

DOLLAR SENSE

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

Vol. IV: Issue 8 A Service of the Desert Southwest United Methodist Foundation September 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!

We've been told by at least a couple of people that DOLLAR SENSE is an agenda item in their regular foundation and finance committee meetings! Wow! That is very gratifying. 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; eleven dates are already scheduled for September and October alone!



Do you believe in the future of your church? How much do you believe in your church's future? Are you guided in your stewardship activities by the belief that all we have is a trust from God? Do you choose to have a sense of permanence in what you do? Do you

dream of your church providing services and mission activities that are currently not possible due to budgetary constraints? Are you working to create a heritage that future generations can joyfully celebrate?

Since 1995, the DSUMF has contributed almost \$600,000 for the following purposes: scholarships for undergraduate school, scholarships for medical school, scholarships for seminary school, seed money for new church starts, funding for pre-1982 pensioners' health benefits, drug and alcohol educational programs, care and feeding of orphans, a Sidewalk Sunday School truck, minister's emergency health needs, etc.

Endowments have provided a major source of funding for many institutions in our society for years. They help insure present and future financial stability. They insure consistency of programming.

The \$600,000 distributed by DSUMF during the last 10 years has been investment earnings from several endowment funds

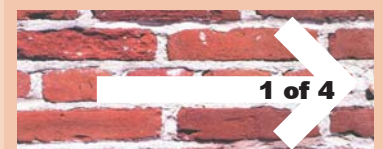
created by donors who answered "Yes" to each of the questions posed in the first paragraph of this article. These people, all of whom have passed away, had very strong beliefs in their church, **our church**, and its future. All of these people acted on a desire to create permanence in programming. All of these people created a heritage that future generations will continue to celebrate as much as we celebrate their generosity today.

One model for an endowment program in the local church allows for endowments to operate in four designated areas:

Missions Endowments: for missions in and beyond the local community,

Church Property Endowments: for maintenance, care, improvements, and construction of physical facilities,

Scholarship Endowments: for scholarships for students wishing to add to their



ENDOWMENT FUNDING Continued

current level of education, and

General Endowments: for special needs and ministries to be identified by church leadership.

If you or someone else from your church “get the endowment bug,” and want to establish an endowment fund program at your church, then contact me via phone (602) 266- 6956 Ext. 203 or via e-mail using rick@dsumf.org at your convenience.

Reserve your
Fall 2006
&
Spring 2007
seminar
presentations
NOW!

Schedule a date for
one or more of the
following seminars:

Estate Planning

Charitable Giving

Gift Annuity

G.R.E.A.T.
Program

**DO NOT
DELAY!**

Schedule your
next seminar
NOW!

ESTATE PLANNING

Do you or loved ones have minor children (under the age of 18) at home? Have you ever thought about the children's care if you or the loved ones should meet untimely deaths?

This is one of those “What If – Worst Case Scenarios” that estate planners force their clients to not only think about, but also to plan for. Obviously, none of us want to see such a plan implemented, but which is worse: 1) having a plan that is not implemented, because we don't succumb to untimely deaths, or having no plan at all when one is needed?

What are the ages of those who have minor children at home? Typically, people with minor children at home range in age from 20 to 40. I had minor children at home until three years ago when my twin sons turned 18, and I was 52 years old. What is the average age of those who attend estate planning seminars? The answer is 75. Do you see the problem here? How many 75 year olds have minor children at home? The 20 to 40 year olds should be developing estate plans and addressing guardianship issues involving their minor

children, yet this age group is the least likely to attend an estate planning seminar.

It would be hypocritical of me to stand in front of church members and encourage them to create estate plans if I didn't have a plan of my own. I'm not hypocritical; I've had an estate plan since the early 1990's. When my wife and I created our estate plans, all five of our sons were under the age of 18. On September 2, 2006 my wife and I will celebrate 22 years of marriage. The most difficult decision we ever made as a married couple was coming to agreement as to who would be guardians of our children in case that “what if- worst case scenario” occurred.

We agreed that the boys would not be split up. We agreed that our parents were beyond their child-rearing days, so that ruled them out. We agreed for a variety of reasons that our siblings were not equipped to handle five young boys, so we put siblings at the bottom of the list of possible guardians. We considered a list of friends and their life-styles, financial capabilities, ages, geographical locations, and many other criteria important to us as parents.

Finally, after long, serious, and sometimes

contentious discussions, we agreed on a short list of potential guardians. Then we put those on the short list into a 1st choice, 2nd choice, etc., order. At this point, the process wasn't over; it was just beginning.

We contacted those on our short list and talked to them about our guardianship plans and asked them if they were willing to be included in those plans. After all the “interviews,” we reordered our short list. Then we called the potential guardians again, to confirm their commitment and our plans to list them in our estate planning documents.

Now, my wife and I actually went through this process, but the point isn't about us; it is about the process. Everyone with minor children should go through this process. After all, if your children aren't your most precious possessions worthy support and care in your absence, then who or what is?

**Death is not a
matter of
“IF,”
it is only a
matter of
“WHEN.”**



CHARITABLE GIVING

Do you have a summer home or a winter home or an old family farm that you don't know what to do with after your death? Do you know someone who might be in that situation? Here's an idea . . . give that property to your church now! YES! Give it to your church now, under a Retained Life Estate gift agreement.

What is a Retained Life Estate gift? It is a simple gift plan defined by federal tax law that allows you to donate your home or farm to your church or some other qualified non-profit organization, while retaining the right to live in it or use it for the rest of your life.

