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Retirement Readiness

A workshop in preparation for life post-employment

Retirement Readiness Seminar

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Retirement Readiness Seminar

Shifting gears - qualitative aspects of retirement planning



Retirement Readiness Seminar

Shifting Gears – Qualitative Aspects of Retirement Planning



Session goal:

To start a conversation (with yourself, significant other, community) that helps you **shift gears from a career context to a retirement context** by envisioning the possibilities retirement can open for you.



Learning objectives:

Consider our retirement as a “**calling**”

Redefining our identity and how we make meaning

Exploring a shift from caring for others to **caring for yourself** and from achieving to being



Reflecting on the importance of and how we might nurture relationships into retirement

And More...

We must let go of the life we have planned, so as to accept the life that is waiting for us.



Joseph Campbell
American mythologist and author



What the Bible Says about Retirement

Retirement is a concept that may seem for some to be at odds with our understanding of call and vocation as Christians. As church workers, we are called to serve others and share our testimony about the Good News in word and action. So if that never ends, why should we retire?

God intends us to live whole lives. While our call to be a Christian never ends, it does not mean that we cannot withdraw from active service in ministry as a career.

There is Biblical support for retirement. One such example, related to ministry, can be found in Numbers 8:23-26:



23 "The Lord spoke to Moses, saying: 24 "This applies to the Levites: from twenty-five years old and upwards they shall begin to do duty in the service of the tent of meeting; 25 and from the age of fifty years they shall retire from the duty of the service and serve no more. 26 They may assist their brothers in the tent of meeting in carrying out their duties, but they shall perform no service. Thus you shall deal with the Levites in assigning their duties."

Also, retiring well from active service on its own can be a good witness. Doing it well models the process and the changes in call for those whom you have served.

*...our responsibility is to inquire how
God's persistent calling leads to new and fresh calls.*



Jake Stotts
Former President of Austin
Presbyterian Theological Seminary



Small Group Break-out Session

Please stand by



Reconsidering One's Call



***In small groups share your thoughts
on the following questions:***

1. How have you experienced God's call shape and direct your vocation?
2. How might you be sensing God's call to retire?
3. In what ways might you respond to God's call in retirement?



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*An invitation to
continue discerning*



*Freedom, that characteristic of God's being and
doing, is part of retirement*



Jake Stotts

Former President of Austin
Presbyterian Theological Seminary



Envisioning My Retirement

What is my vision for the last third of my life as the divine call continues and the particular call ends? Visualize yourself 10 years after retirement. Remember you gain 50-60 hours each week. Your weeks and weekends will look different.



- What are the desires of my heart?
- Who are the people around me who form my community and what are the desires of their hearts?
- What am I doing to play, learn, work, etc.? What energizes me?
- What things are around me (books, garden, tools, etc.)?
- Where am I living (geographically, type of housing, etc.)?
- What factors kept me from my vision (health, finances, losses, etc.)?
- How did I move beyond the things that kept me from my vision?

Retirement offers an opportunity to fill out time – not think we are wasting it – but in taking delight



Jake Stotts

Former President of Austin
Presbyterian Theological Seminary



Who Am I in Retirement

Imagine that you have been retired for two years and you are going to be introduced to a group of people who want to know what you do and what your interests are.

Write two or three sentences you would like used for the introduction.

For this exercise, you are not permitted to use the words “formerly”, “retired from”, or “spouse/partner of”. You ARE encouraged to think about what delights you.



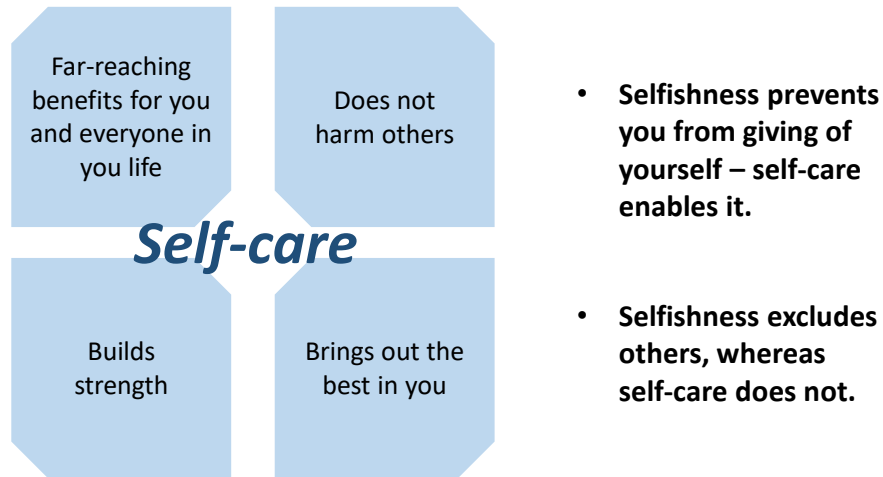
*Take special care of yourself –
because no one else will!*



Ernie J. Zelinski
How to Retire Happy, Wild,
and Free



How is self-care different from selfish behavior?



Questions for reflection





*Great friends are hard to find, difficult to leave,
impossible to forget*



Anonymous

Five Fundamental Supports

Where do you
currently get your:

VS

Where will
you get your:

Sense of belonging

Feeling of usefulness

Dependable base
of network

Opportunity for
social interaction

Intimacy – the freedom
to share your deepest self



Take a moment to listen to your body. What is it telling you? How is it asking you to pay attention?

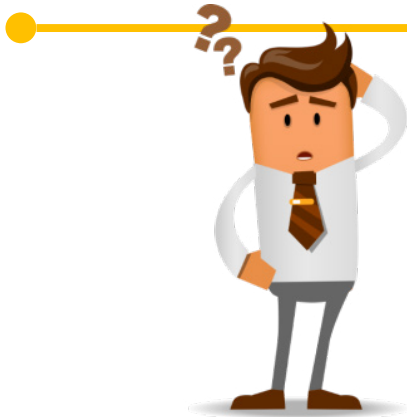


Questions for reflection





Imagine spending a lifetime acquiring habits that offer the promise of a longer, happier, and more fulfilling life. Then imagine that to have that fulfilling life, you suddenly must abandon all those habits.



Meir Statman

The Mental Mistakes We Make
with Retirement Spending

Questions for reflection



- How do you imagine changing from a savings orientation to spending?
- When does “**frugal**” become “**miserly**”?
- “It’s better to give with a warm hand than a cold one.”
- How might we base financial decisions on joy?



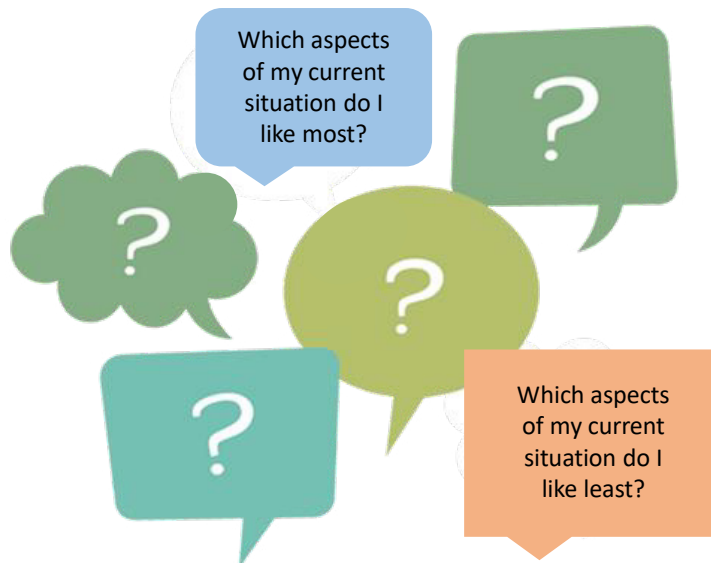
*Retirement: A time to become much more
than you have ever been.*



Ernie J. Zelinski

How to Retire Happy, Wild,
and Free

Questions for reflection





To find the full meaning of our existence, we must find not the meaning that we expect but the meaning that is revealed to us by God: The meaning that comes out of the transcendent darkness of his mystery and our own.



Thomas Merton
Trappist Monk

Resources

Suggested Reading

A Season of Mystery: 10 Spiritual Practices for Embracing a Happier Second Half of Life by Paula Huston. Loyola Press (2012).

Falling Upward: A Spirituality for the Two Halves of Life by Richard Rohr. Jossey-Bass (2011).

How to Retire Happy, Wild, and Free by Ernie J. Zelinski. VIP Books (2011).

Freed-up Later in Life by Dick Towner. Good Sense (2009)

For The Love of Mary <https://youtu.be/KQSeZA3TCQ8>
A Sharptail Media and Little Bear Creative Collaboration



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Retirement Readiness Seminar

Optimize Social Security



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Optimize Social Security

Presenter name

Date

AM1384733

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²The *Financial Times* 300 Top Registered Investment Advisers list is an independent listing produced annually by the *Financial Times* (July 2020). The FT 300 is based on data gathered from RIA firms, regulatory disclosures and the FT's research. The listing reflected each practice's performance in six primary areas: assets under management, asset growth, compliance record, years in existence, credentials and online accessibility. This award does not evaluate the quality of services provided to clients and is not indicative of the practice's future performance. Neither the RIA firms nor their employees pay a fee to the *Financial Times* in exchange for inclusion in the FT 300.

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Decisions regarding Social Security are highly personal and depend on a number of factors such as your health and family longevity, whether you plan to work in retirement, whether you have other income sources as well as your anticipated future financial needs and obligations.

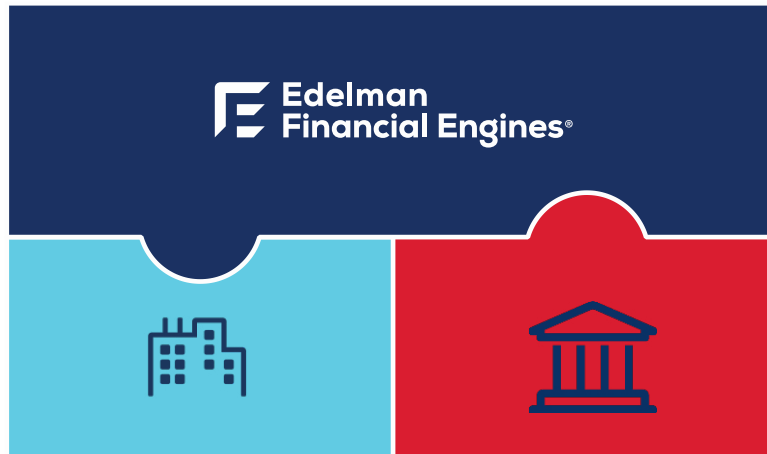
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How Edelman Financial Engines Can Help You



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Why Social Security Is So Important



For elderly individuals:

33%

of income comes
from Social Security

9 out of 10

receive Social Security

70%

of unmarried retirees
rely on Social Security
for **50% or more of**
their monthly income

Source: Social Security Administration. Fact Sheet: Social Security. Retrieved December 23, 2020, from ssa.gov/news/press/factsheets/basicfact-all.pdf

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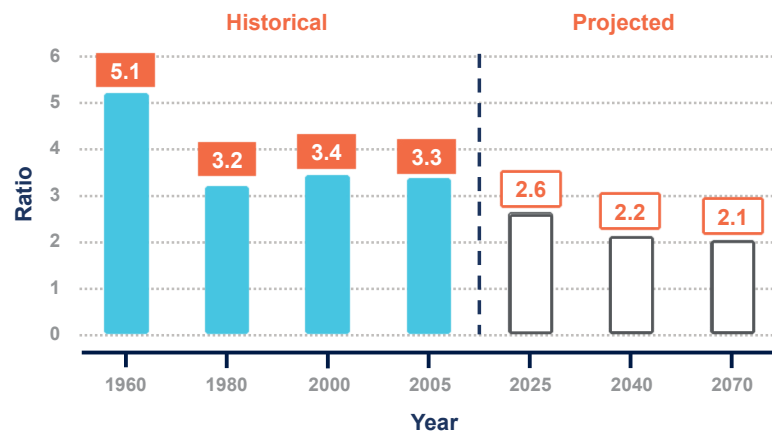


Question: Do you know how to maximize your Social Security Benefits?

Demographic Trends



Ratio of Workers Paying in vs. Retirees Withdrawing



Source: Social Security Administration. 2019 OASDI Trustees Report, Table IV.B3.—Covered Workers and Beneficiaries, Calendar Years 1945-2095. Retrieved December 22, 2020, from https://www.ssa.gov/OACT/TR/2019/IV_B_LRest.html#222190

Change is complex.

