"Gain all You Can, Save all You Can, Give all You Can": An Exercise in Giving

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ABSTRACT: Theologically-informed approaches to giving are critical to faith-based business curricula, yet few resources are available for use in personal financial planning or other courses to expose students to the practice of giving. Based on a recently developed model of giving (Brister, Litton, Lynn, and Tippens, 2016), we offer background content for discussion and an exercise to catalyze thinking and practice about lifetime giving from a Christian perspective.

INTRODUCTION

Although business students at faith-based institutions generally are encouraged to participate in charitable giving, rarely are they provided with tools or exercises to explore giving in detail. Reflecting on John Wesley's (1872) famous dictum, "Gain all you can, save all you can, give all you can,"[1] we suspect that giving comes up short compared with saving and investing coverage in many Personal Financial Planning (PFP) and investments courses. Research on giving rates among North American Christian adherents suggests that giving pales in practice too from the expectations of many—ranging between two and three percent of gross income over the past five decades (Ronsvalle and Ronsvalle, 2014).

Our aim in this article is to provide a learning exercise for exploring and enhancing giving practices from a Christian perspective. We utilize concepts from a model of giving influences provided by Brister, Litton, Lynn, and Tippens (2016) and informed by other scholarly works emphasizing critical and theological reflection on financial topics (e.g., Adams, 2011; Adams and Schiller, 2015; Beed and Beed, 2014; Newell and Newell, 2012; Slaughter, 2016). The exercise invites students to identify practices which encourage lifetime giving, defined as "the voluntary sharing of financial and other resources over the lifecycle" (Brister et al., 2016). Students begin by contrasting aspects of investing and giving, and then proceed to explore different approaches to giving and the motivation and lifestyle choices required by each approach. We also provide discussion points utilizing concepts from behavioral economics that may further enhance giving. Because some calculations are required and previous knowledge of PFP is beneficial, the exercise fits best within an upper-level undergraduate PFP, philanthropy, capstone course, or in a graduate PFP course.

GIVING VS. INVESTING

We begin our exploration of giving by prompting students (for 5-10 minutes) to compare what they know about giving with investing. As the discussion unfolds, differences, similarities, and gaps in knowledge become apparent as may the potential relevance of financial insight and tools to giving. The contrast of investing and giving can occur across several dimensions such as those suggested in Table 1. It may help the students organize their thoughts and begin the discussion if the instructor first suggests some categories to compare, such as the ones provided in Table 1 (common advice for investors vs. givers, the motivations of the two groups, methods of researching investing or giving opportunities, etc.). In terms of advice, students may suggest saving early so funds can grow, or investing in a low-cost, diversified portfolio of assets consistent with the investor's level of risk tolerance and distance from retirement. Strategies such as "timing the market" may be discussed, as well as the use of traditional investments such as stocks and bonds, or "alternative" investments such as commodities, derivatives, and hedge-fund-like assets may be mentioned.[2] In contrast to this kind of detailed investment and financial planning advice, students may struggle to identify comparable advice on giving beyond "tithing" (which most biblical scholars conclude fails to achieve a contemporary biblical mandate; see Brister et al., 2016) and the counsel to "give cheerfully" (2 Cor 9:7) and other related suggestions.

Table 1: Investing vs. Giving*

Issue	Investing	Giving
Advice	• Start early • Low-cost, diversified portfolio • Evaluate risk tolerance and needs • (Don't) "Time the market" • Alternative vs. traditional investments	• Give cheerfully • Make it a priority (first-fruits) • Live like a steward, not an owner
Motivation	• Financial security • Give up today to achieve desirable outcome later	• Love neighbor as self • Give up today to achieve desirable outcome later (eternally?)
Research	• Consult trusted advisors • Reliable research and ratings	• Trust non-profit leaders • Systematic evaluations (e.g., GuideStar)
Value	• Financial return • Assets can be used for giving • Potential tax benefits	• Help others in need • Intangibles (spiritual benefits) • Potential tax benefits
Feedback	• Real-time, quarterly, and annual financial performance	• Annual reviews, often anecdotal
Failure	• Means less freedom	• Intangibles may remain regardless of effectiveness

*An example of a classroom discussion

When contrasting motivations for investing and giving, students may surface similarities and differences. Charitable giving often is a very different area of life for many people compared with investing.[3] Some givers are motivated by humanitarian concerns while others seek to be faithful to the teachings or expectations of their religious communities. Many have multiple reasons to give. Still others desire to give or feel like they should, but rarely do. Investing, on the other hand, is often motivated by financial security. It too, however, can be postponed due to immediate needs and desires. Both investing and giving may involve giving up something today in the hope of achieving a desirable outcome later, although the degree of sacrifice varies among givers and investors (Mt 6:19-20; Lk 21:1-4). Investing and giving can have long-range planning horizons—investors can have horizons as long as forty years or more, and some givers are more focused on long-lasting eternal rewards (Lk 16:19-31), in addition to the immediate benefits giving may offer for beneficiaries. In terms of feedback, financial organizations often distribute regular statements about investment performance. Charities, on the other hand, may communicate annually and, often, irregularly about the various activities and impacts of the charity. Performance data between the two is often quite different. Both investing and giving may provide tax benefits to the investor and giver.

