VOLUME 12, ISSUE 2 | MAY 2019

Anabaptist Financial
Stewardship Connections with Integrity

STEWARDSHIP CONNECTIONS
A Newsletter for Financial Connections

# Debt and Its Consequences Richie Lauer

*This article is a transcript of the topic on Debt given at Anabaptist Financial's Young Family Finances seminars. It is intended for an audience of older youth and young married couples.*

If you've ever lived in a rented house, you understand the concept of paying money to use someone else's asset. Month after month, you pay your landlord a certain amount because you are using his house for your home. Going into debt is similar. You are "renting" someone else's money and paying extra for this privilege.

A simple definition for debt is "money borrowed." Borrowing money usually means you have to pay interest. What is interest? Again, it is the rent you pay to use someone else's money.

In very general terms, there are two types of debt: **collateral-based debt** and **consumer debt**. Understanding the difference between the two is important.

## Collateral-Based Debt

Collateral is a "real asset" against the value of which you have borrowed money. Collateral is something real that has lasting value. You can see it, touch it, and use it. Examples include a piece of real estate, a 20-acre pasture, a set of buildings, a house, or even the tools in a business.

Collateral has value, meaning you would be able to find a willing buyer for it at a fair market price, and you could transfer ownership of the collateral to another person. When you borrow money for one of these real assets, you incur collateral-based debt. On the positive side, if you end up being unable to pay your debt, you have a solid asset that may be sold or returned to pay the debt.

For example, if you borrow money to buy a house, you make monthly payments to the bank, the finance company, your Uncle Robert, or to whomever lent you money. If you would ever find yourself unable to pay, the house has value and can be sold to someone else and the money used to pay off the debt.

If you are going to have debt in your life, then choose only collateral-based debt. With a real asset standing behind your debt, you remain able to honor your obligations even in times of hardship by returning something of lasting value to the lender.

## Consumer Debt

The other type of debt is consumer (or personal) debt. No asset of lasting value stands behind consumer debt. Perhaps you went to town and purchased a package of socks, charging the expense to your credit card. About a month later, the credit card statement arrives but you lack the money to pay your bill. You cannot send the socks back to MasterCard or Visa with a note reading, "Sorry, I don't have the money to pay you, so I've decided to return the socks to you." Neither MasterCard nor Visa has any interest

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## In this Issue

in your used socks. Socks do not have lasting value and are not collateral, so you can't send them to the credit card company as payment!

Gary Miller, writing about finances, uses the example of ice cream cones, which he observes to have very poor resale value. If you take your family out for the evening and use your credit card to pay for the ice cream cones, you have incurred personal debt. By the time your debt comes due, the cones are long gone. No collateral remains to give to the lender. Even if some ice cream would be left, the credit card company doesn't want it. It wants the money you promised to pay.

When you incur consumer (or personal) debt, you incur an obligation to pay something that is not connected to an asset of lasting, transferrable value. Basically, you have incurred debt to obtain something that now has no value.  When you frame it in these simple terms, this seems unwise.

*Most items you purchase with a credit card are losing value from the moment you purchase them.*


## How much debt is okay?

If you choose to have debt, there is obviously a difference between a small debt and a large debt. At what level does debt become unsafe?

Consider your debt-to-income ratio. Debt-to-income ratio is the amount of debt you have compared to the amount of income you make. A rule of thumb is to never have a debt-to-income ratio of more than 4 to 1. This means your debt load should not be more than four times your annual income. An income of $40,000 will support a debt load of $160,000 (4 x $40,000 = $160,000). This debt-to-income ratio of four is the maximum amount of debt you should feel comfortable carrying. If you prefer a safer margin then you would want a debt-to-income ratio of 3 to 1, 2 to 1, or even 1 to 1.

Age is an important factor as well. A middle-aged man must assume he has fewer working years remaining than a young man of 27. Older people should have lower debt-to-income ratios and not presume upon the future. You should decide your preferred debt-to-income ratio before borrowing money.

## How should I use debt?

Collateral-based debt is common in our conservative Anabaptist culture. Sometimes it is used to start a business. Perhaps you want to buy a shop, some equipment, or a skid loader. While such assets have lasting and transferrable value, you must borrow money to acquire them. You intend to use these assets to earn income, pay the debt, and make a living.

Collateral-based debt may also be incurred when buying a home or other real estate.

In all these cases, you borrow money with the anticipation of gain. You anticipate your business will generate a profit and your real estate investment will increase in value over time. Debt *can* provide an opportunity. But things do not always work out as intended. Mistakes may be made or events occur beyond your control. Even with collateral-based debt, caution is warranted.

