



# Sound Mind Investing®

◆ CELEBRATING OUR 15TH ANNIVERSARY ◆

## The Eternity Portfolio

*Our joy in giving can be diminished if it becomes just another line in the overall budget—one item out of many competing for scarce resources in our “Family Portfolio.” Alan Gotthardt challenges us to view our giving as a completely separate entity, and to use wise financial planning principles to construct an “Eternity Portfolio” with implications and rewards that will resonate forever.*

by Alan Gotthardt

God has two objectives for money. While there is more in the Bible on money and material possessions than almost any other topic, it can all be boiled down to two priorities: *invest in family* and *invest in others*. That’s it. Care for your family and help others. Most of us have a pretty good handle on the first one. For me and for many others, the confusion came into play with the “investing in others” part. Why? Two reasons. First, I did not realize the priority God places on giving. Second, I had never understood the opportunity for rewards.

I had always seen giving as a part of my “Family Portfolio.” In other words, giving was in the same category as paying off the mortgage, paying the utilities, educating my children, and saving for the future. After studying the issue in depth, however, I have realized that giving is actually a separate category, consistent with the top-level priority God places on money. Although giving is certainly not the only way of achieving rewards in heaven, it does seem to be the only logical way of *investing money* for the really long term. The “Eternity Portfolio” is a personal strategy for being intentional about investing financial resources in those things

that generate eternal treasure in heaven.

One of my clients came to me while she was working for a successful technology company. As one of the company’s first employees, her hard work had been rewarded with stock options that at one point were worth millions of dollars. Before coming to see me she had sold some of her stock to achieve a little investment diversification and had paid cash for her new home. But most of her assets were concentrated in the company stock. Then the stock market crash of 2000-2002 struck with all its fury. Especially hard hit were the technology companies, even those with solid businesses such as the one where my client was employed. Over that period of months the value of her stock and options fell by more than 75 percent.

When she came to me, we began to talk about the future and what amount of assets she would need to provide for her family’s financial independence. She was dismayed to realize that she had already passed that level *twice*, once on the way up and then again on the way down. I remember what she said to me because, unfortunately, I’ve heard it before: “Alan, if I had only come sooner, if I *(continued on page 100)*

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“FOR GOD HAS NOT GIVEN US THE SPIRIT OF FEAR BUT OF POWER, AND OF LOVE, AND OF A SOUND MIND.”



## The Eternity Portfolio

*(continued from front page)*

had only known *how much is enough*, I would have sold more stock and secured my family's financial independence."

It was not greed that kept this woman from achieving her goals, but a lack of understanding of the finish line. In investing as well as life, understanding the end goal and knowing the right questions to ask can make or break your strategy.

When it comes to giving, your perspective drives the questions. If you consider giving primarily a duty, the question tends to be "How much is enough giving to fulfill my obligation and keep me from feeling guilty?" However, if you believe that giving is really the ultimate investment, the question becomes "How much is enough for me and my family to keep so that I can maximize my giving with the rest?"

No matter how you calculate it, there is a fundamental, inverse relationship between how much you spend and how much you can give. In other words, more of one means less of the other. God has blessed each of us with a certain amount of resources. Those resources, according to Scripture, are for two purposes: family and others. Once we have prayerfully determined how much is needed to provide for family, the balance can be invested in others for the greater long-term reward.

### How much should I give?

The starting line for building the Eternity Portfolio is funding. How much will you set aside this year to invest in others?

There are different methods for determining this amount. Most of us are familiar with the "tithe," or giving 10 percent of our gross income. Another method is to begin each year with a specific amount or percentage in mind as the target.

As long as the process integrates the biblical principles for giving (proper motives, systematic, proportionate, generous), there is no one "right" amount or method for everyone. However, as you consider how much you can give, think about the traditional investments you are making. How have you decided what should be invested there?

Take retirement savings, for instance. Retirement comes up in almost every financial-planning conversation I have. "How will this spending decision affect my retirement?" "Can we save a little more here or there to put more in retirement?" The list goes on and on. Typically, once someone understands the benefits of investing for retirement, he or she begins to look for opportunities to invest as much as possible.

Why is this particular investment so close to our hearts? Retirement is by far the most important and most long-term investment vision people have. It is the ultimate "end game" of earthly planning. To an extent, this is as it should be. As you get older, your ability to work and earn a living can be hampered by health and other issues. Wisely saving for the future is a characteristic of the faithful manager.

In the same way, once we realize the benefits of giving, we should be looking for every opportunity to invest in our Eternity Portfolio. The first step is to prayerfully and thoughtfully establish the funding requirements for our Family Portfolio. When we do that, the balance will be freed up for the investment with the greatest long-term potential—the Eternity Portfolio. We are then in a

position to be used by God as a pipeline for His resources to bless others. I call this the "exponential generosity" method of funding.

Be forewarned: Exponential generosity is not for the timid or the faint of heart. It faces daily challenges from the thriving strains of the "keeping up with the Joneses" and "getting ahead in this world" viruses that constantly try to reassert themselves as financial priorities in our lives. Whether you're ready for this funding method depends largely on your vision of the rewards of investing.

