

Investments, and Other Things That Drain Your Bank Account

The Importance of Procedures and Policy

BEYOND THE BOTTOM LINE

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Everyone Makes Mistakes

True Story Case Study #1 (Illinois Conference)

The case of “Taking bad investment advice”

Everyone Makes Mistakes

1. Is it prudent to get other conference treasurers advice?
2. How much input should you get and from whom or what?
3. How long should you ride a loss in an investment?
4. Should you disclose losses or gains? If so, to whom? Is there a threshold to reach before disclosure?
5. Could some or all elements of this scenario have been avoided?

The Importance of Policy

Policy Definition: “Policy is a deliberate system of guidelines to guide decisions and achieve rational outcomes” (Wikipedia)

My Definition: Policies are generally procedures, created by experienced people, to attempt to avoid errors of the past or to avoid errors that others have made. (Adapted from the definition created by Elder Don Livesay, Retired Union President)

There are very good reasons for policy almost every time. (Next case study)

Creating New Policy

True Story Case Study #2 (NAD Retirement)

The case of ‘Don’t change the policy too fast’

Creating New Policy

When creating new policy, what should we think about?

When changing long standing policies, it is a good idea to review the reasons for the old policy, even though they may seem antiquated or otherwise out of date.

Who should be involved in changing policy? (the masses or a chosen few?)

- Mini case study question....

Reasons For And The Importance of Financial Policies And Procedures

1. The landscape today is ripe for criminals to take your money
2. Do you think it can't happen to you?
 - New York Magazine Financial Columnist, Charlotte Cowles
 - My personal experience
3. New AI generated scams
4. Investment 'opportunities'
 - If it seems too good to be true, 99.9% of the time, it is!
5. Be skeptical and communicate thru organizational channels when dealing with money
6. Follow policy guidelines, AND create internal procedures that protect your particular operational processes.

The Bad Guys Win One

True Story Case Study #3

Somewhere in the NAD Territory in the last 25 Years

The case of “I changed my bank account”

The Bad Guys Win One

1. What procedures could have helped to avoid this situation?
2. Who should be involved in creating these procedures?
3. What are effective ways to see to it that procedures are followed?

Looking at Current Policies

GCWP S 85 and NADWP S 85 are virtually identical and govern church investments.

- S 85 20 (1-3) – Diversification
- S 85 20 (4-5) – Use of qualified brokers and consultants, fees charged, and reporting requirements
- S 85 20 (6-7) – Controlling committee creating an asset allocation, and securities should be of good quality
- S 85 20 (10) – No self-custody of securities, and other custodial requirements
- S 85 20 (11) – Qualifications of investment consultants
- S 85 35, 40, 45 – What investments are acceptable for short, medium, and long term investments

Acceptable Investments

Short Term

- In the church, what are the short term investments?
 - Operating cash, cash needed for immediate needs
- What does policy say should be the strategy when investing short term cash?
 - “Short-term funds are to be invested to maximize current income with an emphasis on security of principal and liquidity.” S 85 30 (1)
- Why is that a good idea?

Acceptable Investments

Intermediate Term

- In the church, what types of liquid assets are classified as intermediate term?
 - Cash not needed within 12 months such as building capital, cash needed to accomplish projects 12-48 months from now.
- What does policy say should be the strategy when investing intermediate term cash?
 - “Intermediate-term funds are to be invested with the goal of obtaining a positive annual return but even more importantly, over the investment time horizon of forty-eight months, to protect against loss of principal.” S 85 30 (2)
- Why is that a good idea?

Acceptable Investments

Long Term

- In the church, what are the long term investments?
 - Endowments, quasi endowments, funds committed to pay retirement benefits
- What does policy say should be the strategy when investing short term cash?
 - “Long-term funds are invested with the objective that the market value of the investments should grow in the long run and earn rates of return in line with the appropriate benchmarks.” S 85 30 (3)
- Why is that a good idea?

Acceptable Investments

Specific Options Listed In Policy

- Short term options – S 85 35
 - In the last year or 18 months, what option came open that had not been available for a decade or more?
- Intermediate term options – S 85 40
- Long term options – S 85 45

Final Thoughts

We live in a world where criminals are everywhere and they are good at what they do.

Do not think you are immune to scams.

We are entrusted with Gods money and we need to do all we can to protect it.

We are called to both protect the resources AND maximize them to the best of our ability, which includes prudent investing. Use Policy. It is there to protect you and organizational assets.

We should engage individuals who are knowledgeable about financial management both as active money managers and committee members.

We must act transparently.

We must insist on regular, thorough, and accurate reporting.

We must recognize that bad actors are constantly inventing new ways to steal money and counter those efforts using sound, effective, repeatable procedures.