On the other hand, consumer debt should be avoided. Our American culture is riddled with consumer debt, but it is a trap. Most items you purchase with a credit card are losing value from the moment you purchase them yet the debt remains. And when you can't pay off your credit card each month, you end up paying more for the item, because you have to repay both the purchase price plus interest.

## Is collateral-based debt a smart investment?

It is important to understand the true cost of any type of debt. For example, you may buy a property for $100,000 at 4% interest over 25 years. If you make all your payments on time, at the end of 25 years you own the property free and clear.

Over Sunday lunch, you are visiting with friends. The conversation turns to your house, and someone asks, "So, how much did you give for this place?"

You might answer, "We gave $100,000 for it."

That is incorrect.

If the purchase price of the house was $100,000 and you paid 4% interest on your mortgage for 25 years, then you paid $158,352 for that house by the time you paid off your loan.

This is a reality you need to consider when buying

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# Land and Houses for Charity

Paul A. Miller

It's not new for the church to need funds to meet financial needs. Even the church in Acts had financial needs among them. One way the apostles received funds to meet these needs was through the sale of land and houses owned by believers.

> *". . . For as many as were possessors of lands or houses sold them, and brought the prices of the things that were sold . . . Barnabas . . . having land, sold it, and brought the money and laid it at the apostles' feet."* Acts 4:34-37

## Why give real estate to charity?

Like Barnabas in Bible times, today we can still give land and houses to support church alms funds and charities. Donating highly appreciated real estate is an effective way to give to charity, because it usually provides a greater tax deduction than if the owner sells the property and donates the cash proceeds.

But tax savings alone should not be the reason to give to charity. Giving should be an expression of worship from a heart that loves God, cares for His people in need, and desires a lost world to hear the gospel. With these motives in place, it is simply good stewardship to take advantage of tax laws so more funds are available for charity.

## Why be concerned about capital gains tax when selling property?

Property generally appreciates in value, especially if it is owned for a long time. When it is sold, taxes must be paid on the difference between what the seller paid for it and what the seller received in the sale. This difference is referred to as the "capital gain."

Capital gain is calculated by taking what the seller paid for the property, adding the cost of improvements, and then subtracting depreciation, if any, from the sale price. Capital gains are subject to a special tax called capital gains tax, if the property was owned for at least one year. These tax rates vary from zero to 25 percent, based on the seller's tax bracket and an additional state tax.

## How can I minimize or avoid capital gains tax when selling property?

A seller has three options for dealing with capital gains tax.

***Pay the tax.*** This is the least complicated but most expensive option. It reduces funds a donor otherwise may give to charity.

***Postpone the tax.*** This can be done through a like-kind

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exchange of real estate, under a special section of the tax code. While this avoids capital gains tax at the time, if the property is sold later, higher capital gains tax must then be paid.

***Minimize or avoid the tax.*** This can be done in several ways. An installment sale may help minimize the tax by spreading payments out over a number of years, which may enable the tax to be paid in a lower tax bracket. Or if the property is transferred after death, the heirs do not have to pay capital gains tax. While this may sometimes be the best plan, often people want to sell their estate because they need the proceeds to cover living expenses during their lifetime.

Another way to minimize or avoid capital gains tax is by donating some or all of a property to charity during one's lifetime. Donating the entire property prior to a sale completely avoids capital gains taxes if the seller does not need the income from the sale. If a seller needs the proceeds from the sale for living expenses later in life, they can donate a portion of the property and sell the balance for cash.

In such a transaction, the buyer would then purchase the donated portion from Anabaptist Foundation and the other from the seller. The seller receives a tax deduction for the portion donated to charity before the sale, which offsets all or part of the capital gains tax on the remaining portion that is being sold. This is made possible by donating property prior to the sale rather than cash after the sale.

## What is the difference between giving property before the sale or cash after the sale?

When a portion of appreciated property is donated to a charitable organization prior to a sale, the charitable deduction is based on the fair market value of the property. When the remaining portion is sold, the seller recognizes a lower sale price, with a lower capital gain, plus the seller now has a fair market value tax deduction from the donated property, which reduces the taxable gain. The result is being able to redirect dollars to charity that would otherwise go to pay taxes.

However, if the property is first sold and then a cash donation made to charity, the donor will be taxed on the entire amount of appreciation and owe tax on the entire capital gain to the government. But that tax is reduced or avoided when all or part of the appreciated property is donated directly to the charitable organization prior to the sale.

## How does the money from a real estate donation get distributed to charity?

Anabaptist Foundation is able to receive real estate donations and sell them to generate cash funds. After the donated property is sold, the Foundation opens a Charitable Gift Fund account for the donor. The proceeds of the sale are put into this *donor advised fund*. The donor may then *advise* how they wish the funds to be distributed, whether to their church or to qualified charities they wish to support.