**Risk leaving money
on the table**



Key Terms You Need to Know:



- Full Retirement Age
- Primary Insurance Amount
- Delayed Retirement Credits
- Reduced Benefits

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Full Retirement Age



| Year of Birth | Full Retirement Age | Year of Birth | Full Retirement Age |
|------------------|---------------------|----------------|---------------------|
| 1937 and earlier | 65 | 1955 | 66 and 2 months |
| 1938 | 65 and 2 months | 1956 | 66 and 4 months |
| 1939 | 65 and 4 months | 1957 | 66 and 6 months |
| 1940 | 65 and 6 months | 1958 | 66 and 8 months |
| 1941 | 65 and 8 months | 1959 | 66 and 10 months |
| 1942 | 65 and 10 months | 1960 and later | 67 |
| 1943-1954 | 66 | | |

Source: Social Security Administration. *Retirement Benefits*. Retrieved December 22, 2020, from <https://www.ssa.gov/benefits/retirement/planner/agereduction.html>

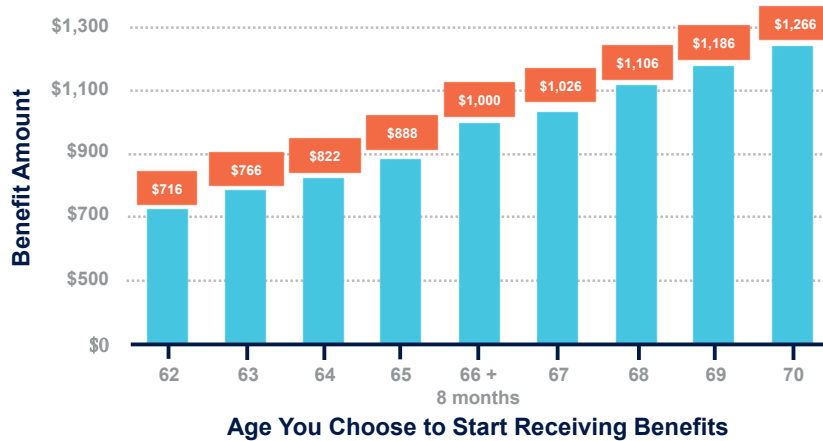
10



Deciding When to Claim Social Security



This example assumes a benefit of \$1,000 at a Full Retirement Age of 66 and 8 months, assuming the client turns 62 in 2020.



Source: Social Security Administration. (2020, January). *When to Start Receiving Retirement Benefits*. Retrieved January 17, 2020, from <https://www.ssa.gov/pubs/EN-05-10147.pdf>

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Claiming Before FRA



Benefits

- Receive payments longer
- Supplement income if not working
- If in poor health with reduced life expectancy, may be suitable

Risks

- Smaller payments for life
- Reduces income flexibility
- Continuing to work causes a reduction of \$1 for every \$2 earned over cap until you reach FRA
- For married couples, smaller payments to surviving spouse

Source: Social Security Administration. *Retirement Benefits*. Retrieved December 22, 2020, from <https://www.ssa.gov/benefits/retirement/planner/whileworking.html>

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Question: How long do you think you need to live to “break-even” from delaying Social Security?

Break-Even



Takes Social Security at 62: \$800 per month or \$9,600 per year

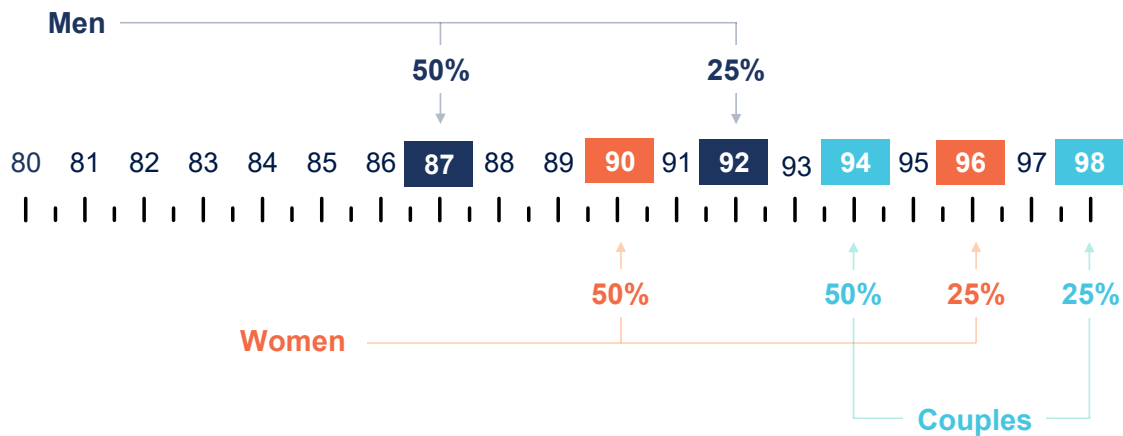


Takes Social Security at 65: \$1,000 per month or \$12,000 per year



Source: Horton, M. (2020, October 22). *How Do I Calculate My Social Security Breakeven Age?* Investopedia. <https://www.investopedia.com/ask/answers/020615/how-do-i-calculate-my-social-security-breakeven-age.asp>

Great News, Everyone!



Source: Fidelity. (2020, February 20), *Longevity and your retirement*. Retrieved March 19, 2020, from <https://www.fidelity.com/viewpoints/retirement/longevity>
Footnote: These statistics are for 65 year-olds.

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Meet Chris and Anne.

Both are ready to retire



Chris
Age: 61
Earns: \$80k



Anne
Age: 58
Earns: \$60k

The examples are hypothetical.

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Income Planner

Edelman Financial Engines

Call (844) 861-6742

Overview Your Plan Your Money Planning Tools Education Center Get Personal Advisor

Retirement Planner: Social Security

Hi Chris,

Answer a few short questions to see what your benefits could be.

How to estimate benefits (1)

Annual salary

Ford annual salary

\$ 80,000

Anne

How to estimate benefits (1)

Annual salary

Acme annual salary

\$ 60,000

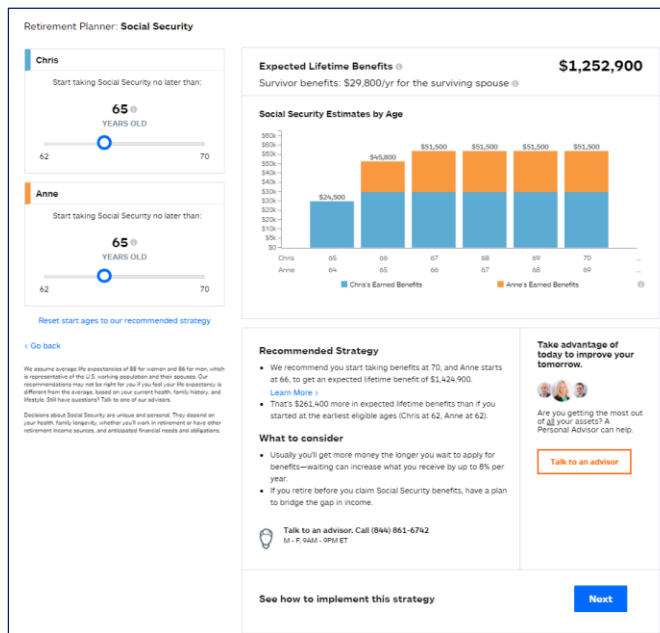
Save & Continue

Talk to an advisor. Call (844) 861-6742

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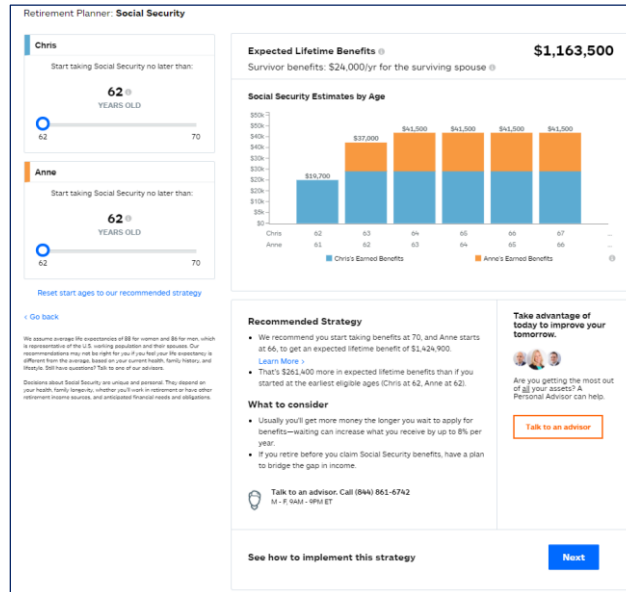
Income Planner



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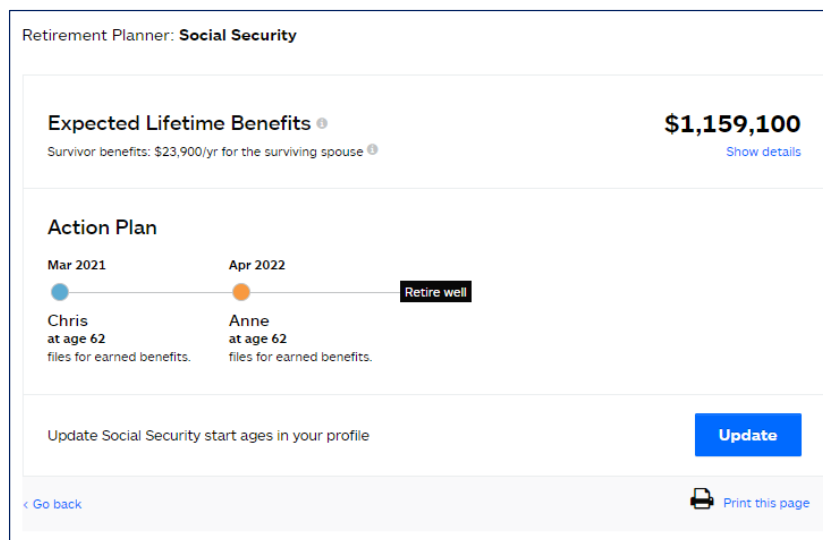
Claim Social Security Early



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19

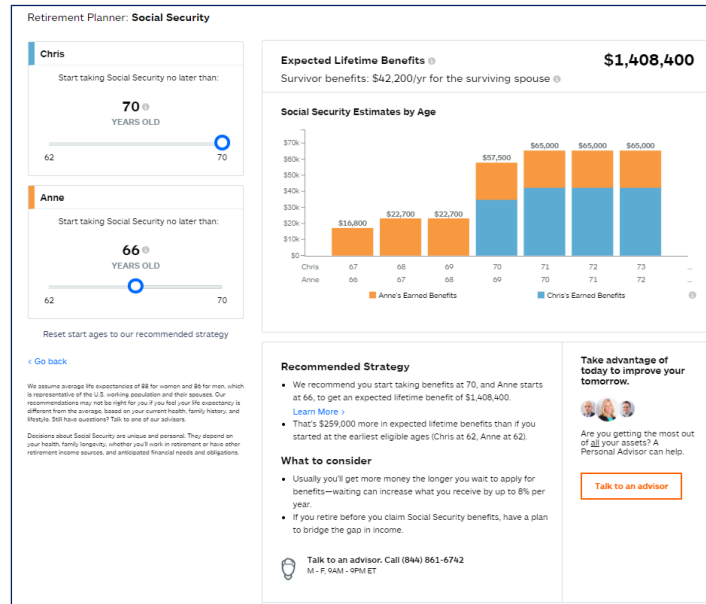
Claim Social Security Early



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20

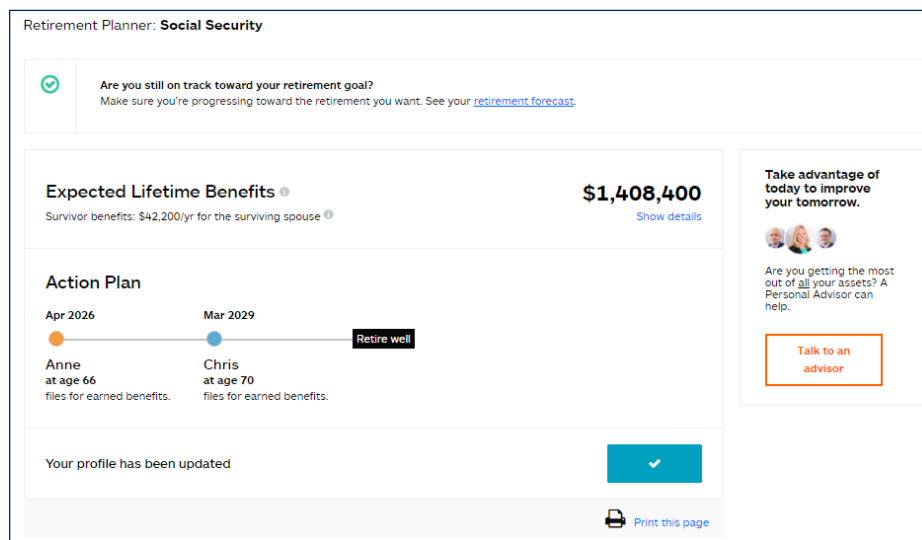
Recommended Strategy



For illustrative purposes only.

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Recommended Strategy



For illustrative purposes only.

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Bringing All the Pieces Together



23

Do You Know Your Best Claiming Strategy?



Determine:

- Full Retirement Age
- Monthly benefit
- Optimal claiming strategy
- When to claim
- How and when to apply for benefits

24



You Have Options to Meet Your Needs



Online Advice

Do-it-yourself
401(k) planning.

- You are confident of the investment decisions you make.
- You actively adjust your plan to stay on track.



Professional Management

Retirement planning and automated
401(k) management for your busy
life.

- You want help getting on track and staying there.
- You can be highly involved or just occasionally check in.



