

DOLLAR SENSE

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

Vol. IV: Issue 6 A Service of the Desert Southwest United Methodist Foundation June 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 continuing to visit our website. As always, if you have any comments about this newsletter, please send them via e-mail to rick@dsumf.org.



Over the last couple of weeks, I've had the great privilege of meeting with a married couple who have charity in their hearts. This is one of the best parts about my job. I get to meet people who understand the joy of giving, and who understand that giving to others helps to make us whole.

After some questions and answers regarding the couple's charitable intent, they decided to create an endowment fund for Christian education at both their local UM church and at seminaries approved by the University Senate of the United Methodist Church. Often, I receive questions from lay leaders, donors and Pastors alike about setting up endowment funds, how it is done, the kinds of questions to ask the donors, etc.

I've even been asked to create a list of questions that should be answered by donors who wish to establish an endowment fund. That list has been created and is posted on our website under the "Endowment" menu button.

So what kind of questions should one ask of a donor wishing to create an endowment fund? They follow.

1. Do you wish to remain anonymous?
2. Will this fund be created with cash or property (stocks, bonds, etc)?
3. If the fund is to be created with a gift of securities, will they be electronically transferred or will they be in certificate form?
4. Will the fund be named after you, a family member, a friend, or is the fund to be named after its intended purpose?
5. Is the fund to be a donor-advised fund or an endowment fund?
6. What is the purpose of the fund?
7. Do you want the principal donated to

grow over time? If yes, then:

7a. What percentage of the earnings is to be distributed annually?

7b. What percentage of the earnings is to be reinvested back into principal?

8. On what date will the fund be annually valued?

9. Who decides when distributions are to be made (an individual, a Committee or a Board)?

10. At what time of the year are distributions to be made?

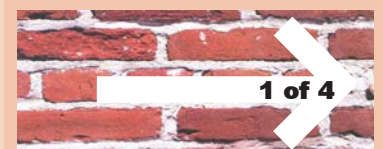
11. If the endowment earnings are to be distributed for scholarship purposes:

11a. What will the application for scholarship look like?

11b. Who or what group will receive, review, and decide on who receives distributions?

11c. Who or what group determines the amount to be distributed per applicant?

11d. What will be the definition of a "qualified applicant" (member of



ENDOWMENT FUNDING Continued

UM church or not, type of school, type of degree sought, family income level, G.P.A., working or not, how often can student re-apply, etc.?
12. What should happen to the fund if the intended purposes of the fund can no longer be carried out?

Answers to these questions provide the basis upon which an endowment fund is created, funded, and administered. Additional questions regarding the accounting of, investing and auditing endowment funds must also be ironed out prior to the establishment of a fund. The more questions that can be answered ahead of time means less guessing on the part of the endowment fund administrators after the fact.

Do you know someone who can create an endowment fund to support a specific ministry at your church? Let us know; we can help make that endowment fund become a reality for both the donor and your church. We're just a

phone call away at
602.266.6956 Ext. 203.

ESTATE PLANNING

While giving my brain a workout on a crossword puzzle last night, I came across a clue for a six letter word meaning a "tally of one's total assets." Do you know the answer? Sure you do! The answer is ESTATE! That's right; your estate is the sum total of all your assets.

Now when I tell people about the importance of doing an estate plan, which is a plan to give all your assets away after death, most people respond by saying something like "I don't need to do an estate plan 'cause I don't have much." As a matter of fact, 70% of the people in the United States don't believe they have much, because 70% of the people in the U.S. die without an estate plan.

Personally, I find this common belief an expression of ignorance, and I find one's ignorance of basic estate planning information an unconscionable dismissal of one's responsibility to his or her surviving family members. Most all of us

accumulate assets throughout our lifetimes. Some accumulate more than others, but working to better our lifestyles is something that most of us work very hard at. Most of us who have children want to give them a step up from where we started life. Why would you work hard to improve your lifestyle and then let decisions about distributing your assets after your death up to others? Do you not care about the distribution of your assets after your death? Or, do you have no feelings for those you leave behind? If you do no estate planning, the answers to those questions must be "No, I don't care," and "No, I have no feelings for those I leave behind."

When you calculate your net worth, or tally your total assets, do you know you must include, among other things, the value of life insurance policies, retirement plans, and equity in your home? Do you know that without proper estate plans in AZ, your estate must go through a probate process if the tally of assets exceeds \$50,000 in cash or \$50,000 in real

**We are
currently taking
reservations for
presentations for
the Fall of 2006
and for the
Spring of 2007.**

**Schedule a date
for one or more
of the following
presentations
NOW!**

**Estate Planning
Charitable Giving**

Gift Annuity

**G.R.E.A.T.
Program**

**Get your first
choice of dates.**

**DO NOT
DELAY!**

**Schedule your
next seminar
NOW!**



ESTATE PLANNING CONTINUED

estate equity? Did you know that a probate process involves a court, lawyers, costs and distribution delays? Money will be removed from your estate to pay for the probate costs before distributions to your heirs will occur.

But who cares about all this? It's only money, right? Wrong! Besides money, the decision to do no estate planning forces your survivors to make the decisions you didn't make during life. Placing such a heavy burden on another is something one human being should not do to another human being.

