Wespath

BENEFITS | INVESTMENTS

CLERGY

Are You on Track to Retire?

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ON THE ROAD TO RETIREMENT

With careful planning, you can make your retirement something to look forward to. Whether you are thinking of retiring soon or later on, you can use this booklet to help you plan for this meaningful chapter in your life.

You'll need to make many important decisions to ensure your financial security and personal satisfaction in retirement. Here are some questions to ask yourself:

- ***When should I retire?***
  When do think you'll be ready? Many factors play a role in this decision, such as your age, health, retirement income from various sources, housing needs and expected expenses during retirement.
- ***When do I want to begin receiving my retirement benefits?***
  You may choose to start receiving some or all of your Wespath Benefits and Investments (Wespath) benefits at retirement, or you might decide to delay receiving these benefits. Many retirees have several sources of retirement income that are available at different times. If you have other retirement income sources, you might want to postpone receiving your Wespath benefits until a later date.
- ***Which benefit options should I select from my retirement plan(s)?***
  This decision also will depend on factors such as your age, health, marital status, other sources of retirement income and anticipated expenses.

Even if you think you'll be *financially* ready, it's important to be emotionally ready for retirement. You will need to consider your feelings about leaving your career and colleagues—and maybe even your current home. You'll also have to decide what you want to do in retirement. Here are a few more questions you might want to ask yourself:

- How will I transition from work to other activities in retirement?
- What am I looking forward to most in retirement?
- What am I most anxious about?
- Does my spouse support my decision to retire?
- Do we share the same ideas about retirement life?
- Do I have a support system of family and friends to help me in my transition to retirement?

For a meaningful, fulfilling retirement, it's important to pay attention to your financial, physical, emotional and spiritual well-being. If your health plan includes an employee assistance program (EAP), this resource may offer you some support.

This booklet contains helpful information, tools and forms to help you answer these and other questions—and, ultimately, the most important question: *Are you on track to retire?*

RETIREMENT PROCESS OVERVIEW

Here is some need-to-know information about the retirement process:

Retirement Eligibility Requirements

According to *The Book of Discipline*, clergy with 40 years of service or who are age 65 are eligible for normal retirement. Those with 30 years of service or who are age 62 are eligible for early retirement. Those who retire early under these rules may begin receiving benefits right away, but these benefits may be subject to a reduction because they will be paid over a longer period of time. Those who retire under the 20-year rule must wait until age 62 to begin receiving retirement benefits.

Once You've Decided to Retire

After you've notified your conference of your intent to retire, and your conference notifies Wespath, you will receive a retirement kit. Kits will be sent no more than 180 days before the scheduled retirement date. This kit will include several forms, including the following:

1. ***Application(s) for Benefits (AFB)***: When you are ready to begin receiving your retirement benefits, you'll need to fill out one or more AFBs to request them.
2. ***Rollover Agreement for Pension Distributions***: This form allows you to roll over up to 35% of your Ministerial Pension Plan (MPP) balance to an eligible retirement plan like the United Methodist Personal Investment Plan (UMPIP) or an individual retirement account (IRA).
3. ***Internal Revenue Service (IRS) Form W-4P***: This form enables you to designate income tax withholding for pension or annuity payments.
4. ***IRS Form W-9***: This form is used to verify your Social Security number.
5. ***State Income Tax Withholding Form***: This form enables you to designate state income tax withholding for pension or annuity payments.
6. ***Direct Deposit form***: You'll need to complete this form if you want to have your benefit payments sent to your financial institution electronically.
7. ***Designation of Beneficiary for Retirement and Welfare Plans***: This form allows you to designate or change beneficiaries.

Wespath Is Here to Help You

At Wespath, we believe in providing one-on-one service for participants embarking on their retirement journey. Once you decide to retire, a Retirement Team Specialist will guide you through this process, from beginning to end.

Keep These Timelines in Mind

The retirement process timelines on the next page apply to participants who plan to retire on June 1 or July 1. These timelines coincide with annual conference sessions. If you retire at some other time, the retirement process begins when Wespath receives notification of your retirement. *The Book of Discipline* requires clergy to notify their conference of their intent to retire at least 120 days prior to their desired retirement date unless waived by the bishop or cabinet.

Clergy Retirement Process Timelines	
June 1 Retirement Date Timeline	**July 1 Retirement Date Timeline**
October—An initial letter outlining the retirement process is sent from Wespath to those participants who are eligible to retire in June.*	**October**—An initial letter outlining the retirement process is sent from Wespath to those participants who are eligible to retire in July.*
January-February—A retirement packet is sent from Wespath to those participants who have notified their conference of their intent to retire in June.	**February-March**—A retirement packet is sent from Wespath to those participants who have notified their conference of their intent to retire in July.
January 31—June retirees should have notified their conference of their intent to retire. *The Book of Discipline* requires notification at least 120 days before the retirement date unless waived.	**February 28**—July retirees should have notified their conference of their intent to retire. *The Book of Discipline* requires notification at least 120 days before the retirement date unless waived.
March—Retirement Team Specialists are available to June retirees who have received retirement packets to answer any questions and assist them in completing retirement forms.	**April**—Retirement Team Specialists are available to July retirees who have received retirement packets to answer any questions and assist them in completing retirement forms.
April-May—Retiree webcast offered to assist in answering questions.	**April-May**—Retiree webcast offered to assist in answering questions.
March-May—June retirees return all completed forms and other necessary paperwork to their Retirement Team Specialists.	**April-June**—July retirees return all completed forms and other necessary paperwork to their Retirement Team Specialists.
June—Retirement benefits are processed and paid during the month of June.**	**July**—Retirement benefits are processed and paid during the month of July.*

* *Once retirement is approved by the conference, Wespath is notified by the conference benefits officer.*

** *Every effort will be made to ensure that you receive your first payment close to the first of the month. However, if you are retiring June 1 and your annual conference session ends in June, your first payment cannot be set up until the close of the conference session. If you opt to receive subsequent annuity benefits via electronic funds transfer (EFT), they will be in your account on the first business day of the month. If you choose to receive checks, they will be mailed via U.S. mail two business days prior to the end of the month. We recommend receiving your benefits via EFT.*

WILL YOU BE FINANCIALLY READY?

Are you on track for a financially secure retirement? Here are some sound strategies to help you protect, preserve and maximize your retirement money.

Estimate Your Retirement Expenses

Start by budgeting for the type of retirement lifestyle you'd like to have. Then take a look at your current expenses and consider how they might change after you retire. Certain expenses—such as commuting costs, school tuition and professional expenditures—may be drastically reduced, or even eliminated, during your retirement years. But you may see a sharp increase in other expenses, such as those for housing, travel, hobbies and entertainment. And don't forget to budget for health care expenses, especially if you or your spouse has health problems.