In terms of value, some givers see the value of giving in the act itself—a "warm glow"—without regard to the efficacy of the gift, while investors often see the value of investing in terms of a reasonably good financial return over a period of time. As feedback, investors check their quarterly statements to ensure they understand their investment returns; givers less often track the impact of their gift. Investors are concerned about the risk of their investments; givers sometimes are less concerned about the success of a charitable project, or they assume the best in the absence of information. In terms of research, investors sometimes seek out information from trusted sources or reliable research about the best investments; givers often trust charitable organizations simply to do the right thing. Failure for an investor may mean fewer choices and possibly more years of work; success for an investor results in more choices in life and potentially fewer basic economic concerns. For the charitable giver, the difference between success and failure can be hard to evaluate. Although investment returns can be quantified, charitable "returns" or impacts are often more complicated and not always well defined. Even if a charitable donation "fails," the giver may still receive intangible and perhaps tangible benefits (1 Tim 6:17-19) even if others fail to benefit from the gift as the giver had hoped (Thornton and Helms, 2013). Newell and Newell (2012, p. 55) offer a contrast to these common practices, emphasizing the pivot from self-interest:

> Giving requires a very different mindset compared to other types of spending where, at its core, this different attitude requires believers to: 1) place giving first among their spending priorities and 2) give (generously, joyfully, and sacrificially) with the expectation of receiving absolutely nothing of tangible value in return.

In our experience, depending on the students' background, this first exercise may be a struggle for them. The more that students have already learned about investing, the easier this part seems to be. Discussing giving in detail may still be a challenge regardless. One potential benefit of this exercise is for students to become aware of a gap in their understanding of giving, a gap which the following exercise may help fill. Professors who want to allow for a less rushed experience may want to work through this discussion in an earlier class period, at which time they could also introduce the second part of the exercise to take place in a later class period.

GIVING APPROACHES

The second element is a hands-on exercise that offers students an opportunity to consider financial and theological aspects of various lifetime giving approaches. Students will need to be able to make simple financial calculations. The hands-on portion of the exercise can be completed during one class session or could be adjusted depending on total class time. If the professor desires for the class to wrestle with the analysis on a very detailed level or discuss and debate issues in depth, more time may be needed, but the following outline is a suggested teaching approach for professors in a 50-minute class session. Microsoft Excel® worksheets are available that provide additional detail for the base assumptions and the suggested quantitative answers for each giving style.

Introduction (5-10 minutes)

The professor should take a few minutes at the beginning of class to introduce and organize the exercise.[5] The class should be divided into groups of three to four students. Each group should be provided a handout that contains the group's assigned specific approach to giving to be followed in answering the assignment questions. (See Appendix A for a list of suggested giving approaches that can be used in the exercise.) We suggest that four of these approaches–spontaneous, tithe, progressive tithe, and giving avoidance–be the primary focus of the exercise, while the remaining approaches can be used in larger classes or for discussion purposes at the end of the exercise. Each group should also receive a brief set of common facts and assumptions for the "young professional" who will be the subject of the exercise (Appendix B provides an example handout). The professor may want to emphasize that these facts and assumptions are the same for all groups; only the giving styles differ. To avoid having students spend an inordinate amount of time on quantitative analysis, it may be helpful for students to be given access to the Microsoft Excel® spreadsheet behind the 5-year base assumptions shown in Appendix B.

This approach intentionally delays the discussion of different perspectives on charitable giving until later in the exercise. We believe this allows students the opportunity to develop their analysis without being swayed or sidetracked by other approaches. Some professors may prefer to introduce different views to frame students' thinking as they work through the exercise. We suggest emphasizing to students that they are not to take the liberty of altering the giving approach they have been assigned. Instead, they should do their best to play the role they have been given and flesh out their assigned giving approach as appropriate.

Group Analysis (10-15 minutes)

Each group will be asked to answer two or three major questions. First, if applicable, the group should identify any lifestyle changes to be implemented to more closely follow the assigned giving approach over time. Second, each group should calculate the total amount of giving of the young professional over the next five years based on the group's designated approach to giving. Appendix C (or the separate Microsoft Excel® worksheets) provides suggested answers based on each giving approach listed in Appendix A and the facts and assumptions in Appendix B.) Finally, the group should consider the motivations, strengths and possible weaknesses of its assigned giving approach. Students will use the discussion of this last question to prepare an argument for using their assigned approach to giving.
Depending on the focus of the class and skill level of the students, professors may need to assist some groups with the calculations of giving over the five years. Be sure to reserve sufficient time for groups to discuss the merits of their assigned approach and to prepare a brief presentation.

