DOLLAR

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

Vol. V: Issue 5 A Service of the Desert Southwest United Methodist Foundation May 2007

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 SEN$E, 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!

More of you are visiting our website than ever before. We are on pace to receive over 12,500 visitors during 2007. If that happens, we'll exceed the number of last year's visits by over 15%! Keep spreading the news! While you're visiting, don't forget to check out the Forward in Their Footsteps Campaign by clicking on the "FITF Campaign" button. You'll discover a whole new volume of information about the conference-wide campaign to raise and place funds into an endowment fund. The earnings from the endowment fund will help us plant new churches and new communities of faith throughout the Desert Southwest!

ENDOWMENT FUNDING

Occasionally, I'm asked to prepare endowment fund documents. The people who choose to prepare and donate money to such funds are visionaries. These people can see the value of laying up funds now in order to provide for a particular mission or project or scholarship in the future. They understand the power of time when combined with the "eighth wonder of the world," which is an invention of man called "compound interest."

In the creation of one recent endowment fund, anonymous donors , have decided to establish an endowed fund that will provide funds for:

1. Scholarships to students from the Desert Southwest Conference who go to an approved school of theology, and

2. Desert Southwest Conference approved, missionary-based activities. Initial funding of this endowment will come from a distribution from the couple's estate. The continued growth of this endowment fund will be provided by 40% of the fund's total, annual earnings.

Using some basic investment assumptions, this fund will increase its size by 35 to 40% in the first 10 years while it is also distributing significant funds for its intended purposes.

Another endowment fund in the process of being created is to pay for continuing education costs of clergy and lay leaders of a small United Methodist church in central Pennsylvania. The fund will honor and be named after a recently departed loved one who grew up in central Pennsylvania and who attended that particular United Methodist church.

In the creation of both of these endowment funds, there are donors who have a clear, distinctive, and specific vision of the future. They are connected to that future with their faith, through the United Methodist church and in their belief that with their support, the church will continue to do the work of the Lord.

Because of my job, I get to meet, and be with, and learn from these wonderful people. My job isn't work; it is a blessing!

dsumf.org

ESTATE PLANNING

Their parents were from the "G.I Generation." Their children are the "Baby Boomers" and "Gen Xers." The "Silent Generation" was caught between the "get-it-done" G.I. Generation and the vocal, sometimes radical "Baby Boomer Generation." Those of the "Silent Generation" were born between 1925 and 1942. They were born just before or during the Great Depression and they celebrated when G.I.'s came home as victors of World War II.

The Silent Generation came into their economic and social power in the early 1970's and they maintained that power and authority for 20 to 25 years. They grew up believing that morals and ethics were the most important factors in defining one's identity. As a result, they appreciate organizations and causes that support their values.

Folks of the Silent Generation worked hard, saved money (because they knew what it was like to have none during the Great Depression), and they planned their retirements. They believe their savings are a reward for hard work and sacrifice.

Who could argue against that! But who knew that retirement planning and estate planning would become such a complicated process? During a recent Estate Planning Seminar at Los Arcos United Methodist Church, an attendee, who is a member of the Silent Generation indicated that estate planning activities are no longer a "once and done" process. The comment was actually something like "Every time you think you've got all your ducks in a row, one of them decides to jump out of line and you have to start all over!"

The comment is accurate! Estate planning rules given to us by the "rule makers," those people we keep electing to congress, seem to change often. The last significant piece of legislation to come out of Washington D.C. is an act that provides a moving target as far as when estate taxes may become an issue for people in the estate planning process. The moving target involves the dollar amount of an estate that is excluded from estate tax considerations. On the other hand, the moving target takes a dramatic turn in 2011, when because of the way the recent legislation was written, many more people could see their estates subject to estate taxes if congress doesn't act to make yet more changes.

The best advice I can give regarding estate planning is that it must become an ongoing process. You must keep up to date with changes in tax laws as they relate to the distribution of your assets after your death. You must constantly educate yourself about tax law changes and amend your estate plans accordingly. Estate planning is not a "once and done" proposition. Estate planning must be considered an ongoing process. If any generation is capable of keeping up with the changes, and working hard to do it right, it is the Silent Generation that will prevail.