A good starting point in predicting your retirement income needs is to develop a budget that includes the expenses you think you'll have. You might want to create a fill-in-the-blank worksheet of monthly, annual or even weekly expenses. Here's an example to get you started:

Food __________
Housing
- Rent __________
- Mortgage __________
- Common charges (condo association fees, co-op fees, etc.) __________
- Home improvement, maintenance, etc. __________

Tithes __________
Charitable gifts __________
Utilities
- Natural gas __________
- Propane __________
- Electricity __________
- Water __________
- Sewer __________
- Garbage pickup __________
- Home phone/cell phone __________
- Cable/satellite TV __________
- Internet __________

Insurance
- Homeowners'/renters' __________
- Automobile __________
- Life __________
- Health (medical and dental) __________
- Long-term care __________
- Other __________

Miscellaneous liabilities
- Credit cards __________
- Home equity loans/lines of credit __________
- Personal loans __________
- Other __________

Transportation
- Loan/lease payments __________
- Repairs and maintenance __________
- Licenses __________
- Gasoline __________
- Public transportation __________

Out-of-pocket medical costs
- Co-pays/deductibles __________
- Prescription drugs __________
- Doctor visits __________
- Dental care __________
- Eye care (eyeglasses, contacts, etc.) __________
- Hearing aids __________
- Other __________

Taxes
- Federal __________
- State __________
- Real estate __________
- Other __________

Education __________
Travel __________
Entertainment __________
Gifts __________
Clothing __________
Health club membership fees, club/association dues, etc. __________
Subscriptions __________
Pets __________
Personal care (shampoo, haircuts, toothpaste, toothbrushes, shaving cream, razors, soap, etc.) __________
Other expenses:

_________________________ __________
_________________________ __________

Total: __________

Your budget is a financial benchmark that helps you stay on track. Be sure to review it regularly and make any necessary changes.

Assemble Information

You'll need to gather some information together to begin planning for your retirement. Please see page ix of the appendix for a handy retirement-planning checklist. This information also will be useful when you consult with a financial planner. If you don't have some of these items, such as a last will and testament, now might be a good time to obtain them.

Take Inventory of Your Retirement Income Sources

Many retirement savers mistakenly believe that their pensions and Social Security benefits will be enough to support them comfortably through retirement—a mistake that can leave them short of money. Savings can be essential to a sound retirement plan. How much you will need from your savings depends on what you'll receive from your pension and Social Security. What you get from your pension is largely dependent on years of participation, and what you get from Social Security is based on your income.

Some experts recommend aiming to have an annual retirement income of 80% of what you earned in your last year of work. This percentage is known in financial-planning circles as the *replacement ratio*. For example, if your last working income was $50,000, you likely would need $40,000 a year during retirement. If you have been living in a parsonage and need to purchase or rent a home, you likely will need 100% of your pre-retirement income when you retire.

Although United Methodist clergy may be able to replace a significant portion of their working incomes through their pensions and Social Security, they probably will need additional retirement savings to fill any gaps.

Find Out If You're on Track to Meet Your Goal

It's easy to find out. Once you become eligible for normal retirement, we'll send you a Retirement Benefits Projection. This customized projection will include your retirement plan account balance, salary (current and projected) and other figures. It will provide your estimated retirement benefits and replacement ratio. Keep in mind, though, that this replacement ratio won't take into account your personal savings or Social Security benefits.

But you don't have to wait until you're eligible to retire to receive a Retirement Benefits Projection. You can get one right now. Log on to Benefits Access (**benefitsaccess.org**) and from the **Retirement Details** page, select "**Learn**" and then "**Retirement Benefits Projection**."

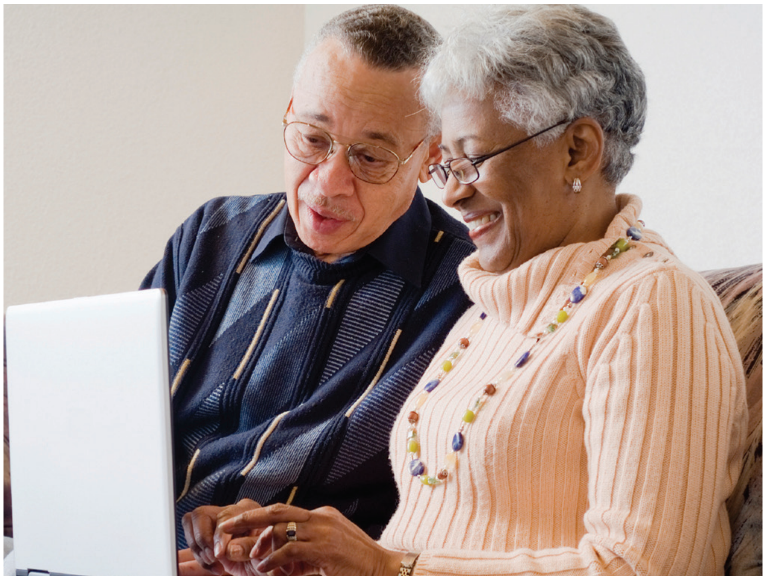
If your retirement is several years away, you might consider using the Retirement Readiness Tool instead of creating a Retirement Benefits Projection. This tool helps you determine how much you will need for retirement by estimating costs for housing, health care and other spending, and helps you find ways to close the gap, if any, between what you need and what you expect to have. The Retirement Readiness Tool also is accessible from the Project Future Values menu.

Figure Out How Social Security Fits into Your Retirement Plans

Want to get an estimate of your Social Security retirement benefits? Here are two ways to do this:

1. Refer to your Social Security benefit statement. The Social Security Administration (SSA) will send a statement to all workers age 60 and older each year before their birthdays. This document estimates your Social Security benefits at various ages and tells you how to qualify for these benefits. Keep in mind, though, that this estimate is stated in current dollars. In other words, it doesn't account for the effects of inflation. What this means is that your actual payment may be higher than the estimated amount indicated on your statement. But your actual payment most likely will have about the same buying power as the estimated amount does in current dollars because of inflation.

2. Use the calculators available on the SSA website at **ssa.gov/oact/anypia/index.html**. Unlike your Social Security statement, these calculators *do* account for inflation and estimate your benefits in future dollars.



Plan for Inflation

It's important to steadily reduce the number of higher-risk investments in your portfolio—in general, funds invested in stock—as you approach retirement. The LifeStage Investment Management Service (LifeStage) automatically does this for your MPP account balance, but you may want to elect this service for your Clergy Retirement Security Program (CRSP) defined contribution and UMPIP account balances, too. Protecting your money is an important savings objective, but a portion of your money should continue to be invested in stock funds—even in retirement. The reason? Inflation. Your investments will need to earn a rate of return that exceeds inflation. If you don't stay ahead of inflation each year, you won't be able to buy as much as you did the previous year.

