

# DOLLAR SENSE

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

**Vol. III: Issue 5 A Service of the Desert Southwest United Methodist Foundation May/June 2005**



## THANK YOU!

We continue to receive a few hundred hits on our web site per month. We thank you for your visits and hope you continue to find what you're looking for. If you don't find what you're looking for, then let us know - we'll try to find it for you!

In the mean time, keep visiting [dsumf.org](http://dsumf.org) and "click a brick" to take the full tour.

Please remember that we do not publish a newsletter in the month of June due to our Annual Conference preparation activities. So please consider this newsletter as your May/June newsletter or consider the next newsletter as your June/July issue, which should be posted at [dsumf.org](http://dsumf.org) by July 5, 2005. Please check out our special insert on Page 4. If you like the new recycling program described on page 4, then print the page and distribute it to all your church members prior to Annual Conference.



There are three steps involved in the creation of a Permanent Endowment Fund Program at your local church.

**Step One** involves the creation of an AD HOC Committee. The purpose of this committee is to explore the possibilities of creating and establishing a new Endowment Fund Program in the church. The AD HOC Committee should include the pastor and other staff related to the church's existing stewardship program. The Committee should also include several laypersons whose interest in planned giving and endowment funding has already surfaced or who would be open to considering some new and different stewardship concepts and procedures.

While the Ad Hoc Committee will spend much of its time brainstorming new ideas, its primary objective should be to prepare a presentation to be given to the Administrative Council or Trustees. The

presentation is a recommendation that a Permanent Endowment Fund Committee be elected and empowered. The AD HOC Committee will want to make a strong presentation to the Council or Trustees, which should include:

1. The personal benefits to members,
2. The financial benefits to the church,
3. Opportunities for personal witness and support,
4. An opportunity for questions,
5. A positive response to any negative reactions,
6. An official motion to endorse the creation of a Permanent Endowment Fund Committee, and authorization to the Ad Hoc Committee to draw up a resolution creating this Committee for presentation to the Charge Conference

Please note that the Committee must be created and members elected in a formal Charge Conference. The Administrative Council or Trustees is/are simply

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**

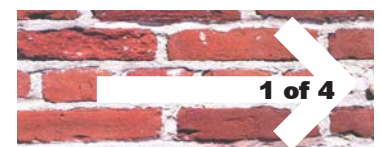
**ESTATE PLANNING**

**CHARITABLE GIVING**

**INVESTING**



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## ENDOWMENT FUNDING Continued

asked to support and endorse the Committee's existence.

**Step Two** involves the creation of the Permanent Endowment Fund Committee. The AD HOC Committee does its work, and prepares a formal Resolution that is to be presented to a Charge Conference. The Charge Conference votes on the Committee's Resolution to create a Permanent Endowment Fund Committee and elects members to this Committee. After this affirmative vote, the AD HOC Committee is dissolved.

The AD HOC Committee's resolution should be very carefully worded. The Resolution should reference the Committee's make-up, its duties and responsibilities, its powers and authorities, and the process whereby new Committee members are elected.

Contact [rick@dsumf.org](mailto:rick@dsumf.org) for a sample Resolution.

**Step Three** in the process involves identifying the future work of the Permanent Endowment Fund Committee. Once established, the newly elected chair of the

Committee should call a meeting of the Permanent Endowment Fund Committee within 30 days following the Charge Conference session.

The Permanent Endowment Fund Committee faces two challenges. The first is the creation of a **Charter** for the local church Endowment Program. This opportunity will enable the Committee to lead the church in organizing the Endowment Program in an orderly and effective manner. The second challenge for the Committee will involve marketing the Permanent Endowment Fund Committee and all it stands for to the members of the church. For a template of a Charter, please contact [rick@dsumf.org](mailto:rick@dsumf.org).

## ESTATE PLANNING

It has been some time since providing you with information about what I consider the cornerstone document to everyone's estate plan. First, what is an estate plan? Before answering that question, how about answering an even more basic question? What is your estate?

Your estate is everything you own, wherever it is located, however the

assets are titled, to the extent of your ownership in those assets. So, what is your estate plan? It is your plan to give all your assets away! Estate Planning is not rocket science. Estate planning involves your decisions as to whom, what, and when your assets will be distributed. Rest assured that if you decide not to plan, that the state government knows how to deal with people like you! And, by the way, lest you think that being a "non-planner" places you in a minority, you must think again.

Industry statistics indicate that 7 out of every 10 people are "non-planners"! So here's another question: of those 7 out of 10 people who are non-planners, how many of them are going to die? All of them right?! Since 7 out of 10 people pass away without a written plan to give their assets away, what do you suppose happens to all those assets owned by all those non-planners? Well, those assets have to be owned by someone, somewhere. Those assets can't just hang in "limbo" forever. After all, who would pay the taxes on those assets to the state or federal authorities!

Every body should take the time to put a basic plan in writing and this



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## **ESTATE PLANNING CONTINUED**

basic plan is called the Last Will and Testament.

You see, the various taxing authorities need their income. How are they going to get their tax income unless the ownership of all those assets from all those non-planners is transferred to someone else who will pay the taxes on those assets? So what is the state's plan for the distribution of all those assets owned by all you non-planners? It is called PROBATE!