By the way, I consider it to be a great privilege, and benefit of my job to meet, and work with members of the Silent Generation. These people are the kind that expect honesty and integrity and who would do business the old way – on one's word and a hand shake. Those were the "Good Old Days!"

RESERVE YOUR CRUISE BEFORE MAY 31ST AND RECEIVE MORE DISCOUNTS DIRECTLY FROM HOLLAND AMERICA! ACT NOW!

ATTENTION ALL "CRUISERS"

DATES FOR OUR CRUISE TO THE MEXICAN RIVIERA HAVE CHANGED!

WE DEPART FROM SAN DIEGO, CA ON 10/27/07; WE ARRIVE BACK IN SAN DIEGO, CA ON 11/03/07.

RESERVATIONS MADE THROUGH OUR TRAVEL AGENT BEFORE MAY 31ST WILL QUALIFY YOU FOR ADDITIONAL DISCOUNTS ON TOP OF OUR ALREADY LOW GROUP RATES!

CLICK ON THE "ANNUAL CRUISE" BUTTON ON OUR WEBSITE FOR ALL THE DETAILS.

DON'T DELAY!

MAKE YOUR RESERVATIONS NOW!

CHARITABLE GIVING

Everyone likes a winner, except when the winner is the IRS! Real property that is owned longer than one year is subject to capital gains tax when it is sold. Under current tax law, however, up to $500,000 of capital gains can be excluded on the sale of your principal residence. This is not the case when the real property is an investment property.

With income or investment property, the combined state and federal capital gains tax could be over 20%! Given a choice, most people would prefer not to pay out 20% of the total appreciation on a good investment to the IRS.

Can you avoid capital gains taxes upon the sale of highly appreciated investment property? The answer is YES!

A properly prepared Charitable Remainder Trust is the perfect planned giving vehicle for this scenario. One with highly appreciated investment property should hire an attorney to create the Charitable Remainder Trust. Once the trust has been created, then the ownership of the property is transferred to the trust. As soon as the tranfer of ownership is complete, the donor qualifies for an income tax deduction based on the fair market value of the property.

The trust now owns the property, and the person managing the new trust, called the trustee, sells the investment property. The trust receives the proceeds of the sale and the Charitable Remainder Trust does not pay any capital gains taxes.

Instead, 100% of the proceeds from the sale of the property are invested, and the person/donor who established the trust can receive a lifetime income stream from the trust. By law, the trust must pay out at least 5% per year, but it could pay out much more so long as the financial projections indicate that at the time of the donor's death there will be at least 10% of the original sale proceeds available to transfer to a non-profit organization.

For example, let's assume the following facts:

Bob owns a small seven-unit apartment building with a "book value of $100,000, but with a fair market value of $560,000.

Bob refuses to pay 20% combined state and federal capital gains taxes on $460,000 of appreciation, or $92,000.

Bob is in his mid-seventies and does not want to be a landlord anymore.

Bob creates a Charitable Remainder Trust and transfers his ownership of the property to his new trust.

The new Charitable Trust sells the property for $560,000.

Bob pays no capital gains taxes and actually qualifies for over $345,000 worth of income tax deductions. Bob's deductions are too large to take in one year, so he can take them for up to five more years after the year of the gift.

Bob decided to take a 5.0% pay out from the trust, so his first year's income is $28,000.

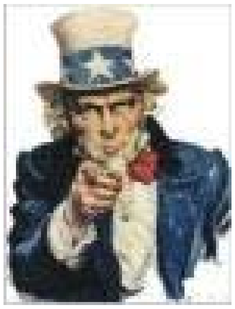
Bob lives for 12 more years and during Bob's life the trust earned 10% per year. After Bob's death all the funds remaining in the Charitable Trust account are then transferred to Bob's United Methodist Church.

Given the scenario above, Bob's church would receive a gift of over $1,000,000 upon Bob's death.

