

INVESTOR
STORIES

Prepare for Surprises!



Almost every year, a new story circulates around the United Church of Christ of a quiet, humble church member who died and left \$1,000,000 or more to their local church. The congregation is often stunned by the gift, usually because no one realized the donor possessed such wealth.

That was the case at West Medford Congregational Church in Massachusetts. Established in 1872, the small church just northwest of Boston received a staggering gift from a legacy left by Florence Haynes.

"I was astonished," said Peggy Bennett, a longtime church member friendly with Dr. Haynes. "She never spent more than ten cents on herself. She must have saved everything." In fact, it appears Dr. Haynes left an estate worth \$10 million. With no family, she arranged for her estate to benefit the institutions that had made a significant difference in her life.

A 1931 graduate of Radcliffe College, Dr. Haynes earned her Ph.D. in Medical Sciences just two years later. She went on to teach at Harvard Medical School, collaborating with Dr. Lewis Dexter to develop a test important in the study of hypertension. Although a devoted and faithful member of her local church, Dr. Haynes remained a quiet person. According to Ms. Bennett, "A lot of people probably didn't know her. She never made

any ripples, but any time there was anything needed, she was there to help."

At the time of the bequest, the church faced an uncertain future. Former pastor, the Rev. Larry Titus, says, "Without the money that came in from Florence's legacy, the church might not be around for this story." Dr. Haynes' gift allowed West Medford to expand their outreach, particularly to children and youth, by adding an associate pastor. In addition, the church completed several much-needed capital improvement projects.

Dr. Haynes' gift had another unintended benefit — the congregation reevaluated how they invested their endowment funds. "There hadn't been a good overall fund management policy," the Rev. Titus recalls, "and funds were scattered here and there. We asked ourselves, 'What's the best way of doing this?,' and after looking at several options, the congregation decided to invest with the United Church Foundation — not only because of the Foundation's investment returns, but also because of the care we received." A Foundation representative met with the church's Investment Committee, and later returned to the church to address a special congregational meeting. "They are experts in helping churches like ours," says Rev. Titus. "We were very grateful for their help."



The story of Dr. Haynes' generosity offers an important reminder to every local church of the United Church of Christ: generous donors are probably sitting in your pews, some of whom you may not know. Prepare for great surprises by developing an Endowment Policy that directs how gifts will be handled when they do arrive — a topic that will be addressed in the next issue of *UCFocus*.

And invite every person to remember the church in their will, giving them the chance to leave a legacy that can make a difference for generations to come.

INVESTMENT MANAGEMENT

The Importance of Long-Term Investing

An old investment adage states, “It is time in the market that matters, not market timing.” If we look at some recent data, we can readily see why long-term investing remains a core tenet for a successful investment strategy.

In July, *The Wall Street Journal* highlighted studies by Dalbar Inc., an organization that has been measuring the effects of investor decisions on the returns they achieve, against the overall returns of the mutual funds among which they trade. Dalbar’s conclusion reflects the adage: “...fund investors who hold their investments are more successful than those that time the market. Investors pour in cash as markets rise and start a selling frenzy after a decline... Mistakes occur because investors are driven by fear that the markets will not recover — even though broad indices show that markets do indeed recover.”

Looking at asset class average returns and the year-to-year volatility of these returns helps put into perspective the emotional swings between fear and greed that drive investor decisions. For instance, according to data by Ibbotson, the average return

for large cap stocks from 1926 through 2006 has been 10.4%. However, the highest single year gain and loss have been 54.0% and -43.3%, respectively.

Goldman Sachs also took a look at the unpredictability of market movements, and how returns may be affected by emotion-based decisions that pull funds out of the market when prices are declining. The firm examined returns of the S&P 500 from 1982 through 2002: if an investor was invested in the S&P 500 for the entire 5,303 trading days during this period, s/he would have experienced an average annual return of 14.53%. If the investor pulled out of the market on the 10 days when the highest daily returns were experienced, the return was reduced to 9.52%. If they were out of the market on the 40 best days, their return would have been negative, averaging -0.04% annually.

