

# DOLLAR SENSE

**BUILDING YOUR CHURCH'S FUTURE ONE BRICK AT A TIME!**

Vol. II: Issue 1

A Service of the Desert Southwest United Methodist Foundation (DSUMF)

1/1/2004

**THANK  
YOU!**

This Newsletter's purpose is to provide both the clergy and lay leaders of the Desert Southwest Annual Conference with reliable and consistent financial information that we believe you need to help secure your church's financial future.

In every issue of **DOLLAR SENSE**, information under the following headings is provided:

**INVESTING**

**ESTATE  
PLANNING**

**CHARITABLE  
GIVING**

**ENDOWMENT  
FUNDING**



**Desert Southwest  
United Methodist  
FOUNDATION  
DSUMF  
602-266-6956**

We continue to receive wonderful feedback about this newsletter and we sincerely thank you for your support of **DOLLAR SENSE**, a monthly, electronic publication produced by the DSUMF. As always, we welcome your responses! Please send them to us at [dsumf@earthlink.net](mailto:dsumf@earthlink.net). For more, information on any of the related topics, please visit our Web Site at [www.desertsw.org/foundation.html](http://www.desertsw.org/foundation.html).



"Dearly beloved, the Church is of God, and will be preserved to the end of time . . ." We heard these words when we were confirmed as members of the Church, and we have heard them in our church as countless others have taken this important step in faith.

In order for us to take an active role in preserving our church until the end of time, we must do something now – not later! In previous issues, we've discussed creating an Endowment Fund at your church. We've stated

that such a creation is not only possible but it is also critical to the financial future of your church.

The good news about creating a Permanent Endowment Fund at your church is that you don't have to "go it alone," or "re-invent the wheel." The stewardship services provided by the DSUMF are of significant value to local churches, their ministries and to individual donors who are seeking financial or tax advise about major or deferred gifts to your church.

The United Methodist Men of one of our Annual Conference churches invited the Executive Director of the DSUMF to be the guest speaker at one of their regularly scheduled meetings. The presentation made was on "Planned Giving." In response to the strong interest expressed by members of their group, the United Methodist Men asked the church's Administrative Board to invite the speaker to return to the church to provide leadership for an "Estate and Gift Planning Workshop." The UM Men

sponsored the workshop to which all adult members of the church were invited.

Because of the enthusiasm and ideas that surfaced in the workshop, the Work Area on Stewardship began to investigate the possibility of making "planned giving" an ongoing part of their church's stewardship program. The Work Area selected an Ad Hoc Committee that pursued the idea further and reported back to the Administrative Board with their plan.

The plan included drafting and formal acceptance of a Charter to establish an Endowment Program for the church. The Board requested that a Special Charge Conference be called specifically to create a new Permanent Endowment Program and an Endowment Fund Committee to operate the program.

The new Endowment Fund Committee, with assistance and resources



## ENDOWMENT FUNING CONTINUED

from the DSUMF, was organized and began designing a long-range plan that included the creation and distribution of brochures with information and ideas about special stewardship opportunities for giving from not only current income, but also from accumulated assets.

It wasn't too long before the Endowment Program received its first gift. The Endowment Committee chose the DSUMF to invest the donated assets. Today, "planned giving" and The Endowment Program are a vital part of the stewardship program of this church. Best of all, some new and exciting ministries are taking place that once were only dreams.

The DSUMF played a vital role in helping this church begin this new and exciting stewardship adventure. The DSUMF

continues to provide assistance, resources, and support to the church and its members.

⇒ The DSUMF provided leadership in planting the seeds for a planned giving program through presentations in the church and consultation with church leaders.

⇒ The DSUMF provided ideas and resources as well as hands-on assistance in the creation and organization of the Permanent Endowment Fund Committee.

⇒ The DSUMF provided technical assistance both to prospective donors and to the Endowment Fund Committee in the form of gift planning ideas, projections, tax deduction calculations, and estate plan analyses.

⇒ The DSUMF, when asked by the church, provided professional funds management through its Investment Service for the assets donated to the church's Endowment Program.

⇒ The DSUMF provided a wealth of planned giving ideas and resources for on going stewardship education.

Remember, you don't have to "go it alone;" we're here to help. Call the DSUMF office at 602-266-6956 to start your church on "a new and exciting stewardship adventure" that will strengthen your church for mission and ministry today and tomorrow.

## CHARITABLE GIVING

In the last issue, we spoke about gifts of stock because such giving is a simple and easy way for members to support your church. Another easy way for members to support your church involves Life Insurance.

