

# DOLLAR SENSE

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

**Vol. IV: Issue 10 A Service of the Desert Southwest United Methodist Foundation November 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. Once again, we received more than 1,000 visits to our web site last month. Based on this year's trend so far, it looks as though we'll receive more than twice the number of visitors than we received in 2005. 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.



"A Commitment of Faith" was unanimously adopted at Annual Conference in June 2006. The Strategic Direction is deliberately focused on the mission to "Make Disciples of Jesus Christ." The Strategic Direction identified three priorities to enable members,

churches and the Desert Southwest Conference to live into our mission of making new disciples of Jesus Christ. Each priority has an associated set of measurable objectives by which progress towards living into our mission can be assessed.

The priorities of our Strategic Direction are to develop and encourage an ongoing culture of:

1. Social Holiness,
2. Leadership Development, and
3. Planting New Churches and Communities of Faith.

The Strategic Direction Team and the process they used to develop the current version of the Strategic Direction confirm the Desert Southwest Conference's desire to start new communities of faith and new congregations.

As Executive Director of the Conference Foundation, I occupy a seat on the Bishop's Program Cabinet. During the annual, September, Program Cabinet retreat, the Cabinet and Bishop Carcaño asked me to

**Support  
Your  
Favorite  
United  
Methodist  
Ministry.**

**DONATE  
YOUR  
USED  
VEHICLE!**

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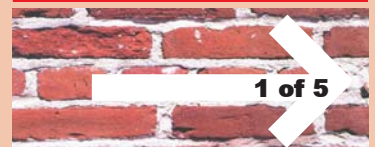
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**Title Transfers**

**Tax Deductible**  
(Equal To Proceeds Realized from Sale at Public Auction)

**Any Vehicle,  
Any Condition,  
Running or Not!**

**Support Your  
Church!  
60% of the sale  
proceeds realized  
can be distributed  
to your favorite  
UM Ministry.**



## **ENDOWMENT FUNDING** Continued

prepare a proposal for a Conference-wide fundraising campaign that would address the needs identified in the Strategic Direction.

The “Make New Disciples” proposal was presented to and subsequently approved by the Program Cabinet in October. The proposal was then presented to and subsequently approved by the Covenant Council during their October meeting. The next step involved presenting the proposal to the DSUMF’s Board of Directors during their October meeting. Once again, the proposal was approved.

There are two more steps before the proposal becomes an actual plan. The Conference Council on Finance and Administration must approve the proposal (because the proposal calls for spending money) and the Annual Conference itself must also approve the proposal (because the proposal calls for spending money and for cooperation with churches to raise money).

There have been many comments made about the proposal; it is a work in progress. However, there is unanimous

excitement about at least one aspect of the proposal, and that is the creation of an Endowment Fund to start new churches. Many folks have come to understand the importance and power of a well funded endowment.

According to the proposal as it stands now, gifts made during both the Bishop’s Major Gifts Phase and the G.R.E.A.T. Program Phase of the fundraising campaign, will be placed into the Planting New Churches Endowment Fund. If or when the new endowment receives significant deposits (significant is \$10 million or more) then earnings from such a fund could be enough to start 3 to 5 new churches in the Desert Southwest Conference every year far into the future. That is exciting! That is powerful!

## **ESTATE PLANNING**

During a recent estate-planning seminar, a member relayed a sad, but all too common story to all in attendance about her mother’s estate. Mom had five children from her first marriage. A prolonged illness claimed the life of a beloved father. Years later, Mom remarried. Many more years later, Mom passed away too. Much to the

children’s surprise, the stepfather refused to share Mom’s estate with the children. He kept everything for himself. The children sued in probate court. After 5 years of litigation, the children received nothing because Mom did not prepare proper, thorough estate planning documents.

Another story involves a 24-year old young man whose great grandfather left him \$150,000 in a testamentary trust. The young man was just one year old when the great grandfather passed away. The trust was to be managed by the boy’s parents until he turned 21, at which point the entire trust fund, including all its accumulated earnings over the 20-year period was to be turned over to the young man. The young man is now suing his parents because over the years, they spent all the earnings, all the principal, and the trust fund was empty.

