

Planned Giving Tip
July 2007
CF Spending Policy

As John Sentovich informed you in a prior e-mail, he has left the Diocese to pursue another opportunity. While I can't replace John, I promise to do my best to fill his shoes as the Director of Planned Giving and Executive Director of the Catholic Foundation for the Diocese. I ask for your prayers and patience as I come up to speed. Please don't hesitate to call or e-mail me with questions you may have. I and the entire staff of the Office of Stewardship Development are here to help you.

This month's *PG Tip* is a repeat of one presented in the past. **It is important** for you to consider or re-consider the implications of NOT creating a spending policy for your foundation account earnings. Enough said, so here we go...

Do you have a spending policy for your Foundation earnings? If you don't, you should.

Why?

As you know, the Catholic Foundation makes the total return of earnings available (above corpus) each year to participants. Total return equals realized and unrealized gains on stocks and interest and dividends on bonds. Unlike most non-profit foundations, we do not require participants to reinvest earnings back into corpus or retained earnings, thereby allowing participants to withdraw all their earnings each year.

A problem occurs, however, when the economy experiences a deep recession like it did in 00-02. If a participant withdraws all of its earnings each year and does not build a retained earnings cushion, when the market produces negative results there are no earnings available to be withdrawn. If there are two or three negative years in a row in the market, the problem is exacerbated. It could take years to get back to the original corpus level. However, if a participant chooses each year NOT to withdraw all of its earnings in a given year and places a percentage into retained earnings, those earnings would be available in years when the market is down.

As an example, the United in Faith Committee has chosen to reinvest a portion of current earnings each year into retained earnings to hold a retained earnings balance of 10% of the originally endowed (corpus) balance. By doing so, the Committee – knowing that it is desirable to make annual payouts to each of the five cases – is ensuring that in years when the market is down, a cushion of retained earnings be available to make the desired payouts.

You will be receiving your end-of-year Foundation statements and decision forms the first week of August. The Catholic Foundation has done well this year and you will have earnings about which to make a decision this year. While I know it is tempting to plug holes in the budget with foundation earnings, I strongly suggest that you place a portion of your current earnings into retained earnings for a "rainy day." Studies show that the market produces a positive return 7 out of 10 years. It's those 3 years when it doesn't that we need to think about and plan for.

Keep planting seeds!
Greg