In most cases, Social Security benefits and monthly benefits from CRSP and MPP include annual increases. However, if you terminate your employment and conference membership prior to retirement, your CRSP benefits will not include annual increases. You will be given the option to receive annual increases or higher-than-standard increases by choosing a lower initial benefit.

Inflation Affects Your Everyday Purchases

Inflation creeps into our small, day-to-day purchases in big ways and reduces the amount of products and services we're able to buy. Here are just a few examples of how inflation has increased average prices over the last 20 years:

		1987	2007
Coffee	Per pound	$2.55	$3.69
Bread	White, per pound	.57	$1.28
Eggs	Grade A, per dozen	.73	$2.10
Electricity	Per 500 kwh	$40.23	$60.52
Gasoline	Per gallon	.96	$3.02
Ground beef	Per pound	$1.75	$2.70

Though inflation has been modest in recent years, it still chips away at your buying power. The following chart illustrates how inflation can reduce the buying power of a $50,000 fixed retirement income by nearly half:

Even Modest Inflation Impacts a Fixed Retirement Income			
Retirement Year	**Retirement Income**	**Inflation**	**Buying Power After Inflation**
1	$50,000	3%	$48,500
5	$50,000	3%	$42,937
10	$50,000	3%	$36,871
15	$50,000	3%	$31,663
20	$50,000	3%	$27,190

To help you beat inflation, try to make sure your retirement income grows throughout your retirement. Stock historically has provided a good hedge against inflation—better than both bonds and cash investments, such as CDs. Keeping a portion of your retirement money invested in a stock fund can help provide your retirement income the boost it needs to beat inflation.

Wespath Can Help You Invest Your Account Balances

You may feel uncomfortable selecting investment funds and determining the proper allocation of your account balances among equity, fixed income and cash investments. However, LifeStage makes it easy for you to find the right balance of investments. This program selects investments for you based on factors such as your age, the assets in your retirement account(s) and your risk tolerance. Your investments are customized for you. LifeStage monitors your retirement portfolio to help ensure it stays invested according to your needs and automatically reduces its risk as you get older. LifeStage is free to participants in Wespath retirement programs.

If you wish to choose your investment funds for your defined contribution accounts, you may want to get professional financial planning advice from EY Financial Planning Services. EY financial planners are well versed in Wespath's investment funds and can help you select the proper funds for your retirement. See page 18 for more information on EY Financial Planning Services.

DON'T UNDERESTIMATE HEALTH CARE COSTS

It's very important to consider the cost of heath care expenses when planning for retirement. For many people, these expenses could be the largest they face during their retirement years. Experts estimate that the typical 65-year-old couple retiring today without employer-sponsored retiree health care will spend an average of $250,000 on medical care during retirement.

Explore Your Health Insurance Options

You should first ask your conference benefits officer if your conference offers retiree health insurance. If so, you'll want to know whether you qualify for coverage, how much it will cost, what the insurance plan covers and the rules for maintaining coverage. If your spouse works, you should also explore any retirement health insurance options available to you through your spouse's employer. No matter when you retire, you should consider signing up for Medicare by age 65—even if you'll have private individual or employer-group retiree health insurance coverage. Most retiree health plans presume covered retirees are enrolled in Medicare if they're eligible and account for Medicare coverage in their benefit design. Even if you not qualify for Social Security benefits, it is possible to enroll in Medicare with a premium due on the hospital insurance.

Medicare Basics

Medicare is a federal health insurance program available to people age 65 and older who qualify for Social Security benefits. Medicare has the following three components:

Component	Description
Part A	This component covers most hospital or skilled nursing facility expenses. Most people *do not have to pay a premium* for Part A because they or their spouse already paid for it through their payroll taxes while working.
Part B	This component pays for doctors' expenses and some other medical services and supplies. Most people pay a monthly premium for Part B.
Part D	This component pays for outpatient prescription drug expenses. Most people pay a monthly premium for Part D.

Most retirees elect both Medicare Parts A and B. Whether you should enroll in Part D depends on the prescription drug coverage you may have with an employer retiree health plan. You may not need Part D if you have creditable group prescription coverage through an employer plan that provides benefits as good as—or better than—those offered by Part D. If you have employer-provided prescription drug coverage, be sure that you receive a *Notice of Creditable Prescription Drug Coverage* each year. This document should allow you to avoid any late-enrollment penalties in case you decide to enroll in Part D later.

Supplementing Your Medicare Coverage

Medicare is an essential part of every retiree's health care planning, and it should meet many of your medical needs during retirement. However, you will still be left with many out-of-pocket expenses. These include deductibles, co-payments, co-insurance payments and outpatient hospital service expenses. So, you may want to purchase a supplemental health insurance policy to cover these gaps in your Medicare coverage.

Ask your conference benefits officer if your conference offers a Medicare supplemental health insurance plan. If not, you might want to consider joining an organization that provides access to Medicare supplemental plans, such as AARP.

If You're Planning to Retire Before Age 65

It is especially important to have health insurance lined up if you're considering retiring before age 65. Why? First, Medicare is not available until age 65. Second, research shows that many retirees can't afford private health insurance, and some of those who *can* afford it don't qualify due to health conditions. This may mean having to delay your retirement until age 65.

Purchasing Medigap Plans

There are various standardized Medigap plans, which differ in price and benefits offered. Your State Department of Insurance can tell you which plans are offered in your state. Make sure you consider the extent of coverage for each plan and understand premiums, deductibles and co-payments so you can budget appropriately. Then examine your health plan coverage and the gaps in coverage to determine which plan would provide the best benefits for the cost.

BE PREPARED FOR LONG-TERM CARE EXPENSES

One of the most overlooked areas of retirement planning is arranging for long-term care (LTC). This type of care can include some medical services, as well as a wide range of other services, including help with daily living activities (e.g., bathing, dressing, grooming and eating). LTC may be received in a facility or at home.

LTC is expensive. According to the *2012 MetLife Market Survey of Nursing Homes, Assisted Living, Adult Day Services and Home Care Costs*, the national averages are $248 a day for nursing-home care and $168 for eight hours of at-home care.

Given these high costs, why don't many people consider LTC expenses when preparing for retirement? One reason could be because they assume that their health insurance, Medicaid or Medicare will cover these expenses. In fact, health insurance does not cover most LTC expenses. Medicare provides limited coverage, and Medicaid generally covers LTC expenses only for people who have already spent most of their savings and assets.

LTC insurance can help protect your retirement nest egg and other personal assets. It also can give you more choices in selecting LTC* facilities, such as nursing and assisted-living facilities.

Wondering if LTC insurance should be part of your retirement plan? Need some objective advice? Professional financial advisers, such as those with EY Financial Planning Services, can help you determine the financial implications of LTC and whether LTC insurance is right for you and your loved ones.

** Some conferences offer LTC programs. Please call your conference office for information about the LTC coverage available to you.*

TAKE STOCK OF YOUR HOUSING NEEDS

As you approach retirement, you undoubtedly will be thinking a lot about your future housing arrangements. Here are some questions you may want to ask yourself as you're considering your retirement housing options:

Where Do You Want to Live?