The brother who attempted to intercept a last paycheck, the last commission check, and life insurance policy from his deceased brother’s estate was not successful. The deceased brother’s ex-wife knew enough about estate planning to properly use the courts and estate planning laws on behalf of her son, a

minor child, to have the funds placed into an account for the care and education of her son, the deceased brother’s son, and the uncle’s nephew.

There is one concept that weaves its way through each of these real-life scenarios. It is GREED! Greed is one of those unfortunate human conditions that involve the desire to obtain more money, more wealth, or more possessions than one legitimately needs. In Western culture, a simple “want” is generally acceptable and is not considered greed. Many view greed as an extreme pursuit of material wealth at the expense of another person’s welfare such as in the aforementioned real-life scenarios.

Greed is listed as one of the Catholic’s seven deadly sins. Buddhists believe greed is based on

**Death is not  
a matter of  
“IF,”  
it is only a  
matter of  
“WHEN.”  
Plan your  
estate  
NOW!**



## **ESTATE PLANNING CONTINUED**

ncorrectly connecting material wealth with happiness. This is caused by a view that exaggerates the positive aspects of an object. Christian or non-Christian, it does not matter. Greed is a universally unaccepted behavior, yet we all know it when we see it. Sometimes we've seen it in our own families. After all, it is part of the human condition.

To attempt to insure against greed in all its forms, create a proper estate plan. Eliminate the possibility of heir's greed entering into your plans to distribute your estate after your death. Consider using several documents in your estate plan to make sure that your distribution plan will be carried out according to your wishes. You spend a lifetime accumulating assets. Why don't you spend a few hours developing a proper estate plan for the distribution of those assets?

Learn how to become a good steward of your assets by creating a proper estate plan by attending an estate-planning seminar. Host an estate-planning seminar for members of your church by contacting me

[rick@dsumf.org](mailto:rick@dsumf.org). Together we will coordinate our calendars and conduct an estate-planning seminar for members of your church. Contact me now!

**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!**



## **CHARITABLE GIVING**

If you've browsed through some of our past issues of DOLLAR SEN\$E, you may remember reading information about our G.R.E.A.T. Program. "G.R.E.A.T." is an acronym standing for Give, Receive, Endow, And, it is Tax-deductible too!

The G.R.E.A.T. Program employs the most popular planned giving vehicle in use in the U.S. today; it is the Charitable Gift Annuity (CGA). The typical CGA provides a donor with an opportunity to make a significant gift from accumulated assets, but also provides the donor with lifetime income in return for making such a gift. In addition, the donor qualifies for an income tax deduction and some of the lifetime income is tax-free income. In typical CGA management, the DSUMF invests 100% of the gift, makes lifetime payments to the donor, and distributes 92% of what is left in the gift annuity account after the donor's death to the donor's church or favorite ministry. The DSUMF retains 8% of the remainder in the CGA account to retroactively pay for the investment, accounting, distribution, and auditing costs associated with managing a CGA.

Our management of a G.R.E.A.T. Program CGA, however, is not typical. Churches that conduct a G.R.E.A.T. Program will immediately receive 50% of the total funds donated through CGAs. The DSUMF will retain 1% of the funds donated to cover administrative costs, and the remaining 49% of the funds will be placed into an investment pool in order to honor the

DSUMF's obligation to make payouts to participating donors. At the end of the Program, all funds remaining in the investment pool will be used to create an endowment fund for the participating church. The G.R.E.A.T. Program was designed to:

1. Provide donors with accumulated assets the opportunity to make a significant gift,
2. Provide donors with income opportunities,
3. Provide donors with income tax deductions,
4. Provide donors with tax-free income, and to
5. "Jump Start" endowment giving at participating churches.

The DSUMF scheduled two GREAT Programs this Fall, one at Boulder City UM Fellowship in Boulder City, NV and the other at Dayspring UMC in Tempe, AZ. We are very excited to report preliminary results from the Program conducted at Boulder City UM Fellowship.

Out of a group of 20 to 25 people who attended the G.R.E.A.T. Program presentation, nine have decided to participate. That is a participation rate of about 40% - that is GREAT! The nine participants are making





## CHARITABLE GIVING CONTINUED

gifts totaling approximately \$150,000. That is an average gift per participant of \$16,650 - that is GREAT! Boulder City UM Fellowship will immediately receive \$75,000 – that is GREAT!