Personal Advisor

A dedicated advisor to help you with
retirement plus Social Security,
pensions and other financial goals.

- A personal advisor for complete financial planning.
- A national network of local advisors enabling you to establish a dedicated, one-on-one relationship.

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Update:
Do you know how to
maximize your Social
Security Benefits?



Talk With an Advisor

- Can you help me optimize my Social Security claiming strategy?
- Can you help me determine if I could have enough money to last throughout my retirement?
- Can you confirm if my plan is on track?





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How Edelman Financial Engines can help you



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How Edelman Financial Engines Can Help You

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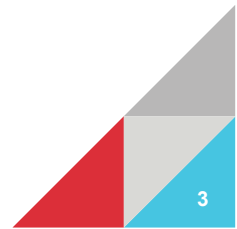
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Agenda



- How We Can Help
- Online Advice
- Professional Management
- Personal Advisor (if applicable)
- Questions?



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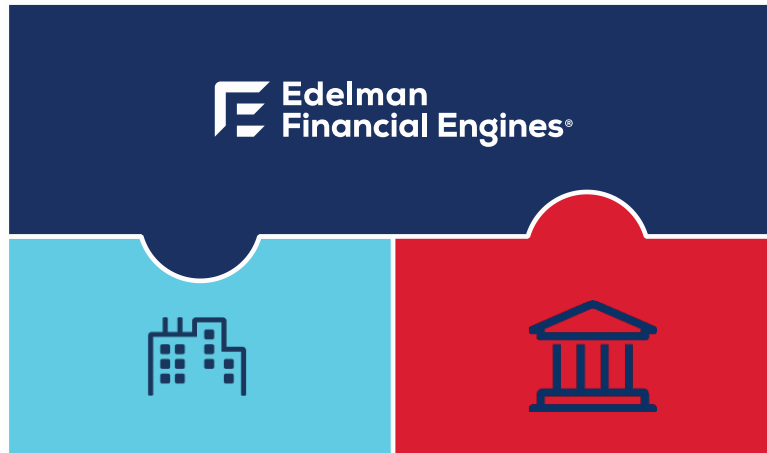
**The #1 Independent Financial
Advisory Firm by Barrons¹**



**Financial Times Top U.S.
Registered Investment
Advisers²**



How Edelman Financial Engines Can Help You



5

How We Can Help





Retirement Evaluation



- Indicates whether you are on track to reach your retirement goals
- Provides an analysis of your current savings and investment strategy
- Offers suggestions for how to improve your retirement savings

Retirement Evaluation
An independent analysis of your accounts (Plan Sponsor) Savings Plan and other accounts

Chris Sampson, 42

| Account | Balance |
|-----------------------|--------------------|
| 401(k) Balance | \$50,000 |
| Year savings | 10% or \$5,000/yr* |
| Company match | \$5,000/yr |
| Other account balance | \$10,000 |

*Based on 10% of salary of \$50,000

Red or yellow lights? It may be time to make changes.

Investments
The investments in your account look aggressive for someone your age.
You may have too much allocated to company stock.

ACTION YOU CAN TAKE

- Changing your risk level and reducing the company stock allocation may help improve your retirement outlook.
- To get recommendations on your risk level and company stock, give us a call.

Savings
You're making good use of your employer match but could do better with saving more into your (Plan Sponsor) Savings Plan.

ACTION YOU CAN TAKE

- Increasing your savings could grow your portfolio and give you more retirement and you'll be using better advantage of the savings allowed by your plan.
- To understand the benefits of your savings on your financial future, give us a call.

Retirement Income
We estimate you could have about \$33,100/year in retirement at age 65. This may be less than you'll need.

LOOK AHEAD

| Account | Balance |
|---|-----------------|
| 401(k) account and other accounts | \$10,000 |
| Social Security (estimated) | \$10,000 |
| Estimated annual retirement income | \$33,100 |

This assumes average market performance. It could be \$25,000/yr or less if markets do poorly.

Act by December 1, 2020 for your Special Offer to get retirement help today:

1. Visit EderFinancial.com/RetirementSpecialOffer to learn more.
2. Call us at 800-445-0927 and speak with one of our advisors or
3. Return the enclosed reply card and get started today with Professional Management.

800-445-0927
EderFinancial.com/RetirementSpecialOffer

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Actual Case 2019/10/19 © 2019 Eder Financial. All rights reserved.

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Question: How confident are you that your money will last as long as your retirement?



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Online Advice



Online Advice

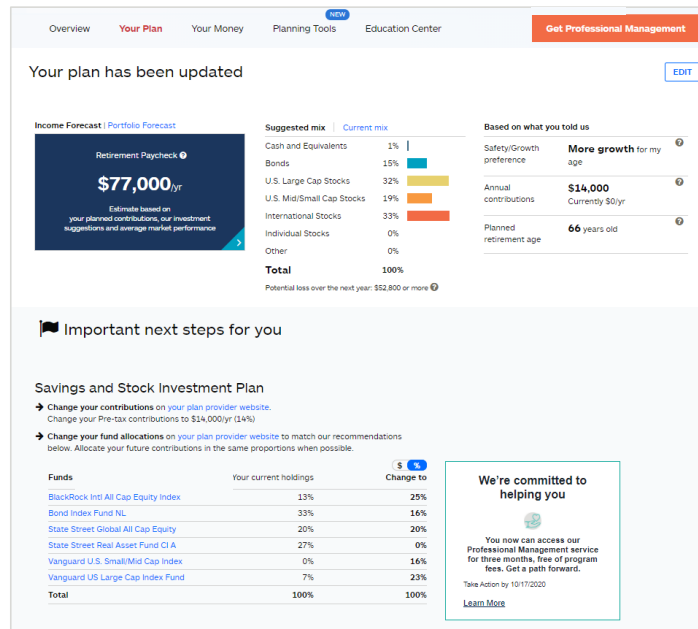
For those who feel comfortable managing their [Plan Name] account themselves, there are online tools available to help you model different scenarios and get a realistic retirement forecast.

- Professional-grade retirement planning tools
- Get specific fund recommendations
- Regularly review your account and get updated guidance to help you stay on track





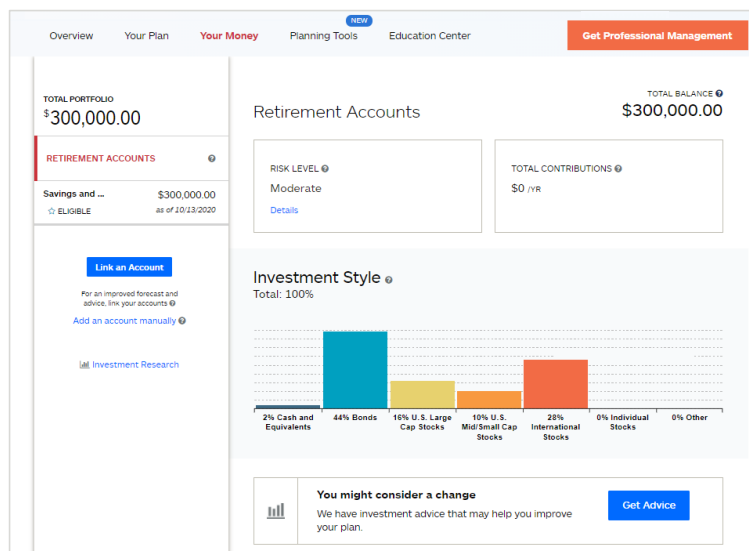
Your Plan



For illustrative purposes only.

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Your Money






For illustrative purposes only.

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Your Money





We use Plaid to link your account

- ☒ **Secure**
Transfer of your information is encrypted end-to-end
- ☒ **Private**
Your credentials will never be made accessible to this application

By selecting "Continue" you agree to the [Plaid End User Privacy Policy](#)

Continue

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Professional Management





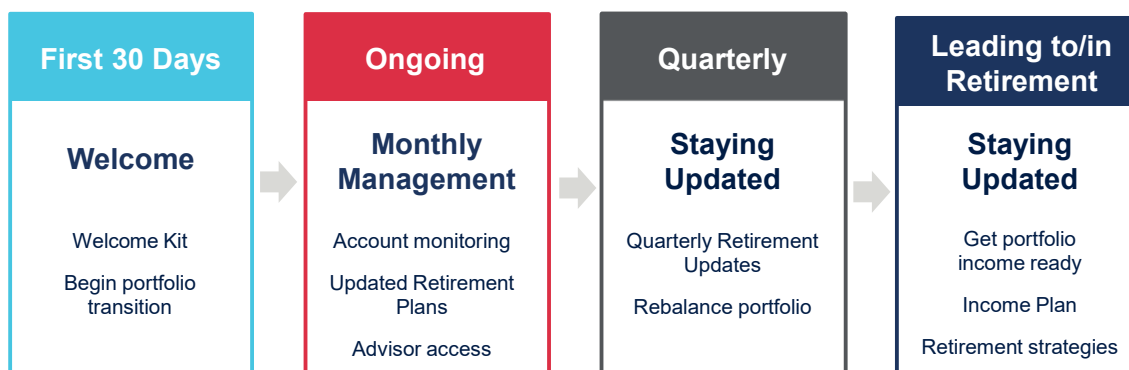
Professional Management

Professional investment management for your [Plan Name] account, unique to your financial situation. We do the work by making the investment decisions for you!

- A portfolio personalized for your unique situation, goals and preferences
- Ongoing and regular monitoring and managing of your portfolio
- Can account for other retirement savings with a comprehensive approach



Welcome to Professional Management





**Question: Do you have
other financial goals
beyond Retirement?**

Personal Advisor





Personal Advisor

For those of you who want a relationship with a financial advisor who will build a comprehensive financial plan

- Meet with a dedicated advisor to understand your unique needs and goals
- Ongoing, regular monitoring and management
- Comprehensive financial planning



Three Key Steps to the Experience



Assess

Understanding unique needs, wants and concerns.



Implement

Putting a plan into action with the right tools for the job.



Monitor

Building a relationship by evaluating the probability of success.

Assess: Understanding Your Needs



We start with understanding your personal situation and develop a plan for success.

Goal-based conversation with a dedicated advisor

- Discuss current financial situation
- Understand past financial experiences

Build a complimentary, comprehensive financial plan

- Use financial resources available
- Prioritize goals
- Show probability of success

Advisor helps you “get dialed in”

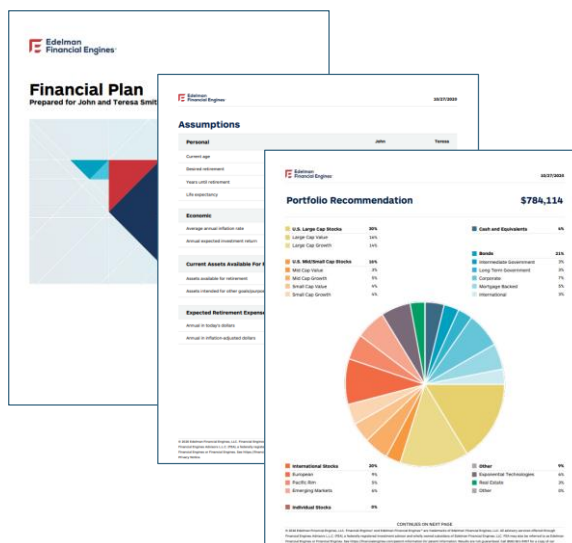
- Help achieve goals by adjusting variables
- Look at investments, retirement age, expenses and risk

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Implement: Putting a Plan Into Action



- You receive a full, complimentary financial plan
- No obligation to enroll
- If you choose to become a member, the advisor:
 - Implements the plan
 - Helps ensure that you take the necessary next steps



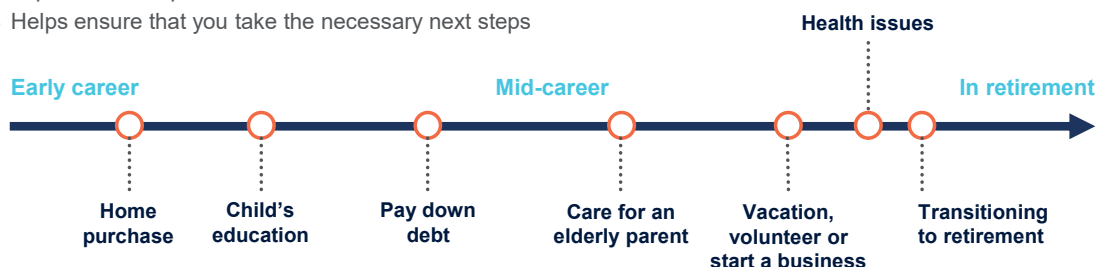
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Monitor: Building an Ongoing Relationship



- You receive a full, complimentary financial plan
- No obligation to enroll
- If you choose to become a member, the advisor:
 - Implements the plan
 - Helps ensure that you take the necessary next steps



23

You Have Options to Meet Your Needs



Online Advice

Do-it-yourself 401(k) planning.

- You are confident of the investment decisions you make.
- You actively adjust your plan to stay on track.



Professional Management

Retirement planning and automated 401(k) management for your busy life.

- You want help getting on track and staying there.
- You can be highly involved or just occasionally check in.



Personal Advisor

A dedicated advisor to help you with retirement plus Social Security, pensions and other financial goals.

