

DOLLAR SENSE

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

Vol. III: Issue 2 A Service of the Desert Southwest United Methodist Foundation February 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**

Word continues to spread about our web site because, in January '05, we had another increase in both the number of unique visits and the number of pages viewed over December '04. We owe this increased exposure to you, our loyal readers, who are recommending our site to others. Keep up the good work!



"Dearly beloved, the Church is of God, and will be preserved to the end of time . . ."

We heard these words when we were confirmed as members of the Church, and we have heard them many more times as others have taken this important step in faith.

If there was ever an organization that ought to think, talk, and plan in terms of permanency, it is the Church. If there was ever an institution that ought to be committed to long-range planning, it is the Church. Yet, when we realistically look at the

way the mission and ministry of the Church is planned and funded, we are usually far too shortsighted.

In the early years of Methodism, the Church was always on the frontier of our nation, striving for its place in the future. Certainly, today's frontiers call us to be even more committed than ever.

Webster defines "endowment" as "the act or process of furnishing with an income." If the church is to remain on the frontier, it must plan for future as well as present mission and ministry; but unless these plans include ways of funding this mission and ministry, they may be only empty dreams. The concept of endowment funding says to the church and to the community that the church is here to stay. Endowment funding says that the church is both planning and funding for the future.

What will the heritage of your church be for future generations?"

An answer to that question might be found in the creation of an

Endowment Fund at the local church. Creation of such a fund addresses the future as well as present needs and opportunities of the church. It is not only possible, but it is critical to the financial future of your church to design, implement, and operate an Endowment Fund.

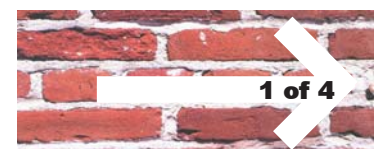
"The Church is of God and will be preserved to the end of time."

The existence of an Endowment Fund is a good way for your church to say:

We believe in the future of this church.

We want to be guided in our stewardship by the belief that all we have is a trust from God.

We want to build a sense of permanence in what we do.



ENDOWMENT FUNDING

Continued

We want to be good stewards of our assets as a “church family.”

We want to “go the extra mile” in providing services and programs that currently, due to budget constraints, are only dreams.

We want to create a heritage that future generations can celebrate as joyfully as we celebrate our rich heritage today.

One model for an endowment program in the local church allows for endowments to operate in three designated areas including Missions, Property Maintenance, and Scholarship.

While endowments will benefit from both current and deferred gifts, their existence will especially encourage deferred gifts to the church that might otherwise be given to other charities that have endowment funds in place. Endowments also provide opportunities for donors to honor the life and special contributions of others. Gifts given in honor and in memory of family and friends are a major source of assets with which to build endowment funds for the local church. Donors see this as a meaningful way to honor special persons

while investing in the present and future of their church.

When a church opens the doors of endowment giving and funding, at least five things happen:

1. The church receives increased gifts to fund its various causes.
2. Members begin to examine their Christian stewardship concepts and understanding in a broader context and begin including planned gifts as well as current gifts in their stewardship response to the church.
3. Members are educated as to many expanded gift opportunities for mission and ministry through their church.
4. Current contributions given in support of the ongoing annual budget are freed up to strengthen and even expand existing programs.
5. The church and its various ministries begin to receive major planned gifts that have previously been directed to other causes where endowments are already in place.

Will these things happen in a church that **does not have** an intentional program of endowment funding? Remember: “The Church is of God and will be preserved to

the end of time....” and your endowment funding activities can ensure such preservation at your local church.

ESTATE PLANNING

In the past ten years, we’ve presented more than 370 Estate Planning Seminars at more than 90 different churches and fellowships in the Conference. More than 8,500 members of our Conference churches have attended these presentations and learned about the proper estate planning process.

Two of the documents discussed during these presentations include the Living Will and the Durable Health Care Power of Attorney. The combination of these two documents in an estate plan permit an individual and the person they choose to be their health care advocate to deal with difficult medical decisions during a time when the individual is unable to communicate their treatment desires because of either temporary or permanent incapacitation. Until recently, the Living Will and Durable Health Care Power of Attorney provided sufficient documentation to insure, with a good degree of certainty, that the individual’s health care

treatment would be carried out as detailed in the two documents.

Along comes the Health Insurance Portability and Accountability Act. (HIPAA). This Act was an attempt by congress to force medical providers to protect and secure patients’ medical records from electronic theft through the internet. As with most Acts of congress that are not well thought out, this Act has n i n t e n d e d consequences.

The new privacy standards present new obstacles for those using these two documents in their estate plan. Under the new HIPAA rules, medical providers are not permitted to talk freely about a patient’s medical condition and they can be fined or even jailed for providing private medical information about a patient without proper consent.

That sounds like a good idea on the surface, but what about the patient who is in a coma and unable to communicate their consent to disclose medical information about themselves to their properly appointed Power of Attorney? Under HIPAA, many doctors are claiming they are not

ESTATE PLANNING CONTINUED

permitted to provide the person named in the Durable Health Care Power of Attorney with the patient's health-care information. Without the pertinent information about a patient's condition, how is the Power of Attorney able to make informed decisions about the patient's treatment?

This problem is easy to fix, but it may require a visit to your estate planning attorney. The first step is to read your Durable Health Care Power of Attorney. Look for language in the document that permits the person named with "springing powers" to have access to your medical records. If this language exists, then your new obstacle can be hurdled by executing a HIPAA Waiver. You should either contact your attorney and ask about a HIPAA Waiver, or you can go to our web site and print out the HIPAA Waiver we've provided. Sign this waiver, in front of a Notary Public and give the document to all the appropriate medical providers. Ask them to file the waiver with your records.