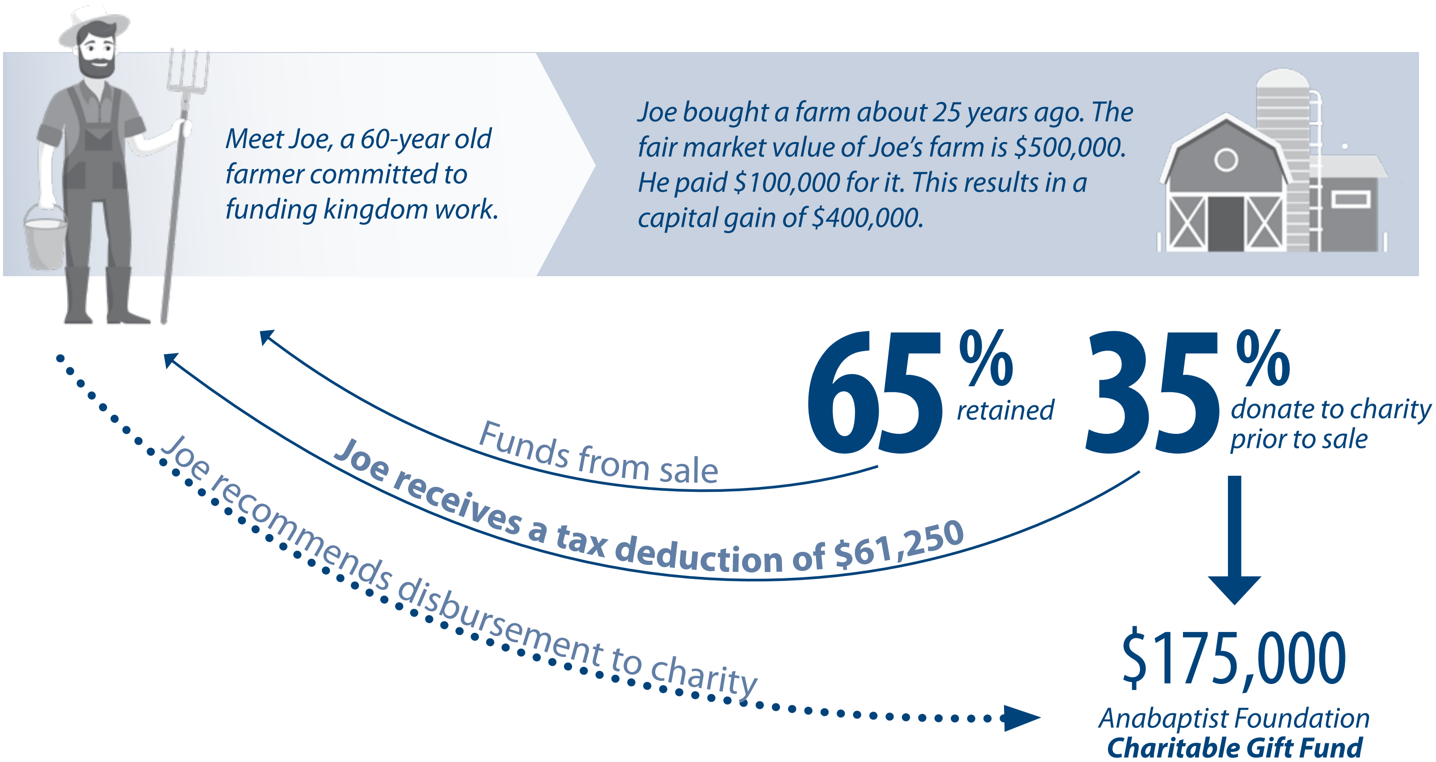
## Some things to remember

It is not possible in this article to cover all the tax aspects of a partial sale and partial gift to charity. However, some general guidelines to remember are:

- Donations of cash or non-appreciated property may be deductible up to 60 percent of the donor's adjusted gross income (AGI). But with donations of appreciated property such as real estate, the deduction is limited to 30 percent of AGI. However, if the deduction from a donation exceeds the amount which the donor can deduct in one year, the balance of the deduction can be carried forward an additional five years and used to offset taxes in subsequent years.
- Even though a property has appreciated in value, it must have been owned for one year or longer in order for the appreciation to be taxed as a capital gain. Otherwise, the tax deduction will be for the cost basis in the property rather than its fair market value.
- Other types of property, such as stocks, bonds, mutual funds, and certain tangible personal property, may also be donated to offset capital gains tax in the same way.
- Property must be debt-free to be donated in this way.
- Property must be free from environmental contamination or other encumbrances.
- Property subject to a written sales agreement cannot be donated in this way. Because the property is under contractual obligation, it can no longer be a gift that the donor relinquishes control over.
- Properly planning a partial sale and partial gift transaction of real estate takes a minimum of 60 days. During this process, Anabaptist Foundation works closely with the donor's legal counsel and tax advisor to generate a tax deduction that meets the donor's objectives.

