

Guidance Notes for Churches Considering Managing Their Own Investment Portfolios

Custodian Funds – Deposits

Where the Association is holding funds that have been deposited by a member church, the local church Charity Trustees can ask for them to be returned at any time. However, the Association has produced this guidance note to inform the church about issues to consider when planning any new arrangement for the management of their investment portfolio.

The Charity Trustees need to consider carefully the wisdom of this move. The church will need to take independent financial advice particularly if they are planning to buy investments or choose an investment product. If there is a church member who is a professionally qualified Financial Advisor then it may be appropriate to ask that person to manage the investments or advise the Charity Trustees on this matter. However, whatever arrangements are made there should be a formal Agreement not an informal arrangement. Even if the individual works within the context of a firm that offer financial advice it would be important that the church had a relationship with the firm not just with the individual to reduce the risk of misunderstandings or miscommunication.

The benefit of an Agreement is that it records clearly the expectation and obligations of both parties. As an example, the situation should be avoided where a Financial Advisor thinks they are just giving a charity suggestions about investments they might wish to consider and expecting that the charity will carry out its own evaluation, whereas the charity believes that they are receiving specific advice and positive recommendations and then go ahead without appropriate research potentially leading to significant financial loss.

The Yorkshire Baptist Association offers continuity in the event that an individual Church Member moves away from the church or becomes unable to manage the task in the long term for other reasons, as would a formal arrangement with a firm that is qualified and regulated so it can offer independent financial advice.

Special care is needed if the investment portfolio is to be managed by a church member who is also a Charity Trustee, or related to a Charity Trustee. Any kind of remuneration or commission would need to be appropriately agreed by the Charity Trustees as a whole, authorised by the church constitution, and noted in the annual report.

Trust Funds

Where the Association holds Trust Funds (funds with special rules about how they can be used) more care is needed on the part of the Association to ensure the rules about using the Funds are understood. Within the Finance Team of the Baptist Union Corporation, Trust Funds are occasionally released for investment, but only where professional financial advice confirms the investment is appropriate and the capital is clearly identified as Restricted.

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