

DOLLAR SENSE

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

Vol. III: Issue 3 A Service of the Desert Southwest United Methodist Foundation March 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 for continuing to spread the word about our web site. In February '05, we had another increase in both the number of unique visits and the number of pages viewed over January '05. Our DOLLAR SENSE Newsletter is well received and we sincerely appreciate the good feedback many of you have given.



In the last issue of DOLLAR SENSE, we asked the question: "What will the heritage of your church be for future generations?"

Think about that for a moment. What function will your church serve in the future, long after you've passed away? Will your church even exist in the future, let alone serve a useful purpose in the community? What can you do now to ensure the future vitality of your church and the mission projects it conducts?

Those are hard questions to answer, but I can assure you that if you

don't do something now to preserve your church to the end of time, then there may not be a future for your church.

If your church is to remain on the cutting edge of mission work and bring the Word of God to the people in your community, then it must plan for the future, but unless these plans include ways of funding future mission and ministry, the plans may be only empty dreams.

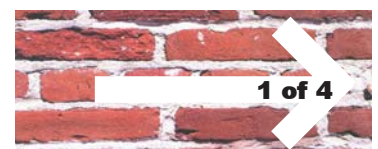
Planning for future funding of mission and ministry is the concept of endowment funding. Endowment funding says to the church and to the community that the church is here to stay and it intends on being a vital part of the community for many, many years to come.

Not too long ago, a few members of a Central West District church called the DSUMF to ask for information about creating a Permanent Endowment Fund Program. The Foundation responded with all of its resources and in less than one year, the church has created a formal

Permanent Endowment Fund Program. It is complete with a charter, operational guidelines, gift acceptance policies, a marketing plan and all of this has been formally recognized via Charge Conference.

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

Throughout the process, we constantly heard members say "I didn't know the Church had someone to help me do this." The Foundation often operates "behind the scenes" with our churches in the Desert Southwest Annual Conference. Yet, the stewardship services provided by The Foundation are of significant value to local churches as well as to individual donors.



ENDOWMENT FUNDING

Continued

The newly formed Permanent Endowment Fund Committee of this Central West District church will “kick off” their publicity campaign within the church with a presentation about Stewardship in an upcoming Sunday morning church service. Included in this presentation will be information about giving from accumulated assets as well as from current income. The presentation will be centered on the broader dimension of Christian Stewardship, which involves generosity of not only our possessions, but also of ourselves as individuals.

The Desert Southwest United Methodist Foundation has played a vital role in helping many churches begin new and exciting stewardship adventures. As long as we operate, we will continue to provide stewardship assistance, resources, and support to the local church and its members.

The Foundation provides leadership in planting the seeds for a planned giving program through presentations in the church and consultation with church leaders.

The Foundation provides ideas and resources as

well as hands-on assistance in the creation and organization of the local church Permanent Endowment Fund Committee.

The Foundation provides technical assistance both to the prospective donors and to the Permanent Endowment Fund Committee in the form of gift planning ideas and projections, tax deduction calculations, and estate plan analyses.

The Foundation provides professional investment management through its Investment Service for the church’s Endowment Fund Program assets.

The Foundation provides a wealth of planned giving ideas and resources for on going stewardship education.

A simple call to the Foundation office at 602-266-6956 ext: 203 will start your church on “a new and exciting stewardship adventure” that will strengthen your church for mission and ministry today and tomorrow.

ESTATE PLANNING

In the last issue of DOLLAR SENSE, we discussed some changes in the law that force people with Living Wills, Durable Health Care

Powers of Attorney and Revocable Living Trusts to execute “HIPPA Waivers,” (available on our web site at www.dsumf.org) and to amend certain clauses in their trusts.

Another change forces us to take a different look at the worth of another common tool used in the estate planning process. The tool is a document called the General Durable Power of Attorney.

This document is a contract between you and another of your choosing. The contract grants the person of your choosing the right to act on your behalf ***in all matters!*** This document used to be a very powerful document. In years past, the General Durable Power of Attorney used to provide an individual a clear path to making decisions and solving problems for an incapacitated individual or for settling an individual’s estate after death.

No More!

Financial institutions have come to understand that the law that allows us to create such contracts doesn’t go to the next logical step and force them to honor such contracts. Therefore, financial institutions like banks, brokerage firms, insurance companies, etc., have started

enforcing their own rules regardless of what you may have conveyed in a General Durable Power of Attorney. Such contracts are only as valid as the financial institution permits them to be. A large, well known, national bank doing business in Arizona will accept no Powers of Attorney – none, zero, zilch! A large, well known brokerage firm in Boston will not accept a General Durable Power of Attorney that was signed more than 90 days ago!

How are we supposed to be good stewards of our assets if they keep changing the rules?! The answer is: Stay Informed! As we stated before, estate planning is not a “once-and-done” event. Estate planning is a process; the process changes as laws change. Therefore, the process must involve constant education. Help your church members be informed about the estate planning process. Schedule an estate planning seminar at your church 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!

CHARITABLE GIVING

As many of you are probably aware, the Desert Southwest United Methodist Foundation operates a Vehicle Donation Program. The program involves a donor with lots of charitable intent, who makes a gift of an old car, boat, trailer, motor home, golf cart, camper, plane, or even a riding lawn mower. After the process is finished, the donor's church will receive 60% of the realized proceeds; the DSUMF retains 40% of the proceeds to fund its operations. In order to begin the process, the donor calls our Vehicle Donation Hotline at 602-252-1360.



