

Stewardship, Faith and Investing Your Talents



THE BOARD OF PENSIONS
OF THE PRESBYTERIAN CHURCH (U.S.A.)

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September 27, 2022, 3:15 – 4:30 pm

Investing Your Talents



Does Your Church have Cash Reserves ?

- Special Gifts
- Endowments
- Week-Day School Scholarship Fund
- Worship Fund
- Other ?

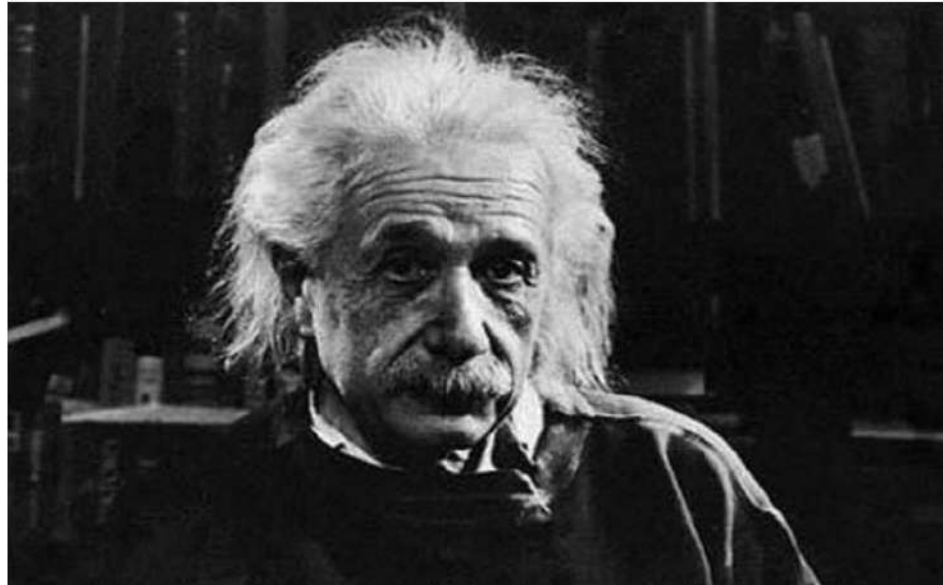


Break-Out Session

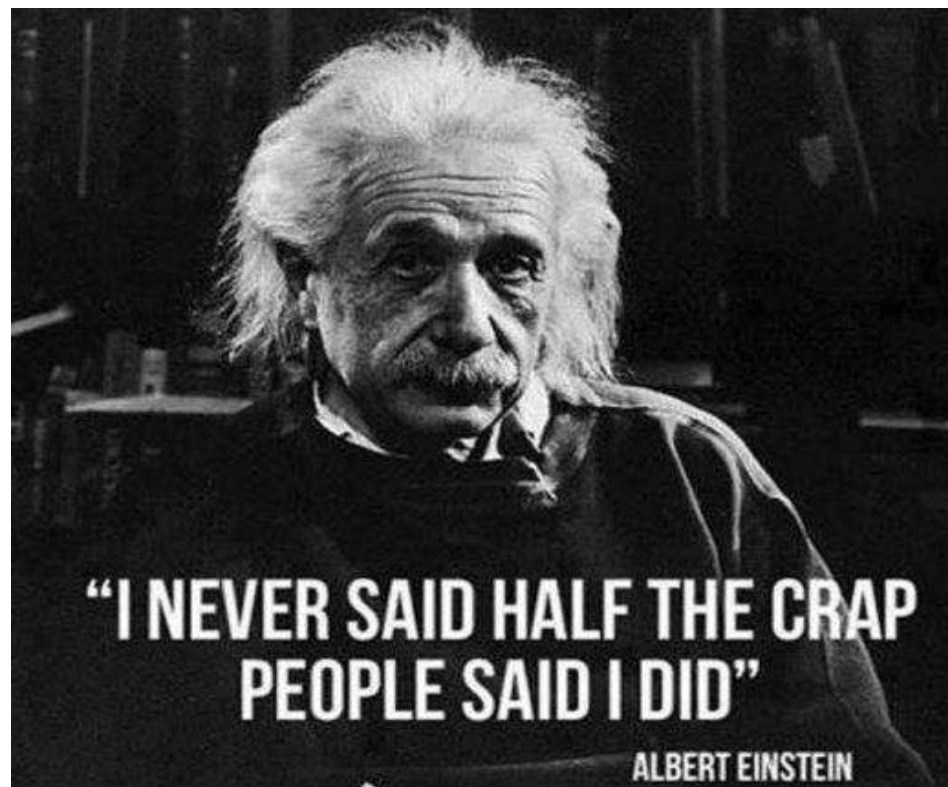
- Table Introductions
- Does your church have cash reserves ? (texting allowed)

