



STEWARDSHIP CONNECTIONS

A Newsletter for Financial Connections Within the Anabaptist Community

FAMILY FINANCE

The Major Expenses

Adapted from a Young Family Finance Seminar Topic

The practical reality of family life is that there will be expenses. These expenses can be placed into a few major categories—housing, medical treatment, education, and transportation. A couple needs to understand their major expenses to manage their finances successfully.

Housing

Housing is often the largest expense category and can create a challenge for the family budget. Choose a home carefully because of the long-term commitments that often go along with it.

Renting

Renting is not a bad option for young couples. When renting, you are not responsible for the maintenance, and you do not have to pay the real estate taxes. You also have the flexibility to walk away from the agreement.

Young couples unsure where they will settle long term are probably better off renting than buying a property. Renting provides set expenses so a young couple can more easily budget and save up a larger down payment for a future house purchase. Unless you have the money to cash off a house, you're going to lose money either to a rent payment or to an interest payment.

As a general rule of thumb, renting may be the cheaper option if you are going to be in a house for less than five years.

Advice for Young People

Look for value-added housing options. A house that needs your paintbrush, toolbox, and energy is an opportunity for you to invest. Look for a property where you can increase the value by your labor. This puts both your money and your hands to work. We call this "sweat equity." Your investment of labor can make the property more valuable and minimize the sting of money lost to interest when the property is later sold. In most cases your investment of sweat equity will be rewarded by a higher selling price.

Don't expect to start where your parents leave off. Young people must realize that their parents have had a lifetime of gathering the things they now own. It's unrealistic for a young couple to think they're going to start out in life with the same amounts of things their parents own. Being content with less is much more rewarding than being strapped and stressed by debt that is often used to obtain more.

Look beyond the monthly payment when considering a mortgage. A lot of times when a person goes to borrow money, they focus only on the monthly payment. A

Continued on page 2 »

In this Issue

The Major Expenses.....1

April 15—What Did the Date Mean for You?3

By Richie Lauer

Young Family Finance and Budgeting Seminars.....7

Deacon Seminar.....7

The Unattended Cookie Jar8

By Gary Garber

Need a Trusted Business Advisor?12

wise person will not just consider whether they can make the payment this month, but whether they can still make it next year, ten years from now, and all the way to the payoff date. For newly married couples, the wife might still be bringing in some income. Also, expenses will be down because there are no children in the home. Before you know it, two things happen at the same time. Children are born, which makes expenses go up, and the wife stops working, which makes income go down. Look down the road and consider if you can make this mortgage payment all the way to the end. Allow some margin for both the expected and the unexpected expenses of life.

Advice for Older People

The older should help the younger get started in life. However, young people must demonstrate stewardship, thrift, and savings. Difficulty isn't always bad. Lean times that force a young couple to stretch their dollars will yield good fruit later in life. Experience is a great teacher, and so the older should not just enable the younger to acquire everything they want. There are lessons that must be learned about thrift and savings, and the sooner a young couple learns these lessons, the longer they will have to

ADVICE FOR YOUNG PEOPLE

Look for value-added housing options.

Don't expect to start where your parents leave off.

Look beyond the monthly payment when considering a mortgage.

put this learning to good use. Create an expectation in your children that it's good to start with the resources at hand to invest and build up toward the items they would like to purchase. This is certainly better than being caught in the debt trap just so you can have everything you want.

Loaning money to someone for a down payment can be very risky. There is a reason the bank or loaning institution wants 20% down for a mortgage. When a private loan is given to supply a down payment, it's really the same as borrowing 100% for the property or real estate being purchased. If the market would soften, the property could not be sold to pay the debt. This puts a young couple in a

sticky situation with both their mortgage lender and the person who loaned them the down payment. To avoid problems down the road, safe margins should be observed before taking on a mortgage.

Debt Benchmarks

Housing costs for mortgage, insurance, and real estate taxes should be less than 33% of monthly income. This is a general rule of thumb that can quickly be used to determine if a property is affordable. The **maximum** debt-to-income ratio should be 4:1. For example, a person with a \$50,000 annual income, should not borrow more than \$200,000. A person making \$25,000 annually should not borrow more than \$100,000. These examples highlight the maximum debt-to-income ratio. A comfortable debt to income ratio considers the risk tolerance of the borrower. If you like to take risks and are a real go-getter, a ratio of 4:1 may be okay. If you are not a risk taker, and like a comfortable margin in your finances, keep the ratio much lower to be on the safe side.

