

DOLLAR SENSE

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

Vol. II: Issue 5

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

5/1/2004

**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**

Thank you for your continued interest in this publication! If you wish to add names to our DOLLAR SENSE e-mail list or if you have questions, comments or concerns, please e-mail them to dsumf@earthlink.net. For more information about the Foundation and our services, please go to our web site at www.desertsw.org/foundation.html.

**ENDOWMENT
FUNDING**

In the last issue of DOLLAR SENSE, we discussed the importance of spreading the word about your church's Endowment Program. One of the most effective ways of spreading the word about your Endowment program is to produce and distribute an attractive, informative brochure. What happens far too often, however, is that once the Committee is established; it works out a plan that involves telling the congregation about the Committee's work in one announcement and then everyone sits back and wonders why no one responds.

To provide information is to educate. Education involves more than one announcement or one distribution of a brochure.

Organizing a Committee and a one-time distribution of a brochure is never enough. Only when members and constituents understand the plans and catch the excitement and enthusiasm of the Committee, will planned gifts be made. This type of giving in turn, funds the endowments, which in turn will benefit the Church.

It is critical that the work of the Committee include an on-going educational and marketing effort to help members and constituents understand: 1) how planned gifts can be beneficial to them and their church, 2) to encourage (and assist) members in their gift planning, and 3) to keep before them the value and importance of endowment funding in support of the mission and ministry of the Church.

One of the keys to every successful funding program is the communication of a detailed plan of Education with a clear vision of the mission and ministry of your church. People want to give, but in today's world it is not enough to simply say, "You should give to the Church" and expect the gifts to flow into your accounts. People want to know how their gifts will be used to accomplish God's purposes through their church.

For a church's Endowment Fund Program to be successful, it is imperative that members:

1. Understand and support the vision for mission and ministry,
2. Learn about opportunities for giving through educational seminars,
3. Understand the creative gift planning options available, and



ENDOWMENT FUNDING

Continued

4. Be given clearly defined and repeated opportunities to participate.

Not all persons are ready to hear your message at the same time. Some will respond the very first time you give them an opportunity; others will take longer to respond.

CONSISTENT EFFORTS ARE ESSENTIAL FOR SUCCESS!

Member's receptiveness or lack of it is precisely why ***consistent and repeated efforts on your part are essential to the success*** of your program. There are times in everyone's life when they are more responsive to estate planning and planned giving than at other times. Unfortunately, no one knows when those moments occur! Since they occur at different times for different people for different reasons, the only option for a successful program is to provide a consistent educational program that provides readily available information at all times.

CHARITABLE GIVING

Recently, the senior Pastor of an East Valley Church called and wanted information about the Charitable Gift Annuity (CGA) and how it might help a member of his church. After getting some information about the member, such as age, address, and frequency of payouts desired, the DSUMF prepared a gift proposal and sent it to the Pastor via e-mail so he could share it with the member of his church.

After their meeting, unanswered questions remained and the Foundation's Executive Director was scheduled to meet with both the pastor and the member. During that meeting, the proposal was reviewed, questions were answered and the member completed the CGA with funding that was larger than expected.

In this case, the residuum of the CGA, (the amount left in the GGA account at the time of the member's death) was designated to create an Endowment Fund, the earnings from which are to be spent on funding a specific ministry at the church which the member holds near and dear to her heart.

By making this gift in this way, the member qualifies for an income tax

deduction and will receive a guaranteed, lifetime income stream, some of which is tax-free. At the member's death, the CGA will fund an Endowment that will keep on giving year after year in perpetuity.

The member wins because she receives a tax deduction and guaranteed income stream for life. Additionally, some of the income is tax-free! The church wins because it has secured future financial support for one of its important ministries.

All of this happened because a Pastor paid attention to the member's need to support a specific ministry. With the help of the DSUMF the Pastor showed her how she could fulfill that need. We hope you pay attention to your members' needs to support their favorite ministries. We also hope you remember to call us for assistance whenever it is needed. We're always here to help you build your church's future one brick at a time!

ESTATE PLANNING

We recently conducted an Estate Planning Seminar at Mohave Valley UMC. From Phoenix, it is an eight-hour, round-trip by car through some pretty isolated parts of the state.

The seminar ran late, but it was because of all the great questions we received and no one seemed to be anxious to leave. (For a presenter, that is a good sign!)

There were 21 people in attendance at this seminar and 12 people have asked for follow-up consultations with an estate-planning attorney. These "follow-ups" have been scheduled and the attorney will return to Mohave Valley UMC and spend a day meeting with church members and reviewing existing estate planning documents – all free of charge as a courtesy to both the members of Mohave Valley UMC and the Foundation.

