan has been obtained as “students may take on large amounts of debt early in their college careers when the cognitive disconnect between current borrowing and future repayment may be greatest" (Dwyer, McCloud, & Hodson, 2012, p. 1137). The findings of Dwyer, McCloud and Hodson's research (2012) suggest the "positive effect [of student debt upon graduation] peak, however, at around $11,835 (the inflection point of the curve) and becomes negative for students with college loan balances exceeding that level" (p. 1143).

School loans may be a necessity for many students, but the reality should be discussed that "debt is a liability potentially limiting future options and outcomes through its drain on resources that could be used for other purposes" (Dwyer, McCloud, & Hodson, 2012, p. 1136). To help students navigate the amount of school loans he or she should take on, the debt-to-income ratio is a way of considering the ability of debt repayment.

> Comparing the stock of outstanding student debt to household income, in 2010 the outstanding debt was 6% of household income. Another way of putting that is that households had 6 cents of outstanding student debt for every dollar of income received. (Fry, 2012, p. 4)

The preferred ratios of debt to income limits vary in guidance. According to the FinAid website, with a loan interest rate of 8.25% and a term of 10 years, a student seeking an entry level job with a $35,000 salary should take on a maximum "Educational Debt-to-Income Ratio of 15.00%". The monthly payment on this loan would be $437.50 per month. FinAid states for this level of income, "It is recommended that you borrow no more than $8,917.46 per year (for four years), for a total educational debt of $35,669.84. If you borrow more than this amount, you may find your monthly loan payments too burdensome" (www.finaid.org).

The student loan by itself may not induce financial stress, but when added to daily life monetary needs (i.e. rent, transportation, etc.), the result may be high levels of stress. While student loans may be 15% of the income, this repayment may limit the graduate's ability to find a financial foothold in regards to other financial milestones, such as purchasing a car, starting a family, or buying a house. Taking on additional debt, i.e. house mortgage may result in the financial distress as, “a common benchmark of financial distress is when households must devote more than 40% of monthly income to repay debts” (Fry, 2014, p. 2). The combined debt of school loans, car loans, credit card debt thus may postpone the financial security of buying a house.

However, the negative effects of financial stress were not found as pronounced for students attending private universities compared to public university graduates (Dwyer, McCloud, & Hodson, 2012, p. 1148). The researchers suggest this may be due to the smaller class sizes and the opportunities for more personal mentoring available at private universities “may help these institutions spot students in trouble more easily” and increase their retention rates (ibid, p. 1138). Therefore, while student loans may enable students to obtain a college education, the benefits of such an education are dependent upon students limiting their borrowing to levels that future salaries can accommodate appropriate repayment stress. The provision of financial mentoring seems crucial for students to make debt choices for an education that will both enable graduation and find sufficient income within his or her vocational calling.

Looming Financial Crisis for Ministry Students

The fiscal landscape for ministry students can be difficult to navigate due to the high costs of tuition and living expenses. The debt-to-income ratio for ministry graduates can make paying off student loans difficult. The economic picture reveals the ability to repay student loans is becoming more difficult as household incomes have receded 11% from 2007 to 2010 (Fry, 2012, p. 4).

> Mounting student debt would be of less concern if household incomes were rising, but as measured by the SCF, annual household incomes have been falling since 2007 and the decline in household income has not been the same across richer and poorer households. (ibid, p. 4)

This is especially a concern for ministry students as the primary means of income for pastors, missionaries and non-profit leaders are the discretionary income given in religious tithes and/or generosity. As household incomes drop, churches and ministries may find difficulties in receiving adequate finances to add staff positions or yearly raises to keep up with the cost of living.

High debt repayment may also negatively interfere with a graduate's ministry calling as "37% of borrowers said that debt had influenced their career choices" (Miller, Early, & Ruger, 2014, p. 15). The amount of school loans to be repaid may keep missionaries from deploying or hinder churches from hiring candidates, realizing the debt load will negatively affect the minister with low incomes. Research has shown ministers have delayed health care procedures or had to rely on spousal income due to debt repayment (ibid, p. 15). "Many ministry positions are simply beyond the reach of graduates who carry $40,000 and more in debt load" (ibid, p. 15). These factors influence taking on second jobs, the quality of life, the health of marriages and families, and ultimately may require a change of vocation.

This presents a challenge for ministry students who must take on student loans to pay for their academic training.

> Over a quarter of Master of Divinity graduates in 2011 accrued more than $40,000 in student debt, while 5% accrued over $80,000 in debt. Furthermore, graduates who do manage to find full-time pastor positions receive a median wage of $43,800, making it difficult to pay back their sizeable student debt. (Wheeler, 2014, para. 9)

The Bureau of Labor Statistics states the median wage of full-time pastors was $43,950 in 2014 (www.bls.gov). It should be noted the salary range is based on regional cost-of-living expenses as well as experience; entry-level jobs pay significantly less. Most pastoral entry-level jobs average 14% less due to lack of experience (www.payscale.com). This would mean recent ministry graduates could expect a starting salary around $37,000 depending upon regional cost-of-living adjustments. With this knowledge of income-earning potential and the true cost of school debt discussed previously, ministry students can be given guidance in securing funds for their education.

