

DOLLAR SENSE

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

Vol. III: Issue 11 A Service of the Desert Southwest United Methodist Foundation December 2005



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!

We thank you for visiting our web site! We're always updating its content, so remember to "click a brick" to take a complete tour!

MERRY CHRISTMAS!



It is December. You know what that means! We are at the height of the "Year-End-Giving Season," and if you are a regular reader of this newsletter, you know members of your church can give cash (cash is good!), life insurance, stocks, bonds, mutual funds, make gift annuities or charitable trusts, etc., because we've discussed these types of gifts through out the year!

What is more important is that you not only know how your members can do this, but you also know how to help them with all

these transactions. (In case you've forgotten a few things along the way, you also know we're happy to help whenever you need it!).

If you are a regular reader, then you should also know that our mission is to help you and your agency, board or church secure your financial futures today! Our help comes to you in the form of educational and investment services. Please contact us at your convenience whenever you have questions that we might be able to answer or problems that we might be able to solve.

After all, we are partially subsidized by the apportionment system and any help we might be able to provide represents, in a small way, some of your apportionment dollars coming back to you.

Whether you are a regular reader of this newsletter, an occasional one or an "every-once-in-a-while" reader, please know that DSUMF is here to serve! We have appreciated your support throughout the years, and with your

help, we look forward to a healthy, prosperous 2006!

HAPPY NEW YEAR!



From both Lucille and I, and on behalf of the Foundation's Board of Directors, the DSUMF wishes you and all of yours a very, Merry Christmas and a Happy, Healthy, Prosperous New Year!

**The 2006 Calendar
is filling up fast!**

**We already have
7 seminars and
6 Leadership
Training Events
scheduled from
January to May '06.**

**DO NOT DELAY!
SCHEDULE YOUR
SEMINAR NOW!**





In last month's issue of DOLLAR SEN\$E, we indicated that this month we would present a special edition of the newsletter. Here it is!

Since February 2005, we've been discussing the 7 Uniform Standards of Care and the 5 Step Investment Management Process. With each investment management step discussed, we've also listed the fiduciary practices required by law.

Now, in this one special issue of DOLLAR SEN\$E, we list all 27 fiduciary practices and show how they are interrelated by placing them on a chart. The list follows, and the chart, or Fiduciary Practices Matrix, follows on page 4.

Step One: Analyze Current Position

Practice 1.1: Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements.

Practice 1.2: Fiduciaries are aware of their duties and responsibilities.

Practice 1.3: Fiduciaries and parties in interest are not involved in self-dealing.

Practice 1.4: Service Agreements and contracts are in writing, and do not include provisions in conflict with fiduciary standards of care.

Practice 1.5: There is documentation to show timing and distribution of cash flows and the payment of liabilities.

Practice 1.6: Assets are within the jurisdiction of U.S. courts, and are protected from theft and embezzlement.

Step Two: Diversification and Portfolio Allocation

Practice 2.1: A risk level has been identified.

Practice 2.2: An expected, modeled return to meet objectives has been identified.

Practice 2.3: An investment time horizon has been identified.

Practice 2.4: Selected asset classes are consistent with identified risk, return and time horizon.

Practice 2.5: The number of asset classes is consistent with portfolio size.

Step Three: Formalize Investment Policy

Practice 3.1: There is sufficient detail to implement a specific investment strategy.

Practice 3.2: The investment policy statement defines the duties and responsibilities of all parties involved.

Practice 3.3: The investment policy statement defines diversification and rebalancing guidelines.

Practice 3.4: The investment policy statement defines due diligence criteria for selecting investment options.

Practice 3.5: The investment policy statement defines monitoring criteria for investment options and service vendors.

Practice 3.6: The investment policy statement defines procedures for controlling and accounting for investment expenses.

Practice 3.7: The investment policy statement defines socially responsible investment strategies.

Step Four: Implement Investment Policy

Practice 4.1: The investment strategy is implemented in compliance with the required level of prudence.

Practice 4.2: The fiduciary is following applicable "Safe Harbor" provisions.

Practice 4.3: Investment vehicles are appropriate for the portfolio size.

Practice 4.4: A due diligence process is followed when selecting service providers including the custodian.

Step Five: Monitor and Supervise

Practice 5.1: Periodic Reports compare investment performance against an appropriate index, peer group, and Investment Policy Statement objectives.

Practice 5.2: Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.

Practice 5.3: Control procedures are in place to periodically review policies for best execution, soft dollars and proxy voting.

Practice 5.4: Fees for management are consistent with agreements and with the law.

Practice 5.5: "Finders fees," 12b-1 fees, or other forms of compensation that have been paid for asset placement are appropriately applied, utilized, and documented.

Please remember that if your church's volunteer investment fiduciaries are not following the 27 practices listed above and prescribed by law, then they can be held **personally liable** for losses your church's portfolio may experience. Ignorance of the law is no excuse!

Ask questions about your church's investment process. It exists so investing church money can be done right.

The process is designed to reduce risk for your volunteers, and your portfolio. The process, when performed properly will enable your fiduciaries to maximize the rate of return on your investments, so your church can provide the maximum benefit for the funds contributed by your members.