Since Mohave Valley is geographically close to California, many of those who were in attendance had actually lived in California before moving to Arizona. Many of the questions asked had to do with the differences between Arizona and California state laws pertaining to probate and estate taxes.

First of all we congratulate the people who came to their senses and moved out of California! California's probate and estate tax laws are almost

ESTATE PLANNING CONTINUED

punitive compared to Arizona's!

Secondly, we strongly encourage everyone who has existing estate plans that were created in another state and who have since moved into Arizona to get those plans reviewed by competent Arizona-based attorneys! Probate and tax laws vary from state to state. What was valid in one state may not be valid in Arizona and vice versa.

Don't take the risk! If you've permanently moved to Arizona, then have your out-of-state estate plans reviewed by an Arizona-based attorney now!

DON'T PUT YOUR ESTATE AT RISK!

IF YOUR ESTATE PLAN WAS DRAWN IN ANOTHER STATE, AND SINCE THEN YOU HAVE ESTABLISHED RESIDENCY IN ARIZONA, THEN YOU SHOULD HAVE YOUR ESTATE PLANS REVIEWED BY AN ATTORNEY THAT SPECIALIZES IN ESTATE PLANNING AND WHO IS LICENSED TO PRACTICE IN THE STATE OF ARIZONA!

INVESTING

Our Investment Service "Road Shows" were very successful! More than 50 people representing 17 different churches attended our events. Our Mid-Cap Value money manager, Lord Abbett, the United Methodist Federal Credit Union and Coulter Cadillac sponsored these events by providing food, beverages and door prizes. Not including existing church clients that attended the events, non-client churches in attendance represented more than \$15 million dollars in long-term investments that could be invested with the Foundation at some time in the future. (If, or hopefully when, this happens, the Foundation will be self-sufficient and will be able to go off subsidy from the apportionment system.)

Two of the topics discussed during these presentations involved

fiduciary responsibilities and Prudent Investment Practices. If you are entrusted with making decisions involving the investing your church's long-term funds, then read on! **Your responsibilities are numerous, complicated and subject to personal liability if you don't do it right!!**

Following are the seven Uniform Fiduciary Standards of Care that are common to the three legislative acts that shape investment standards:

1. You must be knowledgeable of investment standards, laws and trust provisions.
2. You must have written investment policies and you must document the process used to derive investment decisions.
3. You must diversify portfolio assets with regards to specific risk/return objectives.
4. You must use professional money managers ("prudent experts") to make investment decisions.
5. You must control and account for all investment expenses.





6. You must monitor all activities of every money manager you employ.

7. You must avoid conflicts of interest.

Failure to completely address each of these standards of care would place you in a position of personal liability and subject to suit for recovery of lost value.

After each of these standards is addressed, then you must be engaged in the Prudent Investment Management Process. There are five distinct steps to this constantly evolving process.

1. Analyze your church's current position relative to the Social Principles of the United Methodist Church, written policies, custodial and brokerage relationships and accounting assumptions.

2. Design an optimal portfolio that takes into consideration asset classes, asset allocation, diversification and risk/reward analyses.

3. Formalize your church's investment policy that addresses investment objectives, asset allocation parameters, due diligence processes, etc.

4. Implement the policy with specific vendors and/or products.

5. Monitor and supervise both absolute and relative investment performance.

According to the Foundation for Fiduciary Studies and the American Institute of Certified Public Accountants, there are actually 27 different but specific practices required of those who oversee the investment of "church money."

The fiduciary who takes his responsibilities seriously and who follows all 27 practices in the the Prudent Investment Management Process can substantially reduce the amount of his personal liability, not to mention substantially increase the expected level of long-term rates of return for his church's funds.

We are very proud to report that the Desert Southwest United Methodist Foundation (DSUMF) complies with all 27 practices. The DSUMF also understands that the Prudent Investment Management Process is an evolving one, which is why our Investment Committee meets monthly.

Your church's investment funds are in good hands when they are invested with the DSUMF!



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Support Your Church!

This program is raising some serious income for its participants!

ATTENDANCE AT OUR ESTATE PLANNING SEMINARS IS HIGH THIS YEAR!

SCHEDULE AN ESTATE PLANNING SEMINAR IN YOUR CHURCH FOR SEPTEMBER '04 THROUGH NOVEMBER '04 NOW!

WE ACTUALLY HAVE SCHEDULED A FEW SEMINARS FOR THE SPRING OF '05!

DON'T DELAY!

CALL NOW!

602-266-6956

