



The Future of Church Funding

What's Changed, What's Next,
and What Now?

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Kristine Miller



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Introduction

The Impact of Covid Continues

If you're like most churches, the impact of Covid continues with some uncertainty about who is still engaged and who may have moved on. Many churches continue to receive contributions from members they have not seen in person since the pandemic began, but worry about the strength of their connection and how to engage them.

Other churches are struggling to keep up with last year's revenue and are concerned about meeting budgetary objectives. While most are reporting strong Easter attendance, there is still great concern over who is involved and invested in today's ministry.



Where your Treasure is, Your Heart will be also

A primary way to measure engagement is through financial contributions. It is true that your heart follows what you treasure, so those who continue to contribute financially still consider your church their spiritual home.

However, there are some important changes in the ways in which people are choosing to contribute that require our understanding and attention. Just as the pandemic forced us to rethink worship, spiritual growth opportunities, and outreach, now is the time to re-evaluate how you are engaging members in financially supporting your important ministry.



One *What's Changed?*

Changing Philanthropic Behavior

The 2021 report from [Giving USA](#) helps shed some light on what is changing in the world of philanthropy. According to the report, giving to religious organizations has continued its downward trajectory. In just the past 20 years, religious giving has declined from 40% to 29% of total charitable giving. During the late 2010's, the percentage of Americans who contributed to charity was also on the decline.

However, [the latest research](#) reveals that in 2020, 7.3% more donors contributed to charities than in 2019. Regardless of whether or not these new donors continue to give, churches will still be challenged to overcome the fierce competition from a growing number of nonprofit organizations.



Emerging Donor Habits

Generationally, we are losing the cohorts for whom giving to the church was considered an obligation. Those born prior to 1945 (Silent and Builder Generations) valued commitment, community, and were strongly connected to their churches. They were also inclined to “do their part” and demonstrated loyalty through annual pledging.

Millennials and their younger siblings, Gen Z, now account for over half of the U.S. population and their giving habits are very different from their parents. Technology and social media play a significant role in engaging these generations in supporting causes they believe in. During the pandemic, both Millennial and Gen Z generations [contributed more](#) than any other generation and they did it primarily through some form of technology.

Millennials are less likely to conform to a once-per-year pledge format of giving and more likely to respond to appeals throughout the year, especially when gifts can be made quickly and easily on a smartphone.



New Giving Patterns Emerge

Not so long ago, most churches received the vast majority of their income from members who faithfully provided yearly financial commitments. The one-size-fits-all yearly giving appeal usually provided sufficient income to support annual ministry needs. For most churches, the dynamics have changed.

Today, churches who persist with the same tired “annual pledge card drive” are typically seeing fewer commitments, even from members who had regularly provided them in the past and who most often continue to give at the same level.

Creating a budget based solely or primarily on commitments always required a bit of a guesstimating, but the ever-increasing percentage of “non-pledged giving” is making this practice more difficult in many settings than other available options.

In response to shifting giving patterns, more and more churches are struggling with how to effectively grow giving and uncover additional revenue streams to fund ministry.

Increased Use of Technology

Never has technology been more important than today, especially with giving. Most churches are offering giving through their websites, but have you tested the donor’s experience yourself? Be sure to make a gift online and evaluate the efficiency and ease with which you were able to make your gift. Better yet, have a friend make a gift and ask for feedback.





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Making a gift through your website should take less than three minutes and create happiness for your donor. Was the form easy to follow? Was it intuitive and simple? Be sure your list of funds is limited and not overwhelming. If you use a dropdown menu, be sure to default to your annual ministry budget. This is where you need the support, so make sure it is the most obvious choice.

