

# DOLLAR SENSE

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

**Vol. IV: Issue 9 A Service of the Desert Southwest United Methodist Foundation October 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. As always, if you have any comment about DOLLAR SENSE, please send it to my e-mail address: [rick@dsumf.org](mailto:rick@dsumf.org). If you want your church members to learn about estate planning or charitable giving or investing church funds or endowment funding, then call me at 1-602-266-6956, Ext. 203 to book a seminar now. DSUMF is booking seminar dates for the Spring of 2007.



Have you paid much attention to the Strategic Direction approved by vote at Annual Conference in June 2006? Do you even know that a Strategic Direction was presented for approval? Well in case you are in the dark about this, the Strategic Direction was presented and approved. The Strategic Direction is a call to action to be "One with Christ, One with Each Other, and One in

Ministry to All the World."

The priorities of the Strategic Direction involve developing an ongoing culture of:

1. Social Holiness,
2. Leadership Development, and
3. Starting new churches and new communities of faith.

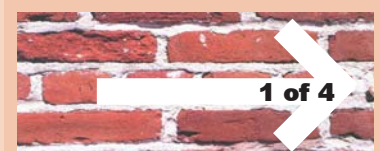
So what does this have to do with endowment funding? Lots! You see, each of the priorities have corresponding measurable objectives. Objective "D" under priority three is to "Create an Endowment Fund designated for starting new churches."

All the people who dedicated their time and expertise to create the Annual Conference's new Strategic Direction understand the importance of creating an endowment fund for future expenditures. In this case, future expenditures will be investment earnings from a "New Church

Start" endowment fund. Such a fund will guarantee distributions for new church starts well into the future. If the "New Church Start" Endowment Fund is funded with very significant contributions, say \$10,000,000, then using our current new church start model and assuming earnings at 10% per year, the Fund could be enough to start up to 4 new churches per year, every year, for as far into the future as we can see!

If an endowment fund can help accomplish such a tremendous objective for the Conference, then what could an endowment fund at your church accomplish? Think Big. Start now!

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





# ESTATE PLANNING

**GREED.** A definition of greed is usually an uncomplimentary reference to one's excessive or extreme desire for gain or wealth. A definition often goes on to indicate one's willingness to break the rules, even break the law to fulfill their excessive desire for wealth. So what does this have to do with estate planning? Unfortunately, greed comes into the estate planning process all too often.

After conducting an estate planning seminar at a South District church, I was asked by a church member to review their estate plan. I thought I knew the member fairly well, so after reading the various estate planning documents, I was surprised to learn that most of the member's estate was to be distributed to two children. I expressed my surprise to the member about the existence of the children because he had never spoken about them in all the years I had known him.

Imagine how much more both of us were surprised when he told me that he had no children and didn't know who the children identified in the estate planning documents

were! Upon investigation, we discovered that the children were the children of the attorney who created the documents! Obviously, the attorney was fired. A new attorney was hired to create new documents. Was this a case of greed, or was this a case of an innocent mistake as the original attorney claimed?

A young, 5 year-old boy's divorced father passed away at a very early age due to a massive heart attack. The father's estate plan called for assets to be distributed to his ex-wife, the boy's mother. The assets were to be used for the care and "maintenance" of the boy until he reached the age of 18, or longer if the boy went to college. When the mother went to a bank to create the appropriate custodial account, she was told that someone else, one of the decedent's brothers had already done so. Over time, the mother had also discovered that the boy's uncle had attempted to direct the decedent's last paycheck, last bonus check, and company-issued life insurance policy deposited into the custodial account he established.

To make a long, difficult story short, the mother was required to go to court to prove guardianship. Once done, all the funds were

correctly directed into the custodial account established by the mother for her son. Was this a case of the uncle misunderstanding the mother's status as guardian of her biological son, or was this a case of greed?

Recently, I spoke with Elsa, an 87 year old blind widow who lived alone in an apartment. Elsa complained to me about her "volunteer reader." The reader was someone who visited Elsa on a regular basis to read Elsa's mail to her. Elsa's complaint was that the reader informed Elsa that she would no longer come to read her mail unless Elsa changed her estate plan to leave 50% of the estate to the reader. I'm certain that this is a case of greed.

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

I'm sure you too have heard stories about greed whether they involve attorneys or family members or "trusted friends." Since these kinds of situations occur all too often, then you must make every effort in your estate planning

activities to eliminate the possibility of greed entering into the asset distribution process.

