Diocese of Derby
THE CHURCH OF ENGLAND

CCLA

# IMPORTANT

# THE CHURCH'S MONEY

This Financial Promotion has been published jointly by CCLA and the Diocese of Derby

A stark contrast exists between the very low returns earned from cash deposits and the higher rates from various other investments.

Rates are so low, even if we save all the interest we earn from a deposit account and spend none of it on our church, inflation makes our savings worth less and less. Worse – these conditions are likely to persist for some time to come.

The best protection from inflation is to invest in real assets such as shares and property. But the price to be paid for this is short and medium term uncertainty: if you want your money back in the next few months (or even the next few years) you cannot be confident that you will get back as much as you invested.

**What should we, as good stewards, do?**

**Step 1**
Be clear how the Church's money is meant to support mission – because only then can we identify what it has to do and, just as important, what it must not do.

**Step 2**
Ensure money expected to be spent soon is secure and available when needed. Money that isn't, but is meant to earn an income (Permanent Endowment for example) should be allowed to experience fluctuations in value in return for a reasonable and growing income.

**Step 3**
Take a cold blooded view of how much is really needed as a reserve. Money held as a reserve against contingencies is money we prefer to keep available as cash, but at the same time hope not to spend. But remember: if nothing bad happens, the deposit you haven't required has had its real value eroded and it will continue to do so as each year passes.

That means a good hard look at what are the contingencies against which you are holding cash? How likely are they? What might they cost? How much notice might we get?

Looking at the rates paid by the CBF Church of England Deposit Fund at the end of September 2015 with £10,000 on deposit at 0.5% a parish earns £50 in a year. By committing even a small proportion of cash to the CBF Investment Fund a parish would improve their income.

The CBF Investment Fund has a higher income than the Deposit Fund and in addition, over time has produced greater capital values. However it should only be considered for long term investments given that capital values can go down as well as up over shorter time periods.

**Example 1**
Shifting just a quarter to the Investment Fund means the £10,000 earns overall 1.37% p.a. – more than twice the amount from deposit alone.

| | |
|---|---|
| £7,500 on deposit at 0.50% p.a. | Earns £37.50 p.a. |
| £2,500 invested at 3.99% p.a. | Earns £99.75 p.a. |
| £10,000 | £137.25 p.a. |

**Example 2**
With half the total in the Investment Fund income rises to 2.24% or over three times the rate from deposit alone.

| | |
|---|---|
| £5,000 on deposit at 0.50% p.a. | Earns £25.00 p.a. |
| £5,000 invested at 3.99% p.a. | Earns £199.50 p.a. |
| £10,000 | £224.50 p.a. |

**Example 3**
If you could move three quarters of monies available to the Investment Fund, income would overall rise to 3.11% p.a. or over 6.2 times the rate from deposit alone.

| | |
|---|---|
| £2,500 on deposit at 0.50% p.a. | Earns £12.50 p.a. |
| £7,500 invested at 3.89% p.a. | Earns £299.25 p.a. |
| £10,000 | £311.75 p.a. |

Interest rates are expected to remain at exceptionally low levels for some time to come – maybe a period of years. Taking action now to support income is prudent for long term investment.

This note gives only a small number of examples of the strategies available and so if you have any questions or would like more information please contact our Client Services Team at clientservices@ccla.co.uk, or call Freephone 0800 022 3505 or Bruce Crawford, Client Director, (bruce.crawford@ccla.co.uk).

CCLA invests money for more churches and charities than any other fund manager in the UK. Our wide range of pooled funds covering cash, fixed interest, equities, property and balanced funds enables us to meet the needs of organisations of all sizes. Details of these various funds can be found on our website www.ccla.co.uk

Specifically for the Church of England, the CBF Church of England Deposit Fund is meant for Churches' money that will be spent soon or may be required at short notice. It is managed to provide security, liquidity and a competitive rate of interest.

The CBF Church of England Investment Fund is suitable for parishes' long-term funds. It is designed to deliver attractive, growing income from a highly diversified and well-balanced spread of investments. It follows the Church of England's ethical policy. The Fund's shares are intended only for long-term investment and are not suitable for money liable to be spent in the near future.

The Investment Fund's yield is based on the mid market price as at 30/9/2015 and an estimated annual dividend of 51.72p The Fund's shares and the income from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns.

Investors are not certain to make profits; losses may be made. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

Nothing in this document should be deemed to constitute the provision of financial, investment of other professional advice. Investors should seek advice as to the suitability of investments.

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