A sample mortgage quickly highlights some things every person should know before they take on debt. If you borrow \$150,000 in the year 2022 at 5.5% interest for 25 years, your monthly payment is going to be \$921. After making that \$921 payment for 25 years you end up paying the \$150,000 back, plus \$126,339 in interest. This means 54% of your monthly payment went to the purchase price, and 46% went to pay the interest.

The other thing this example illustrates is time commitment. You have made a 25-year commitment from the year 2022, which means you will pay off the mortgage in the year 2047. You've committed the first \$921 from each monthly paycheck to pay your mortgage. This commitment will take a certain amount of your time as you work to earn the money you need to make the payment.

Paying extra toward your mortgage is a good idea. If you pay \$60 more each month on the \$921 payments, you're going to save \$17,504, and you're going to knock three years off your mortgage. How much is \$60 per month? It's equal to your \$2 coffee and doughnut expense every morning at the mini-mart! If you can break that \$2 habit and put it against your mortgage, you will save \$17,504 and be debt free three years sooner. That's a pretty good trade off! If you can pay \$120 extra each month (equal to a \$4 per day expense), you will save \$30,493 and knock more than five years off your mortgage! Whenever possible, pay ahead.

Since housing is almost always the largest budget category, it is hard to over-stress the importance of careful housing choices. Christians are to be pilgrims and strangers in this world. Modest, simple housing is one way

April 15—What Did the Date Mean for You?

By *Richie Lauer, Anabaptist Foundation Officer*

April 15 carries a bit of a black mark in our culture as the traditional “due date” for filing tax returns and paying federal taxes. Many people moan and groan about April 15. Was tax day a good or bad experience for you this year?

When someone complains about paying taxes, someone else might respond by saying, “If you are paying taxes, then you are probably making money.” While I don’t enjoy paying taxes any more than anyone else and sometimes wonder if tax dollars are being spent wisely, I believe we have causes for positive reflection around April 15.

- If you paid taxes, you likely have been blessed with a sound mind. Many mentally handicapped people, through no fault of their own, cannot hold gainful employment. Their earnings are severely curtailed for their entire earthly lifespan. Having the mental capacity to work is a blessing.
- If you paid taxes, that means you earned wages, had business income, or held profitable investments. In many parts of the world, people wish to work but do not have profitable employment available. Having gainful employment available is a blessing.
- Paying taxes means you enjoy the public safety benefits those taxes provide. In some parts of the world, people leave their homes at the hazard of their lives, deal with government authorities who are brazenly corrupt, drive on roads that are barely passable, try to conduct life and business without dependable electricity or clean water, and have no fire departments or ambulances to call for in emergencies. Living in relative safety is a blessing we often take for granted.

Paying taxes isn’t the most pleasant part of life, but it means you are a very blessed person.

Jesus said, “Render unto Caesar the things that are Caesar’s.” The Master of the Universe affirmed that taxes should be paid. In the United States, we also enjoy the blessing of a government that, to this point, still allows


tax deductions for charitable contributions. The ability to deduct from taxation gifts made to charity is not a universal benefit. In some countries, you must pay taxes on all your income, without deductions for charitable gifts. People in those countries pay their governments first and then make what gifts they can. Recognizing the benefits churches and charities provide to the lives of citizens, our government graciously permits us to receive a tax deduction for such gifts.

Tax deductibility should not be a significant motivation for charitable giving. If you give to “get” then you probably already have your reward and gain no spiritual benefit. Giving should arise out of gratitude for God’s blessings and joyful obedience to Biblical commands to help the brotherhood, the poor, widows, and orphans. A Christian will give with or without a tax deduction. But, while our government is yet willing to grant us this ability without attaching burdensome restrictions on church or charitable work, good stewards will use that privilege to give even more to charity.

AF’s Charitable Gift Fund Program provides an efficient channel for supporting church work and charities.

By opening a gift fund account, you can receive a tax-deductible receipt for your contributions and have the ability to recommend anonymous gifts to churches and charities. The ability to give anonymously, not the tax deduction, is the primary reason conservative Anabaptist donors choose to use our Charitable Gift Fund Program.

More than 99% of the gifts the Foundation issues to churches and charities are sent anonymously. This is in sharp contrast to most charitable foundations, reflecting our church constituency’s commitment to the Biblical value of anonymous giving (Matthew 6:1-4).

Users of the Charitable Gift Fund Program also receive the assistance of a case worker who can help research charitable needs. A quarterly statement recording your giving enables users to review and manage their giving. The program is simple to use, and if you seek a way to give anonymously, we would be glad to send you an information packet. **For more information on the Charitable Gift Fund Program, check the website (www.afweb.org) or call 800-653-9817.** 

to demonstrate that this world is not our home. Lavish, extravagant housing sends an entirely different message. A choice to max out the housing category will put stress on the other budget categories for as long as the mortgage payment continues.