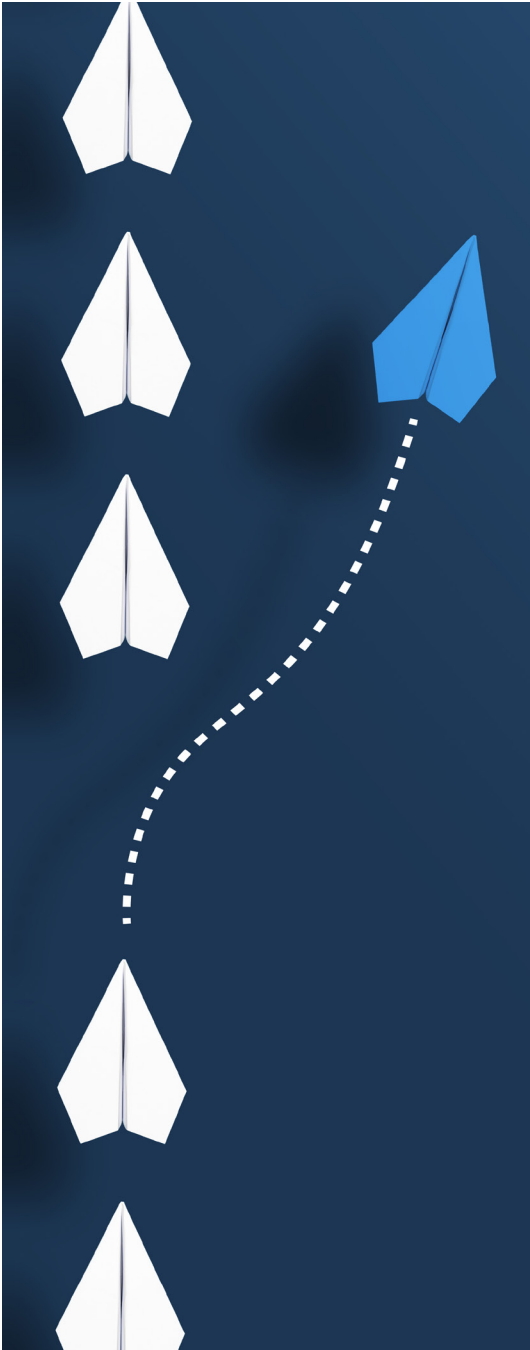
Have your friend make a gift via text and evaluate the experience. If it is their first time giving to the church, it may take a bit longer to complete the process, but it should still be quick and efficient. Ask them to comment on whether or not the process made them want to make another gift or never do it again.

Remember that your online worshippers, especially those who have never visited your church, will have an impression of your church as a result of their online giving experience. Finally, did the donor receive a prompt thank you email? Was the email relational or was it more “receipt” than “thank you note?”





Two *What's Next?*



Adjust Your Ministry Funding Strategies

It is clear that sustaining the Church in the next decade will require substantially different strategies than have been used in the past. Author and Pastor, Mark DeYmaz, in his book, *The Coming Revolution of Church Economics: Why Tithes and Offerings Are No Longer Enough and What You Can Do About It*, says tithes and offerings are no longer enough to meet the needs of the increasing cost of doing ministry.

Alternative strategies need to be deployed to ensure sufficient resources to fully fund your ministry objectives. Mark also says it is critical to recognize the special gifts of some of your high-capacity members whose entrepreneurial and marketplace leadership skills are often wasted in ill-suited volunteer roles. Instead, he says, ask them to be co-creators and co-owners of the church's work. Mark says churches should leverage their assets: buildings, people, and money to generate additional revenue for the church. For a deeper look into Mark's book, access the 3-part webinar conducted with Horizons' CEO, Joe Park.

Re-Imagine the Annual Pledge Campaign

While the number of households submitting estimates of giving cards has declined, inviting people to make a yearly commitment to your important work is still a healthy and helpful thing to do. However, many of the ways in which we have typically invited commitments are no longer compelling. Appeals based on obligation or loyalty will do little to engage younger members.



Instead, focus on how giving and generosity are important to each individual's spiritual growth and development. At Horizons, our [Pathways to Generosity](#) approach is based on first having donors identify where they are on the journey toward generosity. Then, everyone is encouraged to invite God into the process by praying, "God, where would you have me be in my giving?" The focus is not on budget or obligation, but on growing in our discipleship and relationship to God. Connecting growth in giving to the giving path enables people to prayerfully consider how God is inviting them to progress on their discipleship journey.

Engage High-Capacity Donors

Most every church has people who have significant capacity for giving. Many times these members are also community leaders, entrepreneurs and business owners. Finding ways to invite them to utilize their gifts and skills will provide meaningful connections and create co-ownership of your vision and mission.



Remember that people are more likely to support an initiative they also helped to create. Discover the passions and interests of those who have capacity to make big dreams possible. [Engage them in authentic conversations](#) and inspire their investment in what God is doing through your church. Rather than focus on an annual commitment, invite them to invest in a ministry or project that will make a significant impact in your community.

When engaging members with an entrepreneurial spirit, remember that [entrepreneurs think differently](#). Entrepreneurs are future-oriented and likely to challenge the status quo. Most entrepreneurs are passionate about what they do and willing to help solve complex problems with out-of-the-box thinking. While they may not be particularly helpful on a church committee, they can provide extraordinary support to you in dreaming God-sized visions and creating strategies for achieving them.