Based on the DSUMF's investment experience since 1985, we project the Boulder City UM Fellowship's GREAT Program Endowment Fund will begin at the end of the Program with approximately \$35,000 to \$40,000 after making payouts to Program participants for the next 13 years. That is GREAT Too!

We Kick-off another G.R.E.A.T. Program at Dayspring UMC this month. Look for G.R.E.A.T. Program updates in future issues of DOLLAR SEN\$E!



## INVESTING

Recently, I had the privilege of being invited to attend an Endowment Committee Meeting at one of local churches. I was asked to attend in order to discuss with the Committee what other churches with Endowment Programs

are doing with their funds, how they are generating gifts, etc.

This discussion was placed at the end of the meeting's agenda. I was invited to attend the beginning of the agenda for a presentation being made by the Committee's investment counselor, who represented a major brokerage firm. The investment counselor presented two different asset allocation models for the Committee to consider. Both asset allocation models involved investing 100% of the church's portfolio in a series of well-respected, good-performing, low cost mutual funds. After the investment counselor's presentation, there was a period for "Q & A," and the committee members asked very appropriate questions about risk, rebalancing, and benchmark comparisons.

After all questions were asked, the investment counselor excused himself and the Committee members went onto other agenda items, one of which included the Committee's attempts to be in compliance with the 27 prudent Investment Practices that we've written so much about in past issues of DOLLAR SEN\$E. One of the Committee members asked me to comment on anything I heard

discussed in the meeting to that point in time.

I commended the Committee for trying to be diligent regarding their questions about risk, rebalancing and benchmark comparisons. I was also impressed that the Committee was actually working towards compliance with the 27 Prudent Investment Management Practices.

Regrettably, however, I dropped a bombshell on the Committee when I informed them that they could never comply with the 27 Prudent Investment Management Practices as long as they used mutual funds in their portfolio. It was a double whammy when I informed them that they could never comply with the Social Principles of the United Methodist Church when they employed mutual funds.

I believe that there is no mutual fund that completely complies with all the Social Principles of the United Methodist Church. Don't get me wrong; there are many, many socially screened mutual funds. You can find a fund that has removed alcohol and gambling for example. You can find a fund that has removed alcohol, tobacco, and pornography. However, I am not aware of any mutual fund that has removed all investments associated with alcohol, tobacco, pornography,

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!**

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**ext. 203**

## INVESTING CONTINUED

gambling, and defense industry companies deriving more than 10% of their annual income from the production of nuclear weapons.

But hey, let's assume that I'm wrong about that. Let's assume that there is a mutual fund that meets all standards of the Social Principles of the United Methodist Church. If a church used such a mutual fund, then it would be in compliance the church's Social Principles, but it would still be out of compliance with the many of the 27 Prudent Investment Management Practices. Mutual funds are generally not considered to be actively managed. Mutual funds are not required to report their actual investment expenses. Mutual fund performances are difficult to evaluate with risk-related, peer group statistics. Attention to active management, investment expenses and asset manager performances are just three of many, many practices that must be addressed when attempting to comply with all 27 Prudent Investment Management Practices.

## "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.

To see pictures of people, scenery and wild life from our Alaskan cruise, go to our web site. Click on "Annual Cruise." Click on the link to "2006 Cruise to Alaska Photos."

## SIDE NOTE

Many of you are aware that the DSUMF hosted a cruise to Alaska in August 2006. Our group included 36 people and we all had a great time of sight seeing, wild life watching, and of course, fellowship. We even managed to squeeze a couple of seminars into the schedule. One was on Estate Planning; the other was on Charitable Giving. Our cruise was so successful that we are making this an annual "Cruisin' with the DSUMF" event.

Next year, we will cruise the Mexican Riviera on Holland America's ms. Oosterdam. Our sail date is September 29, 2007 and we will return on October 6, 2007. We will sail out of and into San Diego, CA.

Our ports of call will include Cabo San Lucas, Puerto Vallarta, and Mazatlan. We are still negotiating our final group rates with our travel agent. As soon as the rates are available, we'll let you know.

In the mean time, reserve the dates! I'm going, Bishop Carcaño is going. My parents and brother are going. Are you?

