

# DOLLAR SENSE

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

**Vol. IV: Issue 2    A Service of the Desert Southwest United Methodist Foundation    February 2006**



This Newsletter's purpose is to provide clergy and lay leaders of the Desert Southwest Annual Conference's agencies, boards and churches 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 visiting our web site and your continued support of this newsletter. We receive compliments about DOLLAR SENSE often, and we like to hear them too! Of course, we'll accept criticisms, and make changes when necessary. Just let us know what's on your mind and we'll respond as best as we can.

This newsletter is taking a little twist from our traditional publication. Oh, we'll still have something about Endowment Funding, Estate Planning, Charitable Giving, and Investing too, but this newsletter is dedicated to a brand new "fundraising" program that incorporates all four topics. We're excited about it; we hope you get excited about it too! Read on, and after you discover all the benefits of participating in our G.R.E.A.T. Program, we hope you'll call or e-mail immediately to schedule a G.R.E.A.T. Program presentation to key decision-makers in your church.

## ANNOUNCING DSUMF's **G.R.E.A.T!** PROGRAM

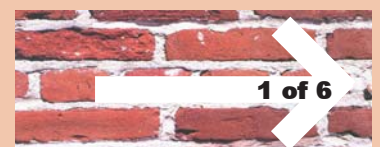
**Why?:** "Dearly beloved, the Church is of God and will be preserved to the end of time." The church is eternal yet the reality is that most churches take a short-term view regarding their financial health. Most often, the annual budget sets a church's time horizon. Sometimes we extend our time horizons a bit when we accept three-year pledges for capital campaigns. How are we going to be able to preserve our churches until the end of time unless we extend our time horizons well beyond the annual budget or three-year capital campaigns? What about generating permanent funds for the permanency of our churches? Permanent Funds are Endowment Funds. By definition, endowment funds are never invaded and only the earnings from endowment funds are used.

Endowment Funding:

- ✦ establishes an income source for future funding.
- ✦ provides members a way to give to something that they know will last.
- ✦ provides for property maintenance, missions, scholarships, music programs and more!
- ✦ establishes a level of expectation for members' contributions.
- ✦ establishes a culture of permanency and long-range vision at your church.

These are some of the reasons why we have created the G.R.E.A.T. Program. "G.R.E.A.T." is an acronym which stands for a program that involves: **G**iving, **R**eceiving, **E**ndowing, **A**nd, **T**ax deductions too! The G.R.E.A.T. Program involves two phases. In the first phase of this Program, donors give; they receive

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



and their churches receive too! Donors will qualify for both tax-free income from their gifts as well as income tax deductions. In the second phase of this Program, funds will be used to create an endowment fund that will keep on giving to the church well into the future! This G.R.E.A.T. Program is a WIN, WIN, WIN scenario!

If, after reviewing the attached information, you want to hear more, then call Dr. Rick Brown using 602-266-6956 Ext. 203, or e-mail Dr. Brown using rick@dsumf.org. Schedule a presentation, then after the presentation, decide if the G.R.E.A.T. Program is something in which your Board of Trustees or Stewardship or Finance Committees want to participate. If their decision is “No - Not Now,” then we’ll interpret that answer as “Perhaps Later,” because we know a healthy church is one that is not only looking outward, but one that is also looking towards its own financial future. The Desert Southwest United Methodist Foundation (DSUMF) is all about “Building Your Church’s Financial Future One Brick at a Time!”

**Give:** Donors make an irrevocable contribution via the Charitable Gift Annuity.

Giving is part of Phase I of the Program. The Charitable Gift Annuity or CGA is a well known, widely used giving vehicle. The CGA is a contract between a donor from your church and DSUMF. A donor can use cash, stocks, bonds, or mutual funds to make a CGA. Appreciated securities paying low dividends or interest are perfect assets to fund CGAs because the donor will avoid about 50% of the capital gains taxes on such assets as compared to selling them outright. In addition, the remaining capital gains taxes that are due, are spread out over the donor’s lifetime. Each donor participating in your church’s G.R.E.A.T. Program will receive a comprehensive, individualized CGA gift proposal that will identify the amount of their tax-free income and the income tax deductions for which they qualify prior to making their gifts.

**Receive:** The church will receive immediate cash; donors will receive income too!

Receiving is also part of Phase I of this Program. In this Program, 50% of all the funds donated to DSUMF via CGA contracts will be immediately returned to the participating church. The remaining 50% of donated funds will be placed into an “Investment Pool.” The pool will be invested in the DSUMF’s socially screened, actively managed, well balanced, diversified, low risk portfolio. Fixed income payouts to donors will be made

from the investment pool. The payout to donors will range between 5.5% and 7.0% times the amount of their original gifts, depending on the average age of all participants in the church’s G.R.E.A.T. Program. Payouts will be distributed in equal, semiannual installments at the end of March and September of each year. The DSUMF will provide year-end, 1099 R Statements for each donor by January 31 every year.