The Value of Investing for Churches

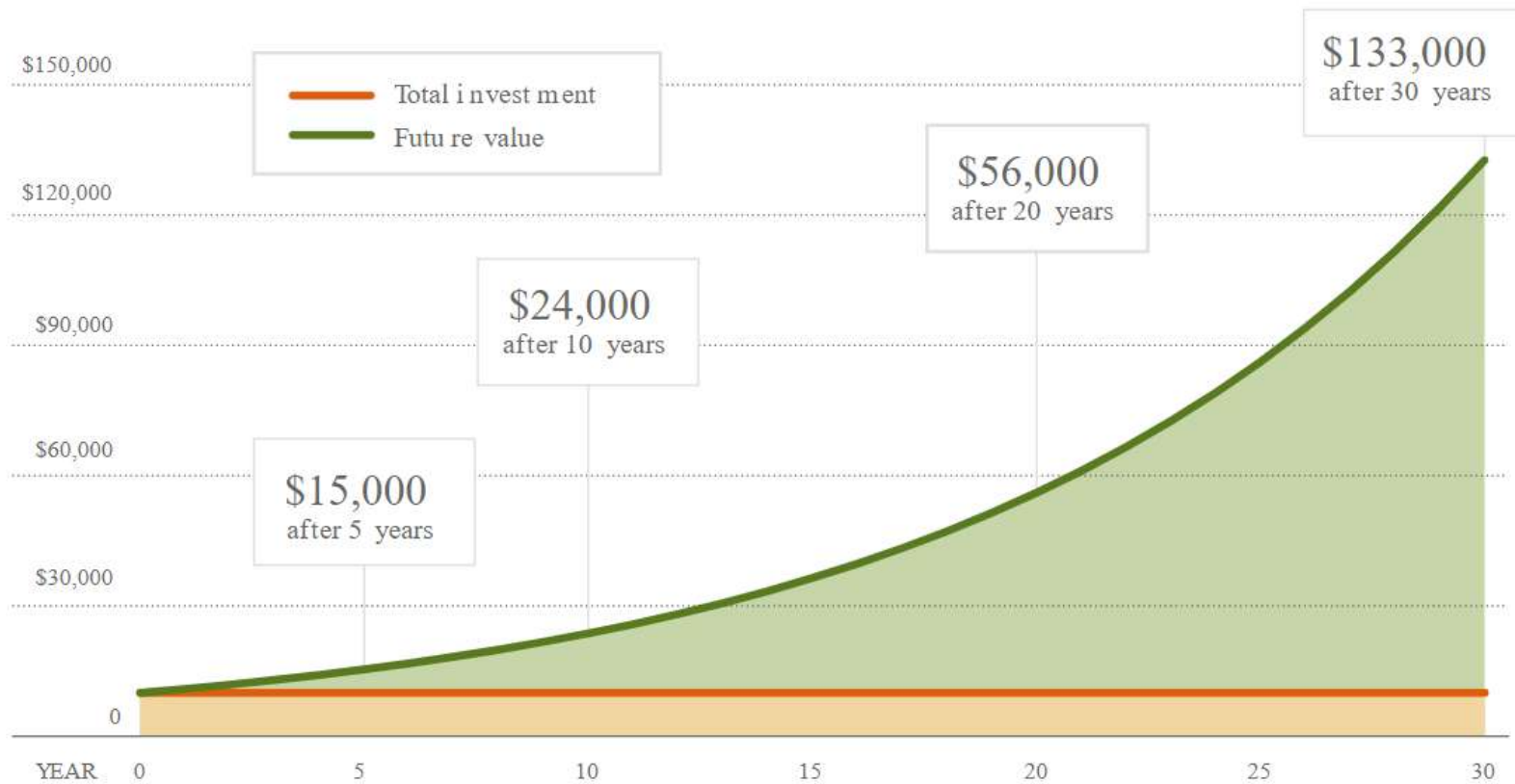
"The 8th Wonder of the World - Compound Interest"