- Would you like to be closer to friends and/or family?
- Have you always wanted to live in a particular area of the country?
- Is it important to have access to several quality health care facilities?
- Can you afford to live in your current community? Or should you consider moving to a community with a lower cost of living?
- Do you want to have a wide variety of employment and/or volunteer opportunities?
- Is it important to live in a community with a low crime rate?
- Would you rather live in an area with a different climate?
- Are you looking for a community that provides plenty of opportunities for outdoor recreation? Do you want to be close to golf courses, parks, bicycle trails and bodies of water?
- Do you enjoy having easy access to cultural activities? Would you like to be close to theaters, museums, art galleries and libraries?
- Is public transportation important?
- Would you like to live close to grocery stores, department stores, hardware stores and other retail outlets?

Should You Rent or Own?

- Will your retirement benefits, Social Security and personal savings be enough to cover your monthly rent or mortgage payments without straining your budget?
- Should you purchase a home outright with a lump sum? Or would it be financially smarter to take on a mortgage and make monthly payments?
- If you're considering moving to an unfamiliar community, should you rent housing for a year or two while you decide if you like the area and/or chose the right neighborhood?
- Are you anticipating other moves in the future?

What Kind of Housing Would Be Best?

- Do you want the independence and privacy offered by a house? Do you enjoy gardening and other yard work? Do you want a big yard?
- Would you rather have yard work and maintenance tasks handled by someone else? If so, would you consider moving into a condominium, co-op or other similar housing?
- Should your new home be wheelchair-accessible?
- Do you mind going up and down stairs?
- Would you like to live in a building with a security guard, video surveillance and other security features?
- Should you consider checking out assisted-living facilities or other types of retirement housing? Do you want to live in a housing facility that offers you independence now but that can provide assistance if you eventually require it?

What Happens to the Housing Allowance Exclusion at Retirement?

Throughout their active ministry, most clergy exclude a housing allowance from their gross income when paying federal income taxes. The good news is that this housing allowance exclusion will not go away after you retire. At that time, though, your annual conference will become the church entity that designates the housing allowance exclusion for your pension payments.

You'll be able to exclude from your taxable income all or a portion of the pension distributions you receive from sources covered by your annual conference's housing allowance resolution (published in the conference journal). The portion of such distributions you may exclude is equal to the smallest of the following amounts:

- the amount designated as a housing allowance by your annual conference for the tax year in question;
- the amount spent for your housing (mortgage principal and interest, utilities, taxes, insurance, furnishings, maintenance, etc.); or
- the current fair rental value of your home, including furnishings, plus the current-year cost of your utilities (whether you own or rent your home).

For more detailed information about the housing allowance exclusion and a housing allowance exclusion worksheet, please see pages iii through viii of the appendix.

Use These Handy Housing Calculators

Wespath participants have access to the EY Financial Planning Center website at no charge. This site offers a wealth of resources, including calculators on various housing-related topics, such as the following:

- renting vs. buying,
- mortgage loans,
- mortgage debt consolidation,
- ARM vs. fixed-rate mortgages, and
- fixed-rate mortgages vs. interest-only mortgages.

Check out this website at **wespath.eyfinancialplanner.com**.

WHAT IF YOU'RE *NOT* ON TRACK?

After you've calculated your retirement income and budget, you may realize that you might not have enough money to retire. Here are five strategies that can help you boost your retirement resources:

1. **Delay receiving Social Security retirement benefits.** You can start collecting Social Security retirement benefits as early as age 62. However, your monthly income will be reduced if you decide to collect benefits before your *full retirement age*. The full retirement age originally was age 65. Beginning with those born in 1938, the full retirement age has been increasing gradually, and will eventually reach age 67 for those born after 1959. Your monthly Social Security retirement income *increases every month* you delay taking benefits until age 70. If you opt to delay your benefits, though, be sure to enroll in Medicare at age 65. The eligibility age for Medicare has not changed along with the increase in the Social Security eligibility age. If you delay enrolling in Medicare beyond your eligibility date, your Medicare premiums will increase each month you delay enrollment, unless you continue to be employed.

2. **Postpone your retirement.** When you continue working, you maintain your income stream. You have more years to save and fewer non-income-producing retirement years drawing down your financial resources. In addition, the defined benefit component of CRSP provides participants who delay their retirement with higher monthly payouts due to their added years of credited service. And the Pre-82 Plan will pay higher monthly benefits due to actuarial increases. A delay of only a few years could be enough to help you meet—or even exceed—your retirement income needs. However, in some cases, delaying your retirement could result in reduced benefits. (see below). The Retirement Benefits Projection or a Wespath representative can help you determine the effect that delaying your retirement will have on your benefits.

3. **Delay receiving your retirement benefits.** Once you retire and stop working, you may want to begin receiving benefits immediately. However, you are not required to begin monthly benefits or to begin taking distributions from your accounts until you reach age 70½ (or age 72 if you reach age 70½ after December 31, 2019) or retire, whichever is later. In some cases, delaying retirement benefits can cause them to increase, so this might be a good strategy if you have other sources of income for the short term. But in other cases, a delay could cause a reduction. Each retirement plan is different:

- **MPP:** Your MPP account balance is invested, so a delay in converting your account balance into an annuity could result in a higher or lower balance, depending on the market returns you experience. When you convert all or part of your account balance into an annuity, your monthly benefit depends on the annuity conversion rate in effect at the time, which is based on market interest rates. If conversion rates are unfavorable, you could boost your monthly benefit by holding off on converting your MPP account into an annuity. On the other hand, conversion rates could worsen, which would reduce your monthly benefit.

- **CRSP:** Once you stop earning credited service in the defined benefit portion of CRSP, the formula used to calculate this benefit will be frozen. You won't receive an actuarial increase if you delay receiving this benefit after your normal retirement date. If you haven't reached your normal retirement date, your benefit will be subject to an early retirement reduction if you start receiving it immediately. But if you wait until your normal retirement date to start receiving your monthly benefit, it will not be reduced. As with your MPP account balance, the defined contribution portion of your CRSP benefit will increase or decrease depending on how it is invested and how the market performs.

- **Supplement One to CRSP (Pre-82):** The Pre-82 monthly benefit is the greater of the formula benefit or the funding account annuity. The formula benefit is your Pre-82 service multiplied by your conference's past service rate. This amount is recalculated each year base on that year's past service rate. Conferences can increase the past service rate annually or keep it the same, but not decrease it. However, if you terminated your conference relationship and did not retire, your benefit is frozen as of the date you terminated and will not increase, regardless of whether the conference increases its past service rate. Some conferences established funding accounts on behalf of their participants. Your funding account is converted to a monthly annuity and may provide a larger benefit than your formula benefit. Market gains or losses in your account could increase or decrease your monthly formula benefit up to the point that you start receiving it. The conversion of this account balance to an annuity depends on prevailing interest rates. Once the annuity is calculated, it is not increased. So if the annuity amount is larger than the formula benefit, you will not receive an increase in your Pre-82 benefits unless and until the formula benefit—due to past service rate increases—becomes larger than the annuity amount. If you begin receiving your Pre-82 benefits before reaching normal retirement age, your formula benefit will be decreased. If you retire after you reach your normal retirement age, your formula benefit will be increased.

