

# DOLLAR SENSE

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

**Vol. V: Issue 1 A Service of the Desert Southwest United Methodist Foundation January 2007**



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 has been phenomenal! In 2006, there were 10,836 visits to our website. (Do you know how long it took me to click on dsumf.org 10,836 times?!) Seriously though, this was 123% more visits than the total number of visits in 2005 and more than 2000% higher than the number of visits in 2004!

When on our website, visitors are discovering the wealth of information available. While the DOLLAR SENSE Newsletter continues to be the most popular destination, "Investments," "Endowments," and "Education" are popular web pages as well. Visitors accessed all of the documents on our website at one time or another. All together,

visitors accessed our documents over 23,000 times!

We are proud. We are even more gratified that you are finding the information useful.

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 and the Fall of 2007.

Twelve presentations are already scheduled for the first three months of 2007, so don't delay. Choose your seminar topic and seminar date now!

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



As we begin 2007, there is no better time to think about creating an endowment fund in your church. The endowment fund could be for one purpose. Or, an endowment fund could have several "sub-accounts," each of which could be for a different purpose.

Many churches have endowed scholarship funds. I know that endowment funds are used for Capital Improvements, Community Outreach, Religious Education, and Music Program Continuation to name a few. If you can think of a purpose that interests people enough to motivate them to give, then you can establish an endowment fund to support the purpose.

For example, let's believe for the moment at least, that "starting new churches" is a purpose



## **ENDOWMENT FUNDING** Continued

that quite a few people can get excited about. Let's assume that these people are so excited about starting new churches that they go out and spread the Word of God to others who also become excited about starting new churches. Then these new people go out and do the same thing and the cycle repeats itself again and again.

Wait a minute; this is beginning to sound like an old story. This is actually sounding a lot like a story that has been around for 2,000 years!

In fact, starting new churches is a very, very old story, but as Christians, it is a story that we must never tire of. Our Christian duty because of the love of our fellow man and the life-changing message in the Word of God is to make new disciples. Typically we make new disciples one by one starting with family members or a small group of friends. Sometimes these efforts do not generate self-sustaining congregations. Sometimes these efforts generate huge, vibrant church families.

Whatever the outcome, the effort is worth whatever the cost in time,

talent, or money because someone's life will be positively changed forever when they come to know the Love of God.

So it is with these thoughts in mind that the Desert Southwest Conference of the United Methodist Church begins to commit time and resources and money for the purpose of generating more resources and more money to do what disciples have been doing for 2,000 years, which is to start new congregations of faith.

The funds generated in this effort called the "In Their Footsteps" campaign, will be placed into an endowment fund where the principle shall never be invaded and only the earnings will be used to fund the efforts to do as our Christian fathers did before us, which is to start new churches and make new disciples of Jesus Christ.

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

**DSUMF HAS A  
G.R.E.A.T.  
PROGRAM  
FOR YOU!**

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

**Reserve your  
2007 seminar  
presentations  
NOW!**

**Schedule a seminar  
for one or more of  
the following topics:**

**Estate Planning**

**Charitable Giving**

**Gift Annuity**

**G.R.E.A.T.  
Program**

**DO NOT  
DELAY!**

**Schedule your  
next seminar  
NOW!**

## **ESTATE PLANNING**

Do you have an annual physical with your doctor? You know what I'm talking about. First, you schedule an appointment. Then, you go to the doctor. You have a physical exam; then you deal with any problems that have been diagnosed or you experience comfort in the knowledge that everything is as it should be. It is always good to pick a specific time of year or even a specific date on which you should have an annual physical. It is your responsibility to maintain your physical health – it is good stewardship of your physical well-being.

You should use the same process when it comes to your estate plans. You know what I'm talking about. First, you schedule an appointment, but in this case the appointment could be with a qualified financial planner, a bank trust officer, or an estate planning attorney. Then, you go to the chosen professional with your estate planning documents in hand. You have your exam, or review of your plan. Then, you deal with any problems that have come up since the last exam, or you experience comfort in the knowledge that everything is as it should be.

What problems could develop since the last estate plan review? The list is very long; it includes both good things and bad things that could change your estate plans. The list includes, but is not limited to: a new birth in the family, a death in the family, a marriage a divorce, a bankruptcy, a financial windfall, a disease, a cure. All these "things" are what life brings to our tables. Any one of these life events could change your thinking as it relates to your estate plan – your plan to give everything away after your death.