- A personal advisor for complete financial planning.
- A national network of local advisors enabling you to establish a dedicated, one-on-one relationship.

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**Let's
continue the
conversation.**





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Retirement Readiness Seminar

An educational overview of long-term care insurance



An Educational Overview of Long Term Care Insurance

**You cannot escape the responsibility
of tomorrow by evading it today.”**

— Abraham Lincoln

The goal of today's discussion is about Achieving A Desired Lifestyle in retirement

A thought to ponder . . .

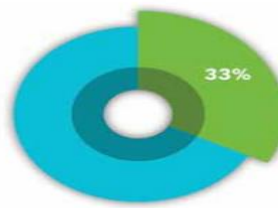
**As we get older our health will change..... Most people aren't
planning ahead-are we prepared?**

Are we prepared for the impact on our family

Are we prepared The impact on our retirement income



- More than half of Americans say they need LTC insurance, but only 14% have a policy....²



- ... and only 1/3 of Americans over 40 have set aside money to plan for LTC needs ³

² LIMRA and Life Happens. 2017 Insurance Barometer Study. Windsor, CT.

³ Associated Press-NORC Center for Public Affairs Research. Long-Term Care in America: Expectations and Preferences for Care and Caregiving. Chicago, IL 2016

An Educational Overview of Long Term Care Insurance

Your financial plan is likely designed to

Avoid the consequences of uncertainty

Help you save for years of retirement.



Most of us strive for financial security and plan for a comfortable retirement.

It's also important to plan ahead for an unexpected short term or long term illness in retirement. But what if you could no longer take care of yourself?

Relying on a relative or a friend for caregiving is certainly an option — especially for short periods of time. But if you needed personal care for weeks, months, or even years, it could be expensive for you and your family.

There has never been a better time to talk about the consequences and cost associated with an extended care event!

Planning for long term care might be easier than you think

LTC insurance planning isn't an investment, it's a purchase of a "Lifestyle" you guarantee for yourself and your family.



To help protect your savings, consider how you might pay for long term care services should the need arise for you or your spouse/partner.



Let's start the conversation

How much could long term care cost?

| Type of Care | National Median Rates ⁴ | Average Annual Costs ⁴ |
|---------------------------------|------------------------------------|-----------------------------------|
| Home Care | \$22 (per hour) | \$45,760 based on 40 hrs/week |
| Assisted Living Facility | \$3,750 (monthly) | \$45,000 |
| Nursing Facility (private room) | \$267 (daily) | \$97,455 |

⁴ Genworth Cost of Care Survey 2017.

Plug this into your retirement planning

Let's talk about How much coverage is enough? It depends...

These factors can help you determine the right of coverage
for your unique situation.

| | |
|----------------------------|---|
| Your gender | → On average, women are more likely to require long term care services than men (at age 65). ⁵ |
| Your family health history | → You may be at an increased risk for a chronic condition such as Alzheimer's disease, cancer, diabetes or stroke if a close family member has had one or more of these conditions. |

Plug this into your retirement planning





Let's talk about How much coverage is enough? It depends...

These factors can help you determine the right of coverage
for your unique situation.

| | | |
|--------------------------|---|--|
| Your budget | → | Select a plan design with a premium that fits within your current budget. It's a good idea to apply for coverage now while you are younger and likely healthier. |
| Where you plan to retire | → | The cost of long term care services can vary greatly depending on where you live. |

Plug this into your retirement planning



Let's talk about How much coverage is enough? It depends...

These factors can help you determine the right of coverage
for your unique situation.

| | | |
|---|---|---|
| Where you wish to receive care, if needed | → | Long term care costs vary based on where services are received (at home, in the community, at an assisted living facility, or at a nursing home). |
|---|---|---|



Let's talk about When should you buy LTC insurance?

Waiting to purchase a long term care insurance policy could actually increase the total amount of premium you would pay by thousands of dollars.

Premiums for long-term care insurance climb as you age, but that's not the main reason you want to buy early. Instead, you want to have some coverage in place in your 50s before any health issues could waylay your application.

| Type of Care | National Median Rates ⁴ | Average Annual Costs ⁴ |
|---------------------------------|------------------------------------|-----------------------------------|
| Home Care | \$22 (per hour) | \$45,760 based on 40 hrs/week |
| Assisted Living Facility | \$3,750 (monthly) | \$45,000 |
| Nursing Facility (private room) | \$267 (daily) | \$97,455 |

⁴ Genworth Cost of Care Survey 2017.

Plug this into your retirement planning

Let's talk about Paying for Long Term Care

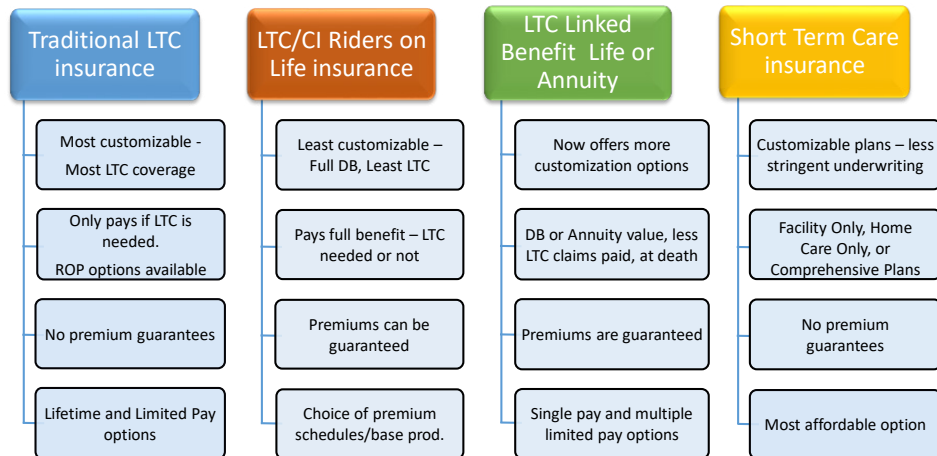
LTC services are not typically covered by medical insurance plans.

- Medicare may help pay for limited LTC services under certain circumstances, but often doesn't meet long term care needs.
- Medicaid has specific rules and income requirements that can require recipients to spend down their savings and assets to meet state poverty guidelines.

Some people rely on care from family and friends, but it can impact the financial, physical and emotional health of entire families.



Long-Term Care Funding Solutions



Some Last thoughts

The difference between triumph and tragedy is a thin line.

It involves having a Plan!



Some Last thoughts

- Most people know someone that has needed care
- We are living longer and more likely to need assistance as we age
- The cost of care continues to rise
- People are not educated about the planning options
- There are more options than ever before

There has never been a better time to talk with your advisor about the risks and cost associated with an extended care event!

Thank You



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Retirement Readiness Seminar

Medicare: What you should know



Eder Financial

MEDICARE

WHAT YOU SHOULD KNOW

Tony Waytula

Founding Partner



The New Choice for Senior Insurance Needs
847-398-5560
tony@ketoins.com

Poll

How much do you know about Medicare?

1. A lot!
2. A little!
3. Not much at all!

Medicare Overview

Medicare is “Health Insurance” for:

- People age 65 and older
- People under the age of 65 with certain disabilities
- People of all ages with End-Stage Renal Disease (ESRD)

Parts of Medicare:

1. Original Medicare (Part A) – Hospital
2. Original Medicare (Part B) – Medical
3. Medicare Advantage Plans (Part C) – Medicare Advantage
4. Medicare Prescription Drug Plans (Part D) – Rx (drug)



Medicare Overview

1. Medicare Part A - Hospital Insurance

- Covers hospital inpatient care
- Covers **skilled** nursing facility, hospice & home health care
- Part A deductible: \$1,484 for 2021
- Benefits paid on “Benefit Period” basis (starts upon admission; ends 60 day after release from facility)
- Cost and Eligibility
 - Premiums typically paid through payroll taxes while working
 - Once you turn 65 you are eligible for Medicare Part A:
 - If you elected to collect Social Security between ages 62 and 65 you will be automatically enrolled in Part A at age 65: you don’t have to do anything
 - If you did not elect Social Security early **IF** you want Medicare Part A, you must apply
 - There is no direct premium cost (but you have already been paying in your working years)
 - Individuals can buy Part A if not qualified for Medicare



Medicare Overview

2. Medicare Part B - Medical Insurance

- Covers doctors' services and outpatient care
- Covers many preventive services (colonoscopy, mammograms, etc.)
- Part B deductible: for 2021 is \$203
- Benefits paid on Calendar Year basis
- You are generally responsible for 20% of the Medicare Approved charges
- Cost and Eligibility
 - Premium for Part B **\$148.50/mo.** for 2021
 - Higher Premiums if income exceeds \$85K (individual), \$170K (joint)
 - Automatically enrolled at age 65 if already collecting Social Security
 - If you elected to collect Social Security between ages 62 and 65, you are automatically enrolled for Part B at age 65: you don't have to do anything
 - If you did not elect Social Security prior to age 65, **IF** you want Medicare Part B, you must apply (there are premium penalties for late enrollment)
 - There is a monthly premium cost which can be deducted directly from your Social Security Benefit.



Medicare Overview

2. Medicare Part B (continued)

- Expenses Not Covered By Medicare
 - Foreign Travel
 - Dental
 - Hearing
 - Routine Vision (glasses, etc.). ***All other medically necessary eye care is covered***





Poll

Is Part C a part of Medicare or does it replace Medicare?

1. Part of it!
2. Replaces it!

Medicare Overview

3. Medicare Part C - Medicare Advantage (MA)

- Coverage provided through private insurers (approved by CMS)
- Includes Part A and B benefits through Networks (HMO/PPO: may provide additional benefits (Rx, vision, etc.))
- Member responsible for Deductible, Copays, Prior Authorization, Referrals, Annual OOP Limit
- Both CMS and carrier rules apply: not all MA plans work the same way
- Cost and Eligibility
 - Members with Parts A and B generally eligible, but service area requirements may apply
 - Member enrolls in Part C coverage, pay premiums to carrier (if there are any) and continue to pay your Medicare Part B premium.
 - Subsidized by Medicare who pays per member subsidy to MA carrier
 - Annual Enrollment period October 15 thru December 7 (AEP)



Differences: Medicare & Medicare Advantage

| | Original Medicare | Medicare Advantage Plans |
|---|---|---|
| Costs | You pay Medicare premiums , deductibles , and coinsurances (usually 20% of the Medicare-approved cost for outpatient care) | You pay Medicare premiums and your plan's premium , if it charges one. Your plan sets its own deductibles and copays (usually a fixed cost for each office visit). You may pay the full cost if you don't follow your plan's rules. |
| Supplemental Insurance | You can buy a Medigap policy anytime. (But it may depend on your health.) | You can't buy a Medigap policy to help pay your out-of-pocket costs in a Medicare Advantage plan. |
| Covers extra services like vision and dental | No. Covers medically-necessary inpatient and outpatient health care. Doesn't cover certain services such as routine vision, hearing, or dental care. | Maybe. May cover some services Original Medicare doesn't cover such as routine vision, hearing and dental care. All plans must cover the same inpatient and outpatient services Original Medicare covers. |
| Lets me see providers nationwide | Yes. You can go to any doctor or hospital in the U.S. that accepts Medicare. | Usually not. Most people have HMOs, which typically have local networks of providers you must use for the plan to cover your care. PPOs and PFFS plans should cover care you get outside the network, but you will pay more. |

Source: 2012 Medicare Rights Center

Differences: Medicare & Medicare Advantage

| | Original Medicare | Medicare Advantage Plans |
|---|---|--|
| Need referrals to see specialists? | No. You don't need a referral. | Maybe. You often need to get a referral from a Primary Care Physician if you want to see a specialist. |
| Covers drugs? | No, but if you want Medicare prescription drug coverage, you can buy a separate Part D plan. | Usually. Most plans include a Part D drug coverage. You usually can't get a separate Part D plan if you have a Medicare Advantage plan (some exceptions). |
| Out-of-pocket limit? | No. There's no cap on what you spend on health care. | Yes. Plans must have an annual out-of-pocket limit, which can be high but protect you if you need expensive care. The plan pays the full cost of your care after you reach the limit. |

Source: 2012 Medicare Rights Center



Poll

Is Part D provided by...?

1. Federal Government?
2. Individual States?
3. Insurance Companies?

Medicare Overview

4. Medicare Part D - Prescription Drug Coverage

- Coverage provided through private insurers (approved by CMS)
- Minimum benefit levels for Part D established by CMS
- Cost and Eligibility
 - Members with Part A and B generally eligible
 - Member must enroll in Part D and pay premium to the insurer
 - Subsidized by Medicare who pays per member subsidy to insurer
 - Premium penalties will apply to late enrollments
 - CMS may provide reduced premiums to low-income members



Poll

Is a Medicare Supplement a part of Medicare?

1. Yes
2. No

Medicare Overview

What is Medicare Supplement Insurance (Medigap Insurance)

- **Medicare Supplemental Insurance** policies provide benefits to fill the gaps (deductible's and co-pays) of Medicare Parts A and B.
- 100% coverage may be available (Plan F)
- Medicare Supplement Insurance coverage can be Individual or Group coverage



Med Supp Outline of coverage

Outline Of Medicare Supplement Plans Sold for Effective Date on or After June 1, 2010

These charts show the benefits included in each of the standard Medicare supplement plans. Every company must make available Plan A. Some plans may not be available in your state.