Group Presentations (15-20 minutes)

Each group should present to the class its conclusion as to the giving amounts of the young professional over five years while avoiding detailed explanations of their assumptions. If time allows, each group should make a good-faith argument as to why their assigned approach to giving is the best. We suggest placing a firm time limit of 2-5 minutes per team, depending on class size and time left in the class session, in order to reserve time for the wrap-up discussion.

Final Discussion (10-15 minutes)

In calculating the five-year giving of the young professional, the different groups will demonstrate the differences in overall giving, giving in different stages of life, and potential impact of giving. If time allows, the professor may want to let class participants discuss their different findings and ask questions of each other. If the class has not already done so, the professor may also want to ask students to evaluate the different approaches to giving.

There are many possible directions that this discussion could go. One could spend some time discussing topics explored earlier in this article: Similarities and differences between investing and giving, the meaning of sacrificial giving, or how marriage affects one's giving practices. Alternatively, the class and professor could further explore the theological basis of giving and stewardship, they could talk about how *financial* stewardship is only one facet of the equation, or they could discuss how one could make lifestyle decisions and take specific actions that would enable giving as calculated in the exercise. Some students may want to talk about where exactly these funds should go and in what proportion—perhaps a local church, parachurch organizations, or secular nonprofits. The professor may want to consider ahead of time which topics and points are the most important to address.

Of the many possible benefits of this exercise, two results stand out to us in our experience. First, students are forced to encounter giving decisions within a context of "real" dollars and real choices, and they are able to do this in a group environment where these issues can be discussed openly. Instead of parroting platitudes about the importance of giving, they must decide exactly how much their hypothetical character will give and what tradeoffs this person will make in order to do so. It becomes apparent that some or most students have not wrestled with these decisions in relation to a "real" paycheck before. Second, students encounter some approaches of giving that may be new to them, and some may begin to realize that their concept of how one should give was too limited. Students may look for the professor to endorse a single best approach to giving, but we try to let them do most of the work of identifying and discussing the pros and cons of each style.

BEHAVIORAL ECONOMICS

For advanced students, a potentially fruitful area for follow-up discussion would be to consider how insights from behavioral economics can alter giving practices, if time allows. These practices can be discussed in light of the giving approaches students explored. Much of the behavioral economics research suggests that reducing the pain of savings (or giving, in this case) through a variety of cognitive and behavioral approaches will increase savings (giving) behaviors. Students may be familiar with these concepts from academic literature or may be able to imagine applications from their own experience. As background to the discussion, we summarize several possible applications below.

Changing Ownership

Some research suggests that when individuals see money as dedicated to specific purposes, it encourages different spending and saving behaviors. Bradford (2015) found that individuals who saw money as a "moral resource" tended to economize and lessen spending on non-necessities. When money was viewed as a "social resource," luxury spending increased. If money is earmarked for giving or viewed as resources stewarded rather than owned, one may have less difficulty offering those funds as a charitable gift. A practical approach to this could be to use budgeting software and create a category or categories for giving, routinely designating funds for such a purpose.

Automating Giving

Much of the behavioral economics literature suggests that people tend to overestimate self-control. If decision making can be automated, savings behavior and total savings typically increase. Students might be asked how these insights might be applied to giving. From research on saving, Thaler (2015) found that auto-enrollment with opt-out and auto-escalation resulted in greater retirement savings than did requiring investors to make one or a series of decisions to contribute to their pensions. Additionally, Thaler and Benartzi (2004) found that individuals were willing to commit in the present to increased future donations—a concept called auto-escalation or Save More Tomorrow (SMT). Breman (2011) explored the same logic with Give More Tomorrow (GMT) and found that individuals were willing to commit more to giving in more distant time periods than they were when asked to give in the near-term. Relatedly, habit likely reinforces giving practices (Rosen and Sims, 2011).

In lieu of a default option to save, forced choice decisions also encourage saving behaviors. For example, Carroll, Choi, Laibson, Madrian, and Metrick (2009) found that when employees were forced to choose between one of two pension plans, participation and savings rates increased substantially. Extending these observations to giving, individuals might fix and budget for an amount they are giving over a time period (e.g., $100 per week) to minimize giving decision-making and automate giving in practice. Pre-authorized periodic contributions via one's bank account or credit card may also encourage more consistent giving. Givers could also pledge donations over long or distant points in time to increase commitment (e.g., via an annual or multi-year pledge), commit in advance to a progressive tithe whereby the percent given increases as income increases (Sider, 1977), and/or choose between, say, two options for giving—10% or 15% of after-tax income—rather than entertaining additional giving levels.