Understand RMDs, DAFs, and Cryptocurrency

New ways to make contributions are becoming more mainstream and churches should be ready to not just accept them, but embrace them.

Required Minimum Distribution

The rules around Required Minimum Distribution (RMD) have shifted, but the benefits of contributing to the church directly from an IRA remain intact. The RMD is the amount required by the IRS to be distributed annually from an IRA, 401(k) or other retirement plan by those who are 72 years of age or older.



Using some or all of the RMD to give to the church is a tax-advantaged way to contribute. It is important to note that the 2019 tax laws changed the previous starting age of 70 ½. If you turned 70 ½ in 2019 or before, you had to begin taking your RMD in 2019.

By donating directly to the church from the IRA or 401(k), the donor may reduce his/her tax liability. An increasing number of church members are discovering the benefits of contributing to the church directly from their retirement accounts and the financial advantages of this form of giving.

Donor Advised Funds

[Donor Advised Funds](#) (DAFs) have grown in popularity and provide another tax advantaged way

for your members to contribute. A DAF allows donors to make irrevocable contributions to their fund and deduct it from taxable income in the year in which the donation was made.

Many financial institutions, community foundations, and denomination foundations can set up a donor advised fund. The fund is invested and the growth is non-taxable. The donor may continue to contribute to the DAF and recommend grants, or distributions, from the fund at any time.

Grants may be given to any organization that is classified by the IRS as a tax-exempt charitable organization. Donor-advised funds are growing in popularity with over [1 million in existence as of 2020](#) with a total of \$160 billion in assets. In 2020, grants from DAFs totaled almost \$35 billion.



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Cryptocurrency

Cryptocurrencies seem to be here to stay and many non-profits are benefitting from cryptocurrency donations. According to the [Giving Block](#), the number of cryptocurrency users rose significantly between 2017 and 2021. There are an estimated 35 million cryptocurrency users in the United States.

Cryptocurrencies, such as Bitcoin and Ethereum, are held primarily by Millennials and Gen Z's. In fact, [83% of Millennial millionaires](#) own cryptocurrencies and most of them have the majority of their wealth in cryptocurrency. These millennials prefer to invest in cryptocurrency rather than the stock market and, therefore, have highly appreciated cryptocurrencies that create significant tax implications for the owner. In 2020, donations of cryptocurrencies totaled \$4.2 million. [Just one year later](#), cryptocurrency donations rose to almost \$70 million in 2021.

Churches and nonprofits that are set up to attract cryptocurrency donations will very likely become the recipients of these tax-advantaged donations.



Three *What Now?*

Embrace the Change

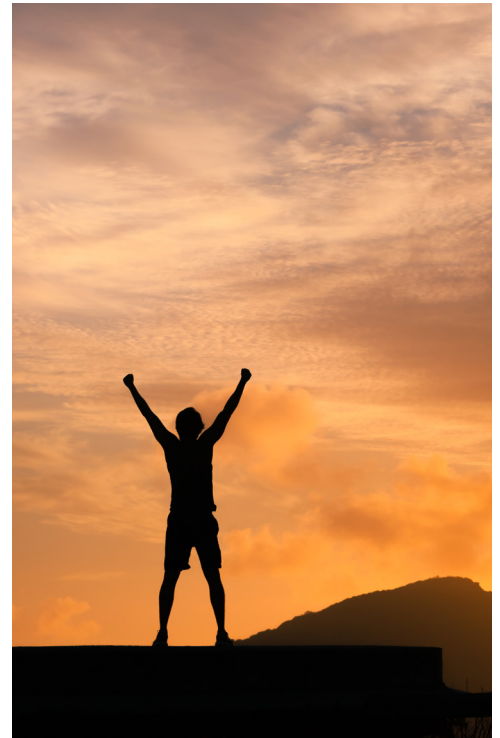
Yes, there is a lot to learn about RMDs, DAFs, and crypto! However, if you have not already been asked about these forms of giving, you will be soon. It is no longer effective to simply tell donors to write a check (most of them don't own checks) or put cash in the plate (most of them don't carry cash).

To attract contributions, churches need to be educated and provide donors the platforms they need to make their donations. It is important to stay current on new ways of giving and how to make donations as easy as possible for your members. Although limiting tax exposure has never been the top reason donors contribute to an organization, these forms of giving provide a win/win opportunity. To prepare to receive gifts from these new sources, first the church should become knowledgeable about the risks and benefits of each.