Basic Benefits:
Hospitalization - Part A coinsurance plus coverage for 365 additional days after Medicare benefits end;
Medical Expenses - Part B coinsurance (generally 20% of Medicare-approved expenses) or copayments for hospital outpatient services. Plans K, L, and N require insureds to pay a portion of the part B coinsurance or copayments;
Blood - First three pints of blood each year;
Hospice - Part A coinsurance.

| A | B | C | D | F | F* | G | K | L | M | N |
|---|---|---|---|---|---|---|--|--|--|---|
| Basic Including 100% Part B coinsurance | Basic Including 100% Part B coinsurance | Basic Including 100% Part B coinsurance | Basic Including 100% Part B coinsurance | Basic Including 100% Part B coinsurance | Basic Including 100% Part B coinsurance | Basic Including 100% Part B coinsurance | Hospitalization and preventive care paid at 100%; other basic benefits paid at 50% | Hospitalization and preventive care paid at 100%; other basic benefits paid at 75% | Basic, including 100% Part B coinsurance | Basic, including 100% Part B coinsurance, except up to \$20 co-payment for office visits and up to \$50 co-payment for ER |
| | | Skilled Nursing Facility Coinsurance | Skilled Nursing Facility Coinsurance | Skilled Nursing Facility Coinsurance | Skilled Nursing Facility Coinsurance | Skilled Nursing Facility Coinsurance | 50% Skilled Nursing Facility Coinsurance | 75% Skilled Nursing Facility Coinsurance | Skilled Nursing Facility Coinsurance | Skilled Nursing Facility Coinsurance |
| | Part A Deductible | Part A Deductible | Part A Deductible | Part A Deductible | Part A Deductible | Part A Deductible | 50% Part A Deductible | 75% Part A Deductible | 50% Part A Deductible | Part A Deductible |
| | | Part B Deductible | | Part B Deductible | Part B Deductible | Part B Excess (100%) | | | | |
| | | Foreign Travel Emergency | Foreign Travel Emergency | Foreign Travel Emergency | Foreign Travel Emergency | Foreign Travel Emergency | | | Foreign Travel Emergency | Foreign Travel Emergency |
| | | | | | | | Out-of-Pocket limit \$5240; paid at 100% after limit reached | Out-of-Pocket limit \$6200; paid at 100% after limit reached | | |

*Plans currently available for sale.
 *Plan F also has an option called a high deductible plan F. This high deductible plan pays the same benefits as Plan F after one has paid a calendar year \$2240 deductible. Benefits from high deductible plan F will not begin until out-of-pocket expenses exceed \$2240. Out-of-pocket expenses for this deductible are expenses that would ordinarily be paid by the policy. These expenses include the Medicare deductibles for Part A and Part B, but do not include the plans separate foreign travel emergency deductible.

OLC 2070 IL (G-15) (2018-1) Page 1

Medicare Supplement Insurance

• Individual Medicare Supplement

- Guarantee Issue only when 1st applying for Medicare Part B (there are some exceptions)
- After initial enrollment period for Medicare Part B expires, plans will be underwritten with possibility of rejection due to health
- Rates are dependent on age (there are a some state rule exceptions)
- Benefits are the same with all companies.
- Companies can have different rates, underwriting and service
- Must apply for coverage with an Agent and answer health questions.

Medicare Supplement Insurance

Group Medicare Supplement

- Not limited to basic Medicare Supplement benefits.
 - Not limited to the 12 Medicare Plans
 - Can design benefits to suit needs of Group such as:
 - Additional coverage
 - Change co-pay amounts
 - Higher deductible (reduce cost)
- Guarantee Issue at all age groups
- Generally lower rates
- Ease of application
- More options to change plans
- Service (claims) same as an Individual Medicare Supplement



What You Need to Know

• **Medicare Advantage (Part C):**

- ☐ Insurance Company is responsible for benefits rather than Medicare
- ☐ Out of Pocket Limits
- ☐ Co-Pays and deductibles
- ☐ Networks (must be treated by Facilities or Doctors in the HMO/PPO network in YOUR area)
- ☐ Referral by Network MD necessary
- ☐ Plans can change yearly
- ☐ Low or no premium
- ☐ Part D (**Rx**) included (**MA/PD**) or may be purchased individually if not included (**M/A only**)
- ☐ Generally not Guaranteed Renewable (coverage can be terminated)
- ☐ Annual Enrollment Period (Generally Guarantee Issue)





What You Need to Know

• Individual Medicare Supplement

- ☐ You keep your Medicare Part A and B
- ☐ No Networks (go to your choice of facilities and MD)
- ☐ Fixed plans (all companies offer the same plans nationwide)
- ☐ Portability of Coverage (receive care anywhere)
- ☐ 100% coverage no longer available
- ☐ Monthly Premium (**other modes available**)
- ☐ After initial enrollment eligibility determined by underwriting
- ☐ Rate increases potentially 2 times per year: age and trend
- ☐ Coverage "Guaranteed Renewable for Life"
- ☐ Must purchase Individual "Part D" Rx plan



What You Need to Know

• Group Medicare Supplement

- ☐ You keep your Medicare Part A and B
- ☐ No Network (go to your choice of Facilities and MD)
- ☐ Can tailor benefits to need of the Group
 - ☐ 100% coverage can be chosen
 - ☐ Can chose different deductibles, co-pays, etc.
 - ☐ Other benefits can be added
 - ☐ Price determined by benefits chosen
- ☐ Portability of Coverage (receive care anywhere in the U.S.)
- ☐ Monthly Premium (other modes available)
- ☐ Eligibility is generally "Guarantee Issue" (no health underwriting)
- ☐ Rate change at Group renewal 1 time per year
- ☐ Must purchase Individual or Group "Part D" Rx plan





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What You Need to Know

Medicare

1-800-MEDICARE (1-800-633-4227)

www.medicare.gov

Social Security

1-800-772-1213

www.socialsecurity.gov

Medicare Rights Center

www.medicarights.org



Questions

MEDICARE

WHAT YOU SHOULD KNOW

Tony Waytula

Founding Partner



The New Choice for Senior Insurance Needs
224-764-2997
tony@ketoins.com



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Retirement Readiness Seminar

Which distribution option is right for you — annuity or periodic payment?



Which Distribution Option is Right for You - Annuity or Periodic Payment?

Presented by:

Lynnae Rodeffer, Director of Employee Benefits

&

Ed Shannon, Retirement Planning Consultant

The following information is intended for educational purposes to help you make informed decisions about how to receive your retirement benefits.

BBT cannot advise you on which form of payment to take but learning how the benefits work can help you discern which option is right for your situation.



Learning Objectives

- Understand the difference between the accumulation and income distribution phases of BPP
- Understand the choices related to Employer and Employee money sources
- Understand the advantages/disadvantages of Annuity and Periodic payment

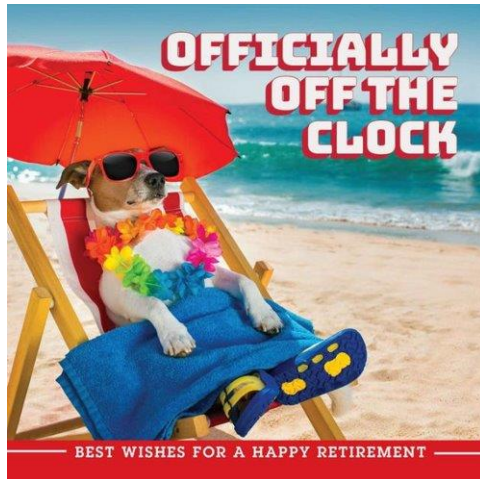
Accumulation Phase

Employee & Employer Contributions, Investment Earnings





Income Generation Phase



Annuity?

Periodic Payment?

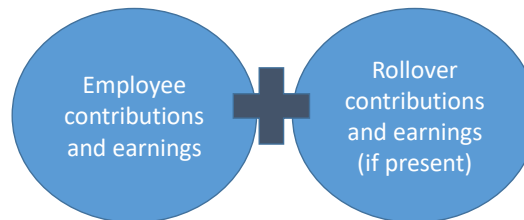
Some combination
of the two?

Two Money Sources

Employer



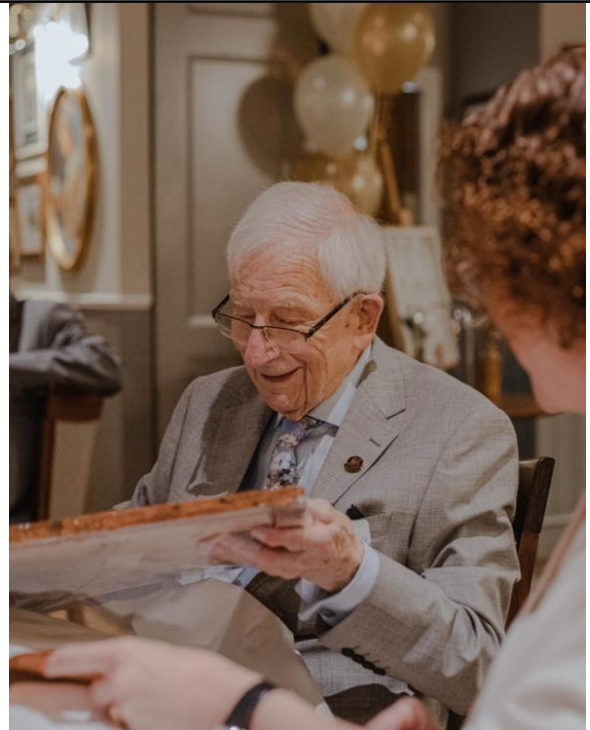
Employee



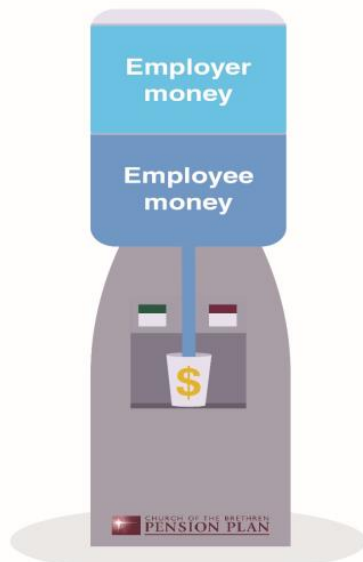


Annuity Income Option: A Payment For Life

- Payment for life
- Surviving spouse options
- Provides income stability
- Especially helpful if there are no other income streams
- Clergy housing allowance-eligible
- Rollover money cannot be annuitized
- BBT manages investments
- Assured return of employee contributions and their earnings, if not used before death



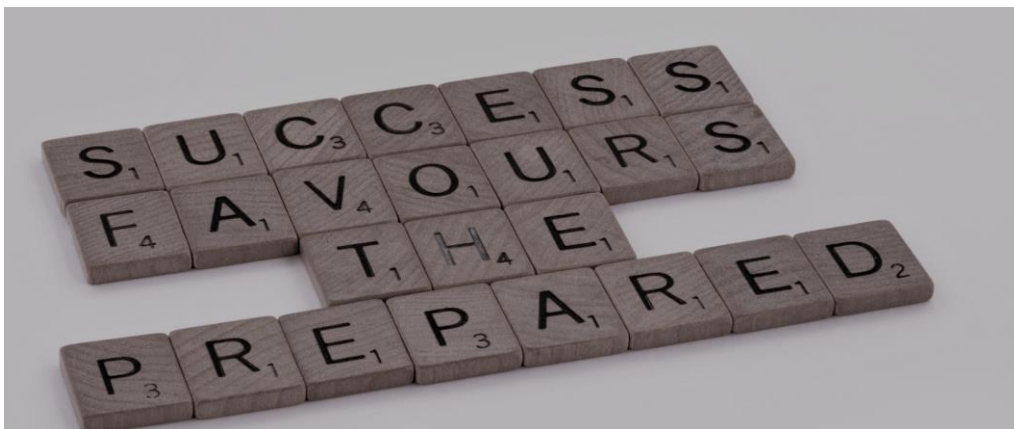
How your annuity is paid out



Paid out 2nd, No assured return,
source of money for annuitants
who live longer than expected

Paid out 1st, assured return if death
before money source is used up

Emergency fund



Periodic Payment Option: Ensures All Contributions & Earnings Are Paid to Member or Their Beneficiary

- Minimum 10-year payout on Employer money, but please consider at least a 20-year timeframe
- Employee money < 10 years available
- Clergy housing allowance-eligible
- Investment allocations are self-managed, or our partner, Edelman Financial Engines can provide fiduciary-level investment advice
- Can be stopped/started again/re-cast over different time period
- Can be converted to an annuity
- All remaining money paid to beneficiary upon death of member and spouse, if applicable
- **Unlike the annuity option, payments end when all employee and employer contributions and their earnings have been paid out**

Please answer in chat box

What factors to consider when you choose your payment option?

How to choose?



What do you value most?

- Lifetime Income
- Flexibility for future options?
- Managing my own money?
- Not having to manage the money?
- Possibility to leave money to others?