## EXAMPLE:

Meet Joe, a 60-year-old farmer committed to helping his church and funding the work of God's kingdom. Joe bought a farm about 25 years ago. Now his children are




grown and have all left home, and Joe and his wife want to sell the farm and move to a smaller place.

Joe knows he has several options. He can sell the property and make a cash donation from the proceeds. The fair market value of Joe's farm is $500,000. He paid $100,000 for it. This results in a capital gain of $400,000. While Joe has tithed regularly on the income earned each year on the farm, he also wishes to give 10 percent, or $40,000 of this gain to charity.

Joe's combined federal and state tax bracket is 22 percent, which results in a capital gains tax liability of $88,000 when he sells the farm. After paying his capital gains tax and giving 10 percent of the gain, he has a net of $372,000 left over in the bank.

Another option is to donate a portion of his property to Anabaptist Foundation prior to the sale. If Joe and his wife donate 35 percent of their farm to Anabaptist Foundation prior to the sale, they reduce their capital gain from $400,000 to $260,000 and capital gains tax liability from $88,000 to $57,200. By making this donation, they receive a charitable deduction of $175,000—the fair market value of their gift to charity—resulting in a tax deduction of $61,250, based on his tax rates.

This tax deduction more than offsets the $57,200 capital gains tax on the sale of the farm. Joe and his wife end up with $329,050 before income taxes, rather than $372,000, but they are blessed by having redirected a substantial amount of dollars to their church and charities they support. While they have $42,950 less in proceeds from the sale, they have been able to leverage their giving and fund the Lord's work by an additional $135,000.

## How can real estate be donated to Anabaptist Foundation?

To learn more, contact Anabaptist Foundation at **800-653-9817** before you make a sales agreement. Individual situations and tax brackets vary, producing different results. Foundation staff will review your situation and provide a non-specific calculation of the donation that would offset your capital gains taxes. You must rely on your accountant and tax advisor to plan the specific tax effect of your donation to Anabaptist Foundation.

You are under no obligation to make a gift to charity by making an inquiry. Anabaptist Foundation is a neutral intermediary with no programs of our own for which we raise funds. After we deduct direct expenses and a nominal fee, all funds are distributed to the church and charities of the donor's choice.

NOTICE: This article has been prepared for educational and informational purposes only. It is not legal advice nor legal opinions on any specific matters. You will need an attorney from your state to draft and execute your documents. You should seek the counsel of your accountant or tax advisor.

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property. Ask yourself, *How much does it cost up front? How much of that am I going to have to borrow? What will my interest rate be, and how long will it take me to pay it off? What will I really be paying for this house when I consider all of the interest I will have to pay on the borrowed money? Do I want to pay $158,000 for a $100,000 property?*

People generally assume their property will increase in value over time to offset the money they will lose paying interest. That is generally true. Real estate often does increase in value, especially if you invest sweat equity in improvements. You may have a plan to clean up the property and repaint the house, add a bathroom, and put in nice flowerbeds. But remember that the future offers no guarantees of increased value to offset the cost of interest.

*Materialism is a focus on money and possessions, characterized by selfishness and impatience.*

Real estate is one of the best investments a young couple can make. We tend to be handy people and don't mind working hard, investing our evenings and Saturdays to improve our home places. Because of our culture, we have a reasonable understanding of real estate value and what things are worth. We often have good ideas about what can be done to a property to increase its value.

So is real estate a wise investment? Often times, yes. Does real estate always go up in value? No, not always. Should you count the cost? (What will this cost me 25 years from now at 4% interest?) Yes, you certainly should.

## What Does Scripture Say About Debt?

Scripture teaches that debt is a form of servitude. "The borrower is servant to the lender" (Proverbs 22:7). Scripture is clear that if you are a person willing to borrow money, then you must also be a person willing to give another person some authority over your life.

Scripture also says that it is a wicked person who borrows money and does not meet his obligations: "The wicked borroweth, and payeth not again" (Psalm 37:21). This understanding is probably behind Solomon's admonition. "Better it is that thou shouldest not vow, than that thou shouldest vow and not pay" (Ecclesiastes 5:5).

