

DOLLAR SENSE

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

Vol. II: Issue 3

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

3/1/2004

**THANK
YOU!**

This Newsletter's purpose is to provide 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 requests from people who wish to be added to the DOLLAR SENSE newsletter e-mail list. If you wish to add some names to the list or if you have questions, comments or concerns, please contact us via e-mail at: dsumf@earthlink.net. For more information about the Foundation and our services, go to our web site at www.desertsw.org/foundation.html.

**ENDOWMENT
FUNDING**

In the last issue of DOLLAR SENSE, we discussed the three steps to establishing a Permanent Endowment Fund Committee: 1) Create an AD HOC Committee, 2) Draft a Resolution, and 3) formally create the Committee before a Charge Conference of the church. Once these important first steps have been taken, the work of the Endowment Fund Committee begins.

The first task facing the Committee will be the creation of a **Charter** for the Program. A Charter

will enable the Committee to lead the church in organizing the Program in an orderly and effective manner.

The Charter must address all of the following items:

PURPOSE: The "Purpose Statement" details the reasons for the Committee's/Fund's existence. The purpose usually addresses opportunities to make charitable gifts which are intended for purposes that are not a part of the church's established programs and that are not funded through the annual operating budget of the church and the regular giving of its members.

ADMINISTRATION: The members of the Committee and its chairperson shall be elected by the Charge Conference and shall serve until their successors have been elected. Term limits are usually built into the amount of time any one member can serve. This built-in rotation of members actually provides for both stability and infusion of new ideas at the same time!

The Committee shall elect its own officers and should interact with other committees of the church such as Finance, Stewardship, and Trustees.

INVESTING ENDOWMENT FUNDS: When results of the Committee's work are realized over the long term, the Committee will also need to address the issue of investing its long-term endowment funds.

LIMITATION ON USE OF PRINCIPAL: The objectives of the Endowment Program are to conserve principal and make use of only the distributions determined by the Committee.

ENDOWMENT PROGRAM DISTRIBUTIONS: The Committee as directed by the donors shall make distributions from accounts in the Endowment Program at the time of their gift or as directed by will or other gift document if such direction is in conformity with the general purposes set forth in the Charter. In the case of undesignated gift



ENDOWMENT FUNDING Continued

accounts, the Committee shall determine the amount of all distributions.

GIFTS TO THE FUND: Gifts to the Endowment Program shall be classified as “designated” or “undesignated.” The Committee shall have both the authority and responsibility to accept or reject any and all gifts to the Endowment Program in keeping with the authority granted by the Charge Conference.

LIABILITY: In the absence of gross negligence or fraud, no member of the Committee shall be personally liable for any action made or any omission with respect to the Endowment Program.

MERGER, CONSOLIDATION, OR DISSOLUTION: If at any time in the future, the church is lawfully merged or consolidated with any other church, all the provisions in the Charter regarding the Endowment Program shall be deemed to have been made in behalf of the merged or consolidated church which shall be authorized to administer the same in all respects and in accordance with the terms in the Charter.

AMENDMENTS: Technical corrections and amendments to the Endowment Program that

do not alter the stated purpose of the Program may be made from time to time with affirmative votes from more than one half of the delegates at a properly called Charge Conference of the Church at which a quorum is present.

SEVERABILITY: If any provisions or application of any provisions of the Endowment Program are deemed to be illegal, inoperative, or unenforceable, the same shall not affect any other provisions or any other applications of any provisions contained in the Charter or render the whole Charter invalid, inoperative, or unenforceable.

While the creation of an Endowment Program is not a prerequisite for a local church to promote and receive planned gifts, it is a useful tool, and it helps to develop confidence among members who want to see that the church has “**A PLAN**” before they consider making significant planned gifts. An Endowment Program will also open doors of opportunity for donors to make larger gifts from their accumulated assets than they might make as current gifts from their income.

In the next issue of DOLLAR SEN\$E, we'll discuss more tasks

facing the Permanent Endowment Fund Committee.

CHARITABLE GIVING

The Deferred Gift Annuity (DGA) is a very unique charitable giving vehicle that can be used in a variety of ways to accomplish a variety of goals. Some have used the DGA to supplement their own retirement income. Others have used the DGA to supplement retirement income of their grandchildren.

By definition, the DGA involves an exchange of a donor's irrevocable gift to the DSUMF. In return for this gift and via contract, the DSUMF promises to make guaranteed lifetime income payments to the donor's choice of annuitant(s).

The payments to the annuitant for the DGA begin more than one year after the date of the gift. The period of time from the date of the gift to the date the first payment is made is known as the deferral period.

The longer the deferral period, the higher the annuitant's income will be when payouts begin.

But wait, it gets better! During the deferral period, the initial gift used to fund the DGA is invested in the

Foundation's non-profit, tax-free environment. With compounded investment earnings accumulating during the deferral period, the principal of the DGA grows. It grows very large over long periods of time. When the contract for the DGA terminates, the funds remaining in the DGA account are directed to the donor's church or favorite ministry.

