

DOLLAR SENSE

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

Vol. I: Issue 1

A Service of the Desert Southwest United Methodist Foundation

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THANK YOU!

In every issue of **DOLLAR SENSE**, we will provide you with the valuable information you need to help you secure the financial future of your church:

INVESTING

ESTATE PLANNING

CHARITABLE GIVING

ENDOWMENT FUNDING



**Desert Southwest
United Methodist
FOUNDATION
DSUMF**

Thank you for clicking on the link we sent you and welcome to the very first issue of **DOLLAR SENSE**, an electronic newsletter produced monthly by the Desert Southwest United Methodist Foundation (DSUMF). We hope you find this publication useful. If you do, then we hope you'll "Bookmark" this site and forward this newsletter to others.

The purpose of this newsletter is to provide both clergy and lay leaders of our Annual Conference with consistent and reliable financial information you need to help you secure the financial future of your church. The information will always be provided under the following headings:

Investing, Estate Planning, Charitable Giving, and Endowment Funding.

If you have a specific question within these areas, then contact us by e-mailing your request to: www.dsumf@earthlink.net and we'll do our best to serve you. Our Web Site at www.desertsw.org/foundation.html is chock full of information too!

ENDOWMENT FUNDING

Webster defines the word "endowment" as "the act or process of furnishing with an income." Endowment funding says to the church, your members and the community you serve that "The Church" is here to stay. It says that the church is both planning and funding for the future.

Establishing Endowment Funds enables your church to say:

- You believe in the future of your church.
- You want to be guided in your stewardship by the belief that all we have is a trust from God.
- You want to build a sense of permanence in what you do.
- You want to be a good steward both as an individual and as a part of your "church family."
- You want to provide services and programs that currently are only dreams.
- You want to create a heritage that future

generations can celebrate as joyfully as we celebrate our rich heritage today.

For centuries In our society, endowments have provided a major source of funding for many institutions, both large and small. They help insure both the present and the future financial stability of an organization. If your church doesn't already have one, isn't it about time for your church to start an Endowment Fund? It makes SENSE! Contact us; we'll show you how!

CHARITABLE GIVING

To experience the true Joy of Giving is to experience inner peace! In a recent conversation with an anonymous donor to the Bold In Christ Capital Campaign, the donor explained that he feels "Peace to the Depths of his Soul" when he gives from his heart and with the understanding that all we

WHAT IS A CHARITABLE GIFT ANNUITY?

have on this Earth is a Trust from God.

People can give their Treasures; they can give their talent and they can give their time. Of these three types of gifts, time is the one gift that donors can never renew. Therefore, as leaders of your church, you must never downplay this most precious of all the gifts your members could possibly give.

In this month's column, the Charitable Gift Annuity is discussed because it is one of the most popular giving vehicles donors use. As a matter of fact, on an annual basis, we write most of our Gift Annuity Contracts during the months of November and December for church members who are doing some year-end gifting for tax purposes.

A charitable gift annuity is a simple contract between a member of your church and the DSUMF. We act as an agent on behalf of your church in gift annuity negotiations, contract, accounting, auditing and distribution activities.

In return for making irrevocable gifts of cash, securities, or other assets, DSUMF agrees to pay one or two annuitants named by the member of your church a fixed sum each year for the rest of the annuitant's life. The general resources of DSUMF guarantee the payments. The higher the annuitant's age at the time of the gift, then the greater the fixed income DSUMF can agree to pay.

A part of each annuity payment is tax-free, which increases each payment's after-tax value. Gifts of appreciated property are treated a bit differently because of a capital gains issue. However, capital gains tax is applied to only part of the appreciation and the tax will be spread out over many years rather than be due in one lump sum in the year of your member's gift.

Gift Annuity payments from the DSUMF are made in annual, semiannual, or quarterly installments depending

upon the member's wishes. We even make monthly distributions for those who need them.

BENEFITS INCLUDE:

1. Your member will qualify for a federal **income tax deduction**. Note: deductions for gifts of long-term appreciated property are limited to 30% of adjusted gross income (AGI). Gifts of cash and other non-appreciated property are limited to 50% of AGI. Unused deductions of either kind may be taken over the next five years, subject to the same 30% or 50% donation ceiling limitations.

For a complete chart of current Payout Rates go to: www.desertsw.org/foundation.html. Click on Gift Annuities, then click on rates Effective on 7/1/03.

2. The annuitant(s) will receive a **guaranteed, fixed annual income for life**. The payments are guaranteed by the general resources of the DSUMF.

3. If the donor funds the annuity with an appreciated asset, s/he will incur tax on only part of the gain. If the donor is an annuitant, this **partial capital gain tax** will be spread out over many years.

4. The donor's estate may enjoy **reduced probate costs** and estate taxes because the gift is irrevocable, therefore, permanently removed from the donor's estate.

5. Donors will provide generous **future support for your church** because DSUMF will distribute 92% of the remainder in the annuitant's account at their death **directly to your church!** The remaining 8% is retained by DSUMF to offset the management expenses incurred during the donor's lifetime.

At the time of the gift, the donor may choose to designate how the remainder shall be used, or they may allow the church to decide what is appropriate. If at the time of distribution, your church does not need to spend the entire distribution and the remainder was not designated, then it could be used to establish an Endowment Fund for future ministry needs.

As mentioned, these gifts are very popular and many of our Annual Conference Churches have already secured hundreds of thousands of dollars for their future ministry needs by hosting gift annuity presentations conducted by DSUMF. It makes SENSE!

The typical gift annuitant is a single, 77 year-old woman, who qualifies for a guaranteed, lifetime payout of 7.4%!