Young couples who are thinking about borrowing money need to approach the decision with caution. Going into debt is a big decision in your life. Are you willing to give the bank or finance company authority over part of your life? If you borrow money, you are morally obligated to repay it. Can you do it? Are you making an obligation that you can reasonably expect to meet?

When are you obligated to repay your debts? The Scripture says, "Withhold not good from them to whom it is due, when it is in the power of thine hand to do it" (Proverbs 3:27). It is not up to you to decide when to repay your debts. If you have agreed to borrow someone else's money, you have accepted the obligations for repayment.

Debt generally comes with mutually agreed upon terms, as it should. If you owe someone money on the first day of a month, you have only honored your agreement if you have paid in full on or before the first of the month. Making payment on the second or third of the month is a breach of your agreement. It is not up to you to decide if they need it back when it is due.

Unexpected hardships do occur. If you ever find yourself unable to pay as you have promised, it is not your lender's responsibility to contact you about it. The obligation rests on you to contact your lender in a timely manner, humbly acknowledging your inability to pay, and asking them for workable terms. Paying obligations on time and being transparent with your lenders are marks of integrity.

## Consequences of Debt

Nehemiah 5 gives a good picture of how debt can work. The people of Israel were crying under debt. Their wives and children were being sold to satisfy their debts. They discovered that debt had a sting to it that is not always foreseen and that there are consequences to debt.

***Debt becomes a cycle.*** Vehicle loans are an example of the debt cycle that can trap people. Perhaps you need to borrow money for a work truck. "I have to get to work, don't I?" you might ask. "Where I live it snows a lot, so I need a four-wheel drive. Since I'll be using it for my business, I can justify borrowing money for this expensive truck."

But as you drive this truck you *needed*, its value decreases. Maintenance costs add up as the vehicle gets older. And just about the time you make your last payment, the truck's engine or transmission begins to make ominous sounds.

You have no money saved up for a replacement vehicle, because you were making truck payments. Now you need to borrow money again. You are caught in a cycle of debt, borrowing money for things that depreciate in value and leave you empty-handed in the end.

***Debt increases the temptations of materialism and dishonesty.*** Materialism is often shown in a focus on money and possessions, characterized by selfishness and impatience. If you are unafraid of debt, then you can borrow money to get what you want without having to wait for it. Debt increases the temptation of materialism.

Debt also increases the temptation of dishonesty. People who are in debt may feel a pressure to cut corners. Perhaps it happens on the jobsite. You promised a customer a certain end result, but then cut the quality of the materials to make a bit more profit. The customer may never know, because it's going to be covered up anyway.

People who have large debt payments and live under that financial stress will live with these sorts of temptations.

***Debt is presumptuous.*** If you are quick to borrow money, you do not step back from a financial decision and say, "I need to pray about this." Perhaps God was planning to do something different for you. Perhaps He had a special opportunity in the works, but then you ran ahead of Him and borrowed money to get what you wanted right now. If you want to wait on God, you might have to wait a while, but if you are quick to borrow money, you can do whatever you want—at least for a time.

***Debt ties up your time and resources.*** Understand that when you go into debt, you tie up your resources. You tie up your money to make the required monthly payments. The first dollars out of your paycheck are going to the lender every single month.

Debt also ties down your time. This is an important matter to weigh. You may have a wife and children and feel obliged to supply them with a nice home, a big yard, and a nice vehicle for your wife to drive to town. Be careful about borrowing a lot of money to get "things." Borrowed money must be repaid. And that means you're going to have to work extra hours, which means spending less time with your family. Your family could end up with more things and less Dad.

Many a person has spent their life paying off a farm "for the boys" or investing in a business so there's something for the boys someday. Dad is not at home in the evenings. Dad is gone on Saturdays. And when Dad finally gets the thing paid for, the boys want no part of it. Growing up, they would rather have had their dad than to have the things that Dad went into debt to get. Time lost with little children is never regained.

Young men, be careful about the amount of money you allow yourself to borrow. There is a certain amount of time you belong at home with your wife and children, not out on a job, not out working under a heavy debt load, not supplying unnecessary things for your children instead of giving them the gift of yourself. The children do not need a lot of things, but they do need a dad who spends time with them.

## What About Credit Cards?

A credit card can be a dangerous tool. Just as a chainsaw is useful for cutting firewood but dangerous when used carelessly, so a credit card may have some practical uses but ruin your finances when used improperly.

A credit card has some advantages. You can set up recurring payments for monthly bills. You don't have to keep as much cash on hand, especially when traveling. And sometimes, depending on your business or household needs, you have to order things over the phone or internet. It is becoming increasingly difficult to place phone or internet orders without a credit card. But, beware! A credit card is designed to trap you in debt.

