Buda UMC Permanent Endowment Fund

Current Fund Construction and Proposed Modifications

Prepared by Richard Johnson

Endowment Fund History

The Buda UMC Permanent Endowment Fund was established on June 3, 2008.

The value of this account as of February, 2025 was approximately $8200.

The fund is held at Texas Methodist Foundation and is currently earning less than 1% per year. No distributions have ever been made.

How can the Fund's purpose and investments be modified to provide the best value to the Church.

Original Endowment Fund Purpose

Fund special missions, experimental ministries, scholarships and unusual expenses.

Specifically excluded from funding the Church's operating budget.

Modified Endowment Fund Purpose

Fund's earnings feed into the Church's operating budget.

This would allow the church more flexibility in navigating periods or declining or rising revenues

Original Investment and Distribution Objective

Preserve principal, generate income at a reasonable rate, grow income above the cost of living and uphold the social principles of the Church.

Target distribution between 3% and 5% annually.

Modified Investment and Distribution Objective

Grow the fund above the target distribution rate while minimizing risk.

Target distribution of 4% annually. This would give the Church a known amount of funds each year.

Original Investment and Distribution Objective

The Permanent Endowment Fund was created in a different interest rate environment. It is currently not possible to preserve principal, take a 3% to 5% annual distribution while growing income above inflation.

Modified Investment and Distribution Objective

Base upon historical performances, achieving a target distribution rate of 4% annually is possible with a portfolio of stocks and bonds while also minimizing risk – although there will still be risk of loss of principal.