Upgrade Your Giving Processes

With the exponential increase in the number of donor-advised funds, it is highly likely you have people in your church with DAFs. Regarding gifts from donor-advised funds, for example, donors are often unclear about their ability to fulfill a church pledge through a DAF grant. Using terms such as "estimate of giving" or "giving intention" rather than "pledge" or "commitment" typically resolves any potential for confusion.

Remember that all funds deposited into a donor-advised fund must be given to charity. Currently there is no timeline required, but this may change in the future. Donor-advised funds must either be passed on to other advisors upon the fund holder's death or given to a non-profit beneficiary. Becoming the beneficiary of a member's DAF is another way for the church to diversify revenue streams and support annual ministry.





Plan for Cryptocurrency

Before diving into the cryptocurrency pool, it will be important to consider some of the negative aspects. First, the value of crypto is extremely volatile, so holding on to it is highly risky. Just like stock contributions, gifts of cryptocurrencies should be sold as quickly as possible to avoid losing the donor's original intent for the gift. Organizations such as [The Giving Block](#) provide a platform for converting cryptocurrencies to traditional currencies.

From a tax perspective, crypto donations are treated as gifts of property. According to CPA firm CapinCrouse, crypto donations should be identified as [intangible assets](#). Even if the crypto is liquidated through a third-party platform, the gift should still be classified as an intangible asset.

Diversify Ministry Funding Sources

Many churches are finding opportunities to diversify funding sources. Your building may not be fully used throughout the week, and space could be rented to other organizations in your community. For example, The Lake Forest Church in Huntersville, North Carolina, offered space in their Gathering Space to a privately owned coffee company in exchange for a share of the facility cleaning expenses. The coffee company now provides coffee for the church and weekday guests and groups.

The North Phoenix Church in Phoenix, Arizona, added \$2 million annually to operations by leasing space to area non-profits, selling memberships to its Fitness Center, and selling snacks in their Snack Shop. Other churches, especially those in downtown locations, generate revenue by leasing out parking during the week. Some churches have offered their commercial kitchens to small business bakeries and food preparation agencies.

Your church may have started an outreach ministry that could garner grant funding if it became a separate 501(c)3 non-profit. Be creative and leverage your assets to broaden your revenue sources.





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Conclusion

Ministry Funding Has Changed – And We Need to Change With It

Now is the time to respond to the changing needs of your donors. The annual pledge is still extremely important, but if your ministry is to thrive, you will need to explore these alternative ways to attract donor contributions. Remember that it is not about what the church wants from your donors, but what the donor wants from you.

There is increasing competition from compelling causes and fewer donors in the mix. The church needs to respond to the emerging wants and needs of its donors and make the case for why giving to the church is important. Churches that fail to change will likely be left behind and suffer the financial consequences.

[Horizons](http://Horizons.net) is here to help. If you have questions or need a conversation partner, please visit horizons.net and let us know how we can help or contact me directly at kmiller@horizons.net.





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About the Author



Kristine Miller, CFRE

Partner and Senior Vice President

As a veteran generosity coach, Kristine believes generosity is key to enjoying a deeper and more meaningful relationship with God.

Kristine is a book author, keynote speaker and workshop leader at stewardship conferences and other leadership events. She did her undergraduate work in Business Administration at The Ohio State University and received her M.B.A. from Northern Illinois University. Kristine has also held a C.F.R.E. (Certified Fundraising Executive) credential since 2007.

Kristine traveled extensively in Asia while living in Singapore and enjoys cooking Asian food. She and her husband live in Clarkston, Michigan.

About Horizons

Horizons Stewardship helps church and faith-based nonprofit leaders grow disciples and fund ministry through a collaborative framework that is tailored to the unique culture of the church, aligned with leadership's vision, and implemented through coaching, planning, technology, and analytics to ensure the church lives into its full ministry potential and impact.

After more than two decades of working with thousands of churches to raise billions of dollars for ministry projects, Horizons has refined a deeply integrated, spiritually-focused approach that consistently results in more ministry funding and more effective disciple-making strategies.

Horizon's ministry team of International Coaching Federation (ICF) trained coaches are ready to help you discover a proven, effective process that will empower you to move forward with clarity and confidence. On average, churches that partner with Horizons experience a 16 percent increase in giving within the first twelve months.