Medical Costs

Medical costs are rising significantly. In our Amish and Mennonite circles, most people have some type of medical sharing plan that relies on the compassion and giving of others to help them pay large medical expenses. Be responsible to know the expectations of your sharing plan or church brotherhood before you have medical costs.

A FEW TIPS CONCERNING MEDICAL COSTS

Budget and save to pay for medical expenses.

Set aside an emergency fund to pay for unexpected medical expenses.

Predict costs by looking down the road.

Do your part to assist others with large medical bills.

The cost of medical sharing plans seems to shake out to an average of around \$3,000 per year for a family. Most plans have a personal responsibility amount that you need to pay before the plan kicks in to pay your bill. These personal responsibility amounts are usually in the \$1,000-\$2,500 range. There's often no coverage for smaller bills such as routine medical, dental, or optical visits. As medical costs rise, fewer and fewer companies are providing health coverage to their employees, which means more and more responsibility is placed on individuals to pay their own medical costs. Here are a few tips concerning medical costs:

Budget and save to pay for medical expenses. There are known expenses, such as dental and optical. If you have glasses, you know that you're going to need new ones at some point. You are going to have to go to the dentist at some point, so map that out in your budget.

Set aside an emergency fund to pay for unexpected medical expenses. It would be wise to have funds set aside to cover the personal responsibility amount required by

your sharing plan. This demonstrates to others that you have been responsible concerning the agreement for the plan.

Predict costs by looking down the road. Medical costs grow as a family grows. Allow margin in your budget to accommodate these growing costs. Because medical costs are unpredictable, and more responsibility is put on individuals to cover the costs, a young couple cannot max themselves out on housing costs and expect to survive high medical expenses as well. A nice margin in the housing category is always a good friend in other categories such as medical.

Do your part to assist others with large medical bills. When you and your family are healthy, and you have some savings in your medical category, it's almost guaranteed that you can find someone in your community who needs help to pay medical bills. If your family has been healthy for the past while, take your medical savings and bless others with a gift toward their medical costs.

Education

Education costs vary greatly across our Anabaptist communities. Young families should understand the cost of education in their community and consider its impact on other categories in their family budget. Families who allocate a significant portion of their income to pay tuition will need to minimize their spending in other categories. High housing costs will directly compete with education costs in the family budget. A wise young couple will predict school costs before they have children in school, to inform their spending commitments in other categories. They will allow adequate funds to pay for their children's education when that time comes.

Vehicles and Equipment

Vehicles and equipment have become a part of life. It is important to honestly and accurately evaluate certain key factors before purchasing a vehicle or piece of equipment. We will look at both car transportation and horse and buggy transportation.

Car Transportation

Utility: Is it suitable to meet my needs? Many foolish people get needs confused with wants, as they mentally justify the higher costs of adding all the bells and whistles that add nothing to the functional purpose of the vehicle. A vehicle that gets you and your family safely from point A to B is a functional vehicle regardless of looks. A well-maintained older vehicle can usually get the same job done as the newer, fancy model that has all the extra electronics that are prone to short out and cause problems. Stay focused on why

Continued on page 5 »

you need the vehicle. Don't get distracted by endless wants.

Purchase price: Is it right to pay this much? To clarify this question, we need to consider if it requires debt. Vehicles lose value. It rarely makes sense to borrow money and pay more because of interest, when the thing you purchased is losing value. There comes a point when the depreciating item may not be worth as much as your loan amount. It does not make sense to pay interest on an item that could not be sold to pay for itself.

Even if a vehicle purchase does not require debt, does it deplete all your savings? A vehicle purchase is not an emergency, because you should be able to predict that it is coming. Therefore, it does not make sense to drain your emergency fund for a vehicle purchase.

Maintenance and operating costs: At what rate will it eat me up? It is prudent to research a vehicle before you purchase. What fuel mileage does it get? What are common problems with this vehicle model? If I encounter this problem, will I be able to pay to fix it? It's good to estimate a per-mile operating rate for vehicles and a per-hour operating rate for equipment. Even if the purchase price is right, the operating cost must be considered because that cost will continue for as long as you own it.

