

DOLLAR SENSE

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

Vol. II: Issue 7 A Service of the Desert Southwest United Methodist Foundation (DSUMF) August 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:

ENDOWMENT FUNDING

ESTATE PLANNING

CHARITABLE GIVING

INVESTING



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

Thank you for staying "tuned" to our newsletter. If you wish to add someone's name to our DOLLAR SENSE e-mail list or if you have questions, comments or concerns, please e-mail them to rick@dsumf.org or to dsumf@earthlink.net. Both e-mail addresses are operating concurrently until our new web site is up and completely operational. For more information about the Foundation and our services, please go to our web site at www.desertsw.org/foundation.html.

ENDOWMENT FUNDING

In our last issue, we discussed why **consistent and repeated educational efforts on your part are essential to the success** of your Endowment Fund Program. We also discussed the educational plan itself.

Your Endowment Fund Educational Plan **must include** the following elements:

1. Education of Leaders
2. Education of Members
3. News Items
4. Special Educational Events
5. Observances
6. Donor Recognition

In the next several issues of DOLLAR SENSE, we'll discuss all these elements. In this issue, we discuss the Education of Leaders in depth.

The beginning point of your program to encourage giving within the church is with the leaders of the church. There may have been success with a church program that used the strategy of saturating the entire congregation with information and then waiting for their response, but a program about planned giving and endowment funding must begin with the local church leadership.

A "Rule" which has proven itself many times over, will prove itself again with this program: "Where the leaders lead, the congregation will follow." In other words, if the leaders do not support this effort, the success of the Permanent

Endowment Fund Program is compromised.

Inform church leaders about possibilities of giving to and funding ministry and mission through the Endowment Fund Program. Is there an opportunity for you to conduct an "educational program" for members of the Administrative Council? If not, then create the opportunity.

Presentations should be made at the Council meetings several times per year in order to teach Council members about various aspects of giving to and through the Endowment Fund Program. Such presentations might include:

1. A Board Brainstorming Session on how an Endowment Fund Program providing \$25,000 income annually (approximately \$500,000 in assets) could increase the vision of ministry and mission in your community.



ENDOWMENT FUNDING

Continued

2. A Presentation by the Executive Director of the DSUMF to visit and discuss with your Council how a planned giving and Endowment Fund Program can make a difference in your church.
3. A Presentation by a local attorney specializing in estate planning to discuss the importance of every adult having a Last Will and Testament and how charitable gift planning can be made a part of every Last Will and testament.
4. A Presentation by the chairperson of the Endowment Fund Committee (or another member of the Committee) on a particular charitable gift plan (such as the Charitable Gift Annuity and other life income plans, giving real estate, giving securities, etc.).
5. A Presentation by a local CPA or tax attorney to talk about tax matters related to charitable giving.
6. A Presentation by a member who has made a planned gift and how it enabled them to accomplish various goals relative to the church's future, their church commitment, and all the benefits derived from the planned gift.

The Endowment Fund Committee will want to

provide reports no less than annually. The report should include funds received, programs funded, items purchased, and ministries funded through the Endowment Fund Program. Never *assume* the church leadership knows what is going on in this program. Keep them informed regularly.

Because the local church trustees may be concerned about this type of fund in the church, initiate conversations at least twice a year with them about the progress of the Endowment Fund Program. Invite the Trustees to brainstorm how they could use funds generated from the Endowment Fund Program.

In the next issue of DOLLAR SENSE, we'll discuss the educational plan for members of your church.



CHARITABLE GIVING

Recently, I attended the AFP's (Association of Fundraising Professionals) Southwestern Regional Conference in order to "brush up" on current information and to acquire continuing education units needed to maintain my professional certification. On the second day of this event, a colleague of mine and I attended a session on planned giving.

Each of us was appalled. No, it wasn't the presenter's style or the audio/visual equipment used or the handouts provided to the participants. What was shocking was the incorrect content of the presentation!

After discussing our concerns and writing our evaluations, my colleague and I realized that planned giving is not a topic or an activity that should be left in the hands of the inexperienced. Whether intentional or unintentional, mistakes made with donors in a planned giving scenario can have devastating financial consequences. The old saying "Kids, do not try this at home!" is very applicable in these cases.

If you have a member of your church who is

interested in making a large gift to the church, a specific ministry or an endowment fund, Please check with a professional before completing the gift! You owe it to your member to make sure everything is done properly! One of my most memorable and satisfying experiences with a donor involves the gift that wasn't made.

