

DOLLAR SENSE

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

Vol. IV: Issue 7 A Service of the Desert Southwest United Methodist Foundation July/August 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!

Your continued interest in DOLLAR SENSE and the DSUMF is very gratifying. Please note that this issue is the July/August issue of the newsletter. The next newsletter will be published in September. As always, if you have any comment, please send it to me via my e-mail address: rick@dsumf.org. If you want your church members to learn how to be good stewards of their assets or to learn about charitable giving or to learn about investing church funds, then call me at 602-266-6956, Ext. 203 to book a seminar now. The Fall calendar is filling up; several Sundays in September and October are already scheduled.



What good are endowment funds or foundations? What purposes can endowment funds or foundations serve that can't be served by other organizations or governments

The Industrial Revolution brought about the first

"Golden Age" and with it, the the first wave of "Super Philanthropists." Carnegie's foundation was the great provider of public libraries. Rockefeller's foundation helped to create modern day research universities, to raise the quality of training for doctors and it even funded the research that led to a cure for yellow fever. Robert Wood Johnson's foundation is dedicated to improving health care for all citizens in the U.S. Most of the Golden Age's Super Philanthropists used the fortunes to improve American society.

Today, there is a second wave of Super Philanthropists.

"Working through the Foundation, both of you have applied truly unusual intelligence, energy, and heart to improving the lives of millions of fellow humans who have not been as lucky as the three of us. You have done this without regard to color, gender, religion, or geography. I am delighted to add to the resources with which you carry on this work."

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

**With a large
deposit received at
the end of June,
our deposits on the
year-to-date
exceed
\$1.5 million!**



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



ENDOWMENT FUNDING

Continued

These are the final words of a two page letter from the "Sage of Omaha," Mr. Warren E. Buffett, written to Bill and Melinda Gates in which the mechanics and conditions of his intentions to donate an estimated \$30 billion to the Bill & Melinda Gates Foundation ("BMG") are detailed. The gift, which is the largest charitable gift in history, will make the BMG Foundation the largest foundation in the world. Once it is fully funded with Mr. Buffett's gift, and due to IRS regulations regarding required distributions from private foundations, the BMG Foundation will be required to distribute more than \$3 billion per year. If distributed wisely, do you think this volume of capital can have a positive affect on a targeted problem in our society?

What is the BMG Foundation all about? It believes all lives – no matter where they are being led – have equal value. Its mission is to increase opportunity and equity for those most in need. The Gateses recognize that such beliefs and goals require great stewardship of their resources.

On their foundation's website, the Gateses

refer to Luke 12 : 48 as describing a value that is at the core of their foundation's work: "... Everyone to whom much is given, of him will much be required; and of him to whom men commit much they will demand the more." (Revised Standard Edition)

Great titans of industry like Buffett, Gates, Hewlett, Packard, Ford, Getty, Lilly, Kellogg, Rockefeller, etc., recognize the importance of giving back to the society that helped make them successful, and they have decided that endowment funds and foundations are the most effective way to accomplish their altruistic goals.

Very few people on our society have the opportunity to be Super Philanthropists. However, everyone has the ability to contribute something.

Have you been successful? Is your church successful? Does your church have a foundation or permanent endowment fund program? Have you made a significant contribution to it? Is your church playing a positive role in the lives of those who are less fortunate?

When will your church's foundation or permanent endowment fund be operational to the extent

that it is distributing capital to a targeted problem and is positively influencing the lives of the less fortunate in your community? If you don't know the answers to some of these questions, then chances are good that your church foundation is either non-existent or non-functional. If you want to make a change in either of those conditions, contact me via e-mail at the following address: www.rick@dsumf.org or via phone at 602.266.6956 Ext. 203. Working together, we can all be a positive force for those less fortunate in our small circles of influence.

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

ESTATE PLANNING

One of the reasons why people participate in estate planning activities is to reduce or eliminate the impact of federal taxes on their estates after

death. Are federal estate taxes a huge problem for the average American? No.

Less than 1/3rd of 1% of the people in the U.S. have estates large enough to be concerned about estate taxes. So why is it such a huge topic among politicians and our mainstream media? You've heard all the "talking points" from both sides of the isle on this issue. On one side of the issue, it is believed that the federal estate tax, sometimes called the "death tax," is an unfair tax because it is a tax on assets that have already been taxed at least twice and it is a significant burden on family farmers, ranchers, small businesses and the American economy in general. People of this belief claim the federal estate tax should be permanently repealed.

