

DOLLAR SENSE

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

Vol. IV: Issue 11 A Service of the Desert Southwest United Methodist Foundation December 2006

WELCOME!

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 a gift to us! This year, we received more than twice the number of visits to our website than we received in 2005. Thank You, Thank You!

As always, if you have any comment about DOLLAR SENSE, please send it to my e-mail address: 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 2007. Nine seminars are already scheduled for the first three months of 2007, so don't delay. Choose your seminar date now!

ENDOWMENT FUNDING

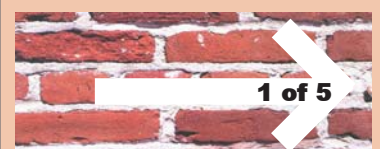
Several churches are currently in the process of formalizing their own endowment fund programs. Some are just beginning the 3-step process; some are finishing the process. All of them are excited about the future of the ministries of their church because they know when a church establishes a formal Endowment Fund Program, it makes several statements for all to hear:

- ◆ They believe in the future of their church.
- ◆ They are guided in their stewardship activities by the belief that all they have is a trust from God.
- ◆ They want to build a sense of permanence in what they do.
- ◆ They want to be good stewards of their "church family."
- ◆ They want to "go the extra mile" in providing services and programs that currently, due to budget constraints, are only dreams, and,
- ◆ They want to create a heritage that future generations can joyfully celebrate.

Endowments for local churches can be compared to inheritances for individuals. Some individuals have been "spoiled" by an inheritance, but others have been greatly blessed and have become better stewards because of their inheritance. The problem is not with the inheritance itself. The problem is with how the inheritance is managed and how it is used.

Your support of DSUMF with your donated cell phones has helped us provide our educational services to dozens of churches and their members during 2006!
THANK YOU!

To collect and recycle phones at your church please call us at 602.266.6956 x 203.



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ENDOWMENT FUNDING Continued

Such is the same with endowments in the local church. To say that there is no place for endowments in the funding plans of the local church should be as unthinkable as saying that no one should ever be left an inheritance because of the few who have abused their gifts.

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

Missions: for missions in and beyond the local community,

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

Scholarship: for students wishing to add to their current level of education, and

General: for special needs and ministries determined by the church leadership.

While endowments will benefit from both current and deferred gifts, their existence will especially encourage deferred gifts to the church that might otherwise be given to other charities that have endowment funds in place.

Endowments provide opportunities for donors to honor the life and special contributions of others. Gifts given in honor and in memory of family and friends are a major source of assets with which to build endowment funds for the local church.

Donors see this as a meaningful way to honor special persons while investing in the present and future of their church. When a church has a viable Endowment Program, members and friends recognize the church's efforts in quality, long-range planning. They see stewardship plans that look beyond the current year's operating budget. They see plans that provide members the opportunities to give from accumulated resources as well as from current income.

An ongoing, vibrant Endowment Fund Program provides for sense of excitement and expectation. In response to these "good feelings" more and more members will make gifts to their church in both their present and future financial plans.

During this Christmas Season, it is important for all of us to recognize that the Act of Giving is an opportunity to respond, freely and joyfully, to one's wholehearted commitment to Christ.

What about your church? Does your church have a Permanent Endowment Fund Program? Does it provide opportunities for persons of faith to participate in Acts of Giving? If it doesn't, then you don't know what you are missing.

**Your support
of DSUMF
with your
DONATED
VEHICLES
in 2006
has been
heartwarming!**

THANK YOU!

**For your
continued
support,
CALL:
602 - 252 - 1360**

Free Pick Up!

Title Transfers

Tax Deductible
(Equal To Proceeds Realized
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**Any Vehicle,
Any Condition,
Running or Not!**

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

ESTATE PLANNING

In a recent issue of DOLLAR SENSE, I detailed some of the provisions in the Pension Protection Act of 2006. One of the provisions made the Charitable IRA Rollover available. The details about this provision are listed below:

Individuals aged 70½ and older may transfer up to \$100,000 per year for 2006 and 2007 from an IRA to your church.

The transfer is treated as neither taxable income, nor as an income tax deduction.

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

The transfer must be completed by a third-party transfer agent (such as your broker) directly from your IRA Account to the Church.

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

Transfers may not be used to fund life income gifts such as Charitable

ESTATE PLANNING CONTINUED

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.

There are other important provisions in the Pension Protection Act of 2006 as well. Several retirement saving incentives in previous legislation were scheduled to expire in 2008, and others were scheduled to expire in 2010. The Pension Protection Act of 2006 made the following retirement saving incentives permanent:

- ◆ Section 529 tax-free qualified withdrawals
- ◆ Roth 401(k)s
- ◆ Increased IRA and retirement plan contribution limits
- ◆ Catch-up contributions
- ◆ Saver's credit

- ◆ Faster vesting of matching contributions
- ◆ Enhanced rollover rules
- ◆ Increased deduction limits

As always, you should consult your financial professional for more information about this major pension legislation before you make any moves with your pension funds.

If you would like assistance with a Charitable IRA Rollover, then please contact me at your convenience by phone at: 602.266.6956 Ext. 203, or by e-mail at: rick@dsumf.org.

To see pictures of people, scenery, and wild life from our "Cruisin' With The DSUMF" trip to Alaska, go to our website at dsumf.org; then click on "Annual Cruise;" then click on the link to: "2006 Cruise to Alaska Photos."