Research by the Pew Research Center found graduates who took on school loans are less satisfied with their financial situation than those who did not borrow to finance their education, and "are less likely to say their education has paid off" (Fry & Caumont, 2014). Institutions of Christian Higher education have ample evidence to show a need to provide training in financial management that provides ministry students with an understanding of the true cost of debt as well as a fiscal strategy that honors God and provides for financial security, reducing anxiety related to debt.

God's View of Money

When we enjoy too much or too soon than our finances should afford, we end up in debt – both short-term and long-term; so a financial priority is debt repayment. Eventually we may recognize a need to save for the future, and hope someday we can give some to others. Planning is often an afterthought for most people. These last choices may never become a reality due to the consuming cyclical nature of spending and debt repayments. Therefore, financial mentoring for ministry students begins with a new perspective of money. As Scripture points out the reality in Solomon's observations: Money does not buy happiness.

> *Whoever loves money never has enough;*
> *whoever loves wealth is never satisfied with their income.*
> *This too is meaningless.*
> *As goods increase,*
> *so do those who consume them.*
> *And what benefit are they to the owners*
> *except to feast their eyes on them? (Eccl 5:10-11)*

God's Word presents financial priorities that are almost the exact opposite in ranking from the secular worldview. The Apostle Peter declares to Ananias in Acts 5:4 "Didn't [the property] belong to you before it was sold? And after it was sold, wasn't the money at your disposal? ...". This indicates an important principle about money – we must own the choices we make with money. The money at our disposal is available for us to use in many ways – some honoring to God while others are made under sinful influences (Acts. 5:3). I propose the driving factors in the spending decisions are to be the values by which we orientate our lives accordingly.

Paul instructed Timothy to command those in the Ephesian church to live for God in regards to their finances. "Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment" (1 Timothy 6:17). This teaching expands our understanding of money: Money is more than fair exchange for work; money is from God for our enjoyment and to be used at our disposal.

A helpful perspective to maintain is **money is a tool to fulfill God's purpose for you**. Paul continues his charge to Timothy and wealthy Christians stating, "Command them to do good, to be rich in good deeds, and to be generous and willing to share. In this way they will lay up treasure for themselves as a firm foundation for the coming age, so that they may take hold of the life that is truly life" (1 Timothy 6:18-19). Therefore, the first value-based spending choice is to put our hope in God, not our money - using our money for God's purpose. Money is gift from God to partner with God in accomplishing God's purpose on the earth. Notice the focus of that sentence is God – not money. Even the ability to make money is a gift from God.

To manage our finances so God, and not money, is our focus requires value-based spending that honors God as we steward God's money. Ron Blue, in his blog "*The 10 principles that guide financial that guide financial success",* highlights the key values of: 1) Spend less than you earn (Pr. 13:11), and 2) Avoid the use of debt (Pr. 22:7) (n.d., para. 4). These values are practically lived out in a budget, allocating your limited financial resources in priority spending order. God's design for our finances begins with prioritizing our choices. As we dedicate ourselves (time, talent, treasures) to God, the priorities in order are:

1. Plan our spending by developing a value based spending budget
2. Giving is a priority (1 Cor. 16:2; 2 Cor. 9:5-7)

3a. Save for now *[emergency fund]* and later *[retirement]* (Pr. 6:6-8, 21:20).
as you…
3b. Repay your debts
4. Enjoy what is left

Institutions of higher education seeking to prepare ministry students to serve God's purposes with limited financial resources need to provide financial mentoring that covers practical instruction on how to live by God's priorities for money. There is a direct connection between debt and the inability to give generously of time and money (Psalm 37:21) – If I want to give my time, talents and treasure ($) generously, I need to reduce and eliminate my debt load. The goal of financial freedom to serve God's purpose for our lives/ministry (1 Tim 6:18-19) is accomplished as we become free of the bondage of debt. To accomplish that goal, we must strategically repay and then avoid (i.e. plan) financial choices that put us in debt. Financial freedom is not about how much money you make, but how you spend money – and that must be thought through before you start to make money.

Overview of Financial Training for Ministry Students

Financial mentoring is critical for academic disciplines that are not inclined to seek high-income jobs, such as vocational ministry. The following section is a brief overview of a 3-session Financial Management curriculum for the Christian Ministries' majors at Biola University that is part of the Advanced Studies of Ministry course, which is taken as a capstone course for seniors who have completed their required internship.