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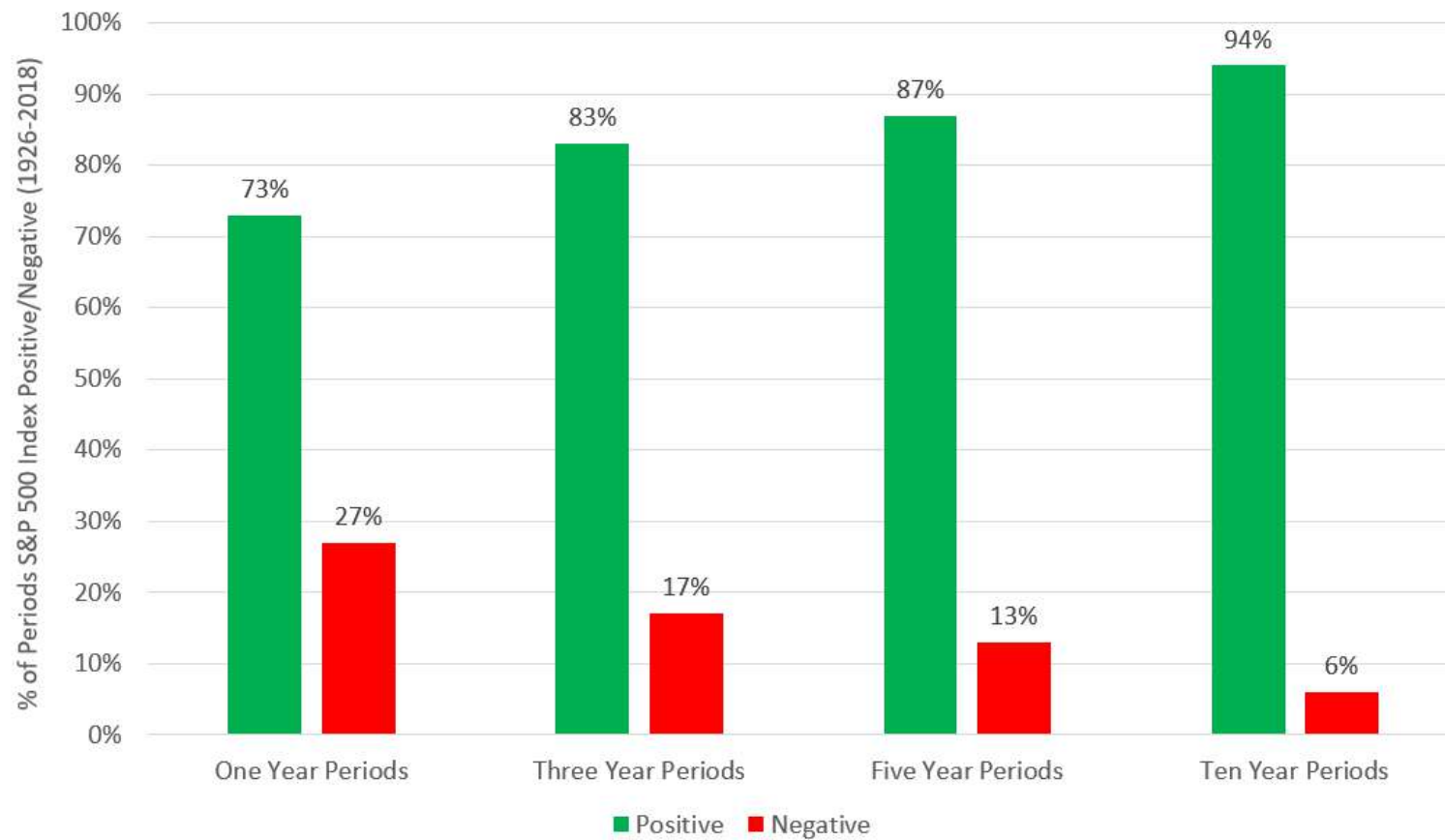


Compounding in Action



Source: Fidelity

Long Time Horizons Matter...