Believe it or not, there are many ways to make charitable gifts through life insurance. Such gifts can provide very significant benefits for the church and for the donor.

A paid-up policy: The owner and beneficiary designations must be changed to the church. The resulting charitable deduction is equal to the replacement value of a comparable policy.

A policy on which you are still paying premiums: The church must be made both owner and beneficiary, and the cash value (at the time the policy is given) plus all future premiums paid by the donor are treated as charitable deductions. All deductions are subject to donation ceilings as adjusted by both the type of gift and the donor's Adjusted Gross Income.

A new policy to benefit the church: When the church is both owner and beneficiary, the donor's premiums may be treated

as charitable deductions.

Name the church as a beneficiary of an existing policy: The church can be named to either share in a portion of the death benefits payable through the policy or it can be named to receive all of the policy's death benefits.

Assign the dividends of the policy to the church: The dividends become

**For a FREE, confidential, no-obligation, illustration of how a Gift of Life Insurance may work for you, please contact Dr. Rick Brown, at: [dsumf@earthlink.net](mailto:dsumf@earthlink.net).**

income tax-deductible contributions to the church.

Use an insurance policy to replace gifted assets. Life insurance is useful in replacing assets that have been given to the church so that family members will receive as much (or more) than they would have otherwise received through the will.

Use a life insurance policy to guarantee a charitable pledge. This policy might be a part of the donor's gift, or the charity might

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## CHARITABLE GIVING CONTINUED

decide to purchase the policy on its own. This procedure is often used in case of significantly large pledges.

Life insurance can be used to fund future life income arrangements. Life insurance proceeds can fund a trust that will in turn provide future income for a family member with the trust remainder going to the church after a specified number of years or at the death of the trust's income beneficiary.

## ESTATE PLANNING

In the first issue of DOLLAR SENSE, we listed the "Six Steps of Estate Planning." In the last issue we got a bit side tracked and discussed the new AZ Uniform Trust Code. (See page 4 for more on that law).

We're back on the main track now, and if you'll recall, we already spoke about the first step in estate planning, which was to learn about basics. We discussed the basics in detail. Remember, estate planning is not "rocket science;" instead, it is simply a plan to give all your assets away after you've "Gone on to Glory."

The second step in the estate planning process is to Conduct an Inventory. After all, if your estate plan is just a set of instructions as to the distribution of your assets after your death, then it makes SENSE for you to create a list of what those assets are and who is going to receive them!

Your inventory of assets can take any shape or form, but it is important that you list everything! Some things may be obvious to you, like your home, cars, stocks and bonds. But don't forget to list life insurance policies, pension plans, checking and savings accounts, C.D.'s, notes receivable, jewelry, collections, safe deposit boxes, annuities, etc. Your list must include everything.

**YOUR ESTATE PLAN IS A PLAN TO GIVE EVERYTHING AWAY!**

While you're making your list (and checking it twice), it is also important for you to list the "fair market value," liabilities, and net values for each asset. While you're doing that, you should also list how the title is listed on the ownership documents.

This information is very important in the determination of the proper set of estate planning documents that your estate plan will require. Once the assets and the way they are titled are listed, you'll also have a good idea of your total net worth by subtracting your liabilities from your fair market values. Your net worth also determines the type of estate plan you need.

The DSUMF provides Inventory Forms and instructions on how to complete the forms for all who attend our Estate Planning Seminars. The DSUMF conducts Estate Planning Seminars year-round and we're already completely booked for January and February of 2004.

By attending a seminar, your members may schedule a FREE, no-obligation, consultation with an attorney who co-authored the original probate laws for Arizona. Call us now at 602-266-6956 or 800-229-8622 to schedule your Estate Planning Seminar. We're booking seminar dates March, April and May 2004.

## INVESTING

In last month's issue, we discussed the potentially scary world of investing church money and how

the DSUMF uses an Asset Allocation Model to significantly reduce the risk associated with investing in the stock market, while at the same time producing very good rates of return in investments that adhere to the Social Principals of the Church.

When a local church decides to invest its own funds through a committee or perhaps an individual member of the church who is in the "investing business," it is taking on the heavy burden of "Fiduciary Responsibility."

### What is "Fiduciary Responsibility?"

A "fiduciary" is a person or entity that exercises discretionary control or authority over investment plans and/or assets, or who have discretionary authority or responsibility for the administration of a plan, or who provide investment advice to a plan or Fund. Fiduciaries include, for example, trustees, administrators and members of an investment committee.

