INVESTING INTRUTH

A Simple Change That Can Transform Ministry

When you're no longer here to spend your retirement savings, would you rather see a large portion of that money go to the IRS or be used to take the Gospel to those who have not heard? That's actually a choice that everyone with a retirement plan gets to make, and while the majority of Americans have some form of retirement account, few take the time to consider the eternal implications held in those accounts. Consider this, according to the Investment Company Institute, there is currently over $48 trillion saved in American retirement plans as of the end of 2025[1]. This generation has the resources to fund the Great Commission and it can largely be done with money left behind once we're no longer here to spend it.

Biblical Perspective

We need to start with a Biblical perspective of our money, specifically our retirement savings. During our working years, we often set aside a portion of our income in order to provide for our family when we can no longer work (1 Timothy 5:8). In fact, about 69% of retiree income comes from personal savings and assets[2]. This is a Biblical reason for saving. But what happens once we are gone and our original purpose for that money no longer exists? That's when our retirement plan becomes an extraordinary stewardship opportunity. When we have retirement money left, we should view that as God's goodness in providing more than we needed and look for the best way to give that excess back to Him.

> "But if anyone does not provide for his relatives, and especially for members of his household, he has denied the faith and is worse than an unbeliever."
>
> – 1 Timothy 5:8

Planning Opportunity

As we take a look at where everything will go when we're gone, we have two basic choices. First, we can resort to the default choice and leave some or all of it to our children or family members for them to steward in our place. With this approach, we need to be very careful that we don't do more harm than good because wealth isn't always a blessing. Secondly, we can invest some or all of it into ministry for the purpose of stewarding the Gospel. If we have been faithful supporters of ministry in life, it should be expected that we would also have a desire to do that in death as well. In all likelihood, we will choose to leave some to each option. The question then comes down to which assets we leave to family and which ones we give to ministry. This choice does matter.

Traditional retirement plan assets (IRA, 401k, 403b, annuities) are some of the worst assets to leave to our children from a tax perspective. Most assets can be passed to our heirs without tax consequences, but because of the tax-deferred nature of traditional retirement plans, these assets carry an income tax burden with them. Just as we pay taxes on the withdrawals we take in retirement, our beneficiaries will also pay income tax as they are forced to withdraw money from the accounts. For this reason, most retirement plans aren't worth as much to our heirs as the balance on the statement shows.

However, when retirement plans are left to a tax-exempt ministry, those income taxes are completely avoided. This can be huge when you consider the top federal tax rate is 37% in addition to state and local taxes. Bottom line: on a $600,000 IRA, you could have $240,000 going to the IRS or all $600,000 going to Gospel ministry (see case study below). In high net worth cases, there could also be estate taxes that could have the amount going to the IRS in excess of 70%.

[1] Investment Company Institute (https://www.ici.org/statistical-report/ret_25_q3_data.xls)
[2] Source: Social Security Administration, https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

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In order to better understand this strategy, consider the following case study:

CASE STUDY

Alex and Debbie Smith have two grown children and five grandchildren. Since their children are grown and already providing for their own families, Alex and Debbie would like to leave a modest inheritance to them as a blessing, but also include their church and a local mission organization in their estate plan as a way to invest in those ministries as well.

Estate Plan

After sitting down with their advisors, Alex and Debbie decided they would leave their home, bank accounts and a non-retirement mutual fund account to their children since they are able to pass those assets to their children without income taxes.

They plan to use their IRA account to pay for living expenses during retirement. Alex and Debbie have decided to name each other as primary beneficiaries to help provide for the surviving spouse. They have also chosen to name their church and the mission organization as secondary beneficiaries on the IRA so that when they are both gone, anything left could go tax free to the ministries they have always supported.

How It Played Out

Alex passed away first, so all of his assets passed to Debbie, including the retirement account since she was the primary beneficiary. Their savings continued to pay for her living expenses. Here's what the estate looked like at the time of Debbie's death:

Estate Assets:

Home	$350,000
Bank Accounts	$20,000
Mutual Funds (non-retirement)	$150,000
Traditional IRA	$600,000
Total Estate	**$1,120,000**

Results

The non-retirement assets totaling $520,000 will be split between their two children, giving each of them an inheritance of $260,000 free from taxes.

The Traditional IRA will be split between the charitable beneficiaries on the account with 75% going to their church ($450,000) and 25% going to the local mission organization ($150,000), all free from taxes. With the money from the Smiths, the missions organization was able to fully fund a translation of the Bible for an unreached people group and cover the startup costs of seven missionary families, while the local church started a pastoral residency program for training up future leaders. Each ministry was transformed by this unexpected gift.

Had the Smiths left their IRA assets to their kids, up to 40% or more ($240,000+) would have been lost in taxes to the IRS. Instead, they've avoided those taxes by directing the retirement accounts to ministry. The best part about this type of planning is that it's one of the simplest forms of estate planning you can do since it only requires a beneficiary designation to be made on the retirement account and it can be updated at any time. It's remarkable to think that all of this Gospel work happened because of one family's decision to give their excess back to God's work.

Conclusion

Is your passion for the Lord's work reflected in your estate plan? Directing your leftover retirement savings to ministry is a tax efficient planning tool and an easy place to start. Consider the massive impact the body of Christ could make if everyone left even a portion of their unused retirement assets to the ministries they're passionate about. The cost to us is small and the impact for the glory of God could be enormous.

If you're ready to learn more about the impact you could make for the Kingdom, ask your tax, legal or financial advisor about your situation and reach out to your favorite ministries.

***As with all financial planning strategies, no single plan is for everyone. Seek wise and godly counsel before making any decisions.
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