SIDE NOTE

LEADERSHIP TRAINING IN 2006

In the first half of 2006, the DSUMF will conduct Leadership Training events in each district of the Annual Conference and in a few clusters within the districts. The training events, designed for lay and clergy leaders of every church will provide specific information on what a church can do today to secure its financial future tomorrow!

The training events, entitled “**Securing Your Church’s Financial Future Today!**” will be conducted on Saturdays from 9:30 AM to 4:30 PM. Lunch will be served and materials will be provided on a CD to all registered attendees.

A registration fee will be charged to offset the foundation’s costs. The fee will be \$25 for each of the first two attendees (Total: \$50) from your church, \$15 each for the next two attendees (Total: \$30) and \$10 for all additional attendees from your church.

For \$100, a church can send 6 people who will have the opportunity to meet and interact with like-minded United Methodists, eat, and receive

more than 250 pages of the best written materials we know how to produce. All written materials will be provided on a CD that will automatically open when put into your computer.

Each training event will involve presentations on five different topics throughout the day.

Training topics include:

1. Creating and Operating a Permanent Endowment Fund Program at Your Church.

2. Charitable Giving in Your Church.

3. Charitable Gift Annuities vs. Charitable Trusts.

4. Encouraging Bequests to Your Church Through Estate Planning.

5. Investing Church Money.

This training is a “**MUST ATTEND EVENT**” for members of your church’s Board of Trustees, Finance Committee, Stewardship Committee, Foundation Board or Endowment Fund Committee.

The training events will be conducted according to the following schedule:

Yuma Cluster
Trinity UMC
April 22, 2006

South District
Christ Church UMC
March 25, 2006

West District
Epworth UMC
April 1, 2006

East District
Velda Rose UMC
April 8, 2006

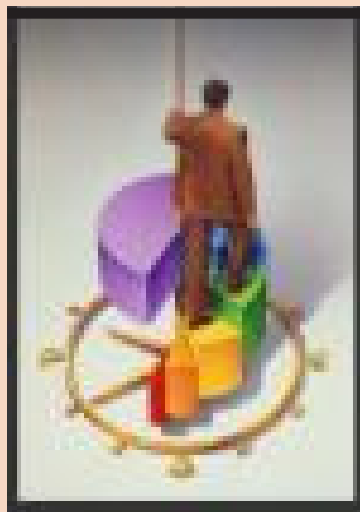
North District
University UMC
May 6, 2006

Flagstaff Cluster
Trinity Heights UMC
May 20, 2006

The information provided in the Leadership Training Events will help you secure your church’s financial future today!

You should not miss this opportunity!

To register members of your church for attendance at one of these Leadership Training Events, please contact Lucille Sterling by sending her an e-mail at lucille@dsumf.org!



ANNOUNCING DSUMF’s August 25, 2006 Alaskan Cruise! Join Us!



The DSUMF invites you to join our exploration of Alaska’s vast wilderness and to enjoy a week of warm fellowship with like-minded United Methodists.

The week-long voyage will begin in Vancouver, BC, Canada, cruise through Alaska’s famed Inside Passage and end in Seward, AK, where transportation will be provided to the Anchorage Airport.

We’ll visit popular coastal communities, watch for bald eagles, humpback whales, and sail next to Alaska’s legendary glaciers on Holland America’s beautiful ms Statendam. Along the way, you’ll have the opportunity to hook into a King Salmon at Ketchikan, fly over vast ice fields, and explore the region’s intriguing Indian and Russian cultures.

Find Out More!
Contact Us At
www.dsumf.org

FIDUCIARY PRACTICES FOR INVESTING CHURCH MONEY

Developed by the Foundation for Fiduciary Studies * Pittsburgh, PA; Adapted by DSUMF for the DSAC.

UNIFORM FIDUCIARY STANDARDS OF CARE	Step 1 Analyze	Step 2 Diversify	Step 3 Formalize	Step 4 Implement	Step 5 Monitor
1. Know Standards, Laws, & Trust Provisions	1.1 - 1.6	1.5	3.1, 3.2, 3.7	1.1, 4.2	1.5, 5.1, 5.2
2. Diversify Assets to Church's Specific Risk/Return Profile	1.1, 1.5	2.1 - 2.5	3.1 - 3.3	4.1	3.3, 5.1
3. Prepare Investment Policy Statement	1.1, 1.5, 3.1, 3.2	3.3	3.1 - 3.7	4.1 - 4.4	3.5 - 3.7, 5.1
4. Use "Prudent Experts" & Document Due Diligence	1.2, 4.1, 4.2	4.1	3.1, 3.2, 3.4	4.1 - 4.4	5.1 - 5.3
5. Control and Account for Investment Expenses	4.3, 5.4, 5.5	2.5	3.1, 3.6	4.3, 4.4, 5.3 - 5.5	5.3 - 5.5
6. Monitor the Activities of "Prudent Experts"	1.4, 5.1	3.3, 5.1 - 5.3	3.1, 3.5 - 3.7	5.1 - 5.4	5.1 - 5.5
7. Avoid Conflicts of Interest & Prohibited Transactions	1.1, 1.3, 1.4, 1.6	1.6	3.2, 3.7	1.3	5.5