### Exponential generosity

Exponential generosity is based on the supposition that at some level of financial blessing it is no longer about me, and the future rewards from giving are far more valuable than the gratification of current spending. In other words, as God "overflows my cup" financially, I stop looking for a bigger cup and allow the blessings to flow to others.

Wealth is not a bad thing, nor is enjoying some of that wealth wrong. Scripture says that God "gives us richly all things to enjoy" (1 Timothy 6:17). However, if I enjoy everything now, I forfeit my future rewards.

Exponential generosity divides your financial resources into the Family Portfolio and the Eternity Portfolio. It takes into account what you need to spend and save to provide for current and future family needs. The balance can be invested for all eternity.

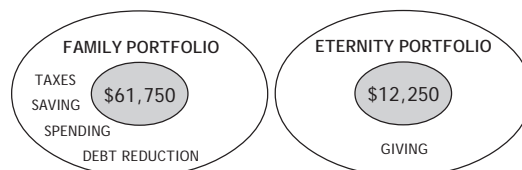
Obviously each individual situation will be different. God has strategically placed Christians in all walks of life and at all economic levels. He knows exactly what financial resources you need to live the life He intends, and that level will probably not be the same for you as it is for others. Let's look now at one example of how exponential generosity might work.

Donna Rutherford is forty-seven years old and works for United Package Company. Her current salary and bonus total \$74,000 per

DONNA RUTHERFORD EXPONENTIAL GENEROSITY	
Income	Giving Percentage
\$0-25,000	10%
\$25,001-50,000	15%
\$50,001-100,000	25%
\$100,001-150,000	30%
\$150,001-up	50%

year. Donna has been saving for retirement since she started work at age twenty-three, and she owns a nice home. Donna has developed the funding schedule shown at left for her Eternity Portfolio; this table allows for a simple calculation of how much she should give each year. For ex-

ample, Donna's current income is \$74,000. Based on the table, she would give \$2,500 on the first \$25,000 (10%); \$3,750 on the next \$25,000 (15%); and then \$6,000 on the remaining \$24,000 (25%) for a total of \$12,250 in giving for the year. Notice that her formula is applied from the first dollar she earns. Donna's family expenses and savings get \$22,500 of the first \$25,000 (90%); \$21,250 of the next \$25,000 (85%); and \$18,000 of the remaining \$24,000 (75%) for a total of \$61,750. The results look something like this:





**How it works**

Before we discuss the obvious question of how to develop your own schedule, we should make some practical observations about how exponential generosity works.

First, this method of giving is *systematic*. We have not yet determined the “where” or “when” of our giving process, but the “how much” question is being answered. Donna has a portfolio of \$12,250 that she has determined proactively not to spend on herself but to invest for the benefit of others. Note that the plan is not meant to exclude spontaneous giving. Certainly Donna will also have opportunities where she is led to give additional amounts, but the systematic plan serves as a foundation.

Second, this method is *proportionate* because as one makes more money, a larger percentage of each additional dollar is given away. This reflects the belief that as our needs are met, we can make a larger investment in meeting the needs of others. Donna has, in effect, set a limit on her living expenses. If you look at her giving schedule you’ll see that for income over \$150,000, Donna will have only a small amount left to spend after giving and taxes.

Finally, exponential generosity *keeps our money motives pure*. If we have a plan for giving away a large portion of any additional money we earn, our priorities are simplified. A balanced perspective for the kingdom of God, not greed, becomes the only motivation to make more money.

An interesting side benefit of exponential generosity is that over time you build in a significant “downside protection.” If Donna loses her job or experiences a large cut in pay, she will be living so far within her means that the blow will be much less painful.

As I was researching the idea of exponential giving, it surprised me to find examples of people throughout history who used this very system to determine how much to give. Look at this example from the 1800s:

*Hence the propriety of a rule adopted by Mr. N. R. Cobb, a merchant of Boston: to give from the outset one quarter of the net profits of his business; should he ever be worth \$20,000, to give one half of the net profits; if worth \$30,000, to give three quarters; and if ever worth \$50,000, to give all the profits. This resolution he kept till his death, at the age of 36, when he had already acquired \$50,000, and was giving all his profits.<sup>1</sup>*

This system has also been used in more recent times by men and women who want to maximize their investment in eternity. An example is R. G. LeTourneau, a brilliant inventor and businessman of the twentieth century who gave away 90 percent of his earnings and lived on the balance.

