

The cover features a collage of images: an open notebook with a pencil, a stack of books, and hands of different ages being held together. A large white diagonal banner is overlaid on the collage, containing the title. A solid red triangle is in the bottom-left corner.

# **Investment Guidebook**



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## About NUMF

The Nebraska United Methodist Foundation supports the ministries of the local church and the Great Plains United Methodist Conference through the development of gifts and the stewardship of resources entrusted to the Foundation in support of God's work. From church grant opportunities and seminarian scholarships to free estate planning seminars for individuals, we work to help the United Methodist people of Nebraska on many different levels.

The Foundation also provides investment services to help churches save and grow funds for both short-term and long-term ministry, capital needs, emergencies and mission opportunities in the community and beyond. Our focus is to help Nebraska United Methodist churches and members, as well as related organizations and ministries, accomplish their goals and mission.

### **The Foundation staff assists churches and agencies through:**

- The creation and development of endowment funds.
- Presentations of Foundation investment services.
- Gift & estate planning seminars for church groups.
- Fund development workshops.
- Pre-capital campaign workshops.
- Planned gift visits with individuals.
- Stewardship sermons.

“And he who had received the five talents came forward, bringing five talents more, saying, ‘Master, you delivered to me five talents; here I have made five talents more.’ His master said to him, ‘Well done, good and faithful servant. You have been faithful over a little; I will set you over much. Enter into the joy of your master.’”

Matthew 25:20-21

# About NUMF Investment Funds

The Nebraska United Methodist Foundation, through an Investment Management Agreement, will invest endowment or other funds for United Methodist churches and Conference agencies. Once an appropriate investment strategy is determined, funds are placed under professional management.

The Foundation manages funds that have been deposited with the Foundation under Investment Management Agreements, deposit or custodial arrangements, endowment fund agreements, donor-advised gift agreements, charitable gift annuities, or under the terms of a will, trust or other gift agreement.

## **The Foundation's investment philosophy reflects three fiscal objectives:**

- Preserve capital.
- Earn total competitive returns within risk tolerances established by the Foundation.
- Preserve purchasing power by striving for long-term returns which either match or exceed recommended annual distributions, fees and inflation.

Assets managed by the Foundation are organized into five different portfolios. These funds are administered according to investment guidelines set forth by the Investment and Real Estate Committee of the Board of Directors and per Investment Policies adopted by the Board.

The Foundation provides an accounting of the transactions for each account invested in its common funds. Contributions to, and withdrawals from, each common fund may be made or requested at any time. Receipts are mailed promptly upon the receipt of deposits, and withdrawal requests are typically processed weekly but can be expedited when necessary. Account values are calculated monthly. Account statements can be obtained online monthly or by mail quarterly.



# Investment Fund Options

The Foundation offers five separate portfolios and each is managed with a specific investment objective. Participating churches and agencies may elect to invest in one or more of the funds. Typically, a single account will be placed in a separate fund for investment. Participants may choose any one of the five funds identified below or may select a combination of the Funds that best meet their objectives.

## Fixed-Income Fund

This fund provides exposure to fixed income securities. The target fixed allocation of this fund is 95% - 100%, with a maximum cash position of 5%. The primary investment objective and purpose is to maximize present income with minimal risk. Participants should use this fund for that portion of their investment where interest income and preservation of capital are the highest priorities.

## Conservative Fund

This is a combination of the portfolios that make up the Equities Fund (25%) and the Fixed-Income Fund (75%). The primary investment objective and purpose is to maximize current income while also providing the opportunity for some capital appreciation. Participants should use this fund for short-term (1-4 years) investments wherein they want to minimize risk but would also like the opportunity for a limited amount of capital appreciation and a level of income higher than what might be available through a bank certificate of deposit or other fixed-income accounts. The level of risk is reduced through its lower exposure to equities and its higher level of income-producing securities. Of the four funds that have exposure to equities, this fund will have the lowest level of risk.