***What dangers exist?*** Most credit card spending is used to buy items that depreciate in value. Few real assets are purchased with credit cards. By the time the statement comes, nearly all the items listed on the credit card statement will have lost some or all of their value.

Impulse spending is a second danger. With a credit card you can enter a store and leave with any item that catches your eye even if you do not have the money to pay for it. It would be better to say, "Yes, I would like to have that item, but I'm not going to buy it today. I'm simply not going to allow myself to buy an item on impulse. I'm going to go home and think about it, talk to my wife about it, pray about it."

Often, by the time you next visit that store, the impulse has died away. On the other hand, if you whipped out that little piece of plastic, you would have made an impulse buy you later regretted.

***Credit card traps.*** Beware of the "0% interest for a certain amount of time" trap. Credit card companies do not offer 0% interest because they are kind and benevolent. They lose no money by offering 0% interest. Why? Because most people will borrow more than they can repay and get trapped into a high interest rate through the limited-time offer.

Even the rewards programs are designed as traps. Credit card companies award points and cash-back offers because they drive up credit card usage, resulting in higher profits.

Credit card companies train you to use your credit card as much as possible. People who pay with credit will, on average, spend 12-18% more than those who routinely

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pay cash for their purchases. Those who buy more increase the likelihood of getting caught in the credit card debt cycle. Remember, your credit card company only operates introductory rate programs and rewards programs because these programs increase their profits at your expense.

How much do credit cards cost you in interest charges? If you make the minimum payment on a $2,000 credit card debt at 18% interest, you end up paying $1,077 of interest over the course of five years. You bought $2,000 worth of items, which depreciated in value, and had to pay $3,077 for them.

***Avoid credit card dangers.*** Always treat your purchases as cash purchases. If you buy an item on your credit card because it's more convenient, you should have the cash in your checking account to pay it off. Make a family agreement on credit card usage. What will we buy with our credit card? Will we buy groceries with the credit card? Will we buy Dairy Queen with the credit card?

If you have a credit card and use it, then make a commitment to pay it off in full every single month. The first time you are not able to pay it off in full, take your credit card and either cut it in half or give it to your friend, saying, "Here is my credit card. I charged too much on it, and I wasn't able to pay this month. I want someone to know I did that. And I don't want you to give it back to me until I can show you my credit card statement with a paid-in-full balance." That's hard, but it is a cure. And it is what friends are for. Brethren in church should do this for each other.

Getting out of debt requires hard work, but it is possible. You have to decide you want to do it. It can be tough because you have to do two things at the same time. First, you have to pay off your debt obligations. Second, you must save in advance for future needs.

## Know Where Your Money Goes

Do you know where you money actually goes? Track all your expenses for a month to find out. You can learn a lot about yourself by tracking your expenses.

All you need is a pen and notepad. Make columns with headers such as giving, housing, food, transportation, and savings. Every night before you go to bed, write down everything you spent that day to the penny. Don't worry about getting everything in exactly the right category at first. The important thing is that you write down everything you spend.

After three months, study the results. You will be surprised when you learn how much you spend in certain categories. But this will help you identify areas that need improvement.

A financial advisor once observed that almost anyone can trim three percent of their overall expenses and feel the pain for only a short time before adjusting their lifestyle to a new normal. Tracking all your spending is a great step toward creating a budget and identifying expenses you can trim.

## Become Debt Free

Next create a simple, monthly budget. The purpose of this budget is to set limits on your spending and allocate as many funds as possible to pay off debt. Other important aspects of a budget are to reserve funds for giving and to set aside a portion of your funds for savings. Saving up an emergency fund will allow you to avoid the debt cycle when the washer dies or the furnace breaks down unexpectedly.

Besides your budget, you should keep one other paper that lists your debts from smallest to largest. As the months roll by, pay the minimum due on each debt and put all the extra money toward paying off the smallest debt until it is gone. Celebrate the debt payoff and tackle the next one, knocking them off one by one until you are debt free!

Scripture has many references to debt and none of them are positive. Debt makes you a servant. Be very cautious, very careful, before going into debt. Avoid consumer debt entirely. Be deathly afraid of credit card debt. Remember that debt is a master that will always consume a portion of your God-given resources and compete for your time and finances.

The only good news about debt in the Bible is that our debt of sin, which we were unable to repay, has been paid in full by Jesus Christ. Thanks be to God that Christ was willing to pay that debt for us.