ESTATE PLANNING

We plan for births; we plan for birthday parties; we plan for weddings and wedding anniversaries. We plan for family gatherings, holiday meals and vacations, but 70% of the people in the United States do not plan on dying!

That's right! More than 70% of U.S. Citizens do not have a simple, basic Last Will and Testament! As a leader of your church, you need to tell your members that "Death" has never been a matter of "IF;" "Death has always been a matter of "WHEN!"

When presenting Estate Planning Seminars for Annual Conference Churches, we speak about the "Six Steps of Estate Planning," or how to become a good steward of your own assets. To start with, estate planning is not rocket science and it isn't even intimidating if you break it down and do it step by step. Your estate is everything you own. Since you can't take it with you when you die, your estate plan is nothing more than a written set of instructions to give it all away after your death. The process is that simple.

Unfortunately, since the process of giving it all away, or transfer of ownership is a legal process, your estate plan must involve legal documents and therefore, should involve competent, experienced legal counsel. I use the word "unfortunate," because competent, experienced legal counsel costs money and if you're not careful, it could cost you a lot of money!

**DEATH
is not
a matter of
"IF;"
it is only
a matter of
"WHEN!"**

Over the next several issues of DOLLAR SENSE, we'll discuss the six steps of estate planning in detail. For now, however, it is important to understand this most important fact:

People develop very strong, long lasting relationships with the organization that teaches them about and helps them to create proper estate plans. Such relationships usually result in bequests and other deferred gifts to the organization from very grateful members.

The message should be very loud and very clear.

Endowment Funding at your church will be secured if you provide your members with a consistent, ongoing, neverending educational program about estate planning. Such an educational program must become a part of the normal weekly operations of your church. It makes **SENSE!**

If your church does not continually teach and help your members to learn about and create proper estate plans, then members who are inclined to make deferred charitable gifts will make them to some other organization. You decide. What is best for the long-term financial future of your church: 1) hosting estate planning seminars now, or 2) forcing your members to learn about estate planning from some other organization.

The Six Steps of Estate Planning are:

- 1. Understand Basics**
- 2. Conduct Inventory**
- 3. Focus on Priorities**
- 4. Choose Documents**
- 5. Choose Counsel**
- 6. Act Now!**

The DSUMF conducts Estate Planning Seminars year-round. Since 1995, we've conducted more than 325 seminars to more than 8,000 members of our Annual Conference churches. Through the DSUMF, your members can secure a **FREE**, no-obligation,

legal consultation with one of the attorneys who co-authored the original probate laws of Arizona. Contact us by phone now at 602-266-6956 or 800-229-8622 or by E-mail at dsumf@earthlink.net to schedule your Estate Planning Seminar. We're already booking seminar dates for February, March and April 2004.



INVESTING

When a church secures endowment funding or receives an unexpected bequest, it is faced with both a huge responsibility and a huge decision as to how to invest those funds. Investing long-term church money can be a scary and tricky adventure. Most church committees don't like the responsibility of investing church money, but at the same time they usually take the responsibility very seriously.

Some churches choose to leave the investing up to the "pros" and invest their money in mutual funds. Did you know that passively managed, low-cost mutual funds, by design, do not adhere to the Social Principles of the United Methodist

INVESTING CONTINUED

Church with regard to investments in alcohol, tobacco, pornography, gambling and major defense industry oriented companies? You might think that expensive, socially screened mutual funds provide the answer. You would be wrong, however, because there is not one socially screened mutual fund available that is 100% consistent with the Social Principles of the United Methodist Church. If your church cares about socially responsible investing, then it cannot use mutual funds.

Some churches are very conservative in their

investing style and invest in government bonds only. While very safe, such investing is much like the first servant in Matthew 25:14-30, who “played it safe” and buried the Talents entrusted to him during his master’s absence, only to be scorned by his master upon his return for not using the Talents wisely. The worthless servant was “cast into the outer darkness where men will weep and gnash their teeth.” Now you know why investing church money can be both tricky and scary!

Investing church money requires professional attention and should not be done on a part-time basis with volunteer committees that, by nature, have a high turn-

over rate in their membership.

The DSUMF Investment Service has been providing excellent results for churches, boards and church agencies of the DSAC for more than 10 years. The Service provides for deposits into an actively managed socially-screened portfolio that is low risk and that provides a moderate rate of return, because it makes SENSE to do so!

The service is not available to individuals. The DSUMF does not sell its own securities or notes. It does not invest in real estate. It does not

lend money, nor does it borrow money. Such practices make it **impossible** for the DSUMF to experience the difficulties experienced by other, well-known, denominational foundations that have gone into bankruptcy or fallen under legal scrutiny in recent years.

In future columns, we will explore the intricacies of investing long-term church money. We’ll also inform you of decisions made by the DSUMF’s Investment Committee that effect “church money” that has been entrusted to our care through our Investment Service.

FOR \$5,000, YOU CAN EARN A GREAT RATE OF RETURN AND BEGIN BUILDING A SOLID FINANCIAL FUTURE FOR YOUR CHURCH!

EARN

11.3%

(DEPENDING ON YOUR AGE)

GIFT ANNUITY PAYOUT RATES

Single-Life Annuity

Age	Rate
60	5.7%
65	6.0%
70	6.5%
75	7.1%
80	8.0%
85	9.5%
90	11.3%

Two-Life Annuity Younger

Age	Rate
60	5.4%
65	5.6%
70	5.9%
75	6.3%
80	6.9%
85	7.9%
90	9.3%

For a FREE, confidential, no-obligation, personalized illustration of how a Charitable Gift Annuity may work for you, please contact Dr. Rick Brown at:

www.dsumf@earthlink.net



AND BEGIN BUILDING YOUR CHURCH’S LEGACY!