



Training Series

Investing Church Funds

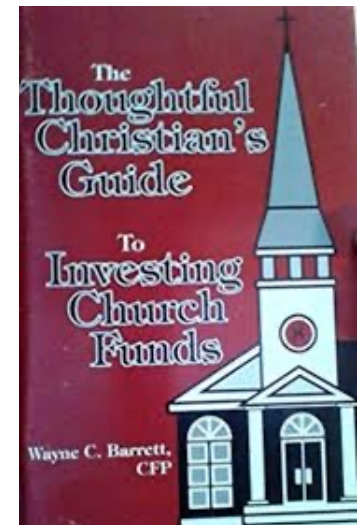
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Presentation available for download at UMFF.org under "How We Serve", "Resources"

Church Investing

- “Since these funds do not belong to us... we are challenged to exhibit the highest possible fiduciary standards”*
- “Underlying the entire matter of investing church funds is the concept of Christian stewardship”*



* The Thoughtful Christian's Guide to Investing Church Funds

Investment Committee vs. Investment Manager

- Investment Committee

- Authorized by Church
- Sets Investment Policies
- Selects Investment Manager
- Reviews performance of Investment Manager
- Communicates concerns and policy changes



- Investment Manager

- Authorized by Investment Committee
- Selects Investments in accordance with policy
- Produces performance reports
- Administers contributions and disbursements

Reasons why Church Members or Relatives Should not Serve as Investment Managers

- Resentment
- Performance pressure
- Relationship continuity
- Responsiveness
- Accountability



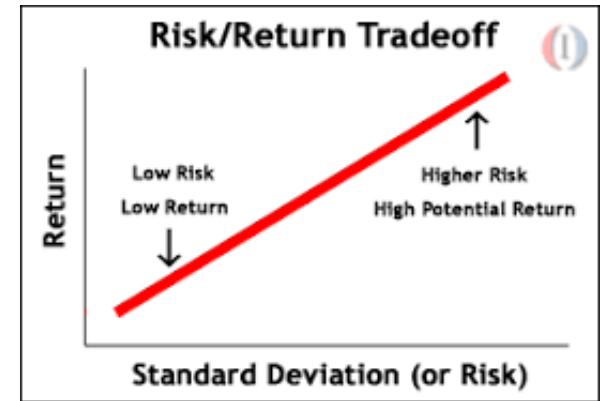
Personal Investing vs. Church Investing

- **Market Volatility Risk:** Less of a threat to church – church can accept more risk.
- **Inflation Risk:** More of a threat to church - “Growth” must be built into approach
- **Taxation:** “Tax advantaged” investments – irrelevant to most churches



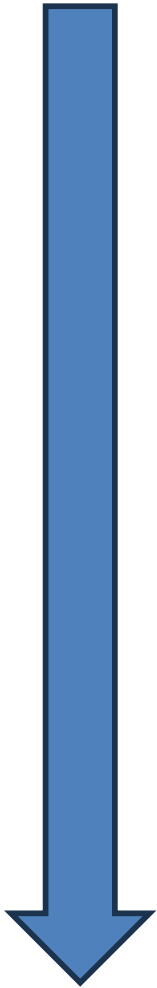
Risk vs. Return

- Risk and Return related
- Higher returns mean higher risk
- Types of Risk:
 - Market Risk – investment value changes
 - Interest Rate Risk – profitability changes
 - Inflation Risk – purchasing power changes
 - Business Risk – “Going concern” changes



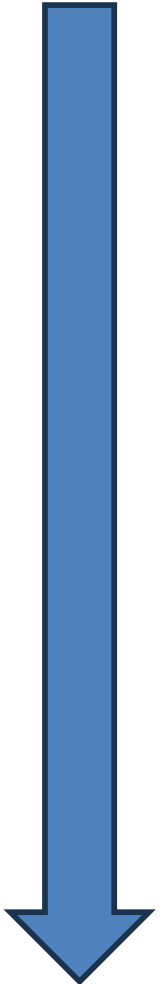
Common Investments

Risk



- Checking accounts (cash)
- Treasury Bills
- Certificates of Deposit
- Money Market accounts
- Bonds
- Mutual Funds
- Portfolios of Stock / Real Estate
- Specific Stocks / Real Estate

Returns



Diversification



- By size - Ex: large cap, small cap
- By time - Ex: short term vs. long term
- By type - Ex: stocks, bonds, cash
- By geography - Ex: U.S. vs. International
- By sector - Ex: technology, healthcare, energy
- By style - Ex: growth, value, income
- By management - Ex: active vs. passive

Average Annual Historical Returns (1925 – 2023)

- U.S. Stocks (S&P 500): **10%**
- U.S. Bonds (Corporate / Treasury): **5-6%**
- Cash (T-Bills): **3-3.5%**



After adjusting for inflation:

- U.S. Stocks (S&P 500): **6-7%**
- U.S. Bonds (Corporate / Treasury): **2-3%**
- Cash (T-Bills): **0.5-1%**

Investment Trade-offs

Investment	Market Volatility	Inflation Protection
Stocks	High	Excellent
Bonds	Moderate to High	Moderate to Poor
Cash (T-Bills)	Low	Poor

Types of Church Funds



- **Operating Funds**
 - Used for day-to-day receipts and expenses.
 - Generally, have no restrictions.
- **Designated Funds**
 - Allocated for specific purposes by the church.
 - Must be used according to the church's designation.
- **Restricted Funds**
 - Donor-restricted for specific uses.
 - Cannot be repurposed without donor consent.

Linkage of Investments to Objectives

Example: Endowment Fund

Objective: Long term growth

Investment: Weighted toward stocks



Example: Building or Parsonage Fund

Objective: Income

Investment: Weighted toward bonds / CDs

Social Principles of the UMC

- Environment
- Food insecurity
- Global warming
- Incarceration
- Substance abuse
- Gambling
- Racism
- Sexual abuse
- Reproductive health
- Pornography
- Medical research
- Organ donation

www.umc.org/en/who-we-are/what-we-believe/our-social-positions

Investment Policy

- Statement of Purpose
- Governance Structure
- Responsibilities
- Investment Manager
- Risk tolerance(s)
- Performance Benchmarks
- Target Allocations
- Rebalancing
- Social Responsibility
- Donated stock



Sample policy available at UMFF.org, click on “Updates & Resources” and scroll down to “Training Resources”

Fee Structures

- Most Common:
 - Percentage of Assets Under Management
- Less Common:
 - Flat Fees
- Rare:
 - Commissions
- Uncommon
 - Performance-based Fees



Investment Manager Options

- **Banks** (Ex. JPMC, BoA, Citibank)
 - Self-directed accounts (Ex: CD's, money markets)
 - Professionally managed accounts
- **Brokerage Institutions** (Ex. Fidelity, Schwab)
 - Self-directed accounts (Ex: Mutual funds / Stocks)
 - Professionally managed accounts
- **Foundations (UMFF)**
 - Professionally managed accounts



Smaller is Usually Better

- Responsiveness
- Knowledge of customer
- Knowledge of church structure
- Stability of relationship
- Investments that align with goals
- Assistance with non-investment questions / needs



- Methodist based organization offering investment management to over 400 churches in NYAC & Upper NYAC
- Funds managed by SEC-registered investment advisers
- High quality equity and fixed-income portfolios
- Fees underwrite services to churches: grants and training
- Assistance in creating / adopting Investment Policies
- Investments comply with *Social Principles of The UMC*
- Consultation on Planned Giving, Stewardship & Capital Campaigns



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Questions, Comments, Feedback