**Endow:** CGA “Remainders” will be used to create the church’s endowment fund.

DSUMF’s investment performance since 1991 is better than 11% on an annualized basis. Therefore, we fully expect to be able to honor our obligation to make semiannual distributions ranging from 5.5% to 7.0% during Phase I of the Program. We also fully expect there to be funds left over in most donors’ CGA accounts after their deaths or at the end of the Program, whichever comes first. These funds are called “remainders.” Upon each donor’s death, 50% of their “remainders” will be retained in the investment pool. The other 50% of the “remainders” will be used to to create the church’s endowment fund. At the end of Phase II, when all donors have passed way or when Phase I of the Program ends (whichever come first), all “remainders” in the investment pool will be deposited into the church’s endowment fund. At this point, the endowment fund will be considered fully funded. The endowment fund shall be invested by the DSUMF, and 85% of the earnings from the church’s endowment fund will be distributed to the church for use as determined by the church and the participants at the time the original gifts are made. The remaining 15% of the earnings will be plowed back into endowment principle so as to force growth in both principle and future distributions.

**And,** last, but not least, gifts are partially . . .

**Tax-deductible:** A portion of a donor’s original gift is tax-deductible.

Deductions will range from 29% to 50% depending on a donor’s age at the time of the gift. The actual amount of a donor’s deduction will be calculated using an IRS formula. The formula includes many factors, such as date of gift, age, gender, IRS Discount Rates, etc. While the program is designed to involve a group of people at the same time, each donor’s income tax deduction will be different than the next donor’s deduction. Deduction calculations will be included in formal



gift proposals presented to each donor before they finalize their gift. As always, a donor must itemize on their tax returns to claim a deduction, and donation ceilings of 30% or 50% of Adjusted Gross Income apply for gifts of property or cash respectively.

**JOIN DSUMF**  
on an  
**August 25, 2006**  
**Alaskan Cruise!**



Enjoy the elegant ms. Statendam, gracious service, five-star, sophisticated dining, and the breath-taking, vistas of Alaska!

Enjoy fellowship and a couple of educational sessions with like-minded United Methodists too!

Go to our web site at [dsumf.org](http://dsumf.org). Click on "Alaskan Cruise" for more information, pricing, and call our cruise specialists to book your travel now!

Don't delay, bookings and final payments must be completed by June 2, 2006!

## **Frequently Asked Questions:**

### **Q. How does the G.R.E.A.T. Program work?**

**A.** When invited, the DSUMF's Executive Director will present the Program to a group of members who are interested in financially supporting your church. Members who choose to participate in the Program will enter into individualized Gift Annuity contracts with DSUMF, where each contract will guarantee each participant an income stream ranging from 5.5% to 7.0% times the amount of their original gift depending on the group's average age at the beginning of the Program (see chart on page 4). The payout to donors will continue until the end of Phase I of the Program. In addition, some of the income received by the donor is tax-free income. The amount of tax-free income a donor will receive is also dependant on their age at the time the gift is made. Tax-free income rates will range between 45% to 66% or more. Tax-free income calculations will be made for each donor prior to finalizing their gift.

### **Q. How does the church receive money in the G.R.E.A.T. Program?**

**A.** DSUMF will write all contracts and collect all gifts for the church during a "sign-up" period. Upon completion of the "sign-up" period, DSUMF will immediately distribute 50% of all collected gifts directly back to your church. The turn-around time for this process will be 2 to 4 weeks.

### **Q. When is the church's Endowment Fund created?**

**A.** When a G.R.E.A.T. Program participant passes away, or when the distribution part of the Program ends (whichever comes first), it is expected that there will be a sum of money left in their gift annuity account. One half of each participant's remainder will be immediately deposited into the church's Endowment Fund. This deposit marks the beginning of Phase II of the Program. The other 50% of the remainder will stay in the investment pool, enabling DSUMF to honor the income stream promised to participants.

### **Q. When is the church's Endowment Fund fully funded?**

**A.** The church's endowment becomes fully funded upon the death of the Program's last surviving member, or on the date identified in the church's "Assignment Covenant" with its members, whichever comes first. When that date occurs, 100% of the remaining investment pool's balance will be transferred into the church's Endowment Fund account. This is the point when Phase I distributions to donors ends.