Other Options

- Annuity customizable to meet your income needs
- Perhaps annuity for employer \$ only to provide predictable income
- Only RMD withdrawals
- Other needs or concerns just ask

Poll: 30 seconds

Based on what you learned today, if you had to choose right now (you don't) which income method would you choose from your BPP account and why?

- 1) The annuity
- 2) The periodic payment
- 3) I'm not sure



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Retirement Readiness Seminar

Clergy ethics in retirement



Eder Financial

Clergy Ethics in Retirement

2021 Retirement Readiness Seminar

Brethren Benefit Trust

Nancy Sollenberger Heishman

Director, Office of Ministry

2008 Annual Conference document,
“Guidelines for Ministerial Service and
Membership in a Former Parish”

Available on the Office of Ministry webpage:

<https://www.brethren.org/ministryoffice/wp-content/uploads/sites/15/2018/09/guidelines-former-parish.pdf>



Who am I, now that I'm
(about to be) retired?



Former, present, & future
roles...



1. List your former roles and corresponding titles in the chat box)
2. List your present roles and titles in the chat box)



<https://jesusfootprints.wordpress.com/2011/08/08/passing-the-mantle/>

Biblical figures in role transitions

- Elijah to Elisha – transition of prophets
- Saul to David – transition of kings
- Moses to Joshua - transition of leadership
- Naomi to Ruth – transition of generations

Elijah to Elisha

- Scripture – 2 Kings 2:1-15
- Key verse – “As the Lord lives, and as you yourself live, I will not leave you.”



<https://metrobleblog.files.wordpress.com/2010/06/scan0039.jpg>



Saul to David

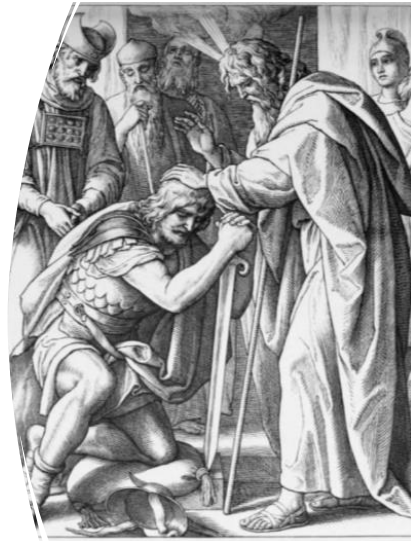
- Scriptures:
 - 1 Samuel 15:24-35
 - 1 Samuel 18:10-16
 - 1 Samuel 22:6-8
 - 1 Samuel, chapters 24 & 26
- Key verse – “I have been a fool.” (Saul)
“I would not raise my hand against the Lord’s anointed.” (David)



<https://www.toughquestionsanswered.org/2015/09/02/commentary-on-1-samuel-15-16-god-rejects-saul-and-anoints-david/>

Moses to Joshua

- Scriptures:
 - Numbers 27:12-23
 - Numbers 32:1-12
 - Deuteronomy 32:48-52
 - Deuteronomy 34:1, 4-9
 - Joshua 1:1-3, 5
- Key verse – “Joshua...was full of...wisdom, because Moses laid his hands on him.”



<https://victorianweb.org/art/illustration/german/schnorr/33.html>



Naomi to Ruth

- Scriptures:
 - Ruth 1:8-12a, 14
 - Ruth 3:1-5
 - Ruth 4:13-17
- Key verse – “[This child] shall be a restorer of life and a nourisher of your old age; for your daughter-in-law ..., who is more to you than seven sons, has borne him.”



What **laudable qualities** of these “formers” do you see in the scriptures we’ve just read?



Question:

When is it appropriate to provide ministerial services in a former parish?

Complete the poll (choose one):

- ☐ Anytime I want to
- ☐ occasionally
- ☐ never
- ☐ only when invited by current minister w/out prompting

What advice does the AC paper give?



Guidelines for Ministerial Service and Membership in a Former Parish

I. Introduction

II. Guidelines

- A. Ministerial Service
- B. Attendance and Membership
- C. Communication
- D. Additional Areas of Concern

Introduction asks: When is it appropriate to provide ministerial services in a former parish?

"It is unethical to be involved"

"It is inappropriate"

"It should only occur rarely, under special circumstances"

"It causes undue pressure on the current pastor"

"It is to be avoided"

"It should occur only at the request of the current pastor"

"It exerts undue influence in the congregation"



“The performance of ministerial functions in another pastor’s parish is considered **unethical** and is **to be avoided**.

Rare and special circumstances may be negotiated between ministers...in the spirit of good will and understanding.”

A former minister’s involvement in a former parish should be brought to the attention of the **District Ministry Commission**.

If the minister is serving in a different district, the **assistance of the DE** of that district is requested.



Remembering the Code of Ethics

(2008 Ethics in Ministry Relations polity)

- Letter O: honoring the ministry of clergy colleagues
- Letter P: honoring the ministry of former pastors
- Letter Q: as a church member, honoring ministry of current pastor and congregation

“We consider
it unethical
to be
involved [in
the former
parish]”

- But why?
- It’s not that bad to return “home”, is it really?
- If we know the expectations, why are there still problems with former pastor ethics?

What has changed?

Roles
Relationships
Priorities

CASE STUDY

- Think of a typical case of “I’m not your pastor anymore”
- How have your ROLE and the RELATIONSHIPS have changed?



CASE STUDY

Think of a situation in which there is discontent with new pastor. Your priority is to support the new pastor and the process of forming their new relationship.

- How have your PRIORITIES changed?

Reasons why not to meddle

The current pastor may feel pressured to say yes

The current may not favor the return of the "former"

Feel it's difficult to say no to the "former"

Be faced with congregants who don't understand the need for ministerial ethics

Have her/his/their own mixed feelings of "former pastor" grief, loss, etc. at leaving the parish/ministry setting



Notable **Quote** from the Annual Conference document

- "It is essential that we understand that our ordination is **for the benefit of the church** and its mission in the world.
- It is not something for our advantage; it is not a personal right or entitlement.
- We are not ordained to be private chaplains to whomever we please."

Source: Brushwyler, L. Ronald, "Letting Go: Setting Boundaries in Retirement and Former Parishes", Midwest Ministry Development Service, 1997

Notable **Quote** from the Annual Conference document

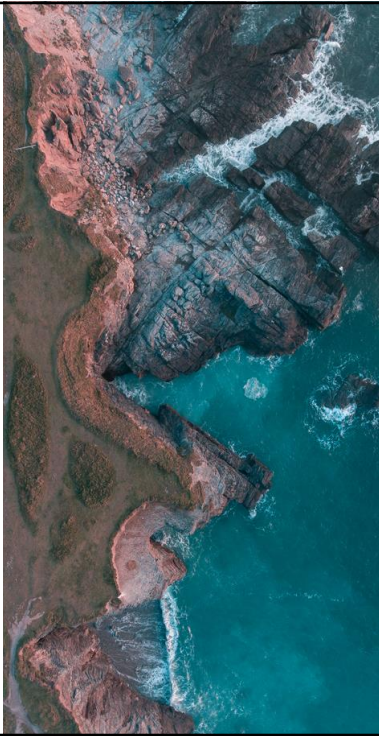
- In Gaylord Noyce's words, 'This rule of non-meddling is not a mere legalism; it stems from the **overriding concern for the church.**'"
- To undermine another's ministry by the continued exercise of our pastoral role in a former parish is a **betrayal of our ordination.**
- It delays and can even **weaken** the formation of new relationships between [the current] pastor and congregation and even the wider community."

Source: Gaylord Noyce, *Pastoral Ethics: Professional Responsibilities of the Clergy*, Nashville: Abingdon Press, 1988.



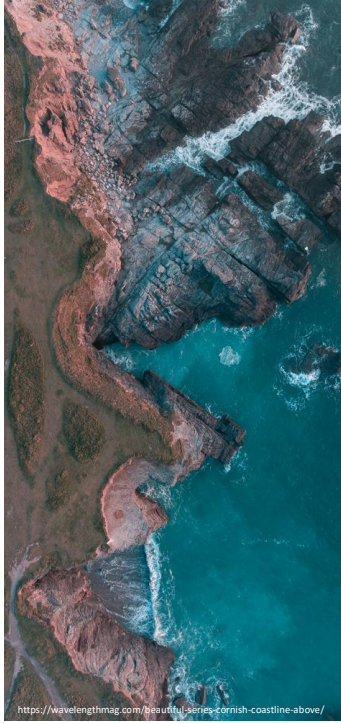
Partners in the mix

- Former pastor
- Current/new pastor
- Parishioners
- Pastor's spouse and family, (if applicable)



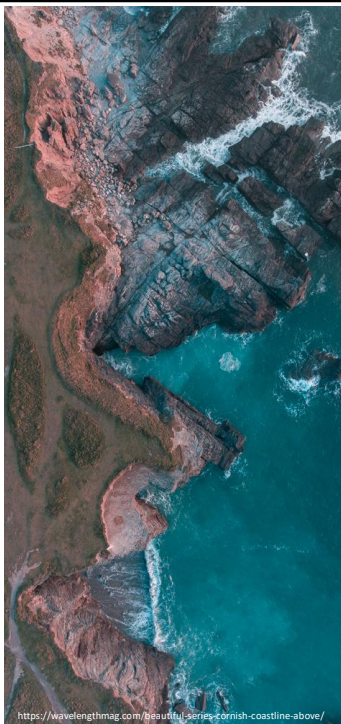
The Messiness of Boundary dilemmas...

There is a reversal of roles in that the parishioner in actuality takes care of the former pastor by allowing him or her to continue to exercise a pastoral function beyond what is appropriate.



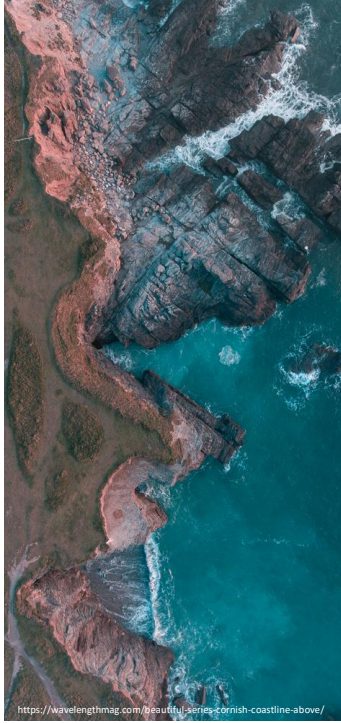
The Messiness of Boundary dilemmas...

Then, a double-bind occurs because the parishioner may be caught between offending neither the new nor the former pastor at a time when the parishioner may have real needs for pastoral care.



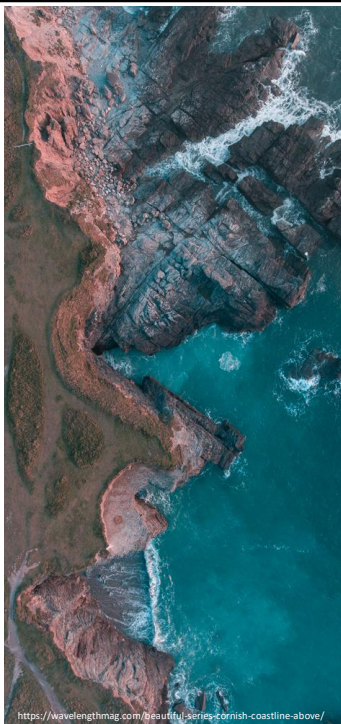
The Messiness of Boundary dilemmas...

In addition, a secret is usually involved. The former pastor is not likely to inform a parishioner about statements in the code of conduct which specifically denounce continued pastoral relationships with former congregations.



The Messiness of Boundary Dilemmas...

Neither will the former pastor mention the awkward position the new pastor is placed in when he or she is requested to officially include the former pastor in a wedding or funeral.



The Messiness of Boundary Dilemmas

Finally, a professional privilege is indulged when the former pastor uses ordination and the previous relationship with a parishioner as an entitlement for continued pastoral contacts in hospital visitation, weddings, or funerals.

Source: Marilyn Peterson's criteria (At Personal Risk)

Biblical best Practices for being a good “former...”

- John 3:22-30 - “He must increase, but I must decrease.”
 - Show honor and respect for others
 - Preferring the needs of others over our own
 - Unequivocal support for the “newbie”
- Practicing your preferred first response



<https://gpstrackit.com/blog/fleet-management-best-practices/>

Let's practice

In the chat box, share your reaction to these responses:
(Which is the worst? Which is the best?)

1. Well, I'm not really supposed to, unless your pastor asks me, so maybe I can but....
2. I'm sorry, but I'm not your pastor anymore and so I can't (perform the wedding/funeral/etc.) for your family. Please talk with your pastor.
3. Have you asked your pastor for permission already?
4. I'd love to perform your wedding; thanks for asking!



Creative ways to be proactive in the transition to “former”

- Work out a **mutual covenant of understanding** going forward that is signed and agreed-upon with the DE's help before leaving your “soon to be former parish” (see recommended resources, including SODKY district's sample)
- Make a **“closure/termination” plan** for yourself and your family for saying good `goodbyes’

Recommended Resources

- COB Annual Conference paper
- Lewis Center for Church Leadership resource
- Christian Church (Disciples of Christ) resource
- American Baptist Churches USA resource
- Maine United Church of Christ document
- Sample SODKY district template



Case Studies

Discuss in Breakout Rooms

- Appoint a scribe to take notes
- Discuss the assigned case study
- Reflect on the suggested questions
- Be prepared to report back in the chat box

Reporting back from Breakout Rooms

What observations and conclusions would you share with the group?