Mr. Gary Drown, member of Faith UMC and of the DSUMF Board of Directors has just completed his 10th DGA, one for each grandchild! Here is how just one of Gary's DGAs works. On a grandchild's 10th birthday, Gary made a gift to DSUMF of \$1,000. Gary decided that the deferral period for this grandchild's DGA would be 50 years. Gary also decided that upon the grandchild's death, the funds remaining in the DGA account would be distributed to his church's Endowment Fund and to several other non-profit organizations. Finally, the DSUMF uses a 10% annualized rate of return for long-term investment projections.

According to projections, the grandchild would receive their first payment of approximately \$1,000



CHARITABLE GIVING CONTINUED

when they reached the age of 60 and every year thereafter for the rest of their lifetime. Assuming normal life expectancy, the funds remaining in the DGA account at the time of the grandchild's death would be approximately \$500,000, which is to be distributed to Faith UMC and other charitable organizations.

Can you think of a better way to leverage your money into making gifts that keep on giving? Does this make DOLLAR SENSE or what? If you would like information on this or any other type of charitable giving vehicle, then contact us at your convenience.

ESTATE PLANNING

Did you know that 84% of all deferred gifts to all non-profit organizations nationwide are in the form of bequests from Last Wills or Revocable Living Trusts? Let me state that another way. More than 80% of all future deferred gifts to your church will come from church members who have included your church in their estate plans with a bequest.

Hold onto that thought for a moment.

One of the premises of our estate planning seminars is that you should organize your estate plan so that your estate will avoid the probate process because it is costly and involves distribution delays. Another premise is that every member should consider making a bequest to their church and making that bequest a part of their estate plan.

February was a busy month for estate planning seminars for the Foundation. In addition to a few Investment Service Presentations, nine different estate planning and charitable giving seminars were also conducted. Close to 150 people attended these seminars and learned about charitable gift annuities, charitable trusts and the basics of estate planning. Of these

people who attended, more than one third requested free, no-obligation, follow-up consultations with the private practice attorney that co-presents these seminars with the Foundation. The attorney specializes in estate planning and was one of the co-authors of the original probate laws for the state of Arizona. Who better to assist you with avoiding probate than an attorney who helped to write the laws about probate!

Are you still holding onto that deferred giving thought? Well, combine that thought with these facts:

1. About one half of the people who request follow-up consultations actually create a new estate plan or revise an old one, and
2. About one half of those people actually make a bequest to their church

and some of them will ask us to announce their intentions to the appropriate people in the church.

84% OF ALL DEFERRED GIVING IS IN THE FORM OF A BEQUEST!

O.K., lets do the math, One third of 150 equals 50. One half of 50 is 25 and one half of 25 is 12 or 13. That means that in this past month of February alone, the DSUMF has generated 12 or 13 new bequests for churches participating in our estate planning seminars. If your church has not scheduled an estate-planning seminar, then we must ask "Why Not!?" It makes DOLLAR SENSE to do so!

By the way, all attendees have indicated that our estate planning seminars and the materials distributed during them are very informative. We consistently receive grades of 95% or better and we're almost always asked to return! We are taking reservations for the Months of April and May. Don't delay. Schedule your seminar today!



DSUMF Executive Director, Dr. Rick Brown presenting a recent estate-planning seminar at St. Marks UMC in Tucson, AZ.



The Foundation, with its conservative, low-risk approach to investing finished 2003 with a gross return of just over 17%! Our depositors experienced a net return of 15.24% after all fees, accounting, audits, etc.

Our long-term, low risk investment strategy is a great story to tell. So we're going to tell it in the form of a verbal Annual Report.

In two separate "special event" presentations, the DSUMF will present its investment strategy, guidelines and process to existing depositors and invite all potential church depositors to attend one of these important events. Each attendee will receive an Investment Service Handbook that provides written detail about our investment activities.

Each event will be sponsored by Wachovia Securities, LLC and Lord Abbett, the Foundation's custodian and Mid Cap Value asset manager, respectively. We're working hard to secure some door prizes too! You'll be able to meet our Investment Counselors, Mr. Jim Kinnear and Mr. Kurt Reighard from Wachovia and Mr. Tom Pfeiffer, V.P. of Lord Abbett. You also be able

to ask all your investing questions!

The event for churches in the West District will be held on April 1, 2004 at Carver's Steak House on 8172 W. Bell Rd. in Glendale, AZ. Appetizers and light drinks will be served from the menu. The presentation will begin at 3:30 and is scheduled to end by 4:30 PM.

**PLEASE CONTACT US AT:
602-266-6956
TO RESERVE YOUR PLACE AT OUR ANNUAL REPORT ROAD SHOW!
MAKE YOUR RESERVATIONS NOW!**

The event for churches in the East District will be held on April 6, 2004 from 3:30 to 4:30 at the Sheraton Convention Center in Mesa, AZ (room to be announced). Again, light food and drinks will be served.

All Finance, Investment, Endowment Fund Committee and local church Foundation

members are invited to attend, but we need to know how many are coming so we can prepare food, drink and materials accordingly!

Please spread the word about these meetings and plan to attend. Contact us via e-mail, phone, fax or "snail mail" about your plan to attend. The information we'll present in these events will amaze you!

ATTENDANCE AT OUR ESTATE PLANNING SEMINARS IS HIGH THIS YEAR!

SCHEDULE AN ESTATE PLANNING SEMINAR IN YOUR CHURCH FOR APRIL OR MAY NOW!

DON'T DELAY!

CALL NOW!

602-266-6956



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