Distinguish between maintenance and repairs. A vehicle mechanic once observed that most people fail to distinguish between maintenance and repairs, generally lumping the two together as repairs. This faulty logic is often used to justify the purchase of a newer vehicle as a person reasons, "I won't have any repairs because of the warranty." While this line of reasoning is partially true (because major repairs may be covered by warranty), the reality is that tires, brakes, the clutch, and all the other moving parts on a vehicle are wearing down and will require maintenance that will cost you at some point. You will either pay for that maintenance, or the wear and tear will be considered against the resale price when you sell.

Depreciation: What value is lost to age? When you drive a vehicle off the dealer lot, the price goes down dramatically as soon as it hits the road and you are the owner. The higher the price you paid, the greater room there is for depreciation. A new vehicle depreciates very rapidly. Statistics agree that a new vehicle will lose around 20% of its value in the first year and be worth only 40% of what you paid for it after five years.¹ Unless you plan to run the vehicle until it dies, a new vehicle purchase is not usually a wise use of funds.

Vehicles in motion make our lives much easier in many ways. Use and age, however, cause them to continually

decrease in value. As the current vehicle depreciates, save for the purchase of your next vehicle to avoid the trap of debt for depreciating vehicles. Don't expect that the current appreciation of vehicles will last very long. At some point, the vehicle market will probably be flooded again and vehicles will depreciate in value.

Horse and Buggy Transportation

Utility: Is it suitable to meet my needs? Don't get needs confused with wants as you consider the extras that add nothing to the functional purpose of the horse and buggy. The most expensive carriages with all the add-ons often weigh more than a cheaper carriage. The light-weight

TRANSPORTATION

Utility: Is it suitable to meet my needs?

Purchase price: Is it right to pay this much?

Maintenance and operating costs: At what rate will it eat me up?

Distinguish between maintenance and repairs.

Depreciation: What value is lost to age?

carriage will perform better with little or no loss of comfort for the passenger and much more comfort for the horse. A horse and buggy that gets you and your family safely from point A to B is a functional setup regardless of looks. A well-maintained older buggy can usually get the same job done as the newer, fancy model. Stay focused on why you need the horse and buggy, and don't get distracted by endless wants.

Purchase price: Is it right to pay this much? To clarify this question, we need to consider if it requires debt. Horses and buggies lose value. The more you pay, the more value you have to lose. It rarely makes sense to borrow money and pay more because of interest when the thing you purchased is losing value. It does not make sense to pay interest on an item that could not be sold to pay for itself, and since the life of a horse is not guaranteed, it would be a bad deal to make payments on a dead horse.

Even if a horse and buggy purchase does not require debt, does it deplete all your savings? A horse and buggy purchase is not usually an emergency, because you should be able to predict that it is coming. As the horse and buggy

¹ www.carfax.com/blog/car-depreciation and www.edmunds.com/carbuying/how-fast-does-my-new-car-lose-value-infographic

age, you should save for their replacement. Therefore, it does not make sense to drain your emergency fund to buy a horse and buggy.

Maintenance and operating costs: At what rate will it eat me up? It is prudent to research a horse and buggy before you purchase. What is the age of the horse and the buggy? When can they go into service, and how long can you expect to use them?

Even if the purchase price is right, the daily care and maintenance of a horse must be considered, because that cost will be with you for as long as you own it. It's good to estimate a per-day cost to care for a horse. This cost should include feed, shoeing, vet costs, and normal maintenance such as deworming and filing teeth. This per-day, per-horse cost must be multiplied by the number of horses in the stable whether they are actively being used or not. A horse that is well cared for will likely have lower maintenance costs and will perform better.

Buggies have few maintenance and repair costs over the years and will likely average \$100-\$200 in annual repairs.

Depreciation: What value is lost to age? The higher the price you pay for a horse and buggy, the greater room there is for depreciation. A horse is typically trained and ready to be used for transportation around 4-5 years of age, and after 5-7 years of use, it is becoming an old horse and consideration must be given for replacement. Buggies,

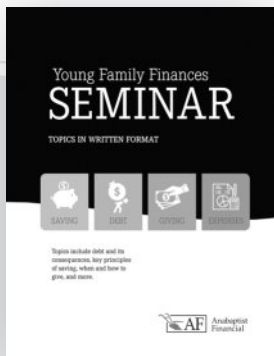
although they depreciate more slowly, do also eventually wear out. A quality buggy that is well maintained can be used for 20-plus years.

Horses and buggies make our lives much easier in many ways. Use and age, however, cause them to continually decrease in value. As the current horse and buggy wear out, save for the purchase of your next horse and buggy to avoid the trap of debt for these items.