- **UMPIP:** Your UMPIP account balance is invested according to your direction among Wespath's investment funds, which may experience investment gains and losses. If you delay withdrawals from your account, your balance will increase or decrease with the market. However, you may want to maintain some exposure to the market in order to keep pace with inflation.

4. Try to save more. Saving a little is better than saving nothing at all. UMPIP is a valuable savings option. You can save a substantial amount of your cash compensation and have it deducted directly from your paycheck. Talk to your salary-paying unit about enrolling in UMPIP. If you are already participating in UMPIP, you may want to consider increasing your contributions.

5. Tap into your home's equity. If you own a home, you may be able to tap into its equity. For example, you could sell your home and move to a smaller house, perhaps even in an area where property is not as expensive. Not only will you free up equity, but you may reduce your property taxes, utility costs and other expenses.

6. Reduce your budget. Another option is to trim your budget. Carefully review your budget and honestly assess if there are "extras" that you can live without. If not, reconsider those strategies mentioned above.

Be sure to speak with a financial planning professional as you prepare for retirement. You may spend two decades or more in retirement. You should know how much money you will have for retirement, your expenses and how much you can spend. Even if you're planning to retire in the very near future, a professionally prepared retirement plan can give you valuable guidance for your retirement years.

PROFESSIONAL FINANCIAL PLANNING ASSISTANCE IS AVAILABLE

Planning for retirement involves making a lot of important decisions. You don't have to go it alone, though. Eligible participants in Wespath-administered retirement plans can receive financial planning assistance at no charge from EY, a leading global financial services firm.* Participants can call EY as often as they like and spend as much time on the phone as necessary. EY Financial Planning Services is available to:

- active participants with an account balance,
- surviving spouses with an account balance, and
- terminated and retired participants with an account balance of at least $10,000.

EY financial planners have been specially trained in topics important to participants in Wespath-administered retirement plans, such as the clergy housing allowance, clergy tax issues and Wespath's plans and programs. And you can rest assured that you'll receive objective advice—without the sales pitch. Unlike many financial planners, EY planners will never try to sell you investment products or services, because they don't offer any.

Access to a Retirement Planning Report

An EY financial planner can provide you with a personalized retirement planning report. This valuable tool can:

- help you determine if you're on track to meet your retirement income goal,
- offer some tips you can use to catch up if you're behind, and
- give you suggestions for staying on track.

Wide-Ranging Expertise

EY financial planners can provide advice on many different topics—not just those directly related to retirement. These include:

- managing credit card and other debt;
- long-term care;
- medical savings accounts;
- life insurance;
- estate planning;
- planning for a large purchase, such as a home or car; and
- tax issues.

Start Using This Service Right Away

To begin using this service, just call EY directly at **1-800-360-2539**, Monday through Friday between 8:00 a.m. and 7:00 p.m., Central time, (excluding holidays).

** Costs for these services are included in Wespath's operating expenses that are paid for by the funds.*

Check Out This Free Online Resource

The EY Financial Planning Center website, discussed on page 14, is available at no cost to all Wespath participants, even those not eligible for EY Financial Planning Services. In addition to several useful calculators, this website provides a wealth of other online resources, such as:

- the “Financial Tip of the Week”;
- the *Understanding Personal Finances* newsletter, published six times a year; and
- in-depth articles on investing in stocks, bonds and other types of investments; setting retirement goals; controlling your spending; purchasing life, auto, homeowner’s and long-term disability insurance; and many other topics.

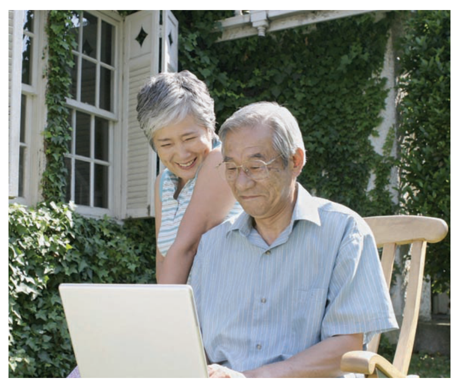
Provide Account Authorization Through Benefits Access

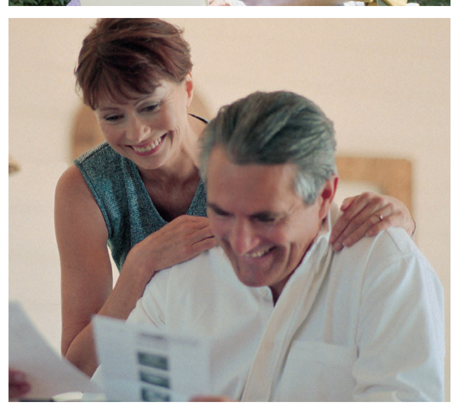
Benefits Access makes it easy to provide your retirement account information to EY. Simply log on at **benefitsaccess.org**, then:

1. From the **Retirement Details** page, select “**Profile**.”
2. Choose “**EY Authorization**.”
3. Select the button that says “**I authorize EY financial planners to view my Benefits Access Account**.”

EY will be allowed to view your retirement account balances; however, all other account information will remain secure. You can change this preference at any time.

To learn more about EY Financial Planning Services, read the brochure available at **wespath.org/assets/1/7/4486.pdf**.





ESTATE-PLANNING STRATEGIES

Estate planning isn't just for wealthy individuals. An estate plan can help ensure your assets will be distributed according to your wishes. As you plan your retirement, you should take some time to create or update your estate plan.

Assess Your Estate-Planning Goals

How can you be sure you have an effective estate plan? Everyone's estate plan is different, but you may want to consider the following goals when developing your plan:

- Make sure your spouse will be financially secure.
- Offer support and care for your children and/or grandchildren—especially those with special needs or minors.
- Ensure that your beneficiary-designation forms for your retirement plans, death benefit plans and life insurance policy are up-to-date with your intended beneficiaries. Coordinate these forms with your other estate-planning documents.
- Preserve your family's privacy. Once an estate is settled, a will becomes public record. But you can create an estate plan that will help prevent prying eyes from accessing information about your loved ones' finances.
- Leave behind enough cash to pay for funeral costs, outstanding bills and other expenses that may need to be paid soon after your death.
- Ensure your wishes are honored if you should become unable to make your own decisions.
- Allow your assets to be distributed with few, if any, legal hassles and in a timely fashion.
- Reduce taxes and other expenses that could be incurred in settling your estate.
- Safeguard your assets for future generations—especially if your estate is large.
- Support a church, university, charity or other organization with funds or other assets.