For people with trusts,

form on our web site will not solve the problem. Instead, people with trusts must see their estate planning attorney for a redraft of their documents. The redraft must add language that protects heirs from HIPAA privacy rules.

Estate planning is not just a "once-and-done" event. Estate planning is a process; the process changes as tax laws and other laws change. Help your church members be informed about the estate planning process. Schedule an estate planning seminar at your church soon by contacting Lucille at 602-266-6956 Ext. 203 or by e-mailing rick@dsumf.org. Don't delay; we're already scheduling seminars for the Fall of 2005!

**GO TO
DSUMF.ORG
TO PRINT
YOUR HIPAA
WAIVER NOW!**

CHARITABLE GIVING

Soon it will be TAX TIME and if your church has not provided all the appropriate documentation to your members who made contributions during 2004, you may be jeopardizing their opportunity to

properly claim their income tax deductions. This will lead to some unhappy church members and place stress on your administrative personnel at tax filing time.

Generally, donors may claim a charitable contribution if they have the proper documentation in their files. While it is the responsibility of the donor to obtain the proper documentation for charitable income tax deductions, your church should have procedures in place to automatically provide such documentation. For contributions less than \$250, the documentation can take the form of a cancelled check, a receipt, or any other document that shows the contribution amount and the name of the church. Contributions of \$250 or more require the church to provide additional documentation.

If a member contributes \$250 or more at one time, the church must provide the donor with a acknowledgement containing required information. The information must indicate the amount of the donation and whether or not the church provided any goods or services to the donor in exchange for the contribution. If goods or services were provided in exchange for the

contribution, such as a fundraising dinner or auction, then the church must make a good faith estimate of the value of the goods or services received by the donor in exchange for the contribution. The donor must have this statement before they file their annual tax return.

Most church members make multiple donations during the course of the year. The church therefore must provide the donor with an annual statement or summary of all donations received. The statement must also include the "goods or services exchange" language.

All of the above rules apply to gifts of cash, checks, or credit card payments. If a donor makes a gift of property, such as stocks or bonds, then all of the above rules apply, plus more! For gifts of securities, the church must describe the security received and record the date the security was received. The donor's deduction is based on the fair market value of the security on the date it was received. Fair market value of a security is the average between the high and low trading values of the security on the date of receipt. If the security is

CHARITABLE GIVING CONTINUED

valued at \$500 or more, and if the church sells the security within two years of its receipt, then the church must send Form 8282 to the IRS as well as send a copy to the donor. The church must also acknowledge its receipt of the security by signing IRS Form 8283, which the donor must submit in order to claim the deduction.

As the result of the enactment of the Jobs Creation Act of 2004, gifts of vehicles to the church fall under a whole new set of rules that became effective on January 1, 2005. There is another set of requirements regarding a volunteer and their out-of-pocket expenses incurred while attending a meeting or participating in a mission project.

Both old rules and new rules impose requirements on the church. It is essential that the church comply with these rules so that your members will have the necessary documentation when they file their tax returns. Prompt, accurate receipts provided to your members will also present your church as a professional, knowledgeable organization.

INVESTING

In past issues, we've mentioned the 27 investment practices required by three acts of congress. But what exactly are they? Over the next several issues of DOLLAR SENSE, we'll list and discuss each of these practices that are required by law.

The three Acts of Congress that provide the legislative basis for each of the 27 Practices includes:

- ERISA – Employee Retirement Income Security Act,
- UPIA – Uniform Prudent Investor Act, and
- MPERS – Uniform Management of Public Employee Retirement Systems Act.

The Practices required by law as well as those that represent generally-accepted practice by both the investment and the accounting industries are set forth in order to provide the fiduciary with a structured process that both identifies an investment strategy and that will enable successful investment decisions.

For the purpose of this and subsequent articles in DOLLAR SENSE, a fiduciary is anyone who exercises discretionary authority or control over church assets. The

member of a church foundation board that has funds invested through a bank, mutual fund, brokerage firm, etc. is a fiduciary of church assets. A fiduciary's role is to manage investment practices within an established investment strategy. Fiduciary liability is not determined by investment performance, which is sometimes measured by rate-of-return; fiduciary liability is measured by whether prudent investment practices were established, documented, and followed.

The 27 Practices are intended to define a prudent investment process from beginning to end. For ease of viewing, a Practices Chart is constructed with both a vertical and horizontal axis. The vertical axis includes the 7 Uniform Fiduciary Standards of Care as legislated by congress. The horizontal axis includes the 5-Step Investment Management process. To complete the chart, each of the 27 Practices is placed in an appropriate cell of the chart.

In the next issue of DOLLAR SENSE, we'll begin to list the specific Standards of Care and Investment Management Steps that make up both the vertical and horizontal axes of the Practices Chart.

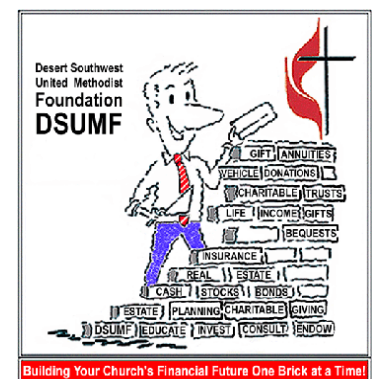
If your church does not adhere to all 27 investment practices, then you have a lot of work to do. The DSUMF does adhere to all 27 Prudent Investment Practices. Instead of doing all that work to re-invent the wheel we've already created, why not use our Investment Service? Give us an opportunity to talk to you about our nationally recognized investment service. The presentation is 40 minutes and it is free. What do you have to lose? Contact rick@dsumf.org to schedule your Investment Service presentation now!



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