That's right! I counseled a member of one of our local churches not to make a \$150,000 gift. The donor was intent on taking the funds from an "overfunded" retirement plan in order to make an Immediate Gift Annuity. The donor was convinced that his plan was a good one until I told him that withdrawing \$150,000 from a deferred compensation plan would be considered a taxable event by the IRS. Even though the donor would have qualified for an income tax deduction when making the Gift Annuity, the deduction would not have been anywhere close to offsetting the taxes required on the taxable event.

I know the donor was grateful for the information and he will make a significant gift to his church in the future



**CHARITABLE
GIVING
CONTINUED**

through a more appropriate giving vehicle. The point here is twofold: 1) a donor's best interests must always be the most important factor in determining the right gift, and 2) consult an experienced professional when working with a donor and his or her intentions to make a significant gift to your church.

**ESTATE
PLANNING**

During this highly charged election season of 2004, not much legislation has been passed by Congress. That is the good news! The bad news is that if you have a bad or outdated estate plan, it could lead to: 1) probate, 2) financial burdens for your heirs, 3) distribution delays, 4) court appointed administrators, and 5) public disclosure of your private information.

Probate is a legal proceeding to prove your ownership of all your assets at the time of your death. Once your ownership is properly established in the eyes of the court, then ownership is transferred to your rightful heirs. This proceeding takes 12 to 18 months and could cost as much as 5% of your net worth. Whereas, a properly created estate plan can avoid probate!

Your heirs may have to pay for your final debts (gas, electric, phone, funeral, burial bills, etc.) if you have a poorly designed estate plan. With a good estate plan, you can make arrangements ahead of time to have these final debts cared for by your estate instead of your heirs.

As mentioned, the probate process takes between 12 to 18 months in the state of AZ. If you have a large estate, the probate process can take up to 3 years or more! Oh, and by the way, as soon as your Last Will gets registered in the probate court, anyone who wants can go to the county court house and read your Last Will. From that reading, they can determine what you had at the time of your death and who is going to get what.

These are just a few of the facts we discuss in our estate planning seminars for the members of your church. The Foundation's tag line is "Building Your Church's Financial Future One Brick at a Time!" One of the most important bricks involves the education of your members about their stewardship of their own assets.

What are you waiting for? Schedule your church's estate planning seminar now! Call us at 602-266-6956.

**ESTATE
PLANNING
&
CHARITABLE
GIVING
SEMINAR
REQUESTS
ARE HIGH
THIS YEAR.**

**GOOD DATES
ARE BEING
SCHEDULED
FAST.**

**SCHEDULE
A SEMINAR
IN YOUR
CHURCH
FOR
SEPT. '04
THROUGH
NOV. '04
NOW!**

**DO NOT
DELAY!**

CALL NOW!

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**TRUST
AND
INTEGRITY
ARE THE
CURRENCY
OF
CHARITABLE
GIVING**

**Good
Stewardship of
Church Assets
Begins with
Educating Your
Membership
about Good
Stewardship of
Their Personal
Assets.**



What a roller coaster ride the stock market has given investors this year. Within days the stock market has gone up 100 or more points and then gone down 100 or more points. The record high costs of a barrel of oil is driving the markets crazy!

If you're trying to "time" the market like day traders do, then you're living on the edge and you're not the type of investor that would be invited to participate in our investment process.

The Investment Committee of the Foundation's Board of Directors have their eyes focused not on the daily or weekly or monthly upswings or downturns in the markets, but on the market activities over 3, 5, 7 and 10 year time frames. With conservative and diversified asset allocations, the DSUMF provides its investor participants with comfortable 10%, 11% 12% rates of return, net of fees over 10 year time frames. This is all done with very low risk as measured by standard deviation.

With the recent movement of 5% of the Foundation's portfolio into Campbell Trust, a company that specializes

in "managed futures," the risk in our portfolio is at its lowest point ever. With Campbell Trust, the risk in our portfolio lowered because "managed futures" brings a great deal of diversification into the portfolio and "managed futures" are not correlated to the ups and downs of the stock market. The addition of Campbell Trust into our family of professional money managers has the potential to increase our overall rate of return by 1 or 2 percentage points (from 11% to 12% or 13%) as well!

With 5% of the portfolio in "managed futures," 60% of the portfolio in equities ranging from small to mid to large cap growth and value stocks and with 35% of the portfolio in both corporate and government bonds, our portfolio is now managed by 10 different professional asset management companies. The main point here is that all of the Foundation's Investment Service activities are performed with one eye on the long term and the other on what is best for our investor participants.



Because of the Foundation's Investment Service presentation at Annual Conference, the good folks at Winslow UMC requested an on-site, personal presentation. It was scheduled, made and questions were answered. Winslow UMC may become the Foundation's 44th member of our family of Agency, Board and Church Investors.



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