Linear and Cyclical Time

Tam and Dholakia (2014) offer a helpful perspective on linear and cyclical time. Linear time, as they define it, is characterized by past, present, and future behavior. Linear time occurs by thinking about future goals and determining the behaviors required in the present period to achieve them. In cyclical time, on the other hand, the future is considered a repeat of the present—whatever habits one has at present will be the ones practiced in the future, thus one tries to create habits now that will continue in future cycles. In linear time thinking, it is easy to fall short of desired savings behavior because future goals can seem quite distant. Cyclical time suggests that the present and future will be quite similar and thus more closely links present behavior with future outcomes. Tam and Dholakia (2014) found confirmation for this notion in that individuals with a cyclical time orientation saved more than those thinking of time linearly. Extending these concepts to giving, it is tempting to be overly optimistic about future giving (i.e. "If I won the lottery, I'd give it all away"), whereas cyclical giving suggests that I need to start giving now if I am going to be giving later. Consistent with this concept, a study by Fernandes, Lynch, and Netemeyer (2014) provides encouragement for students to begin (or continue) giving regularly right away, even in small amounts. They find that implementing a financial behavior in a "just-in-time" manner soon after studying it is much more likely to result in the desired permanent change. If students hope to become lifelong givers, there is no better time for them to begin than the present.

Lessening the Cost

Researchers have found that it is easier to forgo purchases than it is to give them up. Once we become dependent upon goods and services, we find it more difficult to live without them. Students can likely identify with this point and surface examples. Kahneman, Knetsch, and Thaler (1991) called this the "endowment effect." Added to this is the related finding that individuals resist cutting consumption in times of economic uncertainty more than they resist increases in consumption when income goes up (Bowman, Minehart, and Rabin, 1999). These findings suggest that in terms of giving, it is easier to earmark funds for giving at the outset and to live off the remainder. This is sometimes called a "first-fruits" offering and is a common concept in Christian practice (not inconsistent with laying in store—1 Cor 16:2: "On the first day of every week, each of you is to put aside and save whatever extra you earn, so that collections need not be taken when I come."). These findings are consistent with research from another angle which suggests that lowering the price of giving encourages giving behavior—research focused on federal tax policy and credits extended to donors (Andreoni and Payne, 2013). Several faith-based and general resources are available to help Christians budget so they can free up funds which can be earmarked for giving (e.g., Scandrette, 2013).

Students may challenge the idea that giving should be made easy: "Shouldn't giving cost something to be worthwhile? Isn't it supposed to be sacrificial?" One may point to the widow who gave all she had (Mk 12:41-44) or the Macedonian Christians who gave beyond their means (2 Cor 8:1-7). These passages raise important considerations about the heart and one's desire to give. As an example, consider this minister's observations (Johnson, 2015, n.p.):

> Across fifteen years of parish ministry in socioeconomically depleted communities, I've seen how offertory in worship is for many people an ultimatum. The decision to contribute results in having to deny self of something essential. Our tradition's teaching about sacrifice is simple: it is not a sacrifice if it does not cost you something. Sacrifice is not a sacrifice if doesn't deprive or leave you without something. Sacrifice is painful. Sacrifice is personal. Sacrifice is memorable. Inherent in sacrifice is an unavoidable sense of hurt, loss, or discomfort. The difference between contributing out of one's abundance versus poverty is an ability to remain comfortable. For example, an offering for the affluent may remove a zero or a comma in a bank account but not deplete it.

Several points could be explored here with students: what it means to give ourselves as living sacrifices (Rom 12:1) and particularly what that means in terms of money, whether giving should be voluntary and proportional (1 Cor 16:2; 2 Cor 8:3; 2 Cor 9:7), how faith is involved in determining giving amounts, how we balance responsibilities to family obligations with giving to others (1 Tim 5:8), and whether giving should be out of love and joy (Acts 20:35). In terms of regular, lifetime giving behavior, one way to consider the value of discomfort is to ask whether the same enhances saving and investment practices. Sacrificial giving need not always be painful ("It is more blessed to give than to receive" (Acts 20:35b)). If giving is painful and involuntary, there is likely something amiss, but giving that is voluntary despite pain and joyful despite sacrifice, the example of the Savior and a long tradition of teachings on the upside-down nature of kingdom economics, attest to these paradoxes.

Increasing the Benefit of Giving

Several lines of research suggest that psychological benefit or "warm glow" supports giving (Andreoni and Payne, 2013; Bekkers and Wiepking, 2011). A warm glow effect has been linked to several factors including feedback for reaching giving goals, perceiving that one is making a difference, or the absence of receiving tangible rewards for giving--something called "motivational crowding out" since rewards reduce the perceived altruistic nature of the gift (Andreoni and Payne, 2000; Bowles and Hwang, 2008). Research also suggests that a positive view of giving and the impact of the gift increases thinking about giving and giving behavior (Benartzi and Thaler, 2007; Botti and Iyengar, 2004; Kogut and Dahan, 2012). Here again, it can be debated whether a warm glow, public acknowledgement, or other forms of personal gain diminish the gift, or how the efficacy of the gift—its actual impact--compares with the value of giving, irrespective of its impact on the beneficiary. Matthew 6:2-4 may be relevant in discussing motivation, practice, and impact on the giver and others:

> "So whenever you give alms, do not sound a trumpet before you, as the hypocrites do in the synagogues and in the streets, so that they may be praised by others. Truly I tell you, they have received their reward. But when you give alms, do not let your left hand know what your right hand is doing, so that your alms may be done in secret; and your Father who sees in secret will reward you."