If you are one of those 70% who have decided to do no estate planning, the message here is to stop being so irresponsible! Grow up. Face the facts. Here's a news flash: we are all going to die someday. Death is not a matter of "if", it is only a matter of "when." So do the right thing. Learn about responsible estate planning. Develop a distribution plan for your assets after your death. Develop the plan so you remain in control and so your survivors don't have to guess about what you would have wanted had you been responsible and planned ahead of time.

CHARITABLE GIVING

A charitable gift annuity is part gift and part annuity. A donor gives a sum of money to your church (this is the gift part). The donor qualifies for an income tax deduction for part of the gift. In return for the gift, your church promises, via contract, to pay a guaranteed rate of return to the donor for the remainder of the donor's life (this is the annuity part). Now your church must manage the gift annuity. Management of a gift annuity includes investing the gift, distributing the payout, and sending IRS Form 1099 R annually to the donor. When the donor passes away, the funds remaining in the donor's gift annuity account at the time of his/her death can now be used by the church for the donor's intended purpose as detailed in a gift annuity contract signed at the time of the gift.

When asked, the DSUMF manages charitable gift annuities for our churches. As a matter of fact we manage more than \$1.3 million of gift annuities for 18 Annual Conference churches.

Suppose you get 5, 10, or 50 people in your church to make a gift annuity all at the same time? If that were to happen, the

whole gift annuity management process can change whereby 50% of all the funds donated can be used by the church immediately. The DSUMF has developed a fundraising program based on the supposition that there are 5 or 10 or 50 members in your church willing to fund a special project or mission by making individualized charitable gift annuities at the same time.

Does your Endowment Fund Program or Foundation need a little financial shot in the arm?

Could your program benefit from an extra \$50,000, \$500,000 or more?

If you answered "YES" to either one of these questions, then

DSUMF HAS A G.R.E.A.T. PROGRAM FOR YOU!

CALL US AT: 602.266.6956 x 203

This program is offered exclusively to churches, boards, and agencies of the Desert Southwest Annual Conference. This fundraising program is called the G.R.E.A.T. Program and you can learn more by visiting the "Consulting" section of our website at www.dsumf.org. Better

yet, call Dr. Rick Brown at 602.266.6956 Ext. 203 to schedule a GREAT Program presentation to your stewardship committee or finance committee or Ad Council now!

INVESTING

As the Executive Director of an organization that provides an investment service for churches with long-term funds to invest, the question I get asked most often is "How's the market doing?" The usual answer is that the market is up or down so many points, which the questioner will understand as a reference to an up or down change in the average from the previous day's close. Most assume the average discussed is the "DOW" or the Dow Jones Industrial Average (DJIA).

Do you really know what the DJIA is? The DJIA was first calculated in 1896 by averaging the prices of 12 issues traded on the New York Stock Exchange. Most of the issues were railroad companies. Over the next 32 years, issues or companies were added and in 1928 the DJIA consisted of 30 issues. Today, in 2006, the DJIA

INVESTING CONTINUED

still consists of the issues of 30 companies. The companies are different, of course, because the DJIA is changed to include the 30 largest domestic companies. Even though the companies listed in the DJIA are the 30 largest in the country, they still represent only 20% of the total value of all 5,000+ publicly traded companies in the country. Another interesting fact is that the companies are selected or removed from the DJIA by an ad hoc committee of editors from *The Wall Street Journal*.

The way in which the DJIA is calculated today reflects its beginnings in an era when there were no calculators or computers. The DJIA involves a price weighted calculation. This means that a 5% change in the highest priced stock on the list will have a greater impact on the average than the same 5% change in the lowest priced stock on the list. Statistically this is indefensible, and this is just one of the reasons why the DSUMF doesn't pay much attention to the DJIA.

On the other hand, The Standard and Poor's index of 500 common stock prices (S&P 500) is a true index used by

serious students of financial and economic trends. The S&P 500 is an index in that it is calculated from the total market capitalization (the market price of a stock times the number of shares outstanding) of the 500 largest domestic companies. The 500 companies in the S&P 500 index make up more than 75% of the total value of all 5000 domestic common stocks and is therefore more representative of the overall markets and health of the U.S. economy.

There are many indices produced by many companies, including The Frank Russell Co., Morgan Stanley Capital, The Wilshire Co., etc. The DSUMF actually uses many different indices to assess our asset managers' performances relative to their style specific investment practices.

Many of these indices overlap each other with regard to a company's size or market capitalization. So when I'm asked "How's the market doing?" I might respond with "To which index do you want me to refer."

Since the Investment service operated by the DSUMF is designed for long-term gain while preserving principal, then

the real answer to the question "How's the market today?" should be "It doesn't matter. What really matters is how safe is your investment and how will your investment perform in relation to its proper index over the next 3 to 5 years."

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

**So far this year,
in 2006, we've
received an
additional
\$600,000
from both new
and existing
depositors.**



**DSUMF Wants
YOU
to join our
Family of
Investors!
Call Us:
602.266.6956
Ext. 203**

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Favorite
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Methodist
Ministry.**

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USED
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proceeds realized
can be distributed
to your favorite
UM Ministry.**

Desert Southwest
United Methodist
Foundation
DSUMF

DSUMF (EDUCATE | INVEST | CONSULT | FUNDING)
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CASH | STOCKS | BONDS
REAL ESTATE | LIFE | INCOME | GIFTS
INSURANCE | REQUESTS
VEHICLE DONATIONS | CHARITABLE TRUSTS
GIFT ANNUITIES

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