## ESTATE PLANNING CONTINUED

It is always good to pick a specific time of year or even a specific date on which you should have an annual physical. It is also always good to pick a specific time of year or even a specific date on which you should have an annual estate planning check up. It is your responsibility to maintain healthy estate plans – it is good stewardship of not only your assets, but also the financial well-being of your heirs!

Vehicle Donation  
Tax Laws Changed  
in January 2005.  
Even Though  
Tax Laws Have  
Changed, We Are  
Still Accepting  
Used Vehicles!

Under New Tax Laws,  
You Qualify For A  
Deduction Equal  
To The Amount  
For Which The  
Vehicle Sells.

Upon your request,  
60% of all sale proceeds  
will be distributed to  
Your Favorite  
United Methodist  
Ministry.

**DONATE YOUR USED  
VEHICLE NOW!**  
CALL:  
602 - 252 - 1360

## INVESTING

“To rebalance or not to rebalance your portfolio,” that seems to be a common question for fiduciaries and portfolio managers around this time of the year. In order to be pondering rebalancing activities at all, Step 2 of the 7 Uniform Fiduciary Standards of Care assumes there is an Asset Allocation Model in play. This Step is concerned with diversifying a portfolio and maintaining that diversification over time. Diversifying a portfolio involves 5 of the 27 Prudent Investment Practices. (For a review of all 27 Prudent Investment Practices, go to the December 2005 issue of DOLLAR SENSE.)

One train of rebalancing thought suggests that it isn't necessary to rebalance a portfolio. The reasoning is that all portfolios will rebalance themselves due to the ups and downs of the markets. When one investing style is “in favor,” it will generate solid returns. When the same style is “out of favor,” it will retreat to original allocations or below. The theory is that over the long term of a market cycle, everything will “even out.”

The other train of rebalancing thought

## “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 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 have negotiated low group rates, and it isn't too early to make your reservations for September's 2nd Annual “Cruisin With The DSUMF” Event. For free, color brochures for yourself, friends, family, etc. call us at 602-266-6956 Ext. 203 NOW!



Holland America's ms. Oosterdam in port at Sitka, Alaska during our 2006 cruise.

## INVESTING CONTINUED

suggests that it is necessary to be very diligent with rebalancing activities so the prescribed Asset Allocation Model is never "out of balance" by more than a pre-determined percentage identified in an organization's Investment Service Policy Statement. This pre-determined percentage amount is a reflection of an organization's risk tolerance: the higher the allowable drift in an asset's growth or decline without rebalancing, the higher the organization's risk tolerance. The converse of this statement is also true.

The DSUMF has a very low risk tolerance with your funds. Proof of that statement lies in the fact that our rebalancing policy required rebalancing activities with every major deposit and/or withdrawal. For example, if we received a \$50,000 deposit into a client's account, these funds were spread across all eleven asset managers on a pro rata basis according to their prescribed allocation within the overall Asset Allocation Model. If a manager was on a "losing streak," we used the deposit to bring their balance back to their

prescribed allocation based on the new portfolio balance after the deposit. Conversely, if an asset manager was on a "winning streak," and had gains that exceeded their allocation based on the balance with the new deposit, then that manager would not receive any of the newly deposited funds. A similar process was followed with withdrawals as well.

During 2006, we received approximately \$1,600,000 in deposits and requests for approximately \$600,000 in withdrawals. In addition, we processed over \$500,000 worth of gifted securities for our depositors. Those transactions (deposits, withdrawals, and gifted securities transfers) forced a lot of rebalancing activity.

In an analysis of our rebalancing activities during our year-end Investment Committee Meeting, we concluded that we were too strict with our rebalancing efforts. In this coming year, we will continue to monitor the balances in each asset manager's account with respect to their targeted allocation. However, in an effort to let the "winners" and "losers" play themselves out a bit in 2007, we will permit more drift within the stock, bond and managed

futures categories of our portfolio.