"Our Father, which art in Heaven, hallowed be Thy name. Thy kingdom come,
Thy will be done in earth, as it is in Heaven.
**Give us this day our daily bread.**
**And forgive us our debts as we forgive our debtors".**

MATTHEW 6:9-12

*You are invited!*

FREE SEMINARS

# YOUNG FAMILY FINANCE & BUDGETING SEMINARS

A rescue squad is urgently needed when someone falls off a cliff, but it would be much better if there was a fence to keep people from getting too close to the edge in the first place. For youth and young married couples, these seminars help them avoid the edge of the financial cliff and painful falls.

***Topics include:***

- *Debt and its consequences*
- *Key principles of saving*
- *When and how to give*

***And more!***

**Lykens, PA** Saturday, June 29 | 8:00 a.m.–12:30 p.m.
ROCKY MOUNTAIN STRUCTURES *1901 Luxemburg Road, Lykens, PA 17048*
Young Family Finance & Budgeting | Register by June 29.

**Carrier Mills, IL** Wednesday, July 3 | 1:00–7:00 p.m.
CARRIER MILLS AMISH MENNONITE SCHOOL
*985 Robinson Hill Road, Stonefort, IL 62987*
Young Family Finance & Budgeting | Register by June 28.

**Arthur, IL** Wednesday, August 14 | 6:30–9:00 p.m.
OTTO CENTER *2058 CR 1800 E, Arthur, IL 61911*
Budgeting Seminar | Register by August 9.

**Monroe, IN** Friday, August 16, 2019 | 6:30–9:00 p.m.
ADAMS COUNTY PRODUCE BUILDING *1871 E 200 S, Monroe, IN 46772*
Young Family Finances Seminar | Register by August 12.

**Prescott, MI** Tuesday, October 22 | 9:30 a.m.–12:00 p.m.
EBENEZER CHRISTIAN SCHOOL
*3534 North Pumpkin Road, Whittemore, MI 48770*
Young Family Finance Seminar | Register by October 18.

**Decker, MI** Wednesday, October 23 | 9:30 a.m.–12:00 p.m.
BETHANY CHRISTIAN SCHOOL *5421 Shabbona Road, Decker, MI 48426*
Young Family Finances Seminar | Register by October 18.

**Topeka, IN** Thursday, October 24 | 3:30 p.m.–8:30 p.m.
ROCK RUN YOUTH PARK *11188 CR 38, Millersburg, IN 46543*
Young Family Finance & Budgeting | Register by October 18.

To reserve your seats, call **570-468-1268** and leave a message or email sierraherr@afweb.org.

# SEMINAR FOR DEACONS, FINANCIAL ADVISORS, AND TRUSTEES

This seminar provides basic training for those who work with people in their financial difficulties.

**Registration and seating begins at 8:00 a.m. Lunch provided.**

Thursday, June 6, 2019
**Millersburg, OH**
**Heritage Community Center**
**8:30 a.m. – 4:30 p.m.**

Saturday, June 8, 2019
**Nappanee, IN**
**Claywood Event Center**
**8:30 a.m. – 4:30 p.m.**

Registration required by May 24.
Call **570.468.1268** or email sierraherr@afweb.org.

***Topics:***

- *A Vision for Stewardship in the Church Community*
- *Relating to Those in Need*
- *Forming and Serving on a Committee*
- *Handling the Church Medical Fund*
- *Budgeting—A Critical Component of Recovery*
- *Debt from a Biblical Perspective*
- *Require Accountability; Achieve Restoration*
- *The Role of the Deacon*
- *Proactive Leadership*

***Speakers:***

Gary Miller; Caldwell, Idaho
Marvin Wengerd; Walnut Creek, Ohio
David G. Martin; Richland, Pennsylvania

# Building A Business Emily Smucker

**With a loan and business advice from Anabaptist Financial, one family rebuilt a dying business and became a blessing to employees and the community.**

Lowell and Delphine Shirk of Mifflintown, Pennsylvania, were optimistic when they bought out their local bent-and-dent grocery store in 2015. They hoped their store would not only provide a safe place for them to work with their children, but could serve as a blessing to the local community.

Reaching this point, however, was a challenge. For a store to bless its customers, it must first *have* customers, something Pallet Grocery Outlet didn't have many of. "The business was actually going downhill when we took it over," said Lowell.

Yet now, three years later, Pallet Grocery Outlet has doubled its customers and its sales. The Lord has truly blessed their efforts. For Lowell, the blessing came through listening to his mentors, customers, and employees. With this collective counsel, the business prospered.[1]

Prior to buying Pallet Grocery Outlet, Lowell had worked as a wholesale surplus distributor for four years, so he already knew some of the ins and outs of the discount grocery store business. Still, he turned to his former boss for advice, as well as others who owned similar businesses. He also took advantage of Anabaptist Financial's business advising service before taking out a loan from the organization to buy the business. His advisor, David Martin, also owned a grocery store and "proved to be quite a valuable asset," according to Lowell.