Source: Capital Group

Best Practice – Good Stewards with our Talents

Stewardship –

Consulted with Donor on investment approach

- Higher yielding funds – compound interest
- Combined portfolio, tracked separately
- Documented donor intent, if deceased, relative

Oversight

- Voting and distribution of funds from the accounts

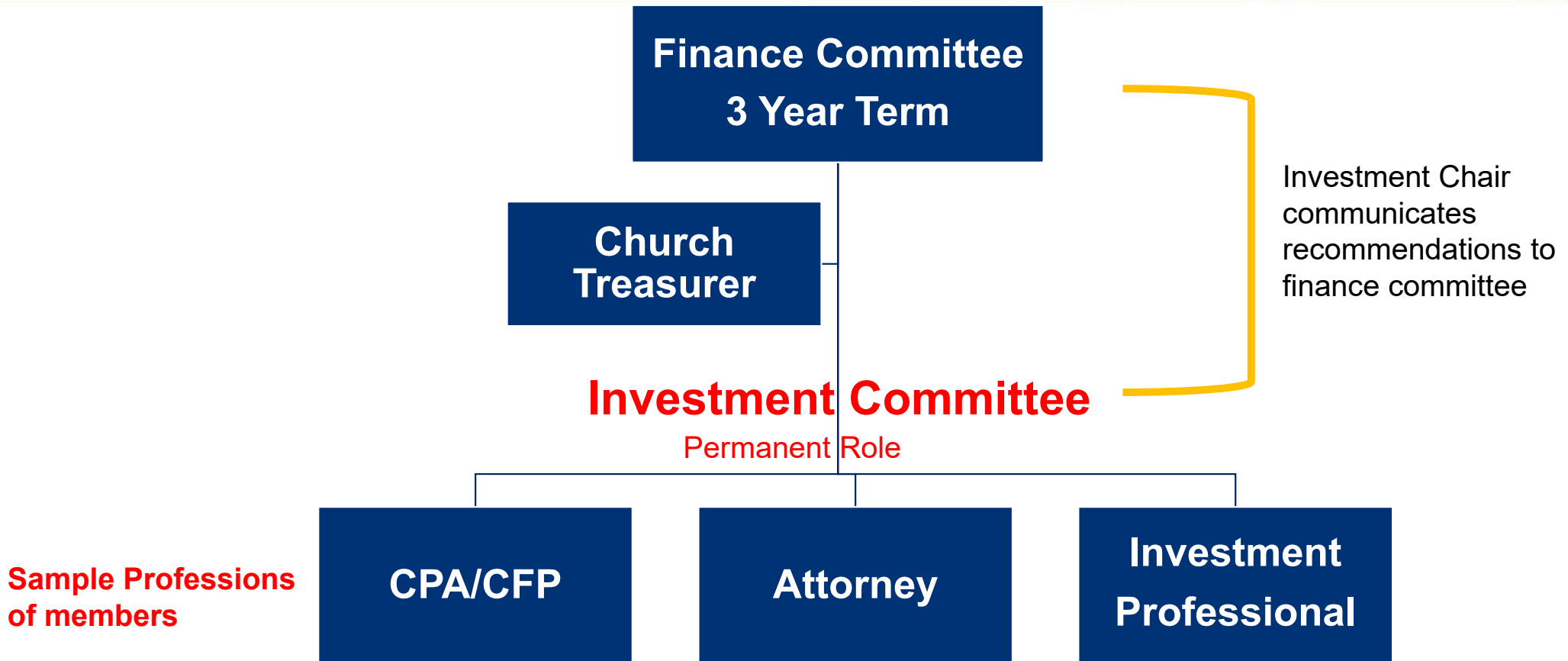
Reporting & Communication

- Sent donors quarterly statement of account
- Thank you note for distribution
- Donor recognition in bulletin, with permission

Transparency

- Quarterly financial dashboard, in narthex

Finance Committee Governance



Break-Out Session

- Discuss how your accounts are (or are not) invested
- Discuss Oversight and Governance