Relevant to this discussion may be the concept of "existential gift." Frémeaux and Michelson (2011) argue that giving can be viewed as actual gift rather than an exchange--that no strings are attached in terms of expectation of subsequent treatment, favors, or acknowledgments.

Family Dynamics

Finally, somewhat marginal to behavioral economics but worth mentioning is research which incorporates household dynamics in giving. Andreoni and Payne (2013, p. 14) highlight some examples illustrating various configurations of couples in giving:

> One could imagine a number of scenarios about how couples treat giving differently than individuals. For instance, if the couple shares the same tastes, and charitable giving could be seen as an enjoyable joint activity the couples do together. This could make couples give more to charity than individuals, and do so together. However, suppose that the couple disagrees either about the size or type of gifts. For example, one wants to support the homeless while the other prefers the opera. This might result in the couples bargaining with each other but making donation decisions jointly that effectively monitors or reins in each other's spending. Another alternative is that one spouse may have stronger feelings about charity, better information, stronger social reasons (like giving at work), or lower transaction costs (like payroll deductions) that lead spouses to delegate giving to one spouse. Finally, imagine a household where spouses keep separate finances. These spouses are likely to make independent decisions on giving.

Giving Approaches

Finally, in addition to behavioral economics, several methodologies for giving are available in Christian (e.g., Scandrette, 2013; Sider, 1977) and popular (Arrillaga-Andreessen, 2011; Friedman, 2013; Frumpkin, 2006) literature. (For a detailed description and argumentation, see Brister et al., 2016.)

CONCLUSION

We have used this exercise successfully in a PFP course and received positive feedback about the way it encouraged students to consider approaches, challenges, and techniques in giving. We believe the value of the discussion and exercise is not primarily derived from detailed quantitative analyses, although those can be beneficial in their own way. Benefits rather accrue to students who take seriously the question of what it means to develop the practice of giving, even sacrificial giving, and to weave this into one's real life with real dollars and assets. While many students, especially at faith-based institutions, have heard the mantra that giving to God should be a priority, our hunch is that students have likely spent more time thinking about the details of investing for retirement than they have planning for a lifetime of giving. (Some have done neither.) Thinking through their giving strategy on a very practical level may help them on their path to becoming lifetime givers, especially if it starts them off on the right foot as they make countless decisions about earning, saving, and giving. Of course, as with any exercise such as this—and as linear and cyclical thinking reminds us—planning to do something "big" in the future is much different than actually doing it. Hopefully students will gain a clear-eyed plan for their future of giving as well as the belief that God will bless, in His way, their faithful giving.

ENDNOTES

[1]Note that Wesley spends a great deal of effort providing restrictions and cautions for how a Christian should go about gaining all they can. He gives several specific examples of activities that may harm the soul or body of the believer or one's neighbor and should therefore not be pursued. In addition, when Wesley encourages hearers to "Save all you can," he is not referring to putting one's money in the bank or a retirement savings account. He is exhorting them to avoid wasting money on luxuries, attempting to impress others with conspicuous consumption, or showering their own children with too much wealth.

[2]As support for investing advice like this, O'Donnell (2010) encourages readers to start investing early in a low-cost, diversified portfolio. He mentions commodities as a possible investment, but only as a small fraction of the portfolio. Pollock (2014) cites a mutual fund manager who is worried about high stock prices and is invested largely in cash. Some investors would call this "market timing."

[3]Contrasts between giving and investing occur regardless of whether individual or institutional actors are considered (Anheier and Leat, 2006). Introducing the latter can add an interesting nuance to the discussion.

[4]The Excel® spreadsheets are available from the first author.

[5]As mentioned earlier, professors can introduce the exercise and/or distribute the handouts prior to class if time is a concern.

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Appendix A: Assigned Giving Styles or Approaches

Instructions to the Professor: Distribute only *one* of these defined giving styles or approaches to each group, although in larger classes multiple groups may be given the same assigned giving style.

1. "Spontaneous" Style: You are Sarah

Sarah's preferred style of giving is one of spontaneity. She likes to be able to give to people and to causes that come her way, and she believes that the Holy Spirit brings these opportunities to her. She believes that if she were to try to follow a "legalistic" rule of giving a set percentage of her income, she would not be free to participate in the kinds of gifts she has been able to give in the past. When Sarah has a strong emotional connection with a person and/or cause, she finds giving to be a very fulfilling practice. Putting some money in the plate at church does not usually generate that same feeling of satisfaction, but if she feels moved to give at church, she does.

2. "Tithe" Style: You are Terry

Terry has always been taught to tithe and he believes that this is how God expects him to give. He does his best to give 10 percent of his income to church, but his current circumstances are such that he can't quite give 10 percent of his gross salary. He remembers his minister saying that giving 10 percent of after-tax income is still a good tithe, and he hopes to do that at least. Terry takes seriously Paul's instruction in 1 Timothy 5:8: "And whoever does not provide for relatives, and especially for family members, has denied the faith and is worse than an unbeliever." Terry believes that tithing is a prudent way to be generous while still providing for his own needs and those of his relatives as necessary.