Opponents to this point of view use phrases like "Repealing the death tax enables the rich to get richer." Or, "Repealing the death tax is like giving a tax break to the richest 1% of Americans."

Let's cut through the political rhetoric and look at some facts.

ESTATE PLANNING CONTINUED

Fact: Of the 50 largest countries in the world, only half have some form of federal estate tax.

Fact: Only Japan and South Korea have estate tax rates that are higher than the U.S.

Fact: Countries that do not have estate taxes include: Australia, Canada, China, India, Israel, Mexico, Russia, and Sweden to name a few.

Facts: The federal estate tax has the highest marginal rate in the U.S.; it is also the most difficult for the U.S. government to administer and enforce.

Fact: It is estimated that the administrative costs to monitor and collect federal estate taxes are higher than the income derived from such collections.

Fact: Depending on whose estimate you believe income to the U.S. government from estate tax collections range from between 1/10th of 1% to 1.5% of the government's total annual tax revenues.

Fact: Attempts to avoid estate taxes have created a huge industry of lawyers, accountants, financial planners, and life

insurance agents. The economy generated by such avoidance activities amounts to significantly more than the total amount of the taxes that would be collected if such activities were banned.

Would it really be such a big deal to repeal the federal estate tax? No, it wouldn't. However, as long as there are politicians in Washington, D.C., the federal estate tax will continue to be a political football that one party will use against the other party. This game will be played until both parties perceive there is no more political gain to be achieved. At that point, Congress will actually do something of a permanent nature about federal estate taxes. I'm not holding my breath 'til that happens, but personally, I believe the federal estate tax should be permanently repealed.

**Support the DSUMF!
Recycle Your Old Cell Phones!**



**Call us at
602.266.6956 x 203.**

CHARITABLE GIVING

The Illinois-based Giving USA Foundation has recently released its annual *Giving USA* report. Overall giving in the U.S. was up to \$260.28 billion in 2005 vs. \$245.23 billion in 2004. That is an amazing increase of 6.13% in one year! It is true that a huge portion of the increase is attributable to contributions for hurricane relief, but the point is that US citizens are the most generous people in the world.

Contributions made by individuals were, once again, far and away the largest source of charitable receipts with individuals contributing \$199.07 billion, or 76.5% of the total. The second largest source of contributions was private foundations. Private foundations gave \$30.0 billion, or 11.5% of the total. Charitable bequests and corporate contributions resulted in gifts totaling \$17.4 billion and \$13.7 billion or 6.7% and 5.3%, respectively.

Think about those numbers for a moment. Who makes charitable bequests? Do private or corporate foundations make charitable bequests? Of course they don't! So in reality, individuals, those who are alive, and those who have

recently passed away actually account for almost 84% of all giving in the U.S. So why is it when we contemplate fundraising plans, the first thing someone will say is that "We should get money from XYZ Corporation."? People should realize that corporations are in business to make a profit for its shareholders. Corporations are not in business to give their profits away.

Now let's look at the recipients of the most charitable people in the world. What non-profit sectors of our society receive these charitable gifts? Since data have been kept, religious organizations have always received the largest piece of the charitable pie. In 2005, religious organizations received 35.8% of total giving. This should not come as any surprise to any one. Think about it: religious organizations expect their members to give, they provide their members an opportunity to give at least once per week, every week of the year, and they are not afraid to ask for support of their various causes.

In descending order of receipts from highest to lowest, the rest of the non-



CHARITABLE GIVING CONTINUED

profit sub sectors include: Education at 14.8%, Human Service Organizations (Disaster relief) at 9.7%, Health Organizations at 8.7%, Foundations at 8.3%, Public-Society Benefit Organizations at 5.4%, Arts and Cultural Organizations at 5.2%, Environmental Organizations at 3.4% and International Organizations at 2.5%.

From my perspective, the message in the numbers is HUGE! If you have a project or mission at your church that needs funding, then go to your members! Ask your members to give now, AND ask your members to remember your project or mission via bequests in their estate plans! Your members are very charitable people. If you “build that field of dreams” with compelling, and effective reasons for their support, then they will come to your table with gifts in hand.

Interest received from bonds is not equal to the total rate of return in your Bond Portfolio.