Drawing Up the Documents

Estate planning is a complex process, and laws can vary from state to state. So, it's best not to try to tackle estate planning on your own. Many people use a team of experts. This team may include an accountant, an attorney, a financial planner, a trust officer and an insurance agent.

Here are a few tips to help you and your estate-planning advisers create your plan:

1. **Give careful thought to your assets and beneficiaries.** Begin by listing all of your assets and estimating their value. Think about your potential beneficiaries and how you'd want them to benefit from your assets. Are they adults or minors? Are they adept at managing money—or will they need help? Are they individuals or organizations? Many factors can affect how you'll decide who will receive which assets and how they'll receive them. Designate your beneficiaries as soon as possible.

2. **Talk to your loved ones.** If you are married, you both should have an estate plan, and you should develop these plans together to help ensure proper distribution of your estate. You also may want to talk to other family members. Resentment can occur when items that have sentimental value for one loved one are bequeathed to another.

3. **Start with the basics.** At its most basic level, estate planning starts with deciding how your assets will be given to your beneficiaries after you pass away.

   Many people rely on a last will and testament to specify how they want their assets to be distributed after their death. However, despite its name, a "last will" isn't always the last word on how your property will be distributed.

   Property held in a trust is distributed according to the terms of the trust—regardless of what the will says. And the naming of beneficiaries in other documents can override a will. For example, beneficiaries are commonly named on retirement plans, IRAs, insurance and annuity contracts, and directed beneficiary accounts.

4. **Consider these other estate-planning tools.** Your estate plan might also include the following components:
   - a document letting your loved ones know your wishes regarding your obituary, funeral and burial plans, and other topics that aren't addressed in other documents;
   - a durable power of attorney for health care decisions, which allows a loved one to make decisions regarding your medical care if you become unable to do so;
   - a durable financial power of attorney, which enables someone else to manage your financial affairs if you're unable or unwilling to do so;
   - documents to help your loved ones locate your various assets;
   - the names and phone numbers of attorneys, accountants and others on your estate-planning team; and
   - a living will, which spells out to your physician the forms of life-sustaining procedures and treatments you do and don't want if you are no longer able to make these decisions yourself.

CONSIDER THESE TAX ISSUES

As you're planning your retirement, be sure to consider the tax ramifications that the transition to retirement usually brings.

Taxes on Distributions

Once you've made the decision to retire, you must decide how you want your distributions paid from your Wespath retirement accounts. Regardless of which distribution options you choose, including annuities, the Internal Revenue Service (IRS) will consider as taxable income:

- before-tax contributions made by you;
- plan sponsor contributions; and
- earnings on before-tax, after-tax and plan sponsor contributions.

If you're eligible for a housing allowance exclusion, you might be able to avoid income taxes on some or all of these otherwise taxable amounts.

If you choose to begin receiving a distribution immediately, you will be taxed when you receive it. If you decide *not* to receive a distribution, you may choose to leave your money in your retirement account with Wespath until minimum annual distributions must begin as required by law. These minimum distributions—a relatively small percentage of your account balance—generally must begin following retirement or at age 70½ (age 72 if you reach age 70½ after December 31, 2019), whichever is later.

Taxes and Social Security Benefits

Some people may have to pay federal income taxes on their Social Security benefits. You can use your Social Security benefit statement, mentioned earlier in this booklet, to help you determine if your benefits are subject to tax. For more information, visit **ssa.gov** or consult with a tax adviser or financial planner.

Changing Your Residence in Retirement

As mentioned earlier, retirement planning may involve selling your home or moving to a different location. Consult with a tax adviser or financial planner before making your decision. You may be able to avoid capital gains taxes on all or part of the proceeds from the sale of your home.

Moving expenses are not tax-deductible unless you plan to work full-time at your new location for at least one year after the move (two years if you're self-employed). So, if you plan full-time retirement in the new location, moving expenses are usually nondeductible.

ADDITIONAL RESOURCES

The following organizations provide valuable information on retirement, aging, finance, health and housing. They are listed for your reference only. Wespath does not endorse—and is not responsible for—any information you may gather from these organizations.

AARP
Phone number: 1-888-OUR-AARP (1-888-687-2277)
Website: aarp.org

Administration on Aging, U.S. Department of Health & Human Services
Phone numbers:
- Main number: 1-202-619-0724
- Eldercare locator: 1-800-677-1116 (to find services for an older person in his or her locality)

Website: aoa.gov
E-mail: aoainfo@aoa.hhs.gov

Apartments.com
Website: apartments.com

CNNMoney.com
Website: money.cnn.com

Centers for Medicare & Medicaid Services, U.S. Department of Health & Human Services
Phone number: 1-800-MEDICARE (1-800-633-4227)
Website: medicare.gov

Internal Revenue Service
Website: irs.gov

Investopedia.com
Website: investopedia.com

MedlinePlus (National Library of Medicine, National Institutes of Health)
Website: nlm.nih.gov/medlineplus

National Council on Aging
Website: ncoa.org

National Institute on Aging, National Institutes of Health
Phone number: 1-800-222-2225
Website: nia.nih.gov

REALTOR.com
Website: realtor.com

Senior Citizens' Resources from FirstGov.gov
Website: firstgov.gov/Topics/Seniors.shtml

SmartMoney
Website: smartmoney.com

Social Security Administration
Phone number: 1-800-772-1213
Website: ssa.gov

APPENDIX

HOW TO USE WESPATH'S RETIREMENT BENEFITS PROJECTION

You can create your own Retirement Benefits Projection online through Benefits Access (**benefitsaccess.org**).

Login to the Benefits Access website using your username and password. If you have not registered for the Benefits Access website, click "**New User Registration**" and follow the prompts.

Even though many of the fields are pre-filled, you may adjust some of the information to examine a number of options. For example, "Retirement Age" defaults to age 65, but you can adjust it if you are considering retiring at a different age.

The "Plan Information" section is pre-filled with account balance information and contribution rates for those plans in which you participate.

Note: Adobe Acrobat Reader must be installed on your computer in order for you to view your Retirement Benefits Projection Statement. Also, you must enable pop-ups from the Benefits Access website.

If you need assistance navigating the Retirement Benefits Projection or understanding your Retirement Benefits Projection statement, please contact Wespath at **1-800-851-2201**. Representatives are available business days from 8:00 a.m. to 6:00 p.m., Central time.

HOW TO USE WESPATH'S RETIREMENT READINESS TOOL

If you have several working years before retirement, the Retirement Readiness Tool may be a better instrument for understanding your level of preparedness for retirement and the actions you can take to improve your retirement picture. First, you must determine how much income you will need in retirement. There are three sliders on the right side of the page: housing, health care and discretionary expenses. Adjust the sliders to customize your financial goal. An information box will appear to explain the assumptions for each percentage increase or decrease. As you adjust the sliders, your retirement goal (shown between the charts the left side of the page) increases or decreases, depending on your choices.