Asset Allocation for Churches



Portfolio Allocations

Portfolio allocation



Source: Vanguard

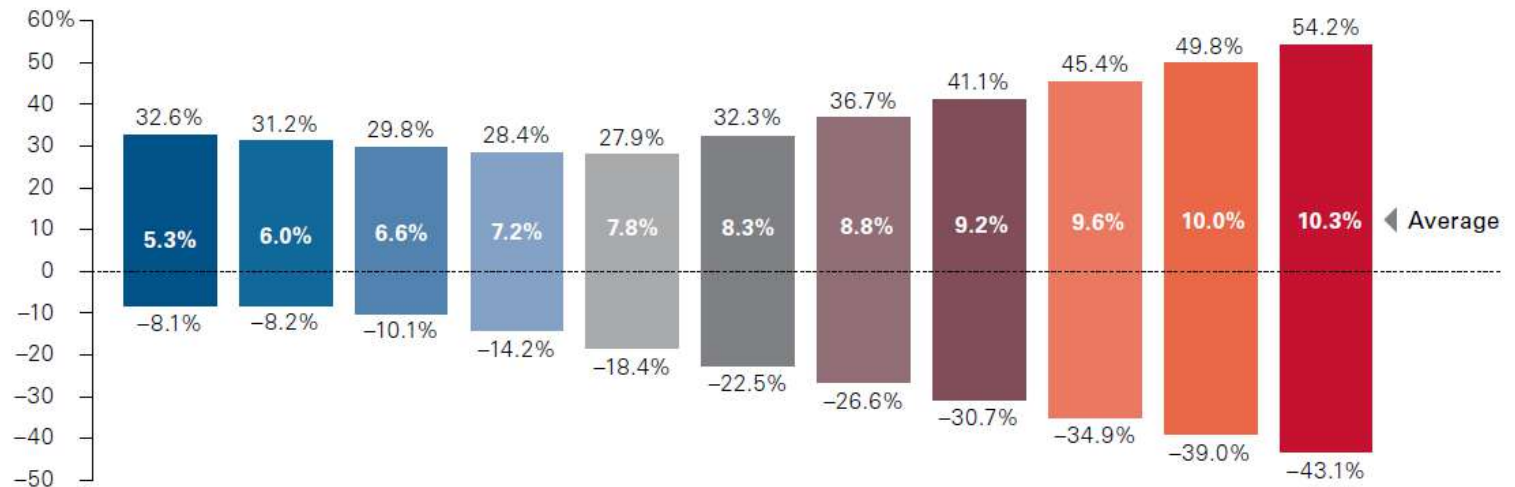
Portfolio Allocations – Return expectations

Best, worst, and average returns for various stock/bond allocations, 1926–2019

Portfolio allocation



Annual returns



Source: Vanguard

Best Practice – Asset Allocation Selection



Financial Institution

- Team of experts/continuity
- Cyber security measures
- Securities donation capability
- Research
- Reporting/ outlook
- Non-profit department

Risk Tolerance

Questionnaire

- Objectives
- Time Horizon
- Available assets
- Income needs
- Volatility tolerance

Vote on each question

Asset Allocation

- Asset Allocation selection
- Exclusion list
- Asset Allocation security review
- Session approval

Risk Tolerance and Time Horizon

Your Risk Tolerance Questionnaire

Investor Questionnaire

This questionnaire is designed to help you choose an appropriate asset allocation strategy for each of your investment goals. Answer these questions in 30 seconds for each goal. For example, because you will likely have a number of investment goals, you should fill out the questionnaire more than once, with the different goals in mind each time. Our Investor Questionnaire is not designed for goals that would require you to spend all of your money for the goal in five years or less. Savings for short-term objectives should be invested in stable investments—primarily cash investments, fee money market funds.

For each of your investment goals, answer the questions below. Then add up your points and record the number of the bottom of page 2. Now record the total points at the end of the asset allocation page suggested on page 3. Once you have decided on an asset allocation for each goal, you can begin to consider specific mutual funds.

1. I plan to begin withdrawing funds from this portfolio in ...

4. Generally, I prefer investments with little or no fluctuations in value, and I am willing to accept the low or returns associated with these investments.

7. When the market goes down, I tend to sell some of my shares to add and get the money to use for stocks.

10. During the first half of 1980, some bond investments fell more than 10%. If I owned an investment that fell by 10% or more, I would ...