With advice and a loan in hand, Lowell and Delphine bought the business and set out to discover what their customers wanted from a local grocery store. The answer? More local produce. More bulk foods. And fewer bent-and-dent groceries.

Listening to his customers' wishes, Lowell changed his store's entire business model. Bent-and-dent stores typically stock groceries that have been damaged, are outdated, or are surplus stock that mainstream grocery stores don't need. While the customers enjoyed the cheaper prices bent-and-dent groceries offered, they weren't so keen on buying stuff that was out of date. Lowell began buying only the surplus stock and supplementing it with regular groceries, so that Pallet Grocery Outlet was now carrying a full line of grocery items.

Following the advice he'd received from his mentors, he managed to turn a profit by buying more groceries, pricing them lower, and trying to sell a lot quickly.

Lowell also expanded his produce and bulk food sections, but especially the produce section. He attended a local produce auction three times a week and stocked his store with lots of fresh, local produce. His customers had no trouble telling him what they wanted. If they asked for an item, Lowell tried to stock it.

With all the success that Pallet Grocery Outlet has had, they are fast outgrowing their facility. Lowell would like to build a new store out along the main road, with plenty of room for produce. At the same time, Lowell is only interested in expanding up to a point. "Too large is too large," he said. "Our goal is not to have multiple stores or anything like that. Our goal is to have one store, to service one community, and to do one right." This singleness of purpose is an application of Colossians 3:23, "And whatsoever ye do, do it heartily, as to the Lord."

To Lowell, "too large" means expanding to a point where they can no longer connect with all the employees. This objective is so central to Lowell's business that, when asked what advice he would give to people who want to start their own small business, he said, "Treat the employees fairly, because a happy employee is the most valuable employee."

He considers it vitally important to make his employees feel appreciated, both verbally and by their paychecks. To facilitate better communication between himself and his mostly young, female employees, Lowell appointed Lydia Jones, an employee who was older than the other employees, as manager. In this way, he hoped that the employees' concerns could be heard through Lydia, even if they were uncomfortable approaching him themselves.

So far, Lowell's approach seems to be working. Pallet Grocery Outlet has had almost no employee turnover, and Lowell described the relationship among his employees as "almost like family." The Apostle Paul made it clear that employers must keep in mind that they will give an account for the people God has entrusted to their care, and Lowell is doing his best to fulfill this command.[2]

Ultimately, the family-like dynamic at Pallet Grocery helped the vision for the store come full circle and allow the business to become a blessing to the local community. One of the most significant ways Pallet Grocery Outlet

1 Proverbs 15:22 "Without counsel purposes are disappointed: but in the multitude of counsellors they are established."

2 Colossians 4:1 "Masters, give unto your servants that which is just and equal; knowing that ye also have a Master in heaven."

accomplished this was through the chicken dinner fundraiser for Crystal Shaffer last spring.

Even before Lowell and Delphine bought the store, Pallet Grocery Outlet hosted a chicken dinner fundraiser every year. Often the money went to a foreign mission. But this year, Crystal was on everyone's mind. She was a mom in her upper 40s who frequented Pallet Grocery Outlet.

Crystal was a cancer survivor, but when the cancer returned, the whole store grieved. Wanting to help her, they talked together about what they could do, and they decided that this year, the money from the fundraiser would go to Crystal.

Sadly, Crystal passed away only a few months after the fundraiser was held. The money raised ended up going towards her funeral expenses. But even though Crystal had gone to be with Jesus, Crystal's family and the rest of the local community were deeply thankful that Pallet Grocery Outlet had hosted the fundraiser for her. The store had provided a platform for the community to help a fellow community member. The use of the annual chicken dinner in this way allows the employees to let their lights shine as they touch the lives of their customers, to the glory of God.[3]

[3] Matthew 5:16 "Let your light so shine before men, that they may see your good works, and glorify your Father which is in heaven."

*Pallet Grocery keeps its produce aisle well stocked to meet customers' needs.*

Lowell feels tremendously thankful and blessed for Pallet Grocery Outlet's success so far, though he's still in the process of learning how to run his store well and figuring out where to go from here. But there's one thing he has figured out: by listening to his mentors, customers, and employees, and treating them right, his store has become a blessing and a testimony of kingdom focus to his local community, just as he'd hoped.

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# STEWARDSHIP CONNECTIONS

A Newsletter for Financial Connections

Stewardship Connections ▪ Volume 12, Issue 2 ▪ May 2019 ▪ A quarterly publication of Anabaptist Financial

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