Better Yet, Join Us on our 2007 Trip to the Mexican Riviera and take your own pictures!

INVESTING

In case you didn't already know, all agencies, boards and churches of the Desert Southwest Conference that use our Investment Service are entitled to attend our monthly Investment Committee meetings. Some of our depositors take advantage of this opportunity to learn about risk management in a large portfolio by appointing representatives to attend our meetings.

For the most part, our Investment Committee meets on the last Friday of each month, via teleconference call, except when that Friday is at the beginning of, or during a long, holiday weekend. In those situations, the Committee meets a week earlier.

Each meeting involves a review of the portfolio's performance during the previous month or quarter. Each review involves an evaluation of all asset managers' performances relative to their style-specific indices.

On a quarterly basis, this evaluation is very sophisticated and takes into consideration topics such as Weighted Peer Group Percentile Rankings, and statistical measures such as

"Alphas," "Betas," "Standard Deviations," and "Sharpe Ratios."

In the last meeting on November 17, 2006, for example, there was a discussion about our portfolio's standard deviation, which is a measurement of risk. On a scale of 1 to 100, where 1 is the lowest possible risk and 100 is the highest, our portfolio's 3-year standard deviation was 6.34. By comparison, the S & P 500 Index, which is a very broad, low-risk index, has a traditional standard deviation of about 18.

It would be logical for you to assume that if our portfolio is not taking as much risk as the S & P 500, then we would be achieving a lower rate of return than the S & P 500.

For this year, that assumption is true. But for the long term, the assumption is incorrect. As a matter of fact, over the long term since 1985, our portfolio has outperformed the S & P 500 on an annualized basis while taking only 50% of the risk. How have we done that?

Since 1985, the DSUMF has achieved better than 13% (net of all expenses), on an annualized basis by

INVESTING CONTINUED

constructing a portfolio that doesn't always capture all the gains in a rising market, but at the same time, our portfolio never captures all of the losses in a declining market. This is done on purpose so as to maximize the portfolio's long-term rate of return while minimizing the portfolio's risk.

The Foundation's portfolio is constructed with great attention to asset managers' long-term performances in both good and bad markets, to asset managers' risk levels, and to their "buy and sell" disciplines. At the same time, portfolio rebalancing activities are conducted with every large gain, loss, deposit, or withdrawal. Sometimes rebalancing occurs only monthly, other times rebalancing occurs on a weekly basis.

This is a lot of work. Our volunteers take their work seriously. They understand the term "fiduciary responsibility," and they work hard to carry out those responsibilities on behalf of the agencies, boards, and churches that use our investment service.



Thank You volunteers of the Foundation's Investment Committee!

If a committee in your church is investing your church's long-term funds without having an eye on risk, "Up Capture" ratios, "Down Capture" ratios, Peer Group performances, etc., then they need to get up to speed. Or, they could use our Investment Service and let us carry out the fiduciary responsibilities for them.

By the way, if your organization is a depositor and you would like to have a representative present at our December 15, 2006, 9:00 AM meeting, then e-mail me at rick@dsumf.org. I'll provide the toll free phone number and guest pass code for your representative to attend. But let me know A.S.A.P. so I can schedule enough phone lines for the call.

CHARITABLE GIVING

The birth of Jesus Christ our Lord is the reason for the season. "For God so loved the world that he gave his only Son, that whoever believes in him should not perish but have eternal life." (John 3:16)

Can you imagine giving away a child? I can't.

But I'm sure you've heard or read news stories about the drug-addicted mother who gave away a child in return for her next fix. You've probably heard stories about parents selling their children for money.

You might recall stories about a homeless person or the pregnant teenager who gave away their children so that the children could have better lives than the one that they could provide at the moment.

For most of us who have children, our belief is that they are the best gift we could ever receive. We feed them and clothe them. We provide them warmth when it is cold and we cool them when it is hot. We care for them when they are sick. We try to teach them the difference between "right" and "wrong." We try to teach them about time-honored values such as accountability, courage, dependability, equality, generosity, honesty, independence, integrity, loyalty, truth, etc. Sometimes our kids embarrass us, other times they make us very, very proud.

Sometimes we're guilty of repeating bad child-rearing habits we learned from our parents. At other times our parenting skills are just perfect. For the most part, however, we prepare our children as best we can for the time when they are to be on their own. We

prepare our children to be self-sustaining to go out into the world and, to be successful, and to make their part of the world a better place.

The drug addict gave her child away to get something in return. The homeless person and the pregnant teenager gave their children away to give them a better life. **God gave away his Son to give us all a better life.**

God has blessed all of us with the most precious gift. May we accept this blessing with all the responsibility that comes with it. Merry Christmas.

"For unto us a
child is born,
unto us a
son is given;
and the government
shall be upon his
shoulder:
and his name
shall be called
Wonderful,
Counsellor,
Mighty God,
Everlasting Father,
Prince of Peace."

Isaiah 9:6

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VEHICLE DONATIONS
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REAL ESTATE
CASH STOCKS BONDS
ESTATE PLANNING CHARITABLE GIVING
DSUMF EDUCATION INVEST CONSULT ENDOW

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

Both the Board of Directors and the staff of the
Desert Southwest United Methodist Foundation wish you a very

MERRY CHRISTMAS



and a healthy, prosperous and

HAPPY NEW YEAR!