Session 1. The first week of the financial training curriculum will take a personal assessment of one's financial condition. The learning objective for session 1 is to gain an understanding of the true cost of debt as well as a fiscal strategy that honors God (as discussed in previous sections of this article). This first week will end with exercises to dedicate themselves, and the use of money, to God's purposes. Two biblical principles are discussed in depth: 1) Stewardship: recognize everything belongs to God… my job is to care for the gift (Luke 16:11-12). 2) Contentment: living within my circumstances is done through Jesus' strength (Phil 4; 1 Tim. 6:6-8).

In order to prepare for the next training session, the following tasks are suggested as week 1 homework:

1) List all your expenditures for the month to have a realistic understanding of your financial situation.
2) Plan what you will spend on paper before you ever open your wallet or insert your credit card number. List, then add, all your "required" spending (i.e. rent, food, etc.) and build in value-based choices like: giving to God's work and savings. This sum total is to be compared to your monthly income; the remaining positive difference shows you the true discretionary money you can plan to spend on the holidays and gift giving, that allows you to (in sum) spend less than you earn.
3) Practice a Prayer Exercise: by setting aside 30 minutes to reflectively ask yourself: *"Are my spending priorities correct?" "Is my spending reflective of my spiritual values?"* Prayerfully dedicate yourself and your money to God first, you will establish a value-based spending plan that brings financial freedom to your life and honor to God.

Session 2. The learning objective for the second session is to develop practices that reflect Value-based spending as prioritizing our financial choices. The goal of developing a budget plan is to gain a realistic perspective of just how limited your financial resources will be.

> Forty-six percent of the theological graduates who borrowed money to attend seminary responded they didn't know about their future compensation levels when they took out their loans. Perhaps having that information would have prompted them to borrow less. (Olsen, 2006, p. 27)

A primary biblical principle of Money Management is to spend less than you earn (Pr. 13:11). The challenge to financial freedom is to learn to live within the limited resources earned and avoid the use of debt (Pr. 22:7). Other biblical values to include in the budgeting process are: give generously (2 Cor. 9:5-7), save money for future needs (Pr. 6:6-8, 21:20), meet obligations in debt repayment and taxes (Rom. 13:7a), provide for my family (1 Tim. 5:8), and enjoy what God has given me (1 Tim. 6:17). This session will incorporate the homework by looking at fixed priority expenses, variable expenses, and discretionary funds while fulfilling the value-based priorities.

Some of the additional budgeting practices to be discussed are: over fund accounts such as groceries as they are often more than you expected and to have a scheduled time each day/week/month to create your budget and track your performance to your plan. Lastly, this session would spend more devoted time to God's pattern for generous giving as: Biblical generosity is intentional (1 Cor. 16:2; 2 Cor. 9:5-7), and done proportionally ("in keeping with his income…" 1 Cor. 16:2). This will need to be a key discussion topic as generosity will require sacrifice (2 Cor. 8:1-4) but should be worshipful (2 Cor. 9:5-7) and not legalistic.

Homework for week 2 should prepare students to consider investing and paying down debts. Here are some suggested tasks:

1) Something to think about: The impact of $1000 a year over 40 years @ 4% interest is $95,025. Answer the question: *What do I enjoy now that you'd be willing to sacrifice so 40 years from now you would have an additional $55,000 of income (vs. regular savings or $95,025 if that was spent on _______)?*
2) List your current debt obligations; bring to class the amount and the interest rates for each debt repayment plan.

Session 3. The learning objective for the last session is to develop financial goals that accomplish repaying debts while saving for future opportunities. The saving (for the now) and investing (for the future) as you repay debt obligations is important as 1) saving prevents future debt, while 2) time allows for compound interest growth of investment savings – time that cannot be recovered later. Ideally a professional investment banker or a financial planner who specializes in the tax-benefits afforded to ministry practitioners, such as options related to social security and housing allowances, could lead this session. These practices should be incorporated into the budget developed during the second session. Lastly, developing long-term financial goals will be prayerfully developed for ministry students to focus upon during the difficult financial choices ahead.

Conclusion

During the recent economic downturn, many churches began to offer financial training programs, utilizing the resources of ministries such as: Crown Financial Ministries (www.crown.org) and Dave Ramsey's Financial Peace University (www.daveramsey.com). It is time Christian Universities do the same for their students. Ministry graduates may be looking and praying for jobs, but they should also continually pray the prayer of Agur, found in Proverbs 30:8-9 *"Don't let me be too poor or too rich. Give me just what I need. If I have too much to eat, I might forget about you; if I don't have enough, I might steal and disgrace your name."*

This call to provide Financial Training needs to be heeded to help ministry students during their undergraduate education to prepare for and practice fiscal principles to create feasible school debt repayment while developing monetary security in their first ministry job. For an example of the curriculum discussed, contact Dr. Dave Keehn (david.s.keehn@biola.edu) for the session outlines and PowerPoint used.

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