3. "Progressive Tithe" Style: You are Priscilla

Years ago Priscilla learned about "progressive" or "graduated" tithing, and she always aspired to live that way. The way it was explained to her, as we become more productive in our jobs and also grow in our faith, we can devote a larger and larger share of our growing salary for God's work in this world. So while she may only give 10 percent of her income now, the next time she gets a raise, she will not raise her standard of living accordingly and will give a larger amount of that extra pay to her church. For example, she might give 11 percent of her income next year, 12 percent the following year, and so on. She would still live on more money each year, assuming that she earns more, but a higher percentage of that increase would be offered to God.

4. "Giving Avoidance" Style: You are Adam

While Adam is a believer and attends church regularly, he thinks that giving is overemphasized in his church. As long as his heart is in the right place, he believes there is no reason that he has to give some fixed amount to the church or anyone else. After all, God does not need his money--He created the universe! He knows of many cases where churches have not used their money well, so he is hesitant to give unless he is sure that the money will be used correctly. That is one reason why he also rarely gives money to strangers who might ask for help. Another reason he rarely gives to strangers is that he has learned that his generosity may actually lead to dependency, ultimately making things worse. But in order to encourage the people around him, he sometimes puts a few dollars in the collection plate at church.

5. “Bequest” Style: You are Bree

Bree clearly remembers the story of a faithful Christian woman who never made much money in life, but who was very frugal and diligent about saving it. When the woman passed away at the age of 88, she left most of her estate, worth millions of dollars by that time, to the Christian college that Bree attended. She was impressed that people of average means have the ability to do something so wonderful, although it is so rarely done. She aspires to be very much like this woman. She plans to invest systematically throughout life and leave a significant amount to various causes upon her death.

Note: For the purposes of comparison in this exercise, treat the total amount that Bree saves for later giving as “given over 5 years.” Of course, please note that in actuality there is a tremendous difference between “saving for later giving” and “giving!” If anyone in your group is comfortable calculating a future value (with compound interest), feel free to impress the other groups with an estimated future value of this saved amount if it were invested wisely for 50 years, earning 7% annually, instead of given away in five years’ time.

6. “Simple Living” Style: You are Sam

Sam grew up around some Christians who had a very simple lifestyle. They did not always have the latest gadgets or fancy clothing and they tended to live in smaller, simpler homes. This kind of lifestyle made it possible for these people to be very generous with what they did have and this always impressed him. While he did not grow up that way, he aspires to live in a similar way even though his current environment is much different than the one in which he grew up.

Appendix B: Scenario and Assignment

Base Scenario

You are a new college graduate who has just started working at your first full-time job. You are single and live in a large city. Your office is downtown, and you often encounter people on the street who ask you for help. Your gross annual salary for the coming year is $35,000 per year; after taxes, your salary is $30,000. (This figure and the following ones are rounded; see the spreadsheet below for the exact numbers.) Your take-home pay (after taxes and deductions for retirement savings and health insurance) is $25,000 per year. After rent, food, transportation, student loan payments, and some other basic expenses are accounted for, you will have $3,000 available on an annual basis for other activities such as saving and giving. It is possible for you to adjust your lifestyle to change this discretionary income number of $3,000, but of course it would take some time and effort for you to increase it.

You like your career and cannot imagine doing anything else at this point. You believe that it would be reasonable to expect your salary to increase five percent each year on average for the next four years.
You are part of a congregation in which money and giving are frequently discussed. You have noticed that some of your friends at church are very generous givers. You have always thought of yourself as such a giver, but you now wonder, are you really?

Assignment

1. What changes, if any, are you going to make to your lifestyle in order to live according to your assigned style of giving? If you plan to make changes, be sure to take into account the difficulty of following through with these changes. If possible, identify the methods or practices that you will follow that will enable these lifestyle changes, if any.
2. In line with your assigned giving style, how much will you give in total over the next 5 years? Make any reasonable assumptions that are necessary in order to calculate this number, and document these assumptions. Be ready to share only the key assumptions with the rest of the class as needed.

   [Memory refresher: recall that in order to calculate an amount that increases from one year to the next, you should first convert the percentage change to a decimal (e.g., +5% becomes 0.05), then add that decimal to one, and then multiply that result by the previous year's number. For this exercise it is acceptable to assume that take-home pay increases at the same rate as gross pay, so $25,000 of take-home pay may grow to (1+ 0.05) × 25,000 = $26,250 in the second year.]

3. Based on your assigned giving style, what do you think are your motivations for giving, and what are the strengths and potential weaknesses of your approach to giving?