If your total net worth exceeds \$50,000 and you don't have an estate plan, your estate will go through probate. If your total net worth exceeds \$50,000 and you don't have an estate plan designed to avoid probate, then your estate will go through probate. Probate is the process of proving your rightful ownership of assets at the time of your death, and transferring title of those assets to heirs. Probate is a legal process done in a court of law by an attorney standing in front of a Judge. Therefore, the process takes time, on average about 1½ years, and can cost up to 10% of the estate's total net worth. So if you don't care about what happens to those assets you've spent

a life time accumulating or about who is going to inherit them, then do nothing! Do nothing my non-planner friends because the state has already written a set of laws which detail not only who will inherit your assets, but in what order and how much of the estate they will receive! These are called the state's "Intestacy Laws."

If you do care about who gets what and when, then you must plan! Furthermore, you must put your plan in writing!

And just one more thought. Just in case you think you can avoid asset ownership distribution difficulties by telling family members what you want done with your property prior to your death, please understand that you can't! Well, actually you can tell all the people all you want in this regard, but oral expressions of intent during one's lifetime have no legal standing after death in the probate court. You must commit your intentions to writing in a legal document.



## **CHARITABLE GIVING**

In a conversation today with the chairman of a local church foundation about scholarship distributions (we

Methodists are big on education!), I was informed about the recent passing of a member of this Central East District church. The reason why the Chairman gave me this information was because he was informed by the deceased member's attorney that the church foundation was listed as a 20% beneficiary of the decedent's estate, which was preliminarily, valued around \$750,000.

Now we always offer our prayers to those who have "Gone on to Glory," as well as to those who are left behind as they grieve for the loss of their loved one. In this case, however, we can also celebrate this member's dedication to her church foundation, and work to establish a lasting memory of the member's generosity for generations to come.

I also celebrate this gift to the church foundation on another level. You see, this church foundation has been working for several years on their stewardship education program. They have followed the suggested steps for educating their members as to the benefits of making bequests to the church foundation. We have conducted several estate planning seminars, as well as a couple of Charitable Gift Annuity Seminars. Attendance at

every seminar was low. The requests for follow-up consultations after seminars were also low. Foundation members were getting discouraged; they were beginning to question if their efforts were ever going to make a difference. It even became hard for me to continue to encourage these well-meaning, hard-working foundation volunteers to keep on plugging away in the hope that something good will happen from their efforts.

Now I'm not privy to the details surrounding the future use of this gift. Perhaps the funds can be used to make some necessary repairs to the church's physical plant. Perhaps the funds can be used to fund future mission projects; perhaps the funds can be used to provide more scholarships! What I do know for sure is that long-term, consistent stewardship education programs do pay off. Is your church engaged in such an effort?



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Questions or  
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Reports indicate that there were 150 million cell phones in use last year. Rapid changes in technology, newer, more capable phones, service provider competition generating new service plans all result in tens of millions of cell phones being taken out of service monthly! Cell phones contain a number of toxic substances and dumping them into our landfills is not good for our environment! With your help and almost effortless work, you can help keep deadly toxins out of landfills and support our efforts to provide free educational programs for the agencies, boards and churches of the Desert Southwest Annual Conference all at the same time!

**BRING YOUR OLD CELL PHONE TO ANNUAL CONFERENCE.  
DROP IT INTO OUR EXHIBIT TABLE COLLECTION BOX.**



In the last two issues of DOLLAR SENSE, we listed the 7 Uniform Fiduciary Standards of Care that are common to 3 different acts of congress that shape the investment process for anyone or any group that sits in a position of having fiduciary responsibility over an investment process. We stated that the vertical axis of the Prudent Investment Matrix is comprised of the 7 Uniform Fiduciary Standards of Care.

We've also discussed the 5 Step Investment Management Process. These steps make up the horizontal axis 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.

In this issue, we begin discussing each of the 27 prudent investment practices. All of the practices are associated with specific steps in the 5 Step Investment Management Process.

You may recall from the last issue that Step One in the process is: Analyze Current Position. There are six practices associated with this step.

In this issue of DOLLAR SENSE, we'll discuss the first three of these practices:

Practice No. 1.1: Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements.

The practical application of this practice means, at a minimum, that the following documents should be collected reviewed and analyzed: 1) Investment policy Statement, 2) minutes from investment committee meetings, 3) applicable trust documents, 4) custodial and brokerage agreements, 5) service agreements with vendors such as money managers, accountants, attorneys, etc., and 6) investment performance reports from money managers, custodians and/or consultants.

Practice No. 1.2: Fiduciaries are aware of their duties and responsibilities.

A fiduciary's primary responsibilities include: 1) determining investment goals and objectives, 2) choosing an appropriate asset allocation strategy, 3) establishing an explicit, written investment policy consistent with the goals and objectives, 4) approving appropriate

money managers or other "prudent experts" to implement the investment policy, 5) monitoring investment program activities for compliance with the stated policy, and 6) avoiding conflicts of interest and prohibited transactions.

Practice No. 1.3: Fiduciaries and parties in interest are not involved in self-dealing.

Usually, if a fiduciary *thinks* they may have a conflict – they probably do! Even if they don't, someone else may think so, then the organization must wrestle with a *perceived*, not actual, but *perceived* conflict of interest and perceptions are hard to overcome! The best practice here is to end the conflict or to avoid the conflict in the first place.

If your volunteer fiduciaries are making investment decisions for your church, are they following the practices? Do they even know what the practices are? If they are not operating within Prudent Investment Practice Guidelines, then they can be held **personally liable** for losses your church's portfolio may experience. Ignorance of the law is no excuse!

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, while maximizing the rate of return on your investments, so your church can provide the maximum benefit for the funds contributed.

Instead of doing all the work required to re-invent the wheel that 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](mailto:rick@dsumf.org) to schedule your Investment Service presentation now!

We Proudly Welcome Green Valley UMC Foundation into our Fabulous Family of Investors!

