# DOLLAR SEN$E

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

Vol. IV: Issue 4 A Service of the Desert Southwest United Methodist Foundation April 2006

## WELCOME!

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 SEN$E, 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 visit our web site. Last month for the first time ever, we received more than 1,000 visits! Visitations continue to increase and we only have you to thank for that! Often, we receive compliments about DOLLAR SEN$E, and we like to hear them too! Of course, we'll accept criticisms, and we'll make changes when necessary. Just let us know what's on your mind and we'll respond as best as we can.

## ENDOWMENT FUNDING

In recent Leadership Training Events conducted in both the South and West Districts, I've made the statement that no Sunday Bulletin should be distributed without a "One Liner" from the Endowment Fund Committee or church Foundation. The purpose of distributing "One Liners" is to constantly educate the members of your church. "One Liners" published every week accomplishes several things: 1) they establish the fact that endowment programs exist, 2) they emphasize the fact that members can financially support special mission, scholarship or other types of projects, and 3) they establish a level of expectation within the church that there is so much more possible when people give beyond the annual stewardship campaign. Below are five examples of "One Liners" that can be placed in your Sunday Bulletins for the next 5 weeks!

Permanent Endowment Funds are gifts that keep on giving. Since the principal of a gift is never spent, but the investment earnings are paid out to support a designated cause, then Endowment Funds give "forever." Talk to a member of the Endowment Committee to find out more.

Charitable Trusts allow you to make a gift to your church in the future. You set up the trust now, keep the income for yourself or others for a period of time or for life, and when the trust ends, the church will receive the remaining trust funds.There are special tax benefits for these kinds of trusts. Talk to a member of the Endowment Committee to find out more.

Charitable Remainder Trusts allow you to make a gift to your church while retaining income from the gifted asset during your lifetime. If the trust is funded with appreciated property, capital gains taxes may be avoided. You will also qualify for an income tax deduction at the time the trust is created. Talk to a member of the Endowment Committee to find out more.

Consider establishing an Endowment Fund in memory of a family member or special friend. Discuss your Endowment Fund plan with a member of the Endowment Committee. Together we can determine what special programs or projects you would like to fund with this endowment.

Your family name will live on in the life of our church if you establish an Endowment Fund in your family's name. The endowment could support a special ministry that has been particularly meaningful to you and your family.

**BEAT THE SUMMER HEAT;**
**Join**
## Bishop Carcaño
**and**
**DSUMF**
**on an**
**Alaskan Cruise**
**from**
**August 25th to**
**September 1st , 2006!**

Sail the famed Inside Passage from Vancouver to Seward and see Ketchikan, Icy Strait Point, Juneau, Sitka, and Hubbard Glacier on the way!

Enjoy fellowship with Bishop Carcaño, other like-minded United Methodists, and educational presentations about estate planning and charitable giving from DSUMF's Dr. Rick Brown too!

Holland America's elegant ms. Statendam and her crew provide gracious service, and five-star, sophisticated dining, while you enjoy the breath taking vistas of Alaska!

Go to our web site at dsumf.org. Click on "Alaskan Cruise" for more information, and pricing. Call Heather, our cruise specialist at 1.800.848.7120 to book your travel now!

Alaskan cruises sell out every year! Don't delay. Reservations and final payments must be completed by June 2, 2006!

# ESTATE PLANNING

The DSUMF has been conducting estate planning seminars in the Annual Conference since 1996. We've conducted over 400 such presentations to more than 10,000 members of more than 80 churches. By now, you should know that when invited, we will show up!

You might think that after hearing so many personal stories over the years about people and their estate plans that I may have heard them all. If you thought that way, then you would be wrong! Some of the personal stories revealed to me after seminars conducted just weeks ago never cease to amaze me.

One story involves an estate planning attorney who created a Revocable Living Trust for a member and his wife, who had no children. Some things had changed in the members' lives since their documents were prepared and as is customary for those who attend our seminars, they asked for a review of their existing documents. The review led to the discovery that the attorney who created the original documents had named his own children as beneficiaries of the members' estate! The members had no knowledge of this paragraph hidden deep in their documents.

Another story involves the Revocable Living Trust again. In the case where a married couple have the "A" & "B" Living Trust document that divides the couple's assets into two different trusts at the time of the first death, the question was asked about who makes that division of assets and how much should that process cost.

The answer was, if each spouse is each other's successor trustee, then the surviving spouse can make the division and do it for no cost at all. The person who asked the question told me privately after the session that his trust was written so as to require the attorney of record to divide the assets at a cost of 1% of the total estate. Imagine the nerve of charging a fee based on a percentage, instead of a flat fee for service. Imagine the nerve of charging a fee at all when the surviving spouse can perform the division on their own!

The third example of many ways unscrupulous attorneys will figure out how to get into your pocket book for more than they are entitled involves a wealthy church member whose business partner is also an attorney. The member has permitted his partner to have "carte blanche" access with regards to the member's financials as well as his estate plan. The member, as a result of attending a recent seminar, took advantage of having a free review of his estate planning documents. The member believed that everything was in good order and that his estate was organized in such a way as to maximize the distribution of his assets to his family after death and to minimize or eliminate any possibility federal estate tax liabilities. After all, this was his life-long, business partner/attorney who created the documents for him in the first place.

A review of the documents revealed that the partner/attorney, unbeknownst to the member, was intending on forcing the member's estate through the probate process so the partner/attorney could derive probate fees from the estate after the partner's death.

The point here is that you must always keep up to date with your estate plans. You must always provide educational services for the members of your church so that "bad things" won't happen to them or their survivors.

## CHARITABLE GIVING

There is an old adage in the world of charitable giving. It goes like this: "If you don't ask, then you won't get."

