

# DOLLAR SENSE

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

**Vol. II: Issue 9    A Service of the Desert Southwest United Methodist Foundation    October 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. As always, 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](mailto:rick@dsumf.org). Lucille, the Foundation's Controller has attended a class using "Front Page" in the construction of our new web site. She learned a great deal and has made much progress in the web site construction. Look for our new web site debut towards the end of October 2004. For more information about the Foundation and our services, please go to our current web site at [www.desertsw.org/foundation.html](http://www.desertsw.org/foundation.html).



In our last issues, we have been discussing the fact that **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. In past issues of DOLLAR SENSE,

we've discussed the Education of Leaders and Members. In terms of educating members, we've discussed seminars and direct mail pieces. Now, we discuss News Items.

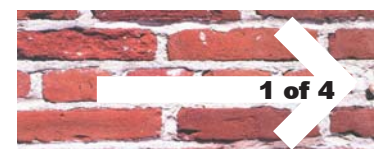
**"One-Liners"  
Printed  
in  
Sunday  
Bulletins  
May  
Encourage  
Members  
to Give.**

Almost every church uses the newsletter to communicate with its members. Articles in newsletters are excellent ways to remind members and constituents of gift planning opportunities. The best articles are stories of what has actually happened because of planned gifts to your church. For

example, a brief article in the newsletter might tell a story about the use of earnings from the Endowment Fund to provide Bibles for every third grade, Sunday School student in your church.

Short articles and news reports will be read more than lengthy ones. Remember, if no one reads it, then it doesn't really matter what the article or news report says. Reprints of articles from this newsletter are permitted, in fact, reprints are encouraged.

Announce gifts to the Endowment Fund Program as they are received (unless the donor has requested anonymity). Providing a list of those who give and the names of those who are memorialized or honored is all that is necessary. Do not state the amount of the gift. How much someone gives now or through his or her estate is personal information and should not become public



## ENDOWMENT FUNDING

Continued

information unless permission is given by the donor. Telling the congregation that gifts have been received, however, encourages others to give.

In addition to articles in newsletters, include short "one-liners" in newsletters and bulletins, on bulletin boards and hymnal covers, and any place where someone might notice them. One-liners might include:

- Is your will up-to-date?
- Does your will include care for your minor children?
- Have you included your church in your will?
- Is your will keeping up with you or with your Christian commitments?
- God's will does not go through probate, but yours will.
- A memorial gift goes on living and giving.
- Do you know how to make a charitable gift, and receive an income for life?
- Do you know you can make the church a beneficiary of a life insurance policy?

The Foundation has produced enough "one-liners" for you to have a different one in every Sunday Bulletin every week of the year. Just ask [rick@dsumf.org](mailto:rick@dsumf.org).

## CHARITABLE GIVING

During the past year, we've written about the Charitable Gift Annuity (CGA) a couple of times. The reason for this is because the CGA is one of the easiest and therefore the most popular giving vehicle for those who wish to maximize their gifts to the church and maintain a lifetime income stream at the same time. CGAs also provide the donor with the advantages of an income tax deduction as well as some tax-free income from the lifetime distributions of the CGA.

In this issue of DOLLAR SENSE, we want to tell you a little bit about the "behind the scenes" management of CGAs. There is no right or wrong way to manage CGAs. The non-profit's ultimate responsibility is to make lifetime distributions to the donor no matter whether the market goes up or down, no matter whether the organization's income is up or down; the responsibility is to make distributions no matter what!

Some non-profits that offer CGAs to their donors use the entire corpus of the original gift for its intended purpose immediately. Then, with a steady stream of income from other sources, use

some of that income to make their lifetime distribution obligations. This is a risky management technique. What if the steady stream of income suddenly dries up? By law and contract, the non-profit is still obligated to make distributions.

Other non-profits use some of the principal of the original gift for its intended purpose and invest the rest. The amount of principal that is invested is supposed to generate the net return required to fulfill distribution obligations to the donor. Still other non-profits, like the Desert Southwest United Methodist Foundation (DSUMF) use the most conservative approach to managing CGAs. We do not use any of the original gift for its intended purpose until after the donor passes away. We invest the entire corpus of the gift to maximize the net return to not only meet distribution obligations to the donor but also to increase the value of the original gift in an attempt to distribute more than the original gift to the final beneficiary church or mission project.

In our efforts to evaluate our management decisions relative to our colleagues around the country, we participate in several information exchanges with members

of the National Association of United Methodist Foundations (NAUMF). In a recent, national exchange of information, one UM Foundation used the NAUMF Group E-Mail to ask all other UM Foundations about the charges assessed to CGA accounts in order to cover CGA administrative functions including: investing, accounting, donor distributions, 1099 preparations and final beneficiary distributions after the donor passes away.

Upon reading the responses to the question, we were both very surprised and very proud of our stewardship of your CGAs. We were surprised to discover that all UM Foundations charge at least an annual fee to manage their CGAs. Some UM Foundations outsource the management of their CGAs to other financial service firms. Some UM Foundations assessed an annual investment service charge, plus an administrative fee, plus a percentage of the remainder before final distribution. One of the responding UM Foundations actually takes 5% of the original gift right off the top for their own operations **and**





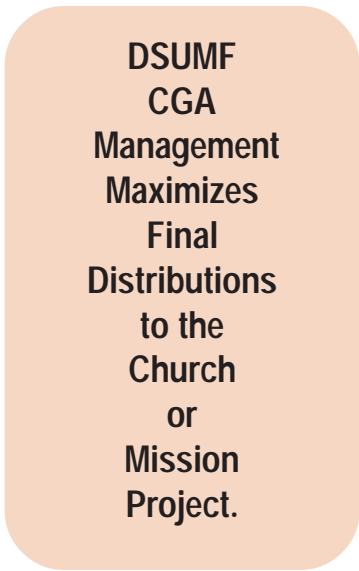
**CHARITABLE  
GIVING  
CONTINUED**

assesses an annual management fee on top of that. In summary, UM Foundations assess annual CGA management fees ranging from a low of 0.5% to a high of 1.55%, plus a percentage of the final distribution ranging from a low of 10% to a high of 100%.