The moral of the story: market timing requires a consistently clear crystal ball. Given a critical shortage of this item, prudent investors take a long-term view.

EDUCATION

Will You Leave A Legacy?



UCC members support their churches and other charitable institutions generously during their lifetimes. In fact, more than 80% of all Americans contribute regularly to the charity of their choice. But less than 10% of all donors continue their support of these churches and charities through a charitable bequest made upon their death. That means of the approximately two million Americans who will die in the next 12 months, less than 200,000 will leave anything from their estates to charity.

People are often reluctant to include a charitable bequest in their wills because they want to leave a legacy to their children or other relatives. And the majority of people have not made a will at all! According to an Associated Press story published in 2004, the percentage of adults who had created a will *dropped* by 5% from 2000.

Statistics like these mean bad news for UCC churches, organizations and institutions, many of which were created thanks to legacies left by past generations. Many churches use the ongoing support provided by endowments to expand ministry in new areas, while others use the funds generated to continue their work through lean and changing times. By including bequests in our wills and by making other “planned gifts,” we of the present generation can continue to support the church’s mission into the future, bearing witness to the importance of the United Church of Christ in our lives.

Making gifts from an estate is not an exclusive privilege of the wealthy. Every gift is important — both to the giver and to the recipient. If only 20% of current UCC members left a charitable bequest, the number of charitable bequests received by UCC-related organizations would more than double. With twice as many gifts, the ministries most important to you would have greater financial resources to continue and extend their transformative work for years to come.

Imagine the impact our generation would have on the denomination’s future and its influence in the world if each of us sought to leave a legacy.

Sustainability: Safeguarding the Future

Sounding a lot like common sense, *sustainability* refers to a corporation's ability to improve productivity and revenue using good corporate governance and minimizing negative impact on the environment, employees, and community welfare. The approach acknowledges the interdependence of corporate goals, and offers the potential for long-term gains for more stakeholders.

In collaboration with other members of the Interfaith Center on Corporate Responsibility (ICCR), the Foundation has encouraged a sustainability approach, engaging power and extractive companies with resolutions on greenhouse gas emissions and renewable energy. In 2007, a resolution on setting greenhouse gas emissions reduction goals received 31.1% support from ExxonMobil's shareholders, and a ballot requesting Occidental Petroleum create a report on greenhouse gas emissions received 18.9% support. Resolutions like these continue to be effective at pressuring companies to reduce their pollution.

Recently, ICCR drafted a new kind of resolution, requesting companies disclose to host communities not only their codes of conduct, but also the environmental and potential health impacts of their operations. Submitted to ConocoPhillips and ExxonMobil in 2007, the resolution received support of 10% and 9.8%, respectively. Additionally, ICCR members submitted resolutions to ConocoPhillips and the Newmont Mining Corporation requesting these companies obtain the consent of indigenous people affected by their operations and act within the confines of



host communities' laws. The ConocoPhillips resolution received 10% of the vote, while the Newmont resolution received 6.6% — results that look promising for future “for” votes, and that demonstrate a deepening understanding of the benefits of sustainability policies.

The United Church Foundation believes that the rubric of sustainability offers a compelling way to secure the future of our natural resources, the workers of the world, and the communities in which they live.

Your Will Is Your Voice

In his Last Will and Testament, Supreme Court Justice Oliver Wendell Holmes left a bequest of nearly two-thirds of his \$350,000 estate to the United States Government. But most people who leave gifts to the government do so unintentionally, and can avoid such inadvertent generosity with a bit of planning and an up-to-date will.

While each state has its own statutory inheritance plan — generally spouse, children, grandchildren, parents, grandparents and siblings inherit, in that order — if relatives can't be found, the deceased's property becomes the state's property, with nothing offered to friends or charitable interests.