Put your ideas in the chat box.



Commitments for the Journey



- I will **care for my soul** during this time of transition, tending to my feelings of grief, loss, celebration, and the need for closure.
- I will **honor the ministry of the current pastor**, seeking her/his/their best interest.
- I will seek to **edify the congregation** of which I am a part, building up the body of Christ.

Blessings
on
the
journey!



Eder Financial

BOLD. BALANCED. TRUSTED.



Retirement Readiness Seminar

Clergy taxes in retirement



Clergy Taxes in Retirement

**Rev. Deb Oskin
Enrolled Agent, Treasury Dept.
Clergy Tax Specialist**

Objectives

- ✓ Understand how ministers' taxes change as ministers move into retirement
- ✓ Use BBT pension contributions to reduce both federal income tax & self-employment tax
- ✓ Use the designated housing allowance exclusion to reduce federal income tax
- ✓ Use unreimbursed business expenses to reduce both federal income tax & self-employment tax
- ✓ Two final tidbits on being a retired minister



But First, About Me

- ✓ 1989: Adventures with Clergy taxes begin! (husband ordained & pastor; I was ordained in 2004)
- ✓ 2000-2011: H&R Block Master Tax Advisor & Certified Advanced Instructor at a Premium Office; On my own since 2011: @ 75% Clergy Clients
- ✓ 2004: Started Teaching & Presenting on Clergy Taxes!
- ✓ 2007: Earned Enrolled Agent License from Department of Treasury; 2011: National Tax Practice Institute Fellow: 3-yr. course in Advanced Audit Representation

Ways to Contact Me — because — Consultations Are Free!

- ✓ Email: Deb@OskinTax.com
- ✓ Appointments: www.OskinTax.com/Scheduling
- ✓ Cell Phone: 614.329.2966
- ✓ Secure Fax: 888.977.1311
- ✓ Snail Mail Address:
Rev. Deb Oskin, E.A.
1588 Fallhaven Drive
Columbus, OH 43235-5908



Understand how ministers' taxes change as ministers move into retirement

Tax Rules For Ministers:

- All earned ministry income is subject to self-employment tax.
- All earned & unearned ministry income is subject to federal income tax — unless properly excluded by a designated housing exclusion.



Tax Rules For Employers of Ministers:

- Employers are prohibited by law from withholding Social Security & Medicare (FICA) taxes from/for their minister employees.
- Employers may withhold federal income taxes for their minister employees if requested.
- Employers must issue Form W-2 to their minister employees.
- Employers can only issue Form 1099-NEC to non-employee ministers (e.g., Supply Preachers).

Employment Status

- Depending on whether you are still employed by a congregation or other ministry employer, or have made the transition to “retirement” — yet are still working as an interim minister or supply preacher — you may receive one or all of the following tax documents:
 - Form W-2, Wage and Tax Statement
 - Form 1099-NEC, Non-Employee Compensation
 - Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.



Gifts vs. Salary

- Court Cases on "Gifts" vs. Salary:
 - While the minister continues to serve, most "Gifts" or special offerings are actually compensation for ministerial services.
 - "Retirement Gifts" to departing ministers are usually gifts, as there's no expectation of future services — unless they're to make up for past compensation.
 - "Gifts" from individual members of the congregation to the minister might be gifts; each situation could be different. Relationship & motive matter.

Clergy W-2

| | | | | | |
|---|----------------------------|--|---------------------------------|---|------------------|
| a Employee's social security number | | Safe, accurate, FAST! Use | | Visit the IRS website at www.irs.gov/efile | |
| b Employer identification number (EIN) | | OMB No. 1545-0008 | | file | |
| c Employee's name, address, and ZIP code | | 1 Wages, tips, other compensation | 2 Federal income tax withheld | | |
| In this case, the minister designated half their cash compensation as housing exclusion. You can see that their 4% pension contribution is in Box 12, and in Box 2, their federal income tax withholding | | \$ 13,800.00 | \$ 4,039.31 | | |
| d Control number | | 3 Social security wages | 4 Social security tax withheld | | |
| equals the amount of self-employment tax due on | | 5 Medicare wages and tips | 6 Medicare tax withheld | | |
| e Employee's first name and initial Last name Suffix | | 7 Social security tips | 8 Allocated tips | | |
| total compensation of \$30,000. At the bottom of this W-2, I've shown how most states handle housing and pension contributions. However, OH cities tax pension contributions; and PA taxes housing exclusions. Other states may also have special rules regarding housing exclusion taxation. | | 9 | 10 Dependent care benefits | | |
| f Employee's address and ZIP code | | 11 Nonqualified plans | 12a See instructions for box 12 | | |
| | | 12b | E \$ 1,200.00 | | |
| | | 13 Statutory employee Retirement plan Third party sick pay | 12c | | |
| | | 14 Other HOUSING \$ 15,000.00 | 12d | | |
| 15 State Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | 20 Locality name |
| Most States | \$ 13,800.00 | | | | |
| OH | \$ 13,800.00 | | \$ 15,000.00 | | CITY |
| PA | \$ 28,800.00 | | | | |

Form **W-2** Wage and Tax Statement
 Copy B — To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

2021

Department of the Treasury—Internal Revenue Service



Eder Financial

Clergy W-2

| | | | | | |
|--|----------------------------|---|----------------------------|---|------------------|
| a Employee's social security number | | Safe, accurate, FAST! Use irs e-file | | Visit the IRS website at www.irs.gov/efile | |
| b Employer identification number (EIN) | | 1 Wages, tips, other compensation \$ 0.00 | | 2 Federal income tax withheld \$ 4,039.31 | |
| c Employer's name, address, and ZIP code In this case, the minister wanted to contribute to their pension and have the rest of their cash compensation from the church designated as housing exclusion. | | 3 Social security wages | | 4 Social security tax withheld | |
| | | 5 Medicare wages and tips | | 6 Medicare tax withheld | |
| | | 7 Social security tips | | 8 Allocated tips | |
| d Control number | | 9 | | 10 Dependent care benefits | |
| e Employee's first name and initial Last name Suffix When done this way, any pre-tax benefits and pension come out first, then the rest is housing. (Note: some tax software may be unable to efile with \$0.00 in Box 1. In this case, it is acceptable to subtract \$1 from Housing and add that \$1 to Boxes 1 and 16 [and 18, if appropriate].) | | 11 Nonqualified plans | | 12a See instructions for box 12 E \$ 1,200.00 | |
| | | 13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> | | 12b | |
| | | 14 Other HOUSING \$ 28,800.00 | | 12c | |
| f Employee's address and ZIP code | | 12d | | | |
| 15 State Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | 20 Locality name |
| Most States | \$ 0.00 | | | | |
| OH | \$ 0.00 | | \$ 1,200.00 | | CITY |
| PA | \$ 28,800.00 | | | | |

Form **W-2** Wage and Tax Statement

2021

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Form 1099-NEC

☐ CORRECTED (if checked)

| | | | | | |
|---|-----------------|--|---------------------------|--|--|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | OMB No. 1545-0116 2021 Form 1099-NEC | | Nonemployee Compensation | |
| PAYER'S TIN | RECIPIENT'S TIN | 1 Nonemployee compensation \$ 1,500.00 | | Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported. | |
| RECIPIENT'S name | | 2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> | | | |
| Street address (including apt. no.) | | 3 | | | |
| City or town, state or province, country, and ZIP or foreign postal code | | 4 Federal income tax withheld \$ | | 7 State income | |
| Account number (see instructions) | | 5 State tax withheld | 6 State/Payer's state no. | \$ | |
| | | \$ | | \$ | |

Form **1099-NEC**

(keep for your records)

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service



Clergy Form 1099-R

☐ CORRECTED (if checked)

| | | | | | |
|---|--------------------------------------|---|--|--|-----------------------------|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | 1 Gross distribution \$ 20,000.00 | OMB No. 1545-0119 | Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. | |
| | | 2a Taxable amount \$ | 2021 Form 1099-R | | |
| | | 2b Taxable amount not determined <input checked="" type="checkbox"/> | Total distribution <input type="checkbox"/> | Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the IRS. | |
| PAYER'S TIN | RECIPIENT'S TIN | 3 Capital gain (included in box 2a) \$ | 4 Federal income tax withheld \$ | | |
| RECIPIENT'S name | | 5 Employee contributions/ Designated Roth contributions or insurance premiums \$ | 6 Net unrealized appreciation in employer's securities \$ | | |
| Street address (including apt. no.) | | 7 Distribution code(s) 7 | 8 Other \$ | | |
| City or town, state or province, country, and ZIP or foreign postal code | | 9a Your percentage of total distribution % | 9b Total employee contributions \$ | | |
| 10 Amount allocable to IRR within 5 years \$ | 11 1st year of design. Roth contrib. | 12 FATCA filing requirement <input type="checkbox"/> | 14 State tax withheld \$ | 15 State/Payer's state no. OH/ | 16 State distribution \$ |
| Account number (see instructions) | | 13 Date of payment | 17 Local tax withheld \$ | 18 Name of locality | 19 Local distribution \$ |
| 100% Clergy Housing Designation | | | | | |

Form 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

Poll 1

- When you retire, do you plan to:
 - Retire completely, doing no further ministry
 - Do a little supply preaching here and there
 - Take an interim position for a few months
 - Take a vacation, then look for another church



**Use
BBT pension contributions
to reduce both
federal income tax
&
self-employment tax**

Not Taxable Income

- The following income is not subject to federal income tax or self-employment tax:
 - Contributions by the employer to a tax-sheltered annuity plan (403(b)(9) church plan) set up for the minister.
 - Contributions by the minister to a tax-sheltered annuity plan (403(b)(9) church plan) using salary reduction contributions — not in W-2 Box 1 (reported in W-2 Box 12 Code E).



Not Taxable Income

- The following income is not subject to federal income tax or self-employment tax:
 - Note: Increasing the minister's contributions to their church retirement plan pays off now & later:
 - Contributions now lower the amount subject both to federal income & self-employment tax.
 - Distributions later from the church retirement plan are designated as housing — & if spent on housing are completely tax free. Any amount not spent on housing is subject to federal income tax.

Poll 2

- At this point in my life, I think I will:
 - Make no pension contributions
 - Decrease my pension contributions
 - Keep my pension contributions where they are now
 - Increase my pension contributions



**Use
the designated housing
allowance exclusion
to reduce
federal income tax**

Housing Exclusion

- The Housing Exclusion is called by many names, yet they all represent the same thing: the mechanism by which ministers are permitted to exclude some of their income from being subject to (or taxed by) Federal Income Tax.
 - Housing allowance or exclusion
 - Parsonage allowance or exclusion
 - Utilities allowance or exclusion



Housing Exclusion

- Ordained, Commissioned, or Licensed Ministers performing ministerial services ***should*** designate **all or part** of their total compensation from their employer as housing exclusion.
- This allows the amount so designated to be excluded from their income for federal income tax purposes (subject to certain rules).

Housing Exclusion

- However, remember that all ministry income is subject to self-employment tax, including the designated housing exclusion &/or the fair rental value (FRV) of a provided Parsonage & the cost of all utilities paid by the congregation.





Typical Housing Expenses

HOUSING EXPENSES:

rent/mortgage payments (in full)
real estate taxes (in full)
renter's/homeowner's insurance
homeowner's assn./condo fees
repairs & maintenance
furnishings & decorations
lawn care & snow removal
cleaning services
(26 CFR §1.107-1(c)(3))

etc.

UTILITIES:

electricity
heating oil
natural gas
water/sewer/trash
pest control
security systems
internet/tv/streaming services
land-line phone **OR**
personal-use cell phone

Housing Expenses in the Code

- 26 CFR § 1.107-1 Rental value of parsonages
- (c) . . . "Circumstances under which a rental allowance will be deemed to have been used to rent or provide a home will include cases in which the allowance is expended (1) for rent of a home, (2) for purchase of a home, and (3) for expenses directly related to providing a home. **Expenses for food and servants are not considered for this purpose to be directly related to providing a home."**



Parsonages

- Rules for working ministers living in Parsonages:
 - The FRV of the Parsonage (including utilities) is automatically excluded from income before federal income tax is calculated
 - The FRV of the Parsonage (including utilities) is automatically included in income before self-employment tax is calculated

Parsonages

- Rules for working ministers living in Parsonages:
 - The FRV must be reasonable for its location, but it benefits the minister's self-employment tax bill if it is on the low end of the range of rentals in the area.
 - Ministers should still have an additional Housing Exclusion to cover household items beyond the building &/or utilities (see list!). This additional Housing Exclusion is subject to the Housing Exclusion Rules (next).



Housing Exclusion Rules

- The amount officially designated as Housing Exclusion must be specified in writing, in an official document of the employer, before any Housing Exclusion payment is made.
 - It can be a dollar amount or a percentage.
 - It can be time limited or in perpetuity.
- The amount must be used to provide or rent the minister's home.
- The amount cannot be more than reasonable pay for the minister's services.
 - It can be 100% of the minister's compensation.