Use A Guideline Budget

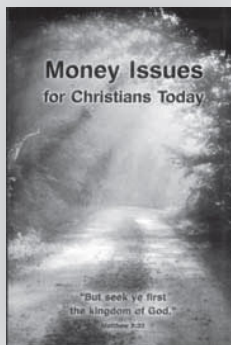
A guideline budget is a great place to start when assessing the major expenses for a family. A guideline budget identifies typical categories in a family budget, provides a rule of thumb for spending in each category, and gives you an immediate budget to put into action. A guideline budget will probably need to be tweaked over time to fully represent your situation, but it provides a quick start for those who want to see and set reasonable limits on their spending.

Family is God's design. Families are expensive, but they are also a huge blessing! Children are a heritage from the Lord, and He intends for us to be wise providers for those He has given to our care. A young couple whose heart is set on doing God's will in their family will find that when you do your part, God is a very sufficient provider. Seek the Lord, anticipate the needs of your family, and bless them with the resources of both time and money to meet their needs. 🙌



Young Family Finances Seminar Topics booklet \$9.99

This booklet includes transcripts from our Young Family Finance Seminar which are edited for readability.



Money Issues for Christians Today \$7.95

How should a Christian handle his money in today's complex world? Reading this book, along with the Word of God, will confirm some of your ideas, challenge others, and provide food for thought and interesting discussion.

plus shipping and handling, and sales tax (where applicable)

To order call 570-800-2191 or order online at www.afweb.org/stewardshipresources



YOUNG FAMILY FINANCE AND BUDGETING SEMINARS

AF holds financial seminars geared toward youth and young families. Topics include giving, saving, borrowing, spending, and working together in family finances. Our Budgeting Seminar offers practical advice in setting up a budget to help young people track their expenses, avoid financial pitfalls, and be good stewards.

If you're interested in hosting a seminar in your area, please contact Jason Sensenig at jasonsensenig@afweb.org or 570-468-1357.



"Whether we're making money, spending money, saving money, or even helping others, we must always start with the mindset that God owns all things and He is simply allowing us to enjoy them and to take care of them until He returns."
-from Family Finance seminar

DEACON SEMINAR

Are you serving as a financial counselor, church-appointed trustee, or ordained church leader? This seminar is designed for those who help other people with financial difficulties.

Millersburg, OH

Tuesday, June 14, 2022, at 8:30 AM
Heritage Community Center
3554 US-62, Millersburg, OH 44654

Goshen, IN

Thursday, June 16, 2022, at 1:30 PM
Fair Haven Amish Mennonite Church
13513 IN-4, Goshen, IN 46528

Arthur, IL

Tuesday, July 26, 2022, at 8:30 AM
Otto Center, 2058 Cr 1800e, Arthur, IL 61911

Memphis, MO

Thursday, July 28, 2022, at 8:30 AM
Hillcrest Community Center
State Rte M, Memphis, MO 63555

There is no charge for this seminar. Ordained brethren (bishops, ministers, deacons) and those who have served or are serving as financial trustees/advisors are welcome to attend free of charge in appreciation for their service to the church. Please let us know at registration if your wife is planning to come with you.

Call Sharolyn at 570-468-1326 or email: seminars@afweb.org to register or request a brochure of speakers and topics. You can also find the brochure online at afweb.org.

THE UNATTENDED COOKIE JAR

By Gary Garber, Anabaptist Financial Business Advisor



It was a nice, Anabaptist family business and a comfortable, Christian place to work in an open office environment with several employees. Everyone worked together well, shared life's events, and discussed the latest sermons and church happenings. Among the office staff was Brother Ivan. He was kind and cheerful—a bit on the shy side but a very good worker. Ivan had been there the longest and had “done it all” for the company. He used to work out on the job, but as he got older, he moved into the office. The office position fit him well, and he quickly became the go-to person because he knew every customer and knew how everything had been done since the beginning.

One day Ivan's fellow office worker gained enough courage to tell one of the owners, “I think we have a problem. There is money missing, and the only one who could be taking it is Ivan.” Initially the owner reeled with shock and disbelief. Then he moved logically to, “Of course we'll look into it, but there must be an explanation because Ivan wouldn't do that.” However, after some investigation, it became clear that Ivan had indeed been pocketing money when taking payments from customers.

At first Brother Ivan denied it. But after the facts were presented, he admitted he had gotten a little behind on some of his payments and “borrowed” a little money from the company one time. Always intending to pay it back, that first experience led to another, which led to another, until Ivan was caught in the spider web of deceit and theft. Unable to come to grips with what he was doing, Ivan went further and further down a road he thought he'd never consider taking.