This is a Win – Win – Lose scenario! Bob Wins with lifetime income, and significant income tax deductions. Bob's United Methodist Church wins with a gift over $1 million, and the IRS does not see a penny of any of that money!

With your continued support, DSUMF's Investment Portfolio has grown to more than $13,700,000!

Thank You!



DSUMF welcomes Red Mountain UMC as the newest addition to our Investment Service family.

For more information, call Us: 602.266.6956 Ext. 203

INVESTING

Your long-term church funds should be invested with keen eye on risk. How much risk should your investment strategy take? The DSUMF's investment strategy does not take much risk at all. The funds placed with us are not our own funds. The ownership of the funds placed with us remains with the depositor. Since the funds are not ours, we are very careful with the amount of risk we are willing to take on behalf of our depositors.

One way to keep risk down is by diversifying your portfolio. The DSUMF diversifies its portfolio in several ways. Where we have a certain amount of our assets invested in Large Cap Growth stocks, we have an equal amount of assets invested in Large Cap Value stocks. Rarely do the markets favor both investing styles at the same time. So, when one portion of our portfolio is not being favored by market conditions, the other portion of the portfolio is being favored.

We also offset assets in large cap arenas with funds invested in both mid-cap and small cap stocks. We also offset investments within the U.S. with investments outside of the U.S.

Another way to diversify your portfolio is to have a reasonable balance between stocks and bonds. It is also under very rare market conditions that both stocks and bonds are favored at the same time. So, when either stocks or bonds are "in favor" with the markets, at least one portion of your portfolio is also "in favor."

We also diversify our portfolio by investing in assets that are negatively correlated with the markets. This means that funds invested in such assets are not dependant on a positive stock market. Such assets can generate earnings when the market is up or when the market is down.

We place all this diversity and "counter balancing" into our portfolio while continuing to maintain a socially screened portfolio that is in compliance with all the Social Principles of the United Methodist Church. Risk is measured in the investment world by a statistic called the "Standard Deviation." Standard deviations range from a low of 3.25 for investments in treasury bonds to a high of 100 for very highly speculative investments.

If your portfolio were invested in an S&P 500 Indexed Fund, meaning you had a piece of all 500 companies that make up that index, then your risk level would be around 18. By the way, such a portfolio would not be in compliance with the Social Principles of the United Methodist Church. Whereas, funds placed into the DSUMF's portfolio currently have a risk level range between 6.5 and 9.3.

Ok, so diversity and low risk are important, but what about return on investment? Well, we do just fine in that department too! We have a documented, 22-year, annualized rate of return of 10.56%! If your church has long-term funds to invest, give us an opportunity to invest those funds for you. We do it right; we do it well!

Receive Income for Life

AND SUPPORT THE WORK OF YOUR CHURCH AFTER YOUR DEATH

Receive A Lifetime Income and
Make a Meaningful Gift at the Same Time!

You can establish a 2-life Joint and Survivor Charitable Gift Annuity by donating $5,000 or more to the Deseret Southwest United Methodist Foundation, which acts as the agent for your church. In return for your gift, you'll receive a fixed annuity amount each year for the rest of your lives.

Reduce your taxes while you're at it!

A portion of your donation qualifies for an immediate income tax deduction and part of the annuity payments are considered tax-free income. The best way to fund a Charitable Gift Annuity is to transfer appreciated securities because doing so reduces capital gains taxes on such assets.

You receive lifetime income, qualify for an income tax deduction and part of your fixed annuity payment is tax-free income. Funds remaining in your Gift Annuity Account after death becomes a gift to your church. It doesn't get much better than that!

AGE	RATE
55	5.5%
60	5.7%
65	6.0%
70	6.5%
75	7.1%
80	8.0%
85	9.5%
90	11.3%

AGES	RATE
65 70	5.7%
75 80	6.6%
80 85	7.3%

**For your FREE,
Gift Annuity proposal,
call 602.266.6956 Ext. 203,
or e-mail:
rick@dsumf.org.**