Assumptions—Spreadsheet

			Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Salary			$ 35,000	$ 36,750	$ 38,588	$ 40,517	$ 42,543
401(k) contribution		7%	$ (2,450)	$ (2,573)	$ (2,701)	$ (2,836)	$ (2,978)
Health insurance			$ (1,950)	$ (2,048)	$ (2,150)	$ (2,257)	$ (2,370)
Fed income tax withholding			$ (2,614)	$ (2,744)	$ (2,882)	$ (3,026)	$ (3,177)
SS/Medicare withholding			$ (2,528)	$ (2,655)	$ (2,787)	$ (2,927)	$ (3,073)
Annual Take-home			$ 25,458	$ 26,731	$ 28,067	$ 29,471	$ 30,944
After-tax pay			$ 29,858	$ 31,351	$ 32,918	$ 34,564	$ 36,292
Rent/Utilities	$700	per mo.	$ (8,400)	$ (8,820)	$ (9,261)	$ (9,724)	$(10,210)
Food	$400	per mo.	$ (4,800)	$ (5,040)	$ (5,292)	$ (5,557)	$ (5,834)
Transportation	$300	per mo.	$ (3,600)	$ (3,780)	$ (3,969)	$ (4,167)	$ (4,376)
Student loans	$300	per mo.	$ (3,600)	$ (3,600)	$ (3,600)	$ (3,600)	$ (3,600)
Misc. (clothing, personal care)	$165	per mo.	$ (1,980)	$ (2,079)	$ (2,183)	$ (2,292)	$ (2,407)
Discretionary income			$ 3,078	$ 3,412	$ 3,762	$ 4,131	$ 4,517
Annual discretionary income increase				10.8%	10.3%	9.8%	9.4%
Spending increase assumption				5%	5%	5%	5%

Optional discussion questions:

1. Is all giving alike? (For example: providing a meal for others, donating money to a local opera for a new building, offerings at church, or giving someone in apparent need a $5 bill?)
2. How should we decide where to allocate the money we give?
3. For those without much disposable income, are gifts of one's time a reasonable substitute for monetary donations?
4. Many of us give less than we aspire to give. What cognitive/behavioral tactics can be used to ensure giving goals are reached?
5. How should a household make decisions on giving? What if a husband and wife disagree about the amounts or recipients of the family's giving?
6. Based on the exercise (once all giving approaches have been defined), which style(s) of giving do you think is/are better? Why?

Appendix C: Suggested Quantitative Answers

1. "Spontaneous" Style: You are Sarah

Due to the nature of this style, no two answers are likely to be the same. One could assume very minimal giving, such as, $100-200 per year, or $500 over 5 years. Alternatively, one could assume much more, such as half the amount of discretionary income, as the example below illustrates:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total Over 5 Yrs
Annual giving	$1,539	$1,706	$1,881	$2,065	$2,259	**$9,450**

2. "Tithe" Style: You are Terry

No lifestyle changes are assumed, yet there are different ways to calculate one's tithe, so a range is provided below:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total Over 5 Yrs
10% tithe of gross income	$3,500	$3,675	$3,859	$4,052	$4,254	
10% tithe of take-home pay	$2,546	$2,673	$2,807	$2,947	$3,094	
Discretionary income	$3,078	$3,412	$3,762	$4,131	$4,517	
Annual giving (take-home)	$2,546	$2,673	$2,807	$2,947	$3,094	**$14,067**
Annual giving (gross)	$3,078	$3,412	$3,762	$4,052	$4,254	**$18,558**

Note: Without a lifestyle change, it is not possible to give a full 10 percent of gross pay in years 1-3 because of the discretionary income constraint.

3. "Progressive Tithe" Style: You are Priscilla

There are many different ways to implement progressive tithing. One approach (increasing the percentage given by one percent each year) is below. (Therefore there are valid answers above and below the range provided.) A key step here is to assume that (and live in such a way that) expenses do not increase as quickly as income. Expenses increase 5% annually in the base case, but assume annual spending growth of only 2% in this scenario.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	
Salary	$35,000	$36,750	$38,588	$40,517	$42,543	
401(k) contribution	$(2,450)	$(2,573)	$(2,701)	$(2,836)	$(2,978)	
Health insurance	$(1,950)	$(2,048)	$(2,150)	$(2,257)	$(2,370)	
Fed income tax withholding	$(2,614)	$(2,744)	$(2,882)	$(3,026)	$(3,177)	
SS/Medicare withholding	$(2,528)	$(2,655)	$(2,787)	$(2,927)	$(3,073)	
Annual take-home	$25,458	$26,731	$28,067	$29,471	$30,944	
After-tax pay	$29,858	$31,351	$32,918	$34,564	$36,292	
Rent/Utilities	$(8,400)	$(8,568)	$(8,739)	$(8,914)	$(9,092)	
Food	$(4,800)	$(4,896)	$(4,994)	$(5,094)	$(5,196)	
Transportation	$(3,600)	$(3,672)	$(3,745)	$(3,820)	$(3,897)	
Student loans	$(3,600)	$(3,600)	$(3,600)	$(3,600)	$(3,600)	
Misc. (e.g., clothing)	$(1,980)	$(2,020)	$(2,060)	$(2,101)	$(2,143)	
Discretionary income	$ 3,078	$3,975	$4,929	$5,941	$7,016	
Annual discretionary income increase		29.2%	24.0%	20.5%	18.1%	
Spending increase assumption		2%	2%	2%	2%	
Fed income tax withholding rate (kept constant)	-8.5%					
Giving calculations						
Discretionary income	$ 3,078	$3,975	$4,929	$5,941	$7,016	
Progressive tithe percentage	10%	11%	12%	13%	14%	
Progressive tithe of gross income	$ 3,500	$4,043	$4,631	$5,267	$5,956	
Progressive tithe of take-home pay	$ 2,546	$2,940	$3,368	$3,831	$4,332	
						Total Over 5 Yrs
Annual giving (take-home)	$2,546	$2,940	$3,368	$3,831	$4,332	**$17,018**
Annual giving (gross)	$3,078	$3,975	$4,631	$5,267	$5,956	**$22,907**