Encourage your members to give your church their old, ineffective life insurance policies. I'm talking about those $3K, $4K, $5K, or $6K policies that were purchased so many years ago for $0.25 or $0.50 per week. The policies we marketed and sold decades ago for the purpose of paying for burial expenses.

Guess what? The average cost of a funeral these days is over $8,000. If those policies will not cover funeral expenses or if members of your church have made other burial arrangements, then why not ask people to give such policies to the church? It doesn't hurt to ask!

If a member decides to give such a policy, then there is a two step process. The first step involves the member's request of the insurance company to donate the policy. The insurance company will send a form; it is signed and returned. When the form is processed the church now owns the policy.

At this point, the church can hold the policy until the member passes away. Or, the church can cash the policy out. To make this happen, the church must sign another form requesting the cash surrender value of the policy.

Regardless of whether the church keeps or cashes the policy in, the member automatically qualifies for an income tax deduction equal to the cash surrender value of the policy. This is a WIN! WIN! Situation! What are you waiting for? Ask members to donate ineffective, small life insurance policies now. You may just get a gift or two in return for asking!

**Support the DSUMF!**

**Recycle Your Old Cell Phones!**

**Bring Your Old Phones to Annual Conference 2006.**

## INVESTING

For the last few months the Investment Committee of the DSUMF's Board of Directors has been working towards a few decisions. One decision involved the fact that one of our Large Cap Growth Managers has not been performing up to our standards. The decision was not "if" we were going to replace the poorly performing manager, but "when" and with what other asset manager. Our Financial Advisors scheduled a teleconference interview with a possible replacement. Prior to the teleconference call all Committee Members received information about the new manager.

The interview covered familiar territory: "Top-Down," or "Bottom-Up" management style, "Up-Capture" vs. "Down-Capture" rates, Rates of Return, level of risk as measured by Standard Deviations, Alphas, Betas, and the manager's Sharpe Ratios vs. Sharpe Ratios for the manager's index. Based on all these numbers and the fact that the manager will screen out all "sin stocks," made the Committee's decision an easy one and Wells Capital Management was hired to manage 10% of the Foundation's portfolio in the Large Cap Growth arena.

Another decision involved a replacement for a poorly performing International Growth asset manager. The process was the same: interviews, statistical analysis, social screening, etc. However, the decision was two-fold. In this case, not only did the Committee decide to fire the old manager that was under performing our standards, but the Committee decided to replace one manager with two managers and increase the allocation in the portfolio from 5% to a 10% exposure in the International arena. The Committee hired NWQ, an International Value manager and Wentworth Houser, et.al., an International Growth manager. The Committee's decision to bring on a higher risk oriented growth manager and a lower risk oriented value manager enabled us to keep that portion of the overall portfolio at a "neutral" risk level relative to its index.

If that wasn't enough work in one meeting, the Committee wasn't done! The Committee knows there is the potential for erosion of principal in bonds as the "Feds" continue to increase

## INVESTING
### CONTINUED

interest rates. As a matter of fact, an existing depositor realizing such erosion recently transferred several bond positions to our portfolio as a direct result of this increasing interest rate trend.

In order to reduce the risk of losing principal in the bond portion of the portfolio, the Committee reduced the allocation from 35% of the portfolio to 30%.

The next obvious question was where should we place these funds (approximately $600,000)? The decision was to place these funds into the Managed Futures portion of the portfolio.

Now before you start thinking that these decisions were made on a "whim," understand that the Committee has been discussing the effects of these changes for several months. Through our ability to analyze risk-related statistics, we are able to accurately calculate how each change in asset manager and/or asset allocation will affect the overall portfolio before a change is made.

The Committee analyzed our current position and reviewed three different proposals. They actually discussed a fourth scenario that was not part of the proposals provided. In the end, the Committee decided to made some adjustments in the portfolio that will keep the overall risk at 30% to 40% below that of the S&P 500 Index, while potentially increasing the portfolio's long-term rate of return from 10% net to our depositors to as much as 12% net to our depositors.

For someone who likes numbers, the Committee's work is fascinating. They adhere to the 27 Prudent Investment Practices as described by three Acts of Congress; they take their volunteer work very seriously. Ultimately, they are looking out for every single one of our family of investors.



**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 was completed.**

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

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

Recycle Your Old Cell Phone with DSUMF.
Bring Your Old Cell Phone to Annual Conference 2006.


**Endowment Funding, Estate Planning, Charitable Giving, Investing, Cell Phone Recycling, Vehicle Donations, and Cruising to Alaska,**

## WHAT ELSE YOU ASK?

**The Answer is:**

## LEADERSHIP TRAINING!

**Read On.**

## ATTEND ONE OF THE REMAINING DSUMF LEADERSHIP TRAINING EVENTS IN 2006!

Throughout the day, beginning at 9:30 AM, 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 Trustes to the event scheduled for your district or cluster.

Eleven different churches have been represented at the first two trainings. All have been appreciative of the information made available and intend on using the new information to begin the long process of building the financial futures of their churches.

If you are interested in helping your church begin the process that will result in the long term financial health of your church, then you should attend one of the remaining events.

## 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 & The G.R.E.A.T Program**

**4.**
**Encouraging Bequests to Your Church Through Estate Planning.**

**5.**
**Investing Your Church's Long-Term Money.**

## Sites and Dates:

**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, just call and we'll take your reservations over the phone!

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

Vehicle Donation Tax Laws Changed in January 2005. Even Though Tax Laws Have Changed, We Are Still Accepting Used Vehicles!

Under New Tax Laws, You Qualify For A Deduction Equal To The Amount For Which The Vehicle Sells.

60% of all sale proceeds will be distributed to Your Favorite United Methodist Ministry.

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


Building Your Church's Financial Future One Brick at a Time!