## Balanced Fund

This fund is a combination of the portfolios that make up the Equities Fund (50%) and the Fixed-Income Fund (50%). This fund will have less volatility than the long-term growth fund but will provide the opportunity for both capital appreciation and income. The balance of equities and fixed income instruments in this portfolio give the best combination for those participants who are looking to realize capital appreciation while minimizing risk. It is ideally suited for participants intending to keep the funds invested for a period of at least 5-8 years or longer but recognizes that there may be a need to liquidate some of the funds for future ministry or needs.



### Long-Term Growth Fund

This fund is a combination of the portfolios that make up the Equities Fund (75%) and the Fixed-Income Fund (25%). The primary use and purpose is a combination of capital appreciation and income. This fund will have less volatility than the Equities Fund but more than the Balanced Fund. It is ideally suited for permanent endowment funds and other funds that will be invested for periods of 8-10 years or longer.

### Equities Fund

This fund provides exposure to domestic and international common stocks diversified across large, mid and small cap companies. The target equity allocation is 95% - 100%, with a maximum cash position of 5%. The primary use and purpose is long-term appreciation. Participants should use this fund for that portion of their investment they are willing to expose to more risk and to determine a level of balance and diversification which they believe will best achieve their investment goals. Historically, equities have provided a higher total rate of return than other types of investments, although with a higher level of risk and periods of market decline.

*The risk inherent in investing in the Foundation's Common Funds is the risk common to any security; the net asset value of the Funds will fluctuate in response to changes in economic conditions, interest rates and the perceptions of the national securities markets of the underlying securities held by the Funds. There can be no assurance that a fund will achieve its investment objective since there is uncertainty in every investment. The Funds will invest in securities that will be subject to both increase and decrease in value. Only participants able to tolerate short-term, possibly substantial, fluctuations in the value of their investment brought about by declining stock or bond prices, should contemplate investments in the Funds.*

*Although the Funds seek to reduce risk by investing in diversified portfolios of various types of investments, such diversification does not eliminate all risks. There is no assurance that such diversification will reduce the variability of the return or preserve the assets from loss.*

“Two are better than one, because they have a good reward for their toil.”

Ecclesiastes 4:9

# Administrative Overview

## Opening Your Account

To open an account, participants must complete a signed Investment Management Agreement at the time of the initial deposit. Future deposits do not require an Investment Management Agreement to accompany the deposit, but such deposits should include a written designation as to the account to which the deposit is to be credited.

The minimum investment required to open an account is \$1,000. However, participants who would like to open an account before they have that amount may do so, but are encouraged not to request withdrawals until the account reaches a market value of at least \$1,000.

You can open a separate account, or as many as you wish, with as little as \$1,000 in each, and there is no minimum length of time that the funds must be invested. Also, there is no charge or penalty when the funds are withdrawn, regardless of how long they are invested.

Deposits may be made to an account at any time. However, deposits received during the month will be temporarily invested in Money Market assets until the month-end valuation date of the common funds.

## Fees

A small fee is assessed to cover administrative costs. This fee covers costs associated with providing investment and account administration services. It's the only fee charged to churches, agencies or members of the Conference for any of the services provided by the Foundation. The Foundation does not receive Mission Share or other Conference financial support.

## Internal Revenue Code Of 1986 | Philanthropy Protection Act Of 1995

The Foundation is a qualified public charity and has established its exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, amended. Under the Philanthropy Protection Act of 1995, enacted on December 8, 1995, the Foundation is not required to register under the Investment Company Act of 1940, as amended, and, as a charitable organization that maintains charitable income funds, is exempt from registration under Federal and state securities laws. Accordingly, neither the Funds nor the interests therein are registered under the Securities Act of 1933, as amended, nor any state securities laws and neither the Securities and Exchange Commission nor any state securities commission has reviewed the Funds or interests therein.

## The Foundation may act as investment agent and custodian for only:

1. United Methodist Churches or those churches formerly associated with the United Methodist Church.
2. Tax-exempt institutions, organizations and agencies related to or formerly related to the United Methodist Church.
3. Tax-exempt sub-units currently or formerly of the United Methodist Church or related institutions, organizations and agencies.