The Big Word “Embezzlement”

“Embezzlement” means taking something that you were entrusted with that belongs to someone else. It is usually money but could be any asset such as materials, time, and products. In short, it is stealing. But it's even more serious and sinister than that, because it was stolen by the very person who was trusted to handle and care for it. While it often begins in a fairly small and simple way, as it did with Ivan in the above example, embezzlement typically grows more premeditated, willful, deceitful, and methodical, including a means of covering one's tracks so as not to be discovered.

In the Bible, Titus calls embezzlement “purloining” and urges servants to instead show “all good fidelity” to their masters, and in so doing, to “adorn the doctrine of God our Saviour in all things.”¹ Circumstances of embezzlement vary, but always we find the same theme—that of taking something not rightfully ours but which has been entrusted to our care. It is, therefore, a blatant violation and contradiction of the scriptural principle of stewardship.²

In the book of Acts, a husband and wife agreed to sell a property and give it to the apostles to share it with those having needs in the early church. Though the cause was noble, they were not required to give; rather, they were making a voluntary contribution. But they feigned that they were giving the entire property to the church when, in fact, they “kept back part of the price.” This was a purloining, or embezzlement, of something that was no longer rightfully theirs. They professed that it had all been given when, in fact, they had held some back for their own purposes. In a very short time, they had given their lives for lying “not . . . unto men, but unto God.”³

While this article is primarily directed to business owners more than to employees, it is important to remember that one of the best ways to prevent embezzlement is to realize what it is and how it happens. It happens simply because of the fallen nature of the human heart and a selfish lust within that manifests itself in a choice and an action such as embezzlement.⁴ Further, it happens in an environment conducive to hiding such an action. In other words, embezzlement is possible in the midst of a company with loose and ambiguous procedures regarding the handling of money.

Another way such actions get hidden is behind the mistaken belief that “it could never happen here.” In fact, it has happened repeatedly in many of our companies, and not all the examples involve employees—sometimes owners and partners embezzle from their own company!

¹ Titus 2:9-10

² 1 Corinthians 4:2

³ Acts 5:1-11

⁴ Mark 7:20-23 “And he said, That which cometh out of the man, that defileth the man. For from within, out of the heart of men, proceed evil thoughts, adulteries, fornications, murders, thefts, covetousness, wickedness, deceit, lasciviousness, an evil eye, blasphemy, pride, foolishness: All these evil things come from within, and defile the man.”

Continued on page 9 »

Preventing embezzlement involves creating an environment that prevents the possibility of choosing embezzlement. This includes both the awareness of its reality and the establishment of systems to prevent it from happening. These safeguard both the company and the people who work in it. No honest employees will ever resent procedures that keep their work conduct free of any opportunity for embezzlement, or any potential suspicion of it.

Who in the Company Embezzles

Embezzlement can happen at every level in the company.

Lower-level employees usually take small amounts—a little extra cash from the drawer, some office or shop supplies, an extra hour of overtime, gas, tools, or other things needed at home. These employees are the typical cashiers, mail openers, and workers with access to credit cards, company cash, and company accounts. These embezzlements can be difficult to detect due to the small amounts and the sporadic timing of the theft; however, with proper controls, even small thefts can be prevented.

Higher-level employees often have access to larger amounts of money and can more easily deposit company money into their own accounts, write themselves a check, or skim larger amounts of money. They can often hide it by falsifying company records. These employees are usually supervisors and managers with spending authority, employees who handle accounts receivable and accounts payable, office managers, and those who do the daily banking. It can be more difficult to detect this embezzlement because these employees can alter company records to cover up. But again, embezzlement can usually be avoided or made much more difficult with proper systems and controls in place.

The more challenging embezzlement schemes are when an employee works with a vendor to steal or when a partner is embezzling money and the other partner does not know it. Proper control procedures can make even these schemes difficult to pull off.

The Most-Trusted-Employee Problem

Owners will often say, or just have the sense, that “he is so dedicated and would never steal a dime from anyone. I would trust him with everything!” These are the employees who stay late to get something done, offer to help with extra projects, work longer hours, and go the extra mile. They can be your partner, your main office person, a shop worker, or the janitor. They are your brother or sister in the church, another Christian in the community, or a family member. They might be the kind, happy, look-you-in-the-eye

employee that every boss wants. It’s very important to remember that you will not be able to tell who is stealing from the business by what they look like or what they wear!