INVESTING

How do your personal finances compare to the average American's finances? First, I hope we can all agree that saving money for the future provides for financial stability now and even more financial stability in the future.

According to the Federal Reserve's latest Survey of Consumer Finances (2004), 56% of all families in the U.S. saved money. This includes those who “save money passively,” meaning that some families' savings only included increases in home equity as values of homes increased. This also includes U.S. families that save money as a matter of priority. Families in this category are 41% of the total families in the U.S. The flip side of this coin is that 59% of all the families in the U.S. either save money passively, or they don't save money at all! Are you a member of a family that is in the 41% that saves money intentionally?

What is your net worth? Among all families, median net worth in 2004, including equity in the home, was \$93,100. The survey indicates a high correlation between age and net worth. The higher one's age, the higher, on

average, is one's net worth.

Can one really effectively retire on \$93,000? Our retirement system has often times been called the “Three-Legged Stool” which includes the Social Security System (which is out of your control), employer-sponsored retirement plans (which are out of your control) and personal savings (which are entirely within your control). Corporate America is shedding its defined benefit plans left and right, the Social Security System is scheduled to go bankrupt within the next 20 to 40 years (depending on which actuarial calculation you choose), and only 41% of U.S. families intentionally save money. The three-legged stool is on two, very wobbly legs and once again your future financial stability comes right back to being a matter of your own responsibility for yourself and for your family. Your personal financial futures are directly dependent on your stewardship of your resources. So I ask again, are you a member of a family that is in the 41% that saves money intentionally?

Only 21% of U.S. families own stock, and only 2% of U.S. families own bonds. If you've been reading DOLLAR SENSE for a while, you know one of the first rules of investing is to diversify. Yet, 60% of the U.S. families who do own

stock hold less than 3 stocks. Does anybody remember ENRON!? Don't put all your eggs in one basket!

The bottom line here is that if you are not intentionally saving money for your retirement, your ability to retire comfortably will rely on our shaky Social Security System or your employer-sponsored pension fund. When you have saved enough to invest, establish some ground rules or guidelines for how you will invest those hard earned funds.

Diversify your investments by having an asset allocation model and then sticking to it via active rebalancing of your portfolio. Understand and manage your risk tolerance. Monitor your investment performance and use quantifiable measurements to conduct your portfolio's performance evaluation.

All of this personal finance “stuff” directly translates into how you steward your church's finances. Under your leadership, is your church intentionally saving money for a stable financial future?



Is your church saving enough to invest its funds for an even more secure financial future?

In a 1760 sermon entitled "The Use of Money," our church's founding father John Wesley said "Having, First, gained all you can, and, Secondly saved all you can, Then "give all you can." So in the spirit of John Wesley, I call all our churches to gain and save all they can, so that they can give all they can for ministry and mission both in and outside their local communities.

In order to help our church depositors build their financial futures, we adhere to established Investment Guidelines. Our investments on behalf of our churches are very well diversified according to a very well planned asset allocation model. Our asset allocation model assumes only 55% to 65% of the risk associated with the S & P 500 index, and our model outperforms the index over time. We use several statistical tools to monitor our portfolio's performance.

Let the DSUMF help your church become intentional savers, and intentional investors so that your church can give all it can to ministry and

mission both within and outside of your local community.

DSUMF Donor Advised Fund Accounts

enable donors to enjoy immediate and maximum tax advantages for contributions.

They also permit donors to make suggestions as to future distributions from the account.

Distributions can be made over a period of time, on the donor's schedule, and to a variety of non-profit organizations.

CHECK OUT
DSUMF's
DAF ACCOUNTS
AT DSUMF.ORG

Almost four dozen people will
BEAT THE SUMMER HEAT
and join
Bishop Carcaño
and the
DSUMF
on an
Alaskan Cruise
from
August 25th to
September 1st , 2006!

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

We will enjoy fellowship with Bishop Carcaño, and other like-minded United Methodists. We'll also be able to attend two different educational presentations about estate planning and charitable giving by DSUMF's Executive Director, Dr. Rick Brown!



We are so pleased with the turn out for this, our inaugural DSUMF Cruise, that we will host another cruise in October 2007. Our 2nd Annual Crusie will again be on the Holland America Cruise Line. Our trip will take us to the Mexican Riviera and ports of call will include Acapulco, Mazatlan and Cabo San Lucas!

It is not too early to start planning.
Join us in October 2007
on our
Cruise to the Mexican Riviera!

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