Note: Without a lifestyle change, it is not possible to give a full 10 percent of gross pay in years 1-2 because of the discretionary income constraint.

4. "Giving Avoidance" Style: You are Adam

Due to the nature of this style, no two answers are likely to be the same. One could assume very minimal giving: $50 per year, or $250 over 5 years. Or one could assume a little more: $1,000 per year, or $5,000 over 5 years. Or anything in between (or above or below).

5. "Bequest" Style: You are Bree

There are many different ways this could be done. One issue to address is how much will be given away now and how much will be invested for later gifts. This solution assumes that a total of 10% of after-tax income is allocated for giving: Half of it is given away now, and half is invested over the next 50 years at a 7% return, as illustrated below:

	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Total Over 5 Yrs.**
10% of after-tax pay	$2,986	$3,135	$3,292	$3,456	$3,629	
Percent given immediately	50%	50%	50%	50%	50%	
Amount given immediately	$1,493	$1,568	$1,646	$1,728	$1,815	$8,249
Amount invested	$1,493	$1,568	$1,646	$1,728	$1,815	$8,249
Annual Giving (partially invested)	**$2,986**	**$3,135**	**$3,292**	**$3,456**	**$3,629**	**$16,498**

	Yr 1 investment	**Yr 2 investment**	**Yr 3 investment**	**Yr 4 investment**	**Yr 5 investment**	**Total investment**
Years invested	50	49	48	47	46	**Total Over 50 yrs.**
Future value (in 50 years) of invested amounts	$43,976	$43,154	$42,348	$41,556	$40,779	**$211,814**

6. "Simple Living" Style: You are Sam

There are obviously many different ways to live simply. This is one approach. Assume that over the next year, Sam moves into a less expensive home and/or adds a roommate or two. Also assume less prepackaged food and fast food, and assume more use of public transportation, etc. However, assume an acceleration in debt reduction: perhaps only a few student loan payments remain after 5 years. When these payments are complete, this will free up more money to distribute to others and save for any necessary upcoming purchases. Details are provided in the table below.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total over 5 yrs.
Salary	$ 35,000	$ 36,750	$ 38,588	$ 40,517	$ 42,543	
401(k) contribution	$ (2,450)	$ (2,573)	$ (2,701)	$ (2,836)	$ (2,978)	
Health insurance	$ (1,950)	$ (2,048)	$ (2,150)	$ (2,257)	$ (2,370)	
Federal income tax withholding	$ (2,614)	$ (2,744)	$ (2,882)	$ (3,026)	$ (3,177)	
SS/Medicare withholding	$ (2,528)	$ (2,655)	$ (2,787)	$ (2,927)	$ (3,073)	
Annual Take-home	$ 25,458	$ 26,731	$ 28,067	$ 29,471	$ 30,944	
After-tax pay	$ 29,858	$ 31,351	$ 32,918	$ 34,564	$ 36,292	
Rent/Utilities	$ (8,400)	$ (4,800)	$ (4,896)	$ (4,994)	$ (5,094)	
Food	$ (4,800)	$ (3,600)	$ (3,672)	$ (3,745)	$ (3,820)	
Transportation	$ (3,600)	$ (2,400)	$ (2,448)	$ (2,497)	$ (2,547)	
Student loans	$ (3,600)	$ (6,480)	$ (7,128)	$ (7,841)	$ (8,625)	
Misc. (clothing, personal care)	$ (1,980)	$ (1,440)	$ (1,469)	$ (1,498)	$ (1,528)	
Discretionary income	$ 3,078	$ 8,011	$ 8,455	$ 8,895	$ 9,330	
Annual discretionary income increase		160.3%	5.5%	5.2%	4.9%	
Spending increase assumption			2%*	2%*	2%*	
Fed. income tax withholding rate (kept constant)	-8.5%					
Giving calculations:						
Discretionary income	$ 3,078	$ 8,011	$ 8,455	$ 8,895	$ 9,330	
Percentage of discretionary income given away	90%	70%	70%	70%	70%	
Annual giving	$ 2,770	$ 5,608	$ 5,918	$ 6,227	$ 6,531	**$ 27,054**

**Shaded cells contain spending changes that do not match spending increase assumptions.*