Supply Preachers

- Rules for ministers serving as supply preachers:
 - The official designation of a Housing Exclusion amount can be made by the congregation who holds the minister's membership & to whom the minister is accountable.
 - This is also true for pension payments to the minister from a qualified Church-administered 403(b)(9) pension plan (if not already designated by the pension plan).



Supply Preachers

- Rules for ministers serving as supply preachers:
 - Language used by the congregation can include something similar to “100% of all income received from ministry services is designated as Housing Exclusion, until further notice.”
 - If this designation has been made, no IRS reporting is required. The Supply Preacher should keep a copy of the designation in their files for tax purposes.

Poll 3

- I learned about ____ new things I could use as housing exclusion items today:
 - One
 - Two
 - Three
 - Four
 - Five or more



Housing Exclusion Calculation

- The amount that can be excluded from income before federal income tax is calculated is the SMALLEST of the following three amounts:
 - 1. The amount officially designated in writing as the Housing Exclusion
 - 2. The amount actually spent to provide the home
 - 3. The Fair Rental Value (FRV) of the home, including utilities, furnishings, etc. — basically, everything in the home except food & clothing!

Housing Exclusion Calculation

- If the amount that was officially designated in writing as the Housing Exclusion is the smallest of these three amounts,
- Then:
 - that amount is excluded from income before federal income tax is calculated.



Housing Exclusion Calculation

- If the amount that was officially designated in writing as the Housing Exclusion is not the smallest of these three amounts,
- Then:
 - the excess of the designated Housing Exclusion
 - over the smallest of these three amounts
 - must be added back into income before federal income tax is calculated.

Housing Exclusion Calculation

- Ideally, the officially designated Housing Exclusion should always be higher than the minister's actual expenses.
- This way the minister can take advantage of any unexpected expenses (e.g., repairs, furniture, disasters) to further reduce their income before federal income tax is calculated.
- If designated correctly, the minister will have a small amount of excess Housing Exclusion added back into wages each year.



Example

- Example:
 - \$25,000 Designated Housing Exclusion
 - \$23,000 Amount actually spent on housing
 - \$32,000 FRV of home, including furnishings & utilities (not the smallest amount!)

Example

- Example:
 - \$25,000 Designated Housing Exclusion
 - \$23,000 Amount actually spent on housing
 - \$32,000 FRV of home, including furnishings & utilities (not the smallest amount!)
- The smallest amount is not the Designated Housing Exclusion, so the difference between the officially Designated Housing Exclusion & the smallest amount ($\$25,000 - \$23,000 = \$2,000$) is added back into income as wages. This is called the "excess."



A Word About Fair Rental Values

- The FRV of a Parsonage is based on an empty building, garage, & any utilities paid by the congregation on the minister's behalf. It's a good idea to ask a Realtor for an accurate range of rental values for the area & for the condition of the Parsonage.
- The FRV of the home you own or rent is an entirely different animal. You can determine the FRV of the structure in the same way as the Parsonage, by asking a Realtor for an accurate range of rental values for the area and condition of your home.

A Word About Fair Rental Values

- However, **there is no way** to calculate the FRV of the stuff **inside** the building.
- I mean, have you really looked at all the stuff in your house? Ministers, have you inventoried your **books**?
- I was on a panel discussion with 2 other church experts this summer, & we had some back & forth about this. We agreed that, if you were audited, a video record of everything you owned would be adequate evidence for the IRS of your estimates of the FRV of the stuff inside.



Poll 4

- One of the following is NOT part of the calculation for determining the allowable Housing Exclusion:
 - The amount officially designated in writing
 - The mortgage interest & real estate taxes paid
 - The amount actually spent by the minister
 - The FRV of the home, including furnishing & utilities

**Use
unreimbursed
business expenses
to reduce
both
federal income tax
&
self-employment tax**



Office In Home Deduction for Ministers

- When all housing expenses have been excluded by the use of a Housing exclusion:
 - No office in home deduction is permitted
 - Even if it's required by the minister's employer
 - Even if it's for a different non-ministry business
 - Even if it's for the minister's spouse's business
 - Really!

Office In Home Deduction for Ministers

- When all housing expenses have not been excluded by the use of a Housing Exclusion:
 - Unused Housing Exclusion expenses can be used on Schedule C for honoraria only.
 - Keep very thorough records showing just which expenses were used for which purpose!
 - Reduce Mortgage Interest & Real Estate Taxes taken on Schedule A by the amounts permitted on Form 8829.



Typical Ministers' Business Expenses

- Business Mileage
- **Books !** & Subscriptions
- Computer & Internet
- Religious Material; Anointing Oil
- Education (Seminars & Conferences)
- Robes, Vestments, Collars, etc. (& dry cleaning)
- Office Supplies
- Portion of Cell Phone Bill Used for Ministry (LOG!)

IRS Mileage Log

- Record Odometer at beginning & end of the tax year to track total miles driven for all purposes during the year.
- For each Trip, write: Date, Start Odometer, Start Location, Purpose of Trip, End Location, End Odometer, Total Mileage for Trip (use Trip Odometer for this).
- Keep all receipts of work done on vehicle to prove 3rd party verification of odometer readings for IRS.

Business Expenses

- In IRS Publication 463, "Travel, Entertainment, Gift, and Car Expenses" (p. 2), IRS defines business expenses as "ordinary & necessary business-related expenses."
- An ordinary expense is one that is common & accepted in the trade or business.
- A necessary expense is one that is helpful & appropriate for the business. *An expense doesn't have to be required to be considered necessary.*



Ministers' Business Expenses

- Expenses are attributed to 1 of the 3 types of ministry income (& reported on the tax return on the following forms):
 - Salary-related expenses . . .
reported on Clergy Worksheet 3, Line 6
 - Housing Exclusion-related expenses . . .
reported on Clergy Worksheet 1 & Schedule A
 - Self-Employment-related expenses . . .
reported on Schedule C



Ministers' Business Expenses

- How ministry expenses are deducted from income:
 - For Self-Employment Tax: Because all ministry income is subject to self-employment tax, deduct all expenses
 - For Federal Income Tax: Because not all ministry income is subject to federal income tax (e.g., excludible Housing expenses), deduct only those expenses on Schedule C that are allocable to taxable income (Deason Rule)

Ministers' Business Expenses

- Reduce all expenses by the proportion (percent) of non-taxable Housing Exclusion to total ministry income, as follows:

$$\frac{\text{Non-Taxable Housing Exclusion}}{\text{Total Ministry Income}}$$

Math is too hard!

Use the Clergy Worksheets
at the end of IRS Publication 517
to calculate these amounts!



2020 IRS Clergy Worksheets

- Worksheet 1. Figuring the Percentage of Tax-Free Income
- Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses
- Worksheet 3. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

2020 IRS Clergy Worksheet 1: Figuring the Percentage of Tax-Free Income, lines 1-3

Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that aren't shaded.

| Source of Income | | (a) Taxable | (b) Tax-free | (c) Total |
|--|--|----------------|-----------------|--------------|
| 1 | W-2 salary as a minister (from box 1 of Form W-2) | | | |
| 2 | Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C) | | | |
| Note. Complete either lines 3a through 3e or lines 4a through 4i. | | | | |
| • If your church provides you with a parsonage, complete lines 3a through 3e. | | | | |
| • If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a through 4i. | | | | |
| 3a | FRV* of parsonage provided by church | | | |
| 3b | Utility allowance, if any | | | |
| 3c | Actual expenses for utilities | | | |
| 3d | Enter the smaller of line 3b or 3c | | | |
| 3e | Excess utility allowance (subtract line 3d from line 3b) | | | |



2020 IRS Clergy Worksheet 1: Figuring the Percentage of Tax-Free Income, lines 4-6

| | | | | | | |
|----|---|----|--|---|--|-----|
| 4a | Parsonage or rental allowance | 4a | | | | |
| b | Utility allowance, if separate | 4b | | | | |
| c | Total allowance (add lines 4a and 4b) | 4c | | | | |
| d | Actual expenses for parsonage | 4d | | | | |
| e | Actual expenses for utilities | 4e | | | | |
| f | Total actual expenses for parsonage and utilities (add lines 4d and 4e) | 4f | | | | |
| g | FRV* of home, plus the cost of utilities | 4g | | | | |
| h | Enter the smaller of line 4c, 4f, or 4g | 4h | | | | |
| i | Excess allowance (subtract line 4h from line 4c) | 4i | | | | |
| 5 | Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i) | 5 | | | | |
| 6 | Percentage of tax-free income: Total tax-free income (line 5(b)) \$ Total income (line 5(c)) \$ | | | = | | %** |

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses won't be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

2020 IRS Clergy Worksheet 2: Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

Worksheet 2. Figuring the Allowable Deduction for Schedule C Expenses

| | | |
|---|--|----|
| 1 | Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____ % | |
| 2 | Business use of car for entire year: _____ miles x 57.5 cents (\$0.575) | 2 |
| 3 | Meals: \$ _____ x 50% (0.50) | 3 |
| 4 | Other expenses (list item and amount) | |
| a | | 4a |
| b | | 4b |
| c | | 4c |
| d | | 4d |
| e | | 4e |
| f | Total other expenses (add lines 4a through 4e) | 4f |
| 5 | Total Schedule C expenses (add lines 2, 3, and 4f) | 5 |
| 6 | Nondeductible part of Schedule C expenses (multiply line 5 by the percent in line 1) | 6 |
| 7 | Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27a. | 7 |

* None of the other deductions claimed in this return are allocable to tax-free income.



2020 IRS Clergy Worksheet 3: Figuring Net Self-Employment Income for Schedule SE (Form 1040)

Worksheet 3. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

| | | | | |
|----|--|----|--|--|
| 1 | W-2 salary as a minister (from box 1 of Form W-2) | 1 | | |
| 2 | Net profit from Schedule C, line 31 | 2 | | |
| 3a | Parsonage or rental allowance (from Worksheet 1, line 3a or 4a) | 3a | | |
| b | Utility allowance (from Worksheet 1, line 3b or 4b) | 3b | | |
| c | Total allowance (add lines 3a and 3b) | 3c | | |
| 4 | Add lines 1, 2, and 3c | 4 | | |
| 5 | Schedule C expenses allocable to tax-free income (from Worksheet 2, line 6) | 5 | | |
| 6 | Total unreimbursed employee business expenses | 6 | | |
| 7 | Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6) | 7 | | |
| 8 | Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE (Form 1040), line 2. | 8 | | |

Poll 5

- Ministers' business expenses can be deducted in full against self-employment tax, but only partially against federal income tax. Why?
 - Because the Tax Cuts & Jobs Act of 2017 took away the section on Schedule A, Itemized Deductions, where employees deducted their unreimbursed work expenses.
 - Because ministers can use their excess business expenses as office-in-home expenses.
 - Because ministers who claim a Housing Exclusion have nontaxable income, and have to apportion their expenses so that they are only claiming the expenses that are allocable to the taxable part of their income.

Two final tidbits on being a retired minister

Retirement: No Taxes?

- Retired ministers do not pay self-employment tax on pension payments or retirement allowances received for past ministry services.
- Retired ministers do not pay federal income tax on the FRV of a provided Parsonage.
- Retired ministers do not pay federal income tax on pension payments which have been properly designated as Housing Exclusion — provided the payments were actually spent on housing.



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BTW: If You Opted-Out

- Ministers who have opted-out are still entitled to Social Security & Medicare benefits received due to secular work &/or spouse's secular work.
- They can pay the full Medicare premium for benefits.
- But be careful: There's a narrow window of 3 months before & 3 months after the month in which 65th birthday occurs (7 months total) to sign up for Medicare — or pay increased premiums for years to come.

•Organizations & Publications



Organizations

- www.ChurchLawAndTax.com
Church Law and Tax was founded by Richard R. Hammar, JD, LL.M., CPA, et al, and is published by Christianity Today. Well-researched articles cover all the many topics relevant to ministers in every aspect of their lives, throughout their careers.
- www.ECFA.org
The Evangelical Council for Financial Accountability was founded in 1979 to bring high standards in financial integrity to ministries through their accreditation process. Their webinars & publications are very useful.

Publications

- Hammar, Richard R. (updated yearly). Church & Clergy Tax Guide. Carol Stream IL: Christianity Today.
www.ChurchLawAndTaxStore.com
- Worth, B.J. (updated yearly). Worth's Income Tax Guide for Ministers. Winona Lake IN: Worth Financial Service.
www.WorthFinancial.com



Publications

- Pub 517, Social Security & Other Information For Members Of The Clergy & Religious Workers
- Pub 15-A, Employer's Supplemental Tax Guide, Ch. 4, "Religious Exemptions & Special Rules For Ministers"
- Pub 1828, Tax Guide For Churches & Religious Organizations
- Ministers Audit Techniques Guide (04/2009)

All pubs & forms can be found at www.irs.gov

Publications

- Pub 15 (Circular E), Employer's Tax Guide
- Pub 463, Travel, Entertainment, Gift, & Car Expenses
- Pub 526, Charitable Contributions
- Pub 535, Business Expenses
- Pub 15-B, Employer's Tax Guide To Fringe Benefits

All pubs & forms can be found at www.irs.gov



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