All up front and annual fees assessed to CGAs result in a smaller corpus. A smaller corpus directly increases the risk to the non-profit in terms of their ability to make the ongoing, lifetime distributions to the donors. A smaller corpus also results in a smaller distribution to the final beneficiary church or mission project. Our pride stems from the fact that we assess no up front fees to manage CGAs. We assess no annual fees to manage CGAs. We assess no document preparation fees to manage CGAs. We assess no investment fees to manage CGAs. Every CGA management decision we've made is designed to maximize our ability to make donor distributions while at the same time maximizing the amount of the final distribution to the ultimate beneficiary.

Having said that, it is also appropriate to state that we do have the same kinds of CGA administrative costs as our colleagues have. We could not afford to manage CGAs "free of charge." So, instead of assessing up front and annual fees on top of document preparation fees, the DSUMF assesses a retroactive administrative fee to the CGA. This fee is a flat 8% of the remainder in the CGA account after the donor has passed away. Our stewardship of CGAs makes it easy to guarantee lifetime donor distributions while maximizing beneficiary church or mission project distributions at the same time.

The DSUMF is both very happy and very proud to manage any CGA for the benefit of individual church members and the Annual Conference Agency, Board and/or Church beneficiaries of their choice.



**DSUMF  
CGA  
Management  
Maximizes  
Final  
Distributions  
to the  
Church  
or  
Mission  
Project.**



**ESTATE  
PLANNING**

One of the services provided by the DSUMF involves an educational seminar about estate planning. When invited, the Executive Director will present a 90 minute seminar on the "Six Steps Towards Becoming Good Stewards of Your Own Assets." We discuss the horrible consequences of poor estate planning as well as the list of benefits available to you with proper estate planning.

Probate, the problems associated with it, and how to avoid it are discussed. The seminar also includes an in-depth discussion of 5 estate planning documents typically used in the average estate plan. The seminar is made by both the Executive Director and a private practice, estate planning attorney who offers a FREE, no-obligation, follow-up consultation with anyone who attends a seminar. A FREE, comprehensive estate planning booklet is also given to each person who attends.

Don't you think it is time to schedule a seminar for the members of your church? We do! Contact [rick@dsumf.org](mailto:rick@dsumf.org) to make your seminar reservation now. Seven seminar dates are already scheduled for the months

of October and November 2004. We also have 4 dates scheduled in February and March 2005! The number of available dates is decreasing rapidly! Contact us immediately to reserve the date of your choice!



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

**GOOD DATES  
ARE BEING  
SCHEDULED  
FAST.**

**Only 3 Sundays  
are available in  
October  
and  
November!**

**DO NOT  
DELAY!**

**CALL NOW!**

**602-266-6956**



Service please call Lucille, or e-mail her at [Lucille@dsumf.org](mailto:Lucille@dsumf.org) for a reservation.

The DSUMF Investment Service offers several benefits:

1. Our service assumes all fiduciary responsibilities associated with the prudent investing process, thereby eliminating personal liability to participating depositors.
2. Our service is engaged in all 27 prudent investment practices prescribed by 3 acts of congress.
3. Our Service uses many layers of expertise including 10 professional money managers, 2 investment advisors, a 14 member Board of Directors, a 9 member Investment Committee, an Executive Director and a full time accountant. The service, therefore, is not dependant on any one individual.
4. Our service provides all accounting and produces monthly statements.
5. Our service provides an external, independent annual audit.
6. Our service provides an actively managed, socially-screened, low-risk portfolio that has achieved an annualized net rate of return equal to or better than the S & P 500 index since its inception in 1991.
7. Ownership of the funds deposited for investment

On October 14, 2004 Bishop Carcaño will host our Investment Service Presentation in the Galvan Room in the Conference Center. The presentation will begin at 10:00 AM; lunch and fellowship will be available after the presentation. Representatives of 9 churches that all have very significant amounts of long-term funds invested other than with the DSUMF have been invited to this important presentation.

This presentation and the eventual participation of all 9 nine churches are critical to the self-sufficiency of the DSUMF. The DSUMF derives operational income from fees assessed to depositors' accounts in return for our investment services. We also receive financial support from apportionments. The more income received from investment management fees, the less income needed from apportionments.

If DSUMF became completely self-sufficient, the apportionments used to support us could be redirected to support priorities of the Annual Conference. If you would like to meet the new Bishop and learn more about our Investment

with the Foundation remains with the depositor, not DSUMF. 8. DSUMF exercises no distribution control over the funds under its management.

If you prefer a presentation about our Investment service at your church, please contact [rick@dsumf.org](mailto:rick@dsumf.org).

**On October 14, 2004,  
Bishop Carcaño will  
host an Investment  
Service Presentation  
in the Galvan Room  
in the Conference  
Center.**

**If you would like to  
learn more about our  
Investment Service  
and meet our new  
Bishop, then please  
call Lucille for a  
reservation at:  
602-266-6956.**



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Your Favorite  
United Methodist  
Ministry.**

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VEHICLE!**

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- This program is raising serious income for its participants!