Your will is your voice — determining how your property will be distributed and who will raise your minor children, enabling the reduction of estate taxes, and providing continued support to the people, missions and ministries that captured your heart during your lifetime. Estimates gauge that as many as 70% of Americans die *intestate*: without a will. And many of the remaining 30% have wills that are out of date. A move to another state, marriage, divorce, death of persons named in the will, birth of children or grandchildren, purchase or sale of a business — a variety of circumstances necessitate an update.



A current will ensures your desires are heeded and creates the charitable bequests that will remain your legacy to the people and organizations that matter most to you.

The Financial Development Ministry of the UCC offers a number of resources that make wills and bequests easier to understand — from will and estate planning kits to bulletin inserts. For more information, call (800) 846-6822 or send an email to giving@ucc.org.

INVESTMENT
PERFORMANCE
JUNE 30, 2007

AVERAGE TOTAL RATES OF RETURNS		ANNUALIZED								
Returns on UCF funds are presented net of fees		Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years	Current Yield	Unit Value	Market Value
MANAGED FUNDS	UCF Fixed-Income Fund	-0.5%	1.0%	5.8%	3.7%	4.4%	5.7%	5.4%	\$ 4.2584	\$249.7M
	Fund Lehman Brothers Government/ Credit Bond Index (LBGC)	-0.5%	1.0%	6.0%	3.9%	4.7%	6.1%			
	UCF Domestic Core Equity Fund	6.4%	7.3%	20.9%	N/A	N/A	N/A	1.9%	\$12.2835	\$271.4M
	S&P 500 Index	6.3%	7.0%	20.6%	N/A	N/A	N/A			
	UCF Small Cap Equity Fund	6.8%	8.4%	13.0%	N/A	N/A	N/A	1.1%	\$12.3364	\$82.2M
	Russell 2000 Index	4.4%	6.5%	16.4%	N/A	N/A	N/A			
	UCF International Equity Fund	4.6%	8.2%	21.9%	N/A	N/A	N/A	2.4%	\$13.5770	\$114.8M
	EAFE Index	6.4%	10.7%	27.0%	N/A	N/A	N/A			
	UCF Cash & Equivalent Fund (annualized)	5.1%	5.1%	5.1%	3.7%	N/A	N/A	5.2%	\$1.0000	\$6.9M
	Lipper Money Market Funds Index (annualized)	5.2%	5.2%	5.3%	3.8%	N/A	N/A			
FUNDS OF FUNDS	UCF Equity Fund (58.1% Domestic Large Cap Equity, 17.6% Domestic Small Cap Equity and 24.3% Int'l Equity)	6.0%	8.3%	19.8%	12.5%	11.1%	7.4%	1.9%	\$12.7462	\$467.3M
	S&P 500 Index	6.3%	7.0%	20.6%	11.7%	10.7%	7.1%			
	UCF Conservative Balanced Fund (39.3% Equity, 60.7% Fixed-Income)	2.1%	3.9%	10.3%	N/A	N/A	N/A	4.0%	\$10.6376	\$483K
	Policy Index (35% S&P 500, 65% LBGC)	1.9%	3.1%	11.0%	N/A	N/A	N/A			
	UCF Moderate Balanced Fund (64.3% Equity, 35.7% Fixed-Income)	3.7%	5.6%	14.3%	9.0%	8.4%	6.6%	3.1%	\$8.5513	\$414.4M
	Policy Index (60% S&P 500, 40% LBGC)	3.6%	4.6%	14.6%	8.6%	8.5%	7.0%			
	UCF Aggressive Balanced Fund (79.4% Equity, 20.6% Fixed-Income)	4.7%	6.8%	16.4%	N/A	N/A	N/A	2.6%	\$11.6632	\$8.4M
	Policy Index (75% S&P 500, 25% LBGC)	4.6%	5.5%	16.8%	N/A	N/A	N/A			



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