Why Employees Do It

Embezzlement occurs when there is:

- Need – a shortage of money or a desire to have more money
- Thrill – embezzlement happens for a thrill, similar to shoplifting
- Access – money handled often can be covered up when missing
- Opportunity – lack of interest in finances results in owners being too trusting
- Justification (excuses) – “I need it until payday” or “They don’t pay me enough anyway”

Embezzlement typically is not a complicated, sophisticated, or well-planned scheme. Instead, it often starts with a small, spur-of-the-moment theft when an employee is under pressure to pay for something, has access to cash, can justify it in his mind, and thinks he or she will return it before it is discovered. It may go something like this: “My house payment is due tomorrow, and I’m a couple hundred short; I can take this much and pay it back next payroll, and nobody will know.” If it works, that person may do it again next month when the house payment is due, but this time, they don’t repay it. If the person isn’t caught, it can easily escalate to ongoing, consistent, multiple thefts.

How Cash Embezzlement Happens

- Not entering a sale on the cash register or pocketing a customer’s payment
- Stealing cash from the cash register or the extra cash supply
- Not giving the full change back to retail customers
- Taking money or checks to the bank and depositing some in the company account and some into their own personal account
- Employees paying for personal items with company credit cards, on company accounts, or with company checks
- Employees double-paying a vendor invoice and depositing the extra payment into their account
- Depositing vendor payments in the employee’s account rather than sending it to the vendor (This is hidden by destroying correspondence from the vendor. If the

payment is for taxes, it is especially critical, because it is easy to identify letters from the government and destroy them, and it might be a long time before it is discovered.)

- Setting up fake employees to cover payments made to the embezzling employee.

Methods to Reduce Embezzlement

The best method to reduce theft of any kind is just good common sense. You wouldn't give your house keys to your employees and tell them to come and go anytime they want to. Instead, you keep the keys in your pocket or only give them to people when it is safe. This removes access and the opportunity for misuse. Here are some ways to reduce cash theft:

- Ensure extra cash supply is secured and not available to one person in private. The owner should handle all cash drawers and extra cash supplies.
- Have another person cross-check the cash in the drawer compared to the cash register record.
- The owner or another key employee could work near the checkout area, making it more difficult for a clerk to pocket extra money. Or you can install cameras near the cash registers. Watch for times when the drawer is opened without a customer around or any type of counting near the register, which indicates the employee is adjusting the cash reports. Also notice when customers are given their change.
- When any employee buys something with a credit card or on an account, they must sign the receipt, list the reason for the purchase, and turn the receipt in to the office. The owner should question any unusual purchase.
- Never use an owner's signature stamp and never use checks with a preprinted signature unless there is a procedure to stop unauthorized misuse!
- Have two people involved in vendor payments—one to write the check and attach the invoices to the check and the other—preferably the owner—to sign and mail the payment. A list of all payments should go to the owner who confirms, by checking the bank statement, that no other payments were made.
- Use the bank's Positive Pay service to confirm that the checks written by the company match the checks that came into the bank.
- Have two people involved in customer payments—one to post payment to the customer accounts and one to run a

report for the owner. The owner or another person should deposit the checks, and the owner should get the deposit slips and confirm that the amounts match.

- The owner should get the mail when possible. If another person gets the mail, it should not be the same person who posts customer payments to accounts or writes vendor checks.
- The owner should get the bank statement either online or mailed to their home and reconcile each deposit and check written with reports from the accounting system.
- Listen if a customer complains about employees not ringing up a sale or acting nervous.
- Watch for employees who are eager to work late, work by themselves, not take vacations, or fix things that look wrong in the company financials.
- Lock things up, reduce access to only the employees who need it, and create passwords and multiple levels of computer access.
- Watch for bills and coins that are out of place in cash drawers. This is often a method cashiers use to keep track of "extra money" they have accumulated from overcharging customers or shorting their change. At the end of their shift, they remove the extra cash and correct the misplaced bills and coins when they balance their cash drawers.

Principles That Can Stop Embezzlement

- Owners who stay actively involved in money items. Make anything dealing with money a high priority! Show concern, ask about customer payments, look at and sign outgoing checks, and ask questions when something is unusual. Fill in for cashiers and bookkeepers, sign checks and handle electronic funds transfers, make deposits, get the bank statement, reconcile money records, approve payroll transfers, and review credit card slips.
- Owners who are aware. Watch for unusual things around the company, such as employees working late, accountants making unusual transactions or corrections, material or expensive tools being stacked in odd places (especially near a door), good items in company dumpsters, and doors left unlocked.
- Two people involved in any money transaction, whether incoming or outgoing. One does part of the transaction and another does the rest, with the owner getting records from each person. This helps to rotate the work, or have the owner do parts of the process.

- Incoming mail never sorted by the person who handles money. The owner gets the mail when possible.

