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With Generous Clients, Tithes May Bind

When a couple came to adviser Peg Eddy wondering if they could retire in two years, she took a close look at their expenses and saw they were tithing more than 15% of their gross income.

Tithing traditionally–and, in fact, literally–means giving 10% of income to one's church. This couple, who were in 50′s, felt they needed to "over tithe" to make up for the years they felt they didn't give enough, said the San Diego-based certified financial planner.

Further, the pair had plans to give even more, from the unearned income produced by a $785,000 portfolio they recently inherited. "That meant they had no chance to reinvest dividends or use yield from their portfolio," Eddy said. This was income they would need, Eddy believed, to maintain their standard of living in retirement.

Suggesting to clients that they reduce their tithing, however, isn't as easy as recommending they stop eating out, for example. Tithing is often a deeply personal subject and what an adviser says about it can easily be interpreted as passing judgment on a client's values.

Eddy stepped softly into the issue, asking only if the couple was "open to discussing some ideas about tithing." When they agreed, she showed them projections of how their lifestyle would diminish if they continued tithing at their current rate without cutting other expenses.

She then recommended they talk to their pastor to see if "catch up" tithes were expected at their church. Eddy also suggested they ask him if it would be possible to tithe in "time and talent" versus "treasure" alone.

It proved to be the right approach. In fact, when the couple explained what they were doing to the pastor, he, too, became concerned they were giving too much, and had made the decision without his counsel. He also explained to them that tithing in their faith community was usually based on earned income, not gross income or gains that came from savings. He readily agreed they should give less money and do some tithing through volunteer work at the church.

Another adviser, Steve Blankenship, had to deal with a different kind of tithing problem: a client who was doing it with a credit card, racking up debt.

He turned to the Bible itself for a solution. "I argued that the debtor is a slave to the lender which the Bible clearly calls into question," said the Grapevine, Texas-based certified financial planner. He also told the client he was "running afoul of one tenet of their faith in order to satisfy another."

The client reduced his tithe.

Even good arguments, carefully delivered, will sometimes fail, however.

When clients of Adam Leavitt prematurely withdrew all of their tax-deferred retirement savings of about $16,000 to support their church's building campaign, he told the couple the obvious: They were putting their financial future in real jeopardy.

The clients, who are 35 and who have multiple children and no other savings, said they understood the risks, and acknowledged they would have to pay penalties on the withdrawals to the Internal Revenue Service. But they said they were excited about donating the money anyway, recalled Leavitt, a Tulsa, Oklahoma-based certified financial planner.

"I acknowledged their large commitment and wished them the best of success in the expansion of their church," he said.

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