### **Q. What is an Assignment Covenant?**

**A.** An Assignment Covenant is an agreement signed by Program participants and their church. The agreement identifies a date when participants agree to assign their individual gift annuity contracts back to the DSUMF. When a donor assigns their CGA contract back to the DSUMF, the DSUMF is not obligated to any addi-

**Don't delay, cruise reservations and final payments must be completed by June 2, 2006!**



tional annual distributions; therefore, the assignment will end Phase I distributions to donors.

### **Q. When can a church receive earnings from their G.R.E.A.T. Program Endowment Fund?**

**A.** A church can receive 85% of the Endowment Fund's earnings the first January after the first participant's death. But remember, only 50% of each participant's remainder will be contributed to the church's endowment fund, so in the early years of the Program, earnings will be relatively small amounts of money. The church's G.R.E.A.T. Program Endowment Fund will not be fully funded until the last surviving donor passes away, or until the date identified in the church's Assignment Covenant, whichever occurs first.

### **Q. How much does the G.R.E.A.T. Program cost?**

**A.** The DSUMF will charge a flat fee of 1% on all gifts contributed. In return for this fee, DSUMF will: 1) present the Program to your church's members at a time and date convenient to all parties involved, 2) consult with each interested participant, 3) prepare formal CGA Proposals for each interested donor, 4) write individualized CGA contracts for each participant, 5) establish CGA files for each participant, and 5) establish an investment pool account for the church using 50% of all original gifts, less the 1% Program Fee.

### **Q. Are there any other fees?**

**A.** Yes. DSUMF will charge an annual fee of 1% on the balance (1/12th of 1% assessed monthly) of the church's investment pool. In return for this fee, DSUMF will: 1) make semiannual distributions to all G.R.E.A.T. Program participants, 2) send 1099 R Statements to each participant at year's end, 3) invest the church's G.R.E.A.T. Program Investment Pool, 4) produce monthly statements, 5) create and account for the church's Endowment Fund when the program's first participant passes away, 6) prepare annual, year-end, CGA Liability statements for each participant, and 7) include both the church's Investment Pool and its Endowment Fund in our annual audit. There will be no ongoing investment management fees assessed to the church's endowment fund until it is fully funded. Once the church's endowment fund is fully funded, then the Foundation's normal Investment Service Management Fee of 1.85% per year ( 0.15416% per month) will be assessed.

### **Q. When does the G.R.E.A.T. Program end?**

**A.** The short answer is that the Program never ends because an endowment fund is created at the end of Phase I, and endowments, by definition, operate in perpetuity. Annually in January, after the first deposit is made into the church's endowment fund, 85% of the fund's earnings will be distributed. Endowments operate into perpetuity; therefore, earnings distributions will also be made in perpetuity. Distributions will be made automatically according to the original GREAT Program Agreement signed between the church and the Foundation.

### **Q. Can I see an example of the G.R.E.A.T. Program?**

**A.** Yes! See Below!

1. Let's assume a group of people from your church agrees to donate \$1,000,000 via CGAs to your church's G.R.E.A.T. Program. DSUMF will consult with each individual, create and sign all contracts, collect all gifts, and immediately distribute 50% of the gifts, or \$500,000, to your church.



**Support  
Your  
Favorite  
United  
Methodist  
Ministry.**

**DONATE  
YOUR  
USED  
VEHICLE!**

**CALL:  
602 - 252 - 1360**

**Free Pick Up!**

**Title Transfers**

**Tax Deductible**  
(Equal To Proceeds Realized  
from Sale at Public Auction)

**Any Vehicle,  
Any Condition,  
Running or Not!**

**Support Your  
Church!**



2. Let's also assume that the average age of the participants in your church's G.R.E.A.T. Program is 70 (see chart below). Using this assumption, each participant in the Program will receive an annual distribution of 6.0% times the amount of their original gift. Therefore, if Donor "A" enters into a CGA contract with a \$100,000 gift, then s/he would receive \$6,000, divided into two semiannual payments of \$3,000 each, which will be distributed at the end of March and September of each year. If Donor "B" contributed \$10,000, then s/he would receive two semiannual payments of \$300. All donors would qualify for income tax deductions. A portion of each donor's distribution would be considered tax-free income. The actual amount of each donor's deduction and tax-free income will depend on their age at the time of their gifts, and each donor will receive this information in their CGA Gift Proposals prior to finalizing their gifts.

3. Finally, let's assume all G.R.E.A.T. Program participants sign an Assignment Covenant with the church so that Phase I of the Program would end on December 31 at the end of the 10th year of distributions. Participants may qualify for an additional income tax deduction at the time they assign their CGA contracts back to DSUMF, and more importantly, annual distributions of 85% of the endowment fund's earnings will be made each January at the beginning of the 11th year of the Program. In this scenario, it is expected that approximately \$200,000 will be the beginning balance in the church's endowment fund.