So, instead of rebalancing each asset manager to within one 100<sup>th</sup> of a percentage point of their targeted allocation (0.0001), we will permit as much as a 5% drift in stocks, bonds and/or managed futures. For example, if bonds are "favored" by the markets in 2007, then we'll permit the gains in our bond portfolio to increase the allocation from 30% to 35% before taking the gains and reallocating them. Conversely, if managed futures, for example, are unfavorable in 2007, then we'll permit our 10% managed futures allocation to decline to 5% before "cutting our losses," and rebalancing.

We pay attention to all of these details because it is our fiduciary responsibility to do so. We do this so our depositors don't have to. We do this because we enjoy the process. We thank you for giving us the opportunity!

By the way, if your organization is a depositor and you would like to have a representative present at our January 26, 2006, 9:00 AM, teleconference meeting, then e-mail me at [rick@dsumf.org](mailto: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

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

THANK YOU!

Bring Your Old Cell  
Phone to Annual  
Conference 2007.

Better Yet, Bring a  
Bunch of Old Cell  
Phones from  
Members of Your  
Church to the DSUMF  
Exhibit Booth at  
Annual Conference  
2007!

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



## CHARITABLE GIVING

Charitable giving activities increase during the end of every year. Such is always the case, and I personally don't believe it is all about qualifying for an income tax deduction. I believe the increase in giving at every year's end is about "The Message." While the message that God Loves us all, regardless of our sins, is constant and unchanging, the message seems to be heard more at the end of the year when we celebrate the birth of Jesus Christ, than at other times of the year. As a result, people increase their charitable response to the message by donating more of their time or more of their talents or more of their money at year's end.

We, who work in the not-for-profit world, encourage and celebrate charitable activities of all kinds year round. Year-end giving keeps us very busy right to the end of the last working day of the year. The majority of our time is consumed with tracking and documenting gifts of securities.

In past newsletters, we've discussed the "benefits" of giving appreciated securities:

1. Donors qualify for an income tax deduction that is equal to the fair market

value of the gift, which in most cases is more than the cost basis or original purchase price of the security.

2. Donors can transfer securities electronically through our investment Service with little or no paper work required on their part.

3. Donors receive "Donor Packets" complete with properly worded letters and IRS Forms from DSUMF, and

4. The Donor's church receives a check from us for 100% of the proceeds realized from the commission-free sale of the gifted security.

We are still tying up loose ends from end-of-the-year gifts of stock made on December 28<sup>th</sup> and December 29<sup>th</sup>, but 2006 was a banner year for our participating churches. More than 35 people from around the Desert Southwest Conference made more than 40 different stock transfers during the course of 2006.

The transfers involved more than 100,000 shares of a variety of companies with a total fair market value of more than \$500,000. These 35 donors are members of just 8 different churches that use our Investment Service.

Some of these gifts of stock were used to fund lifetime income gifts such as Charitable Gift Annuities. Some were used to pay a donor's annual pledge; some were used to make good on pledges for church capital campaigns. Some gifts were used to establish an endowment fund; still others were used as a challenge to raise more funds so a new church could break ground on their first building.

All these gifts will help a variety of ministries, but the best news about this charitable giving from my perspective is that because we don't charge a fee to complete these transactions, we've saved participating churches over \$10,000 that would have been charged in the form of commissions had those transactions been conducted through other investment service providers.

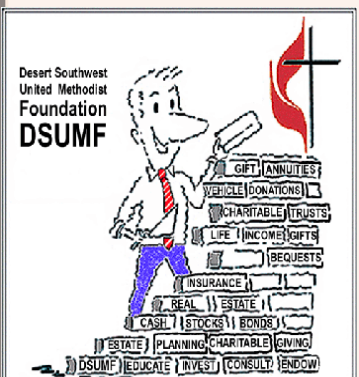
Therefore, in a small way, the DSUMF has helped each of those ministries by maximizing donors' gifts to their churches. We like maximizing donors' gifts!

The Desert Southwest United Methodist Foundation is always ready, willing and able to be your partner in "building your church's financial future one brick at a time!"

With support from all our depositors, old and new!  
**DSUMF's Investment Portfolio grew to more than \$13,500,000 in 2006!**  
**Thank You!**



**DSUMF  
Wants  
YOUR  
CHURCH  
to join our  
Growing  
Family of  
church  
Investors!  
Call Us:  
602.266.6956  
Ext. 203**



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