SAFE INVESTING SERVICES
Your High-Yield / Low-Risk Investing Partner

Dan Reisinger, MS (Financial Services), CLU, ChFC
PO Box 188
Kemblesville, PA 19347
Direct 610.389.1231
Fax 484.371.8102

Case Study: Investing for Churches and Religious Organizations

From 500K in Reserve Funds, with a Combined APR of .78% Earning $337/month ... to 500K in Reserve Funds Safely Maintained, and an APR of 6.1% Earning $2,542/month - a 782% Increase in Monthly Interest Income

Investment Strategies and Case Study details prepared by Dan Reisinger, MS (Financial Services), CLU, ChFC | Contact Info

The Director of a religious institution located in upstate Pennsylvania contacted me through a mutual LinkedIn contact, concerning endowment funds that were donated by member prior to her death in 2011. Earnings from funds were earmarked to benefit the music program. The funds were currently allocated in a portfolio of CDs at local bank. Total value of portfolio was $512,000. Current earnings for the institution, based upon a review of the 2014 financial report, was $4,039 which equates to an annualized return of .78%. Interest earnings had been accumulating, and to date, had not been allocated to current budget.

The director was interested in enhancing interest earnings, while protecting the principal of portfolio. Plans for enhancement of the music program included the purchase of instruments, and hiring a professional music director. The initial cost of the instrument purchase was projected to be $35,000, and the annual cost for hiring of director was estimated to be $18,000. The initial donation was $500,000. Therefore, $12,000 of current portfolio value could be allocated to current expenditures.

Returns of 3.6% on the $500,000 principal balance would be required to offset director cost of $18,000 annually. A portfolio of

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short term First Position Land Lease Notes and (1) Structured Settlement Annuity would produce a 6.1% return, with a Weighted Average Life (WAL) of 2.3 years (the amount of time it would take for 50% of the invested portfolio to mature and become accessible). Annual projected earnings of $30,500, less cost of director ($18,000) would leave excess earnings of $12,500. Adding the additional funds that have accumulated in portfolio since donation was made, left a shortage of $10,500 for purchase of instruments: $35,000 – ($12,500 + $12,000) = $10,500. The Directors were able to secure 2.5% financing for the $10,500 shortage with the goal of paying off loan in the second year of the plan.

Projections of the second year earnings (2016-2017) would allow for the payoff of the instrument loan, and leave excess earning of $2,240: $500,000 x 6.1% - ($18,000 – $10,760) = $2,240.

By re-allocating endowment funds from CD portfolio to a portfolio of First Position Land Lease Notes and a Structured Settlement Annuity, the religious institution was able to increase earnings by 782% - from .78% to 6.1%. The former member’s wish to support music program was achieved by providing for the purchase of new instruments and the hiring of a professional musical director.