Some things you can do to guard against greed include:

1. Plan your estate early in life.
2. Let other people know about the plan, especially the beneficiaries!
3. If you feel you're being pressured to do something you are not comfortable with, then tell someone about it.
4. Arrange for direct deposit and direct payment of bills whenever possible.
5. Protect your ATM cards and/or passwords to various accounts.
6. Keep valuables in a secure place.
7. Maintain contact with friends, family, neighbors, etc. The more active you are the less likely you are to be exploited.

Greed is an ugly human condition. Good estate planners employ "what if, worse-case-scenarios" to protect against greed. You should too!

## CHARITABLE GIVING

The Charitable IRA Rollover is finally available! Twice during the Clinton administration, Congress passed bills giving individuals the opportunity to make gifts from pension plans without experiencing a taxable event. On both occasions, the bills were vetoed.

Once again, Congress passed legislation permitting individuals to give from Individual Retirement Accounts without experiencing a taxable event. This time, the Pension Protection Act of 2006 was signed into law on August 17, 2006 by President Bush. The technical explanation of this act spans 386 pages. The provision permitting the Charitable IRA Rollover is discussed between pages 263 and 269.

The Details are listed below:

1. Individuals aged 70½ and older may transfer up to \$100,000 per year for 2006 and 2007 from an IRA to your church.
2. The transfer is treated as neither taxable income, nor as an income tax deduction.

3. The transfer counts as part or all of your Required Minimum IRA Distribution.

4. The transfer must be completed by a third-party transfer agent directly from your IRA Account to the Church.

5. These transfers may be made in addition to other charitable gifts made or planned for 2006 and 2007.

6. Transfers may not be used to fund life income gifts such as Charitable Trusts or Charitable Gift Annuities.

Charitable IRA Rollover gifts enable the donor to make additional gifts from highly funded IRA accounts without experiencing a taxable event. Such gifts may enable the donor to reduce or eliminate federal estate taxes. If you are interested in making a Charitable IRA Rollover gift to your local church, we recommend you seek the advice of your professional tax and/or legal counsel before finalizing your giving plans.



## “CRUISIN WITH THE DSUMF!” in 2007 on the MEXICAN RIVIERA

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. Since there will be more time at sea than on our Alaskan cruise, there will also be more time for fellowship, perhaps even Bible Study!

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.



Holland America’s ms. Oosterdam in port at Sitka, Alaska during our recent cruise.



While most have been trying to keep cool during the triple digit temperatures of the summer, the members of the Investment Committee of the Foundation's Board of Directors have been busy at work. Since Annual Conference, the committee has met four times. They've interviewed two of our asset management firms, statistically analyzed the portfolio's 2<sup>nd</sup> Quarter performance and done a "snap shot" analysis of each asset manager's performance vs. their respective benchmarks on a monthly basis.

In January of 2006, as the result of several meetings in November and December of 2005, the Foundation moved some of the money committed to the bond portion of the portfolio into "cash-like" positions that provided higher annualized rates of return than the bonds were producing. Now that the Fed has stopped increasing the interest rate (at least for the time being), the committee has addressed the decision to move the "cash" positions back into bonds so as to benefit from the stable or declining interest rate environment.

But rather than discussing a specific day, week or month as to when the transfers should occur in the future, the discussions surrounded the "exit from cash" strategy developed when the "entry to cash" decision was made months ago. The discussion confirmed the validity of the strategy.

The strategy actually involves monitoring the returns of the "cash" positions relative to the returns of the bond positions on a weekly basis. When the downward trend of returns in the portfolio's "cash" positions intersect with the upward trend of returns in the portfolio's bond positions, then cash positions will be sold and the proceeds will be used to buy more bonds.

The point of the article is to give you some insight to the detail involved in monitoring our portfolio's performance. Investing church money is serious business. If your church is investing its own money, then your church's investment committee should be monitoring its portfolio's performance according to very specific Investment Guidelines. To do so without guidelines is to be in violation of the Prudent Investment Process prescribed by three different acts of Congress. To invest church money without paying attention to the

Prudent Investment Process is much like performing do-it-yourself open heart surgery. I suppose it could be done, but how many would survive such an operation?

**DSUMF's Investment Portfolio has grown to more than \$12,500,000 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 46 church Investors! Call Us: 602.266.6956 Ext. 203**

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

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

**Could your Endowment Fund benefit from a new source of income?**

**If you answered "YES" to any of these questions, then DSUMF HAS A **G.R.E.A.T. PROGRAM FOR YOU!****

**CALL US AT: 602.266.6956 ext. 203**