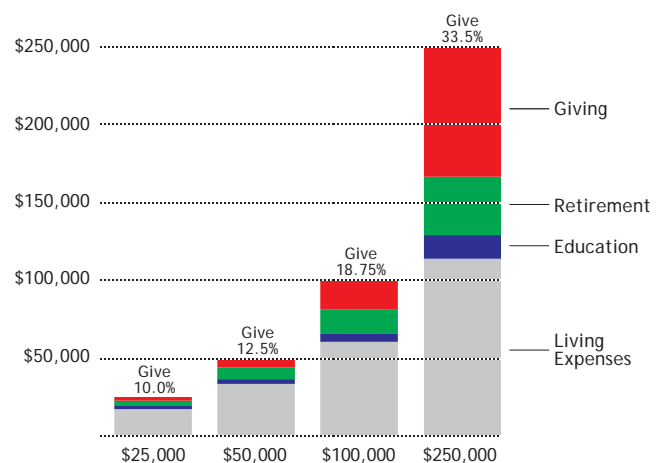
A proactive strategy is the best way to position yourself according to this passage in the Psalms: “If riches increase, do not set your heart on them” (Psalm 62:10). There is a tremendous freedom that comes from knowing you are going to give away a larger and larger piece of that next dollar. You have not set your heart upon it, so whether or not God will bring more wealth your way does not concern you anymore.

**Investing in the Eternity Portfolio**

By setting in place a tiered exponential-generosity schedule, we can allow for some increase in living expenses as needed while contributing a greater percentage of each additional dollar

earned. You may never reach the income levels shown earlier in the Donna Rutherford example, but make up a schedule that fits your particular situation. The key is to figure out where you will be able to level off your living expenses so that giving can increase. As you make this decision, remember to seek the Lord’s leading. His guidance is essential if we are to follow His will in our giving. Don’t be surprised if you start having more to give than you ever expected.

**EXPONENTIAL INVESTING**



The chart above shows how Donna’s giving schedule operates at the various income levels. As the overall income increases, living expenses start to flatten out and giving increases exponentially. As opposed to a flat 10 percent of income, Donna is investing a growing percentage of her income as God provides it. Also, once she achieves shorter-term investment goals, such as education funding, there will be additional amounts freed up for giving.

As you might imagine, investing with a schedule like this creates the potential for enormous lifetime results. Consider the following example: John and Sheila Patterson are in their early thirties and have established a similar tiered giving schedule for their Eternity Portfolio. Their combined annual income is \$58,000. This year the Pattersons will give a little over \$6,000. They will also contribute \$2,000 or so for their children’s education funds and invest 10 percent of their income for retirement. John and Sheila expect their income to increase modestly for inflation over the coming years.

How much can the Pattersons invest for eternity over their lifetimes? Can they really make a difference? The answer is a resounding yes. Projecting into the future, they will invest \$1.6 million in God’s kingdom during their lifetime! This is a staggering figure, representing more than ten years of their highest earnings. It makes a difference when you have a strategy and apply it consistently over time.

Think of the needs this money will meet. Spreading the Good News, teaching and discipling people around the world, feeding the hungry – all through the investment of one couple. Starting early and giving consistently as God blesses them with increase, John and Sheila will give away substantially more than they keep for themselves. At the same time, they are *(continued on page 109)*

<sup>1</sup> Rev. Samuel Harris, *The Scriptural Plan of Benevolence*, page 11



# MONEY TALK

about the rewards of making sacrifices and following Him?

*Everyone who has left houses or brothers or sisters or father or mother or wife or children or lands, for My name's sake, shall receive a hundredfold, and inherit eternal life (Matthew 19:29).*

Wow! What does a “hundredfold” look like? Setting aside annual compounding, what if we just received rewards equal to one hundred times what we invested? So, for example, if we invested \$20,000 for eternity over our lifetime, a “hundredfold” return on investment would grow that number to \$2,000,000. That’s 10,000 percent in investment returns! Do you get a sense for the magnitude here? Ten thousand percent is a lot of growth.

Okay, I realize that Jesus was speaking symbolically. We may not have this gigantic pile of rewards in heaven. Chances are that the eternal rewards we receive will be vastly different from anything we can imagine. However, even speaking symbolically, it still sounds like the rewards will be incredible and will be exponentially more than our investment in God’s kingdom while we are here on earth.

## Time to get started

I hope this has helped you start thinking about your annual investment in the Eternity Portfolio. The point is to have a systematic way of deciding how much to invest, just as you would with any traditional investment. Throughout the process you should focus on *hearing from God* as to the amount and timing of your investment in the Eternity Portfolio. Diligent, intentional planning honors God but should never be a substitute for prayer and seeking His will for your giving.

A friend of mine named Steve, who works for the Coca-Cola Company, told me that God had impressed on him the idea of paying off his home so he and his family could be in a position to give away the amount of their mortgage payment each month. After an extended time of prayer and studying the Bible, Steve and his wife sold their Coca-Cola stock and paid off the mortgage. This was in 1998, just as the price of Coke stock was reaching its all-time high. Shortly thereafter the stock price dropped over 40 percent! Thanks to God’s timing, Steve sold his stock at the peak, paid off their mortgage, and has had the freedom to invest many thousands of dollars in his Eternity Portfolio ever since. Will something like that happen to you? Maybe not exactly, but you’ll want to seek God’s direction as it relates to the amount and timing of your giving. ♦

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## THE ETERNITY PORTFOLIO

providing for current living expenses as well as saving for education and retirement. But what about investment returns? If we are laying up treasure in heaven, our investments will compound over all eternity. Remember the words of Jesus when He talked

<sup>1</sup>Charles Ellis, who oversees the \$10 billion endowment fund of Yale University