The fiduciary's primary responsibility is to operate an investment strategy solely in the interest of the church, its members and its beneficiaries for the



exclusive purpose of providing benefits while covering management expenses. Fiduciaries must act prudently and must diversify the investments in order to minimize the risk of large losses. In addition, they must follow the terms of investment guidelines to the extent that the guidelines are consistent with the "Prudent Man Rule."

The first reference to a rule was articulated in the case of Harvard College versus Amory. In 1830, the Supreme Court of Massachusetts as stated in an opinion by Judge Samuel Putnum, ruled that all that can be required of a trustee is that he conduct himself faithfully and exercise sound discretion and observe how men of prudence, discretion and intelligence manage their own affairs - not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of the capital to be invested.

A standard of prudence in investment policy emphasized prudent investing for 'income and safety of principal with a view to the permanent disposition of their funds.'

This principal has been modified somewhat by later court decisions known as the Prudent Expert Rule of ERISA (Employee Retirement Income Security Act). This act applies a revised and restated version of the Prudent Man Rule.

ERISA requires that a fiduciary manage a portfolio 'with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of and with like aims.' This statement differs from the classic prudent man rule in that "familiarity with such matters" suggests a higher standard than simple prudence - hence the name, prudent **expert** rule.

Inherent with the Prudent Man Rule and the Prudent Expert Rule is that the fiduciary must avoid conflicts of interest. In other words, they shall not engage in transactions on behalf of the Fund that benefit parties related to the Fund, such as other fiduciaries, services providers, or the Fund sponsor.

Church members who are managing your church's long-term investment money who are "in the business," and who derive income from such services are in a conflict

of interest position. Fiduciaries who do not follow these principles of conduct may be personally liable to restore any losses to the Fund, or to restore any profits made through improper use of Fund assets.

Now you can see why Fiduciary Responsibility can be a heavy burden. It is a burden the DSUMF does not take lightly (no pun intended), but one that we willingly carry for more than 40 of our Annual Conference churches.

**No-obligation  
Investment  
Service  
presentations  
are FREE to all  
Desert  
Southwest  
Annual  
Conference  
churches.**

**Contact  
Dr. Rick Brown  
at:**  
[dsumf@earthlink.net](mailto:dsumf@earthlink.net)

**A SIDE NOTE:**

**CONGRATULATIONS!**

Last month we discussed the new AZ Uniform Trust Code Law (Senate Bill 1351) that was signed into law on May 19, 2003 and scheduled to become

effective on January 1, 2004. We spoke about the invasive nature of this new law, how it was going to cost those with trusts more money to amend their trusts and how the wording of some parts of the new law were just too confusing.

We also encouraged all of you who already have irrevocable trusts or trusts that would become irrevocable in the future, to call and write your state legislators to repeal this "Bad Law."

Well, some of you must have followed through because in early December of 2003 senators on the State Finance Committee voted without dissent in a late night session to fix the mess they created when they passed the AZ Uniform Trust Code. The unanimous vote was to delay implementation of the new law until 2006.

This is just a start. The house must also agree to the delay, but there is hope that the AZ Uniform Trust Code will be kept on hold, which will effectively work to "kill" it before it even goes into effect.

The battle is not over. You must be diligent. Keep a dialogue with your state representatives. Let them



**SIDE NOTE  
CONTINUED**

know that the new law has serious flaws and it should not become permanent.

**ANOTHER  
SIDE NOTE:**

Just before Christmas, we distributed, with the help of our friends at the United Methodist Federal Credit Union, 10,000 bookmarks to advertise our Vehicle Donation Program.

What started out to be a "test," has become a permanent new service being offered by DSUMF.

The final numbers for the 4th quarter of 2003 are not in yet, but the Program exceeded expectations and we will continue to offer this service to every church and ministry in the Annual Conference.

If you know someone who would like to donate a vehicle, with 60% of the proceeds distributed to your church or favorite ministry, then print some of the bookmarks to your right. Hand them out. Make them easily available. Tell your members to call the number on the bookmark and we'll take care of everything else including sending your church or ministry a check.



**Support  
Your Favorite  
United Methodist  
Ministry.**

**DONATE  
YOUR USED  
VEHICLE!**

**CALL:  
602 - 252 - 1360**

**Free Pick Up!  
Full Value Tax  
Deductions!**

**Any Vehicle,  
Any Condition,  
Running or Not!**

**All IRS and Title  
Documents!**

**Support Your Church!**



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