Score

RISK ALLOCATION TABLE

RISK Tolerance Score	TIME Horizon Score →				
	0-2	3-5	6-7	8-10	11+
0-19	Income	Income	Income	Income	Income
20-39	Income	Income	Income	Income	Income
40-59	Income	Income	Balanced	Balanced	Balanced
60-79	Income	Income	Balanced	Growth	Growth
80-100	Income	Income	Balanced	Growth	Growth

Informs Your Asset Allocation



Vanguard

Smartportfolioadvisor.com

saijelle.com

Break-Out Session

- Discuss financial institution, and selection criteria
- Share experiences with risk tolerance and asset allocation

Staying the Course during Market Downturns



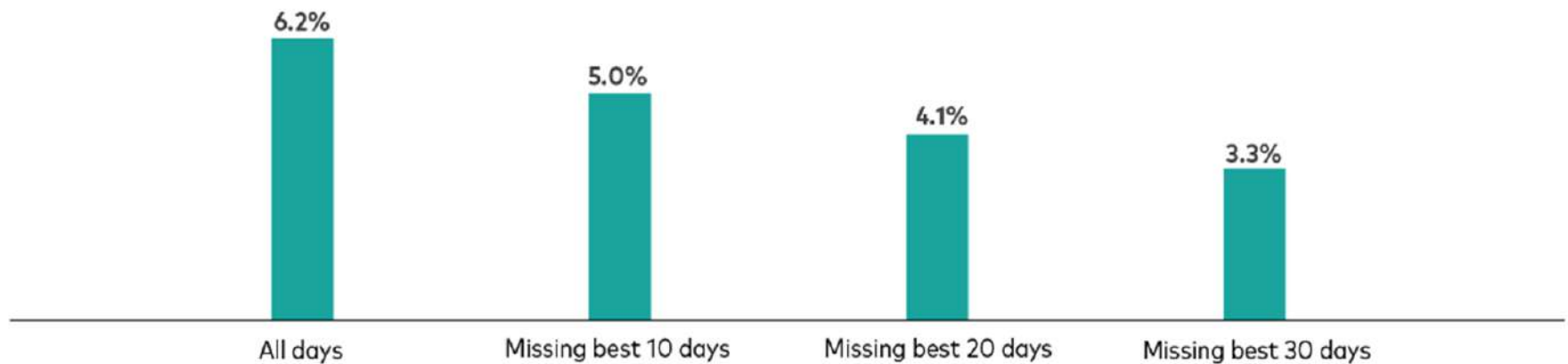
The Emotional Rollercoaster



Source: Fidelity

The Power of Staying Invested

Annualized returns of U.S. stock market from 1928 through 2021

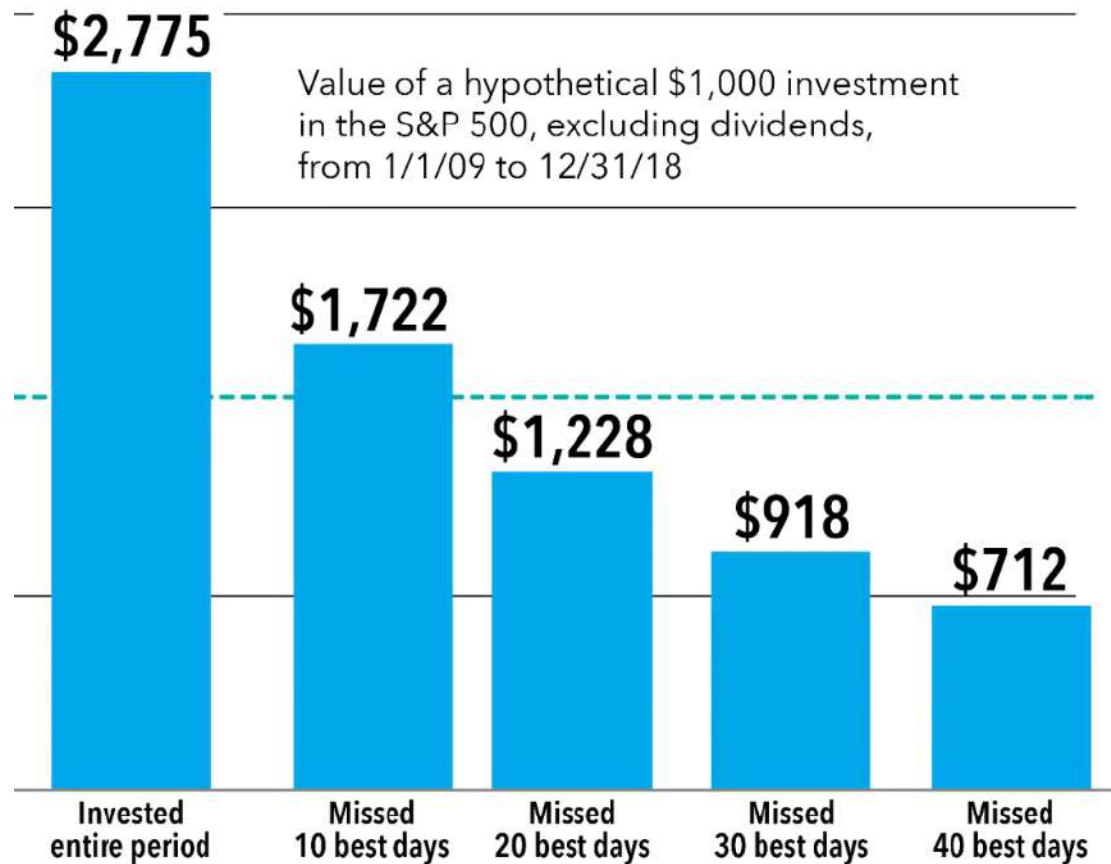


If the length of this bar represents the 23,000+ trading days from 1928 through 2021 . . .

. . . this small area represents the 30 best days

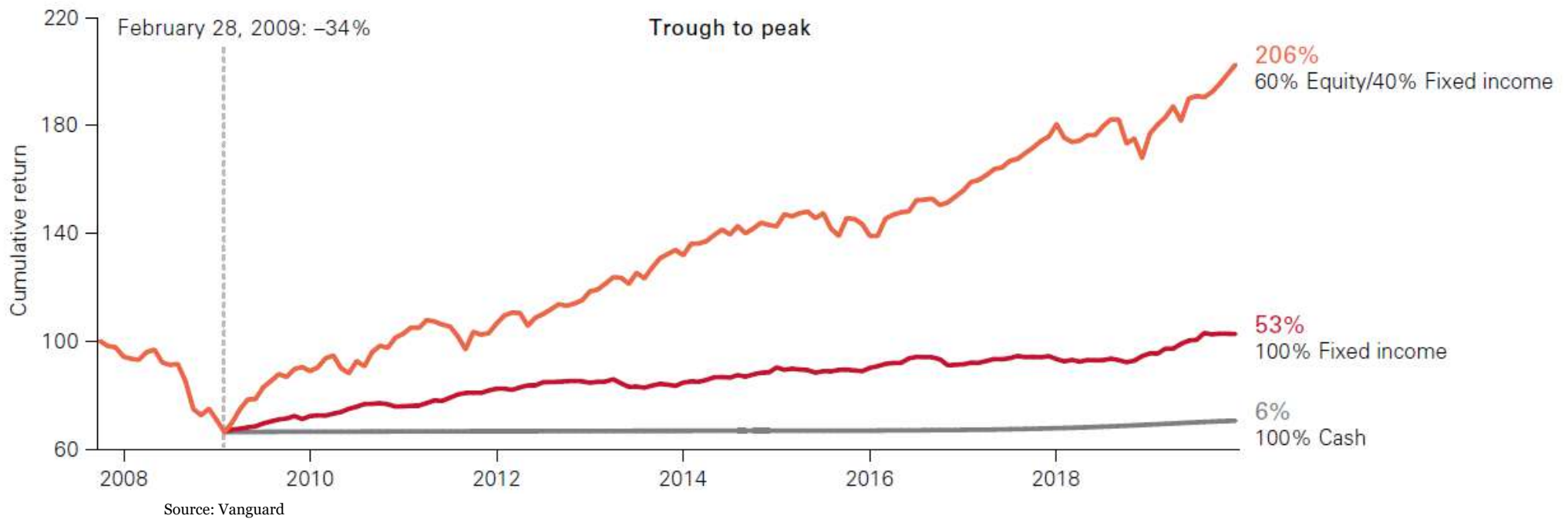
Source: Vanguard

The Power of Staying Invested



Source: Capital Group

When emotions take over...