The call will actually be answered by a representative of a company we have hired to schedule the vehicle's pick up, perform light repairs, shine the vehicle up, and sell it at public auction. If the company determines that your old "lawn ornament" will not sell at public auction, then it will take the vehicle to the salvage yard and get

a few bucks for it based on the amount of useable parts.



During 2004, the Foundation's Vehicle Donation Program received 50 vehicles. At donors' requests, proceeds from 19 of these vehicle donations were shared with 16 different churches. The average proceeds received by participating churches were \$423 per vehicle. Since the program's inception in August 2003, both the participating churches and the Foundation have shared over \$31,000 of net proceeds from the generosity of donors' vehicle gifts, and yes, we have received not one, but two different riding mowers since the program started!

As the result of the enactment of the Jobs Creation Act of 2004, income tax deductions for gifts of vehicles to the church fall under a whole new set of rules that became effective on January 1, 2005. Prior to January 1, 2005, vehicle donors were permitted, by law, to claim as a deduction, an amount equal to the fair market

value of their vehicle. Fair market value could be determined by going to a vehicle valuation web site like Edmonds or Kelly Blue Book. Once on the site and having entered the condition of the vehicle, its mileage, make, model, etc., and using the "private party" valuation, a resale value of the vehicle is listed. The amount listed was the amount available for deduction.



Since January 1, 2005, there is a new set of laws we must follow! Donors may still claim an income tax deduction for their vehicle donation; however, the valuation of their vehicle is different. The amount a donor may claim as an income tax deduction for a donated vehicle is no longer fair market value; it is equal to the amount for which the vehicle sells.

Since the vehicles we receive are sold at public auction, and since the public is out for a bargain, the vehicles we receive will almost certainly sell for something less than fair market value. Congress knew that when they enacted the new law because they wanted to

cut down on the abuses under the old tax code.

As in the past, when one of the donated vehicles sells at public auction, we promptly send both a "donation letter" and a receipt that details all the activity involved with the donated vehicle.

\$30,000 isn't "chump change!" Even though the deductions for donated vehicles are lower under the new law, the program is still viable! Encourage your members to donate that old vehicle and to name your church as the beneficiary of 60% of the proceeds. This is a simple, easy, "no brainer," funding source for you and your church. Call 602-252-1360 with your vehicle donation now!



**Support
Your Favorite
United Methodist
Ministry.**

**DONATE
YOUR USED
VEHICLE!
CALL:
602 - 252 - 1360**



As promised in the last 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 Prudent Investment Practices Chart. By the time we complete this chart over the next few issues, we will have listed all 27 investment practices required by 3 acts of congress.

First, the vertical axis of the Prudent Investment Matrix details the 7 Uniform Fiduciary Standards of Care. These standards are common to the 3 acts of congress that shape investment fiduciary standards, including ERISA, UPIA, and MPERS (see last month's article).

1. Fiduciaries of church investments must know the standards, applicable federal and state laws, and trust provisions.
2. Fiduciaries must diversify invested assets to the specific risk/return profile of the church.
3. Fiduciaries must operate according to a prepared investment policy statement.
4. Fiduciaries must use "prudent experts" or asset managers and document their due diligence.

5. Fiduciaries must exercise control over and account for all investment expenses.
6. Fiduciaries must monitor the activities of their "prudent experts."
7. Fiduciaries must avoid conflicts of interest and prohibited transactions.

If your church has long-term investment money and members of your church have been selected or volunteered to manage the investment process, then they should be following the 7 Uniform Standards of Care listed above. The people with the authority of investing your church's long-term funds should know the laws associated with investing money. With respect to Standard of Care #1 above for example, one of the most basic of these laws is that all invested funds must be independently audited on an annual basis. Are your church's investments independently audited on an annual basis? If not, then why not? Is it because your volunteers don't know the law? Or is it because your volunteers do know the law and choose to ignore it?

Either way, it doesn't matter because if something goes wrong with the investments, then those volunteers can be held **personally liable** for the losses! Ignorance of the law is no excuse!

With respect to Standard of Care #2 above, has your investment committee polled the congregation to assess its comfort level regarding investment risk and rate of return? If not, then why not? These are just two of the Standards of Care expected of the fiduciaries of your church's investments by law.

If you're not sure about your church's Investment Management Process, then ask questions! This isn't about pointing fingers at anyone. This process is about doing it right so as to reduce the level of risk taken in the investment process while maximizing the rate of return on your investments so that the earnings can be used to fund mission and ministry in your church!

Instead of learning about the 7 Standards of Uniform Care and the 5 Step Investment Management Process and the 27 Prudent Investment Practices and then doing all the work required to re-invent the wheel we've already created, why not use the DSUMF 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!

DSUMF Proudly Welcomes the Following Churches and Agency into our Fabulous Family of Investors!

Willowbrook Foundation of Sun City

Christ UM Foundation of Tucson

Ajo Federated UMC

U of A Campus Ministry

JOIN US ON APRIL 20, 2005 AT 10:00 AM FOR AN IMPORTANT INVESTMENT SERVICE PRESENTATION IN THE CONFERENCE CENTER'S GALVAN ROOM

LUNCH WILL BE SERVED!

RSVP ASAP!

