

Electronic Tithing: An Option Worth Considering

While most of us have found ourselves using “autopay” for everything from electric bills to Internet services, most churches have continued the traditional practice of “passing the plate” during Sunday services. These funds are needed both to keep the lights on, and to support the different outreach ministries sponsored by the church. The phone and electric companies have always “collected” on time — something they need to do to keep their own lights on. And the administrative cost of seeing that bills are timely paid have been greatly reduced over time by switching from postal mail to online payments. Churches have the same need for predictable and timely revenue from their congregations. But have been exceptionally slow to keep pace with just about every other entity that relies on continuing periodic payments from those they serve.

That’s changed dramatically since the completely unanticipated church closures. With churches now empty on Sundays, and the services now being delivered in various ways through the internet, there’s now way to “pass the virtual” basket. Yet the church’s expenses during these times remain substantially unchanged. Obviously if they are to continue as viable church entities, something needs to change — and quickly.

A particular challenge exists for churches with “more mature” congregations. Older members of the congregation are less likely to be familiar with the many online tools that are available to handle automatic payments. That said, it’s likely that a high percentage are already involved in various types of “autopay” arrangements. And for most adding just one more — the church — is actually something they are able to do if the process is both simple and understandable.

Churches are weighing different methods to help its members trade in the traditional “pass the plate” system of income collection for a better option — online giving. In the past this may have been a nice thing to think about doing some day. But, unexpectedly, “some day” arrived unannounced with the advent of the Covid 19 pandemic. Suddenly churches’ income source has been completely shut down. For them to keep the doors open it became essential they act quickly to provide members with a simple solution to carry out their intentions to maintain their financial support for their church.

The online alternatives being evaluated vary from sophisticated, complex and pricey at one end; to comparatively simple options at the other. The former include choices among highly customizable church tithing packages, which can require both technical expertise and significant startup costs. Smaller churches may find a simpler and less expensive alternative the best way to get started. It’s nice to think of going from zero to 100 MPH; but it’s often more practical to master 25-30 MPH first. That said, in the future these more powerful and church-specific packages will in time offer the best choice for churches to enhance their overall financial planning and management.

But in reality, we're here and now — so it's likely that smaller churches are best advised to put a premium on simplicity, low cost, and ease of implementation. These “user friendly” generic options typically include fees - based either on a percentage of a periodic payment, or a per transaction fee, or often both. They will require providing credit card information; or information about your bank, including your bank's routing number and your personal bank account number. This information is of course going to third parties — not just to your own bank. There are also considerations about how easy it would be to change the amount given; or perhaps terminate the online payment if a participant chose to do that. In fairness, some of the online options are reasonably easy to set up, amend, or terminate. An example would be PayPal, which can be paid either through an existing PayPal account or with a regular (e.g. VISA) credit card - though each payment will involve a fee being subtracted from the amount donated.

An easily overlooked option is to use one's own existing bank account to make periodic payments to support a church. The bankers' jargon for the two ways of doing this are “pull” payments and “push” payments. A “pull” payment refers to the case where you provide your church with a signed authorization that includes your private banking information (including your bank account number), which permits the church to periodically (weekly, monthly, etc) withdraw from your bank account a fixed dollar amount. This authorization will continue until you give notice to both the church and the bank that you are electing to terminate your payments. Best practice would be to make sure the required notice is in writing. A primary benefit of the “pull” option is that the payer is able to set up an automatic withdrawal from his/her private bank account without ever going near a computer. Moreover, since the dollars flow directly into the church's bank account there is no need for administrative time to collect and deposit checks. This process does require the church to pay a fixed monthly cash management fee to the bank. Since the monthly fee is the same regardless of the dollars processed, the “reasonableness” of this fee will depend on the total dollar amount of monthly payments received.

The other option, and the one which we personally have found best for us, is the “push” type of automatic periodic payments to a church. Many of us who have used “online banking” will find this a fairly simple solution. Most banks offer a free service, often called “Bill Pay”, which is intended to give you an easy way to pay bills online - without a fee. Bill Pay, by whatever name it may be identified in your online banking service, lets you identify the person (read “church”) to whom the payment will be made (MyChurch, 123 Main Street, Anytown 12345); lets you specify the amount of the periodic payment (e.g. \$25); and whether weekly, monthly, etc. Once you “save” your request to make the payments, it will automatically cause the bank to send a check by mail to the church/address you've specified each week, month, or other period you specify.

Using this process, there is no need to provide your credit card details; or to provide your bank account information to a third person when setting up automatic payments. There are no fees either to you or to the church — the church receives 100% of the donation. The terms of the donation can be easily changed online, e.g., the amount

increased from \$25 to \$30; or the period changed from weekly to monthly, etc.. And perhaps best of all it can be cancelled without having to provide written notifications to other than your own bank. You have complete and easy control over the automatic payments going forward. The primary downside of this option is that it assumes that (i) you already have or will sign up for the online banking services offered by your bank; and (ii) you are sufficiently comfortable with using your computer to set up online bill pay - a quick and easy process. Most banks have good customer support persons who are ready, willing and able to walk you through the few steps involved if you simply give them a call.

In summary, the current Covid 19 challenge has for many churches completely cut off its traditional avenue for collecting income — passing the offering tray during live church services. It is essential that church members recognize this fact; and the urgent need going forward to use one or more of the online options for creating automatic period payments to the church. There is no single solution that is a “one size fits all” best practice.

Churches will need to offer multiple options, including “Donate” buttons using PayPal or other services; and explain both the “pull” or “push” options described above to set up automatic payments from individual members’ bank accounts. We’ve researched the options, including ease of setup, fees, the need to provide credit card or banking information to third parties, and control over the cancellation process. Our choice was based purely on our comfort level in using our pre-existing banking relationship. Others will likely be attracted to options that require less setup, or even no computer use. The main objective here is to recognize that collectively we need to address the unanticipated current challenge all churches are facing in maintaining their financial health.

Ed Note: *This memo is meant to provide only (i) a general overview of the unexpected but urgent church need to update its traditional means of revenue collection; and (ii) to identify generally some of the options available for consideration. It is not intended as financial or legal advice. We’ve focused primarily on the use of an existing personal bank account, and our own actual experience in setting up two church-related autopay events. Each church member will need to consider what option is best suited to his/her individual needs and circumstances. Our intent is simply to offer a contextual commentary which we hope will be of value to others considering this issue. Tom & Stephanie Gonser, May 2020.*