Best Practices – Steadfast Investing

Investment Policy Statement (IPS)

- Determine collective investment goals and objectives
- Investment Alignment – Session and portfolios
- Session oversight continuity
- Guidelines for general estate bequests
- Defines how the financial advisor should execute
- Helps Session stay the course during market uncertainties



The Value of an Investment Policy Statement (IPS)



Purpose

1. Document Investment goals and objectives
2. Detail strategies to meet the objectives

What it should include

Objectives and Investment Philosophy:

- Investment goals
- Time horizon
- Asset allocation
- Liquidity and income needs
- Investment type

The Guidance you want from the Financial Advisor:

- Responsibilities of the Advisor
- Guidelines and restrictions on asset allocation selection
- Expectations on monitoring / rebalancing
- Requirements for meetings / reports

Break-Out Session

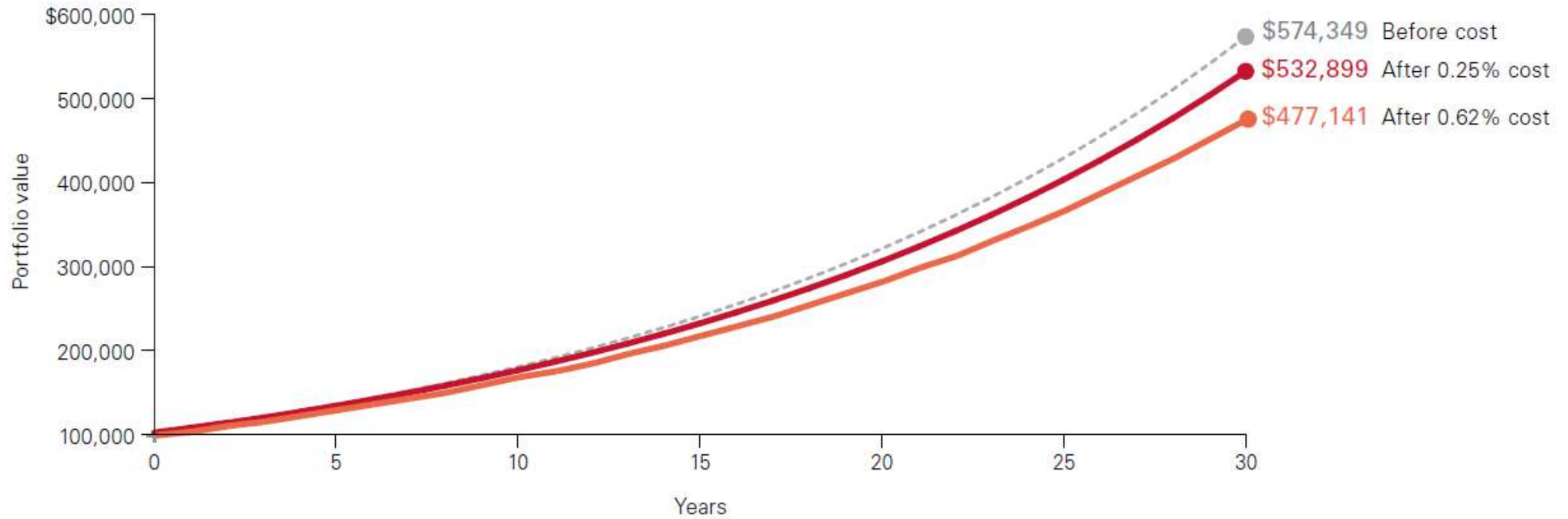
- Policies in place for gifts, endowments, bequests

Cost Considerations



The Impact of Investment Cost

Assuming a starting balance of \$100,000 and a yearly return of 6%, which is reinvested



Source: Vanguard

The Spectrum of Fees

- Advisory fees / Percentage of portfolio (AUM)
 - Account based
- Investment management fees (expense ratio)
 - Product (fund) based
- Brokerage commissions/ donating appreciated securities
 - Transaction based

Resources



Sample Investment Policy Statement:

www.churchpublishing.org

Article: "Vanguard's Principles for Investing Success":

<https://corporate.vanguard.com/>

www.pensions.org

Benefits Connect

E-learning:

Let's Talk Investments e-learning course

Recorded Webinar:

Investing with Your Values webinar

Question and Answer Session