As the creator of a Retained Life Estate, you irrevocably deed the property to your church, but retain the right to live in it for the rest of your life, a term of years, or a combination of the two. A vacation home qualifies for this kind of gift.

While you retain the right to live on your property, you also retain the responsibility for all routine expenses such as maintenance, insurance, property taxes, repairs, etc. If you later decide to vacate your property, you also retain the right to rent

all or part of the property to someone else.

When you pass away, your church can then use your property or the proceeds from the sale of your property because your church already owns the property. In the creation of a Retained Life Estate you may designate a restriction for the use of the property or its sale proceeds after your death. You may also let the use of the property or its sale proceeds be unrestricted and left up to the discretion of an appropriate committee at your church.

The benefits of using a Retained Life Estate as a way to give real estate to your church include:

1. Your qualification for a federal income tax deduction. (Note that deductions for gifts of long-term appreciated property will be limited to 30% of your adjusted gross income and gifts of cash and non-appreciated property will be limited to 50% of your adjusted gross income. You may, if necessary, take unused deductions of either kind over the next five years, subject to the same 30% or 50% limitation.)

2. Your retention of the right to live on your property for the rest of your life, a term of years,

or a combination of the two.

3. Possible reduction in reduced probate costs and estate taxes because the gift is an irrevocable one. As such, it is permanently removed from your total net worth and is therefore not included in probate or estate tax calculations.

4. You will provide generous support for your church.

Retained Life Estate gifts are little used but they can provide a very good solution to those pesky real estate problems that many run into when completing an estate plan.

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
ext. 203**

INVESTING

One of the requirements of a fiduciary responsible for investing church money is to evaluate the prudent expert's performance. Where do you start when you want to evaluate an asset manager's investment performance? What are your church's investment goals? Is your asset manager's performance enabling your church to reach those goals?

The DSUMF has a very sophisticated evaluation process. If your church is not using our Investment Service, we think it should be. But if it isn't, then perhaps you can use some of our evaluation processes.

First, we review an asset manager's ROR or rate-of-return for the period being evaluated (month, quarter, year-to-date, etc.). A review of an asset manager's ROR by itself is not good enough. The review must be in comparison to some sort of benchmark. For example, a large-cap growth manager's ROR should be compared to the ROR of a Large Cap Growth Index such as the Russell 1000 Growth Index.

INVESTING CONTINUED

The next step in the evaluation process is to compare our asset managers' performances to other asset managers using the same investing style for the same time period being reviewed. This is called a Peer Group Analysis. Such an analysis enables us to determine if our asset managers are doing well in relation to all other asset managers or not. Since we specialize in investing long-term funds, we take this information to another step which involves placing higher weighting or values on long-term performances (5,7,10 year time periods) and lower values or weighting on short-term performances (Quarter, Year-to-Date, 1, and 3 year time periods). Our proprietary Weighted Peer Group Percentile Rankings are then calculated. Calculated Weighted Percentile Peer Group Rankings are monitored on a quarter-by-quarter basis.

So far, none of these evaluations take into consideration the risk an asset manager is taking. So, our next step in the evaluation process is to look at an asset manager's risk-related statistics including "Alpha," "Beta," and "Sharpe Ratios."

An Asset manager's Alpha indicates the value added to our portfolio by the manager's trading activities that are unrelated to normal up and down swings in the market. So, we look for high Alphas.

Next we look at an asset manager's Beta. This statistic indicates how much risk the asset manager is taking relative to the risk inherent in the index. In this case, we look for low Betas, because ours is a low-risk portfolio.

Finally, we look at an asset manager's Sharpe Ratio. This statistic is a measure of risk-adjusted return. The Sharpe Ratio indicates the asset manager's excess ROR over a risk-free ROR, where each factor is evaluated over the same time period. A higher Sharpe Ratio indicates that an asset manager has achieved more ROR relative to the amount of risk that they have incurred via their trading activities on our behalf.

If this wasn't enough, then we turn around and go through the same evaluation process for our entire portfolio as well. Rest assured that the DSUMF's Investment Committee is "on the job" and focused on providing our depositors the best investment service we can.

As this newsletter is being published, three dozen people are finishing a week together on DSUMF's Inaugural Cruise, northbound through Alaska's Inside Passage.

We are pleased, and very grateful for the support received for this cruise, so we've decided to make this an annual event called:

"CRUISIN WITH THE DSUMF!"

Next year, on September 29, 2007, we will sail from San Diego, CA on Holland America's ms.Oosterdam to the **Mexican Riviera.**

After ports of call at Cabo San Lucas, Mazatlan and Puerto Vallarta, we will return to San Diego, CA on October 6, 2007.

Once again, we will enjoy fellowship with Bishop Carcaño, and other like-minded United Methodists. DSUMF's Executive Director, Dr. Rick Brown will present two, perhaps three, different educational seminars about estate planning and charitable giving.

We are negotiating low group rates. We're also negotiating a special shore excursion for our guests at one of our ports of call. Stay tuned for more information, but it isn't too early to start blocking out some vacation time for next year's 2nd Annual "Cruisin With The DSUMF" Event.



Support the DSUMF!
Recycle Your Old
Cell Phones!
Call us at
602.266.6956 x 203.



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A cartoon character, a man in a white shirt and tie, is holding a large stack of financial planning terms. The terms include: GIFT ANNUITIES, VEHICLE DONATIONS, CHARITABLE TRUSTS, LIFE INCOME GIFTS, BEQUESTS, INSURANCE, REAL ESTATE, CASH STOCKS BONDS, ESTATE PLANNING CHARITABLE GIVING, and DSUMF EDUCATE INVEST CONSULT BENDOW.

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