The entities listed above herein referred to as "participants," must be charitable not-for-profit organizations exempt from federal income tax under Section 501(c)(3) or other applicable sections of the Internal Revenue Code of 1986, as amended. Participants may place assets with the Foundation for investment in any of the Funds. The Foundation's custodial duties include physical safekeeping, investment and distribution of Fund assets by the directions of the participants. All investments by participants must represent assets of the participants only.



### Insurance

The Foundation maintains insurance against fraudulent acts committed by Foundation employees in the amount of \$1,000,000 per occurrence per employee. The Foundation supports coverage in the amount of \$1,000,000 which ensures against any error, omission, neglect or breach of duty committed by Foundation employees while performing investment advisor services.

The Foundation's professional consultants and fund managers maintain comparable and additional levels of coverage for similar acts and funds held in brokerage accounts on the Foundation's behalf.

Foundation investments have a long-term investment time horizon. Therefore, participants are strongly encouraged to consider an initial investment commitment of at least five years when determining their investment strategy and goals for their accounts.

### Custodial Funds

Custodial funds held by the Foundation on behalf of participants are available to participants upon request. Because the Foundation allows for withdrawals to be made throughout the month, but Fund values are not calculated until the last business day of the month, requests for withdrawals that exceed 90% of the previous month-end account value during any month will be temporarily capped at 90%. The balance of the account value will then be forwarded to the participant within 14 days of the valuation date for the month during which the withdrawal request was made and will reflect market value changes, whether upward or downward, in the account's total value during the valuation period.

All assets that are presented to the Foundation for investment, or as a gift or contribution, are subject to acceptance or rejection by the Foundation within its sole discretion. The Foundation reserves the right to refuse any investment, gift or contribution, and to establish the terms of any acceptance. The Foundation may appoint an independent trustee to take legal title to certain types of property for the benefit of the Foundation. If an asset other than cash is accepted, such asset will be converted into cash before deposit into any of the Funds. It is the general practice of the Foundation to liquidate accepted non-cash investments, gifts and contributions as soon as possible.

### Fund Access

The Foundation offers quick and easy access to your funds. Choose between automatic distributions or distributions by written request only. Distributions are conveniently accessible via check or direct deposit.

“As each has received a gift, use it to serve one another, as good stewards of God’s varied grace.”

1 Peter 4:10

## Program Advantages

- Socially responsible according to the Book of Discipline.
- Low minimum deposit of \$1,000 for new accounts.
- Small accounts have the same level of diversification and growth potential as large accounts.
- Availability of innumerable, separately administered accounts.
- Accounts may be invested in a single portfolio or any combination of available portfolios.
- Separate statements for each account available online monthly or by mail quarterly.
- Deposits and withdrawals allowed at any time.
- No commissions, sales charges, front or back-end loads, surrender charges or penalties for early withdrawal.
- All funds on deposit remain the property of the account holder.
- Convenient and quick access to funds.
- Low fund management and account administration fees.



“Remember this: The person who sows sparingly will also reap sparingly, and the person who sows generously will also reap generously. Each person should do as he has decided in his heart—not reluctantly or out of necessity, for God loves a cheerful giver.”

2 Corinthians 9:6-7

# Funds Overview

## Fixed Income Fund

- 100% fixed income securities
- Time horizon - a few months up to 2 years
- Lowest risk; least opportunity for growth\*

## Conservative Fund

- 75% fixed income securities; 25% equities
- Time horizon - a few months up to 5 years
- Low risk; some opportunity for growth\*

## Balanced Fund

- 50% fixed income securities; 50% equities
- Time horizon - 3-8 years
- Some risk; good opportunity for growth\*

## Long-Term Growth

- 25% fixed income securities; 75% equities
- Time horizon - 5 years or longer
- Some risk; excellent opportunity for growth\*

## Equities Fund

- 100% equities
- Time horizon - 5 years or longer
- Highest risk of the 5 Funds; greatest opportunity for growth\*

\*Based on historical performance. Past performance cannot guarantee future results.



## **Nebraska United Methodist Foundation**

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