Of Course We Trust You!

Some owners don't want to implement controls, because it "looks like we don't trust our employees." But at the same time, they don't leave the doors to their shops hanging open and don't leave a pile of money lying around on the workbench. We trust our employees, but we still lock our doors and put our money in the bank. We trust our children, but we still watch the cookie jar!

A good way to start exercising control is to explain that we don't want any employees to be blamed for theft of any kind, and so to avoid this, we are implementing procedures for their protection.¹

An Amish business I know of had several years of success followed by years of declining profits and cash flow. Janette was the company's main bookkeeper and posted all customer payments, wrote and sent all checks, and did all the accounting entries. She had worked there for years, was on the management team, and had proved her value by her knowledge and the amount of work she did.

One day Janette was admitted to the hospital, so the owner's daughter filled in until Janette could return. A few days later she came to her dad and said, "We have a big problem!" In trying to discern how to do entries, she had stumbled upon checks written from the company checkbook that paid Janette's personal bills, and there were not just a couple entries; there were many over a period of several years!


The situation was turned over to an outside accountant to research and quantify the amounts. The final summary showed that Janette had been able to successfully embezzle more than \$750,000 over a period of several years! She had hidden it by changing the names of whom she wrote checks to, making it look like the payments went to the company's normal suppliers. Janette's hospital visit wasn't just a sickness—she was admitted for attempted suicide because of a company change she knew meant she would soon be caught. Surely our sins will find us out!²

Before leaving this subject, it is important to consider a couple of final things. One, since embezzlement proceeds from a heart of deceit, it is worth examining our own hearts. Though we may have never considered embezzling, we might need to consider other manifestations of deceit that we have permitted in our actions. Rather than simply

thinking with horror of the possibility that anyone could embezzle from our business, it is good to remember the waywardness of our own hearts and to recommit to our own repentance and walking in the light.³

Next, a discovery of embezzlement should be handled with great grace toward the offender. This does not mean with permissiveness but with a desire for the welfare and restoration of the embezzler. This could be very challenging when the reality of the situation unfolds. Yet, the manner in which a business owner responds may make a world of difference in whether an embezzler ends up in repentance or in the hospital. While never shielding the wrongdoer from the consequences of sin, an employer could still shine a bright light of testimony and draw forth a deep sense of gratitude and loyalty by helping an employee work through a process of correction and restoration.⁴

Both stories cited in this article were Anabaptist businesses that employ plain folks. They could be any business in your community. Both employees were highly trusted people valued by their employers. Ivan was a good brother in an Anabaptist church. Thankfully, he confessed openly and made everything right. Janette was a very trusted employee and friend of the other Amish employees. They even spent evenings in her home together. Both could be the person working beside you in your business—but both embezzled and stole from their employers.

Both businesses left the door standing open, the cash lying around, the keys available, and the cookie jar unattended, so to speak. Both embezzlements could have been avoided if the owners would have put in place some of the simple controls mentioned in this article. It's a benefit for all to pay attention and keep an eye on the cookie jar in our businesses. 

Moreover it is required in stewards,

**THAT A MAN BE
FOUND FAITHFUL.**

1 Corinthians 4:2



¹ Romans 12:17b "Provide things honest in the sight of all men."

² Numbers 32:23b "...be sure your sin will find you out."

³ 1 John 1:7 "...walk in the light, as he is in the light."

⁴ Galatians 6:1 "Brethren, if a man be overtaken in a fault, ye which are spiritual, restore such an one in the spirit of meekness; considering thyself, lest thou also be tempted."

55 Whisper Creek Drive
Lewisburg, PA 17837

* * Address service requested * *

Stewardship Connections ▪ Volume 15, Issue 2 ▪ May 2022 ▪ A quarterly publication of Anabaptist Financial

Website: www.afweb.org ▪ Phone: 800-653-9817 ▪ Fax: 866-230-6253 ▪ Email: info@afweb.org

Editorial Team: Merle Herr, Richie Lauer, Paul A. Miller, Floyd Miller (officers);
Rachel Mast (managing editor); Teresa Sommers (graphic designer)

Reviewers: Wayne Keim
Marvin Mast

NEED A TRUSTED BUSINESS ADVISOR?

Do you wish for input from a seasoned businessman for challenges you are facing in your business? Do you feel alone in your leadership decision making, planning, and vision? Our business advising services provide a confidential, safe place to address challenging issues and receive fresh vision and perspective.

**For more information, call Dave Swearingen
(Advising Administrator) at 570-309-0268 or
email: daveswearingen@afweb.org.**