4. So, from the \$1,000,000 of original gifts, the church would receive \$500,000 immediately. Donors would receive their pro rata share of \$600,000 spread out over 10 years [ (6.0% X \$1,000,000) (10 years) = \$600,000]. Some of the income donors receive will be tax-free income and this is in addition to their income tax deductions!. Perhaps, best of all, the church's endowment fund would begin with a balance of approximately \$200,000!

**Interested? Give us a call. We'd love to get a G.R.E.A.T. Program started at your church soon!**

<b>GROUP'S AVG. AGE</b>	<b>PAYOUT RATE%</b>	<b>PHASE II BEGIN DATE JANUARY 1 OF</b>
<b>55-65</b>	<b>5.5</b>	<b>14TH YEAR</b>
<b>66</b>	<b>5.6</b>	<b>13TH YEAR</b>
<b>67</b>	<b>5.7</b>	<b>13TH YEAR</b>
<b>68</b>	<b>5.8</b>	<b>13TH YEAR</b>
<b>69</b>	<b>5.9</b>	<b>12TH YEAR</b>
<b>70</b>	<b>6.0</b>	<b>12TH YEAR</b>
<b>71</b>	<b>6.1</b>	<b>11TH YEAR</b>
<b>72</b>	<b>6.2</b>	<b>11TH YEAR</b>
<b>73</b>	<b>6.3</b>	<b>11TH YEAR</b>
<b>74</b>	<b>6.4</b>	<b>10TH YEAR</b>
<b>75</b>	<b>6.5</b>	<b>10TH YEAR</b>
<b>76</b>	<b>6.6</b>	<b>10TH YEAR</b>
<b>77</b>	<b>6.7</b>	<b>10TH YEAR</b>
<b>78</b>	<b>6.8</b>	<b>9TH YEAR</b>
<b>79</b>	<b>6.9</b>	<b>9TH YEAR</b>
<b>80</b>	<b>7.0</b>	<b>9TH YEAR</b>

It is time to look at your church's spring calendar so you can schedule an

Estate Planning Seminar or a Charitable Giving Seminar or a G.R.E.A.T. Program Presentation.

We already have 20 presentations scheduled in the first half of 2006!

**DO NOT DELAY!**

Schedule your next seminar NOW!





## SIDE NOTE

### ATTEND DSUMF'S LEADERSHIP TRAINING IN 2006!

Throughout the day at each Training Event, a presentation will be made in five different areas that effect a church's financial future. It is highly recommended that you send representatives from your Finance Committee, Foundation Board, Endowment Fund Committee, Stewardship Committee, and Board of Trustees to the event scheduled for your district or cluster.

#### 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 Your Church's Long-Term Money.

#### Sites and Dates:

**South District  
Christ Church UMC  
March 25, 2006**

**West District  
Epworth UMC  
April 1, 2006**

**East District  
Velda Rose UMC  
April 8, 2006**

**Yuma Cluster  
Trinity UMC  
April 22, 2006**

**North District  
University UMC  
May 6, 2006**

**Flagstaff Cluster  
Trinity Heights UMC  
May 20, 2006**

The registration fee is a sliding scale. The more people you send from your church, the cheaper it is to register additional people. The registration fee is \$25 for each of the first 2 attendees from your church. The fee for each of the next 2 attendees is \$15, and for each of the rest of the people you send from your church, the fee is \$10. For \$100, you can send 6 people who will have the opportunity to meet and interact with like-minded United Methodists from other churches, receive more than 250 pages of the best written materials we

know how to produce, and of course, lunch will be served. All the training materials will be burned onto a CD, which will automatically open when you put it into your computer.

Registration fees may be paid via check made payable to "DSUMF." If you wish, we can invoice your church for the registration fee, but you need to register now!

To register, ask us for a registration form, or just call and we'll complete the form for you.

#### Register Now!

**Call us at:  
602-266-6956  
Ext. 203**

#### Support the DSUMF!

#### Recycle Your Old Cell Phones!

#### Bring or Send Your Old Phones to Us.

**We're located  
in the United  
Methodist  
Center.  
Or,  
Bring Your  
Old Phones to  
Annual  
Conference  
2006.**

**DSUMF's  
Investment  
Portfolio grew  
to more than  
\$12,000,000 in  
2005 with help  
from all our  
depositors old  
and new!  
Thank You!**

**Our 2005 Rate of  
Return was 5.38%  
(Gross of Fees).**

**Field work for our  
2005 Audit has  
been completed.**

**Final, audited,  
Year-End,  
2005 statements,  
as well as  
January  
&  
February  
2006  
statements  
will be sent to  
all depositors  
in early March.**

**Want to join our  
Family of  
Investors?  
Call Us:  
602.266.6956  
Ext. 203**

