

FINANCIAL FOUNDATIONS



GET FINANCIALLY FIT WITH A FINANCIAL RESET

It's January, the new year, where many (not all) take stock and decide to make resolutions or at least think about the year ahead. It's also a good time for a financial reset! What does that really mean? I looked at a variety of blogs and websites and found many different answers. What I learned is really very basic and can apply to both our local church and we as individuals:

- Look at your current reality
- Identify your desired future at year-end
- Make a plan

What is your Current Reality?

What did the financials look like at year-end? Did you stay on budget? Did you save as you planned? Were there any unexpected emergencies and were you prepared? Look at your expenses. Exactly where did your money go! Review your assets (what you have saved along with cash on hand) and your liabilities (basically your debt).

Finally, did you meet the financial goals you established for the year? (Or did you have any goals at all?) What? No goals? So, what do you want your financial situation to be at the end of 2022?

A Desired Future Requires Financial Goal Setting

To understand your desired future, think about the various financial dimensions. What needs to look different by the end of 2022? What needs to change? What are the financial goals that will get you there? While "live within my means" or stay on budget is an honorable goal, there is much more to unpack to truly achieve that goal. Personal finance, not unlike church finance, has many dimensions that extend beyond simply spending no more than you bring in.

Those dimensions or areas for consideration are:

- Debt (Home, Auto, Educational, Consumer)
- Credit Score
- Emergency savings
- Insurances (Home, Auto, Life)
- Retirement savings
- Legacy planning (Will, Health Directive, Power of Attorney)
- Budget (spending)
- Giving

Take another look at your current reality in each of these areas. You should know these numbers and know if improvements or changes are needed. What are the 3 goals that you absolutely want to accomplish this year to move to a more desirable financial future?

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Use SMART Goals

When setting these goals, be SMART. We use this acronym in other areas of our life and work – why not our financial goals.

Specific: Be specific about the goal. Avoid the vague, ambiguous statements like “live within my means” or “save more.”

Measurable: Make the goal measurable. You will be able to quantify or measure if you attained the goal. Put more money into emergency savings is a good goal. How much? How frequently? \$200 per month for 12 months is a measurable goal.

Attainable: Saving \$200 a month to place in emergency savings is more likely to be attained than saving \$5,000 a month.

Realistic: Choose goals that are realistic for you in your current situation. What is happening in the upcoming year that may make the goal unrealistic? Will you be assisting with your child’s college tuition which makes a vacation to Disney World unlikely?

Trackable: I like to suggest “target dates” to help with tracking. A goal to “complete my will” is great! There are many steps in the process. Set target dates for achieving these steps. For example, identify one or more estate attorneys by February 1, 2022. Interview all by March 1.

Make a Plan

By using SMART goals, you have started planning. The question you must answer is HOW will you achieve those goals? How do you get from your current financial situation to your desired financial situation by the end of the year? Review each goal and determine what it will take. Saving \$200 a month may require a review of your entire budget.

Start – Stop – Continue

When thinking about your goals, using the stop-start-continue model helps you figure out your plan. It is very simple to apply and quickly takes you to the heart of what ultimately must happen to reach a goal. For instance, you want to save \$200 a month for your emergency fund.

1. What must you start doing? Set-up an automatic withdrawal from your paycheck of \$200 to deposit into your emergency fund monthly.
2. What must you stop doing? With \$200 less available to spend, you look at your budget and the practices of the past year. You decide where to reduce your spending. For example, you choose to stop dining out as much and stop subscriptions that you have not had time to read or use.
3. What must you continue doing? You will continue making your lunches at home and taking them to work versus eating out.

While all of this may be quite familiar to you, have you or are you following through? There is no time like January with frigid temps below zero and darkness at 4:30 to spend time on a financial reset.

PREPARING FOR W-2'S

For 18 years, I've been responsible for W-2's. Every year I feel nervous when I go to submit this because the IRS isn't very understanding about mistakes. The last few years, I've used QuickBooks for my payroll. This has been a blessing despite the extra cost. If I have the employees set up correctly in payroll, I really don't have to worry because QuickBooks does it for me.

I realize it doesn't make sense financially for most churches to use a payroll service like QuickBooks. That's part of the reason why we provide the W-2 and Pastor's Pay Guide as well as the Pastor Payroll Worksheet. Hopefully these tools help relieve some of the anxiety you may feel about tax reporting for the church. These tools can be found on our website under Finance and Benefits → Finance → Legal Resources.

FINANCIAL FOUNDATIONS WEBINAR

February 21, 2022 at 7:00pm (Central)

This Quarter's Topic: ***Investigating your Balance Sheet***



The balance sheet is often the most ignored financial statement. It's not nearly as exciting as a budget report or statement of profit and loss, but understanding your church's balance sheet can lead you to making some important decisions.

Pastors, treasurers, finance committee members, and anyone interested in stewardship and generosity in the church are welcome to join. You can find the registration on our website: www.dakotasumf.org.