The next page includes actions you may take to improve your financial picture in retirement: increasing your retirement age, retirement savings contributions or investment risk tolerance. As you adjust the sliders, your projected monthly income increases or decreases. The bar chart on the left shows the monthly income you may receive in a poor performing market; the bar chart on the right shows your possible income if market performance is average.

The bar charts are color coded to show each source of your retirement income. To determine the retirement income you may receive from a specific account (e.g., MPP, CRSP or UMPIP), place your mouse over the color-coded section.

PENSION BENEFITS AS A HOUSING ALLOWANCE EXCLUSION

Throughout their active ministry, most clergy take advantage of a section of the Internal Revenue Code (Code) that allows a "minister of the gospel" to exclude a "housing allowance" from his or her gross income when paying federal income taxes.[1] Retired and disabled clergy are also entitled to take advantage of this exclusion.[2] This section discusses how the pension benefits a clergyperson receives from Wespath are excludable from his or her gross income as a "housing allowance."

This information is being distributed with the understanding that Wespath is not engaged in rendering legal, accounting or other professional advice. If you require legal advice or other expert assistance, please seek the services of a competent professional adviser.

1. **Eligibility for housing allowance exclusion.** The housing allowance exclusion comes from Code section 107. This provision was first included in the tax code in 1921. It was revised in 1954 and again in 2002. It currently provides the following:

   "In the case of a minister of the gospel, gross income does not include:

   a) the rental value of a home furnished to him as part of his compensation; or
   b) the rental allowance paid to him as part of his compensation, to the extent used by him to rent or provide a home and to the extent such allowance does not exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities."[3]

   These few words have caused the Internal Revenue Service over the years to issue more than 200 Private Letter Rulings, Revenue Rulings and Regulations interpreting this subject. Even though Code section 107 does not mention retired clergy, the Internal Revenue Service has stated that retired clergy also may exclude a housing allowance provided by a church or church agency.[4]

2. **Designation of housing allowance exclusion.** The housing allowance exclusion must be designated by an appropriate body or organization of the church.[5] For retired or disabled clergy, the annual conference is the appropriate body to make the designation.[6] The designation must be made prior to the time the designation is to be effective.[7] Accordingly, most annual conferences annually pass a housing allowance resolution at the conference session, characterizing the amount of the housing allowance exclusion for the next calendar year. The resolution is normally published in the conference journal.

3. **Amount to be excluded from income.** One aspect of the housing allowance exclusion issue is often misunderstood: The amount designated by the conference is not necessarily the amount that may be excluded by the clergyperson. The amount designated is only one of three factors that must be considered. The amount that may be excluded is the least of:
   a) the amount designated as the housing allowance exclusion,[8]
   b) the amount actually expended by the clergyperson for housing,[9] or
   c) the fair rental value of the residential property occupied by the clergyperson.[10]

For example, if the conference designates 100% of the pension as a housing allowance and the clergyperson receives $6,000 in pension, but spends only $5,000 on housing that has a fair rental value of $8,000, the amount that may be excluded may not exceed $5,000.

a. **Amount designated.** During the early 1980s, Wespath helped each existing annual conference obtain a Private Letter Ruling from the Internal Revenue Service. Each Private Letter Ruling stated that the annual conference is the appropriate body to designate a housing allowance for its retired clergy, and that the annual conference may designate up to and including 100% of pension as a housing allowance. Wespath understands that annual conferences generally take advantage of this legal authority by passing an annual resolution normally characterizing 100% of pension as a housing allowance.

   Clergy often ask what constitutes pension income for the purpose of claiming the housing allowance exclusion. In general, a housing allowance exclusion may be claimed only from the taxable portion of pension payments. Taxable pension benefits include payments from conference/employer sources as well as payments from the clergyperson's before-tax account and earnings on after-tax contributions.

b. **Amount expended.** The second factor controlling the amount that may be excluded from gross income is the amount actually expended by the clergyperson for housing. Expenses for food and household help are not considered for this purpose to be directly related to providing housing.[11]

   Many Private Letter Rulings, Revenue Rulings and Regulations have been issued describing which expense items may be considered in determining expenditures. For a clergyperson who rents housing, actual expenses may include rental payments, utilities and furnishings.[12] For a clergyperson who owns his or her own home, actual expenses include mortgage and related interest payments, real estate taxes, maintenance, utilities and furnishings.[13] (The Tax Reform Act of 1986 grants the full Schedule A deduction for mortgage interest and real estate taxes even if a housing allowance exclusion is taken by the taxpayer.[14] Payments for an equity line of credit may not be included as a housing allowance expense unless the money was used for actual housing-related expenses.[15])

   The expenses must occur in the tax year in which the clergyperson is to exclude those expenses from his or her gross income. In one instance, the Internal Revenue Service ruled a clergyperson could not exclude as housing allowance an amount equal to the amortization of his advance payment for lifetime rental of his retirement home. The clergyperson paid a flat fee in advance for the lifetime rental. Utilities, maintenance and insurance payments were due yearly. The clergyperson excluded as housing allowance the maintenance, utilities, insurance and one-fifteenth of the advance rental. The Internal Revenue Service ruled the housing allowance was limited to the utilities, maintenance and insurance.[16]

c. **Fair rental value.** In 1971, the Internal Revenue Service issued a Revenue Ruling that imposed a third factor upon clergy who own their own home: The amount excluded from gross income cannot exceed the fair rental value of the housing.[17] This rule was added to Code section 107(2) itself in 2002. According to the above-referenced Revenue Ruling and current publications issued by the Internal Revenue Service, the "fair rental value" of a clergyperson's housing includes, in addition to the fair rental value of the housing (with furnishings), the fair rental value of appurtenances such as a garage and the cost of utilities.[18]

In determining the amount of the exclusion, the clergyperson should make a bona fide, even if informal, calculation, so that he or she would be able to substantiate the amount of the exclusion. If the clergyperson actually rents the home, the amount of the rent would be persuasive evidence as to the fair rental value (unless there is some family connection or the clergyperson is otherwise paying a non-market rate). Sometimes a clergyperson will have rented the home to others before retirement and thus will have a good idea of the actual rent that the home could command. There are other, equally obvious methods of calculating a fair rental value: an appraisal from a local realtor, examination of listings with local realtors, verification of actual rents paid for any comparable housing in the neighborhood or community (as adjusted for special advantages or disadvantages of the specific property), or a survey of newspaper ads of homes for rent in the community.

4. **Exclusion of pension received from plans not administered by Wespath.**
   Some United Methodist clergy, while serving appointments beyond the local church, may have participated in pension programs that are not administered by Wespath. Based on Internal Revenue Service materials related to the housing allowance exclusion, it appears clergy may use the conference housing allowance resolution to claim a housing allowance exclusion from pension payments received from these other pension programs. However, the exclusion may be claimed only if the clergyperson was entitled to use the Code section 107 housing allowance exclusion during the time he or she actively served the appointment beyond the local church to which these pension payments are related.

   Warning: The Internal Revenue Service has ruled inconsistently on this matter. There are instances in which the Internal Revenue Service has disallowed the housing allowance exclusion from pension payments received from non–Wespath sources.

5. **Rollovers from other plans may not be excluded from income.** It is possible that a clergyperson who has participated in a pension plan that is not administered by Wespath might, under some circumstances, roll over these other pension funds to his or her rollover account with Wespath. However, even when the clergyperson begins to receive benefits from the rollover account, these benefits may not be excluded from taxation as a housing allowance (unless the clergyperson qualified under Code section 107 when he or she accrued the other pension).

6. **Procedural aspects of the exclusion.** Most local churches or other employing units of The United Methodist Church do not include the amount of housing allowance (e.g., the fair rental value of a parsonage or a cash payment characterized as a housing allowance in lieu of a parsonage) on informational returns such as *Internal Revenue Service Form W-2s, 1099s*, etc. Therefore, most active clergy never need to show the exclusion of the housing allowance when filing their federal income tax returns.

   The retired or disabled clergyperson faces a different situation. Because distributions from pension programs must be reported to the Internal Revenue Service, Wespath reports the full amount distributed to the retired or disabled clergyperson during the year. The clergyperson must take the responsibility of actually excluding the housing allowance from his or her reported gross income.

The retired or disabled clergyperson will receive from Wespath an *Internal Revenue Service Form 1099-R* or *IRS Form W-2*, respectively. A copy of the form should be attached to the federal income tax return (and likewise, to any state or local return) filed by the clergyperson. This form reflects the amount of money received from Wespath. When calculating total (gross) income, the clergyperson must report all pension payments on line 5a "Total Pensions and Annuities" (*IRS Form 1040 for 2020*). The retired or disabled clergyperson should then report on line 5b (*IRS Form 1040 for 2020*) the taxable amount of his or her retirement income—i.e., the total amount of the retirement income minus the sum of: 1) the portion of the retirement income attributable to the after-tax contributions (if any), and 2) the portion being excluded in accordance with Code section 107.

The retired or disabled clergyperson who is claiming a housing allowance exclusion should also add an explanatory note. Next to line 5b (*IRS Form 1040 for 2020*), the clergyperson should write "See note," and, on a separate sheet of paper, should designate a "Note to line 5b." The note should include language similar to the following: "I received $xxx from the UMC Benefit Board, Inc., as reported by the attached *1099-R*. I did not include $yyy of this amount on line 5b because it has been excluded under the provisions of section 107 of the Internal Revenue Code as a housing allowance exclusion. As a retired United Methodist clergyperson, I am entitled to take this housing allowance exclusion." An explanation of this type should be sufficient in most situations.

7. **Surviving spouses not eligible for housing allowance.** The housing allowance exclusion is available only to ordained clergy, not to surviving spouses.[19]

   The tax return for the year in which a clergyperson dies may include, as an exclusion from the gross income of the clergyperson, a housing allowance exclusion for the full period of time the clergyperson was alive. That is, the death of a clergyperson during the year does not invalidate the housing allowance exclusion for the entire year. The exclusion is still available with respect to the income of the clergyperson during the time he or she was alive.

8. **Pension benefits taken as a housing allowance are not self-employment income.** A provision contained in the Small Business Job Protection Act of 1996 amends the definition of net earnings from self-employment to specifically exclude from Self-Employment Compensation Act (SECA) tax "the rental value of any parsonage or any [housing] allowance (whether or not excludable under [Code] section 107) provided after the individual retires, or any other retirement benefit received by such individual from a church plan (as defined in [Code] section 414(e)) after the individual retires."[20]

   Some clergy continue to work during retirement and have self-employment income. The fact that these clergy have self-employment income does not alter the fact that their pension payments are not subject to SECA tax, even if excluded from income under Code section 107.

9. **Summary.** When computing his or her federal income taxes, a retired clergyperson should carefully calculate the amount of the housing allowance exclusion to which he or she is entitled, always keeping in mind that the amount will be limited to the least of the three limits discussed above. The retired clergyperson should make sure to attach a note to the federal income tax return to explain the difference between the amount of pension reported by Wespath and the amount reported by the clergyperson as taxable.

Endnotes:

1. Code §107.
2. For more than 10 years the Internal Revenue Service has stopped issuing rulings about the availability of the housing allowance exclusion to retirees while the issue is “under study.” It is not known whether or when the Internal Revenue Service might issue further guidance on the subject.
3. Code §107.
4. Rev. Rul. 63-156, Rev. Rul. 75-22.
5. Treas. Reg. §1.107-1(b).
6. See, e.g., IRS Technical Advice Memorandum 8039007. For retired bishops of The United Methodist Church, the General Council on Finance and Administration would be the appropriate organization to designate their housing allowance. Bishops must follow the same rules and procedures as set forth herein. For the sake of simplicity, no further mention of bishops will be made.
7. Treas. Reg. §1.107-1(c).
8. Ibid.
9. Ibid.
10. Code §107(2); Rev. Rul. 71-280.
11. Treas. Reg. §1.107-1(c).
12. Ibid., Rev. Rul. 72-588.
13. Ibid.
14. Code §265(a)(6), Rev. Rul. 87-32.
15. IRS Letter Ruling 9115051.
16. Technical Advice Memorandum 8039007.
17. Rev. Rul. 71-280.
18. Rev. Rul. 71-280, IRS Publication 17, IRS Publication 525.
19. Rev. Rul. 72-249.
20. Code §1402(a)(8).

HOUSING ALLOWANCE EXCLUSION WORKSHEET

This worksheet is designed to help a retired clergyperson determine the amount that he or she may exclude from gross income pursuant to the provisions of section 107 of the Internal Revenue Code (Code). Those provisions provide that "a minister of the gospel" may exclude a "housing allowance" from his or her gross income. This worksheet assumes that a parsonage is not provided to the clergyperson by the salary-paying unit.

The amount that may be excluded by the clergyperson is the least of:

1) the amount classified as the housing allowance by the salary-paying unit (in most cases for a retired clergyperson, this will be the annual conference from which he or she retires);
2) the amount actually expended by the clergyperson for housing; or
3) the fair rental value of the residential property occupied by the clergyperson.

For tax year: ____________________

1. Indicate the amount classified as the housing allowance by the salary-paying unit.		1
2. Indicate the amount actually expended by the clergyperson on housing:		
a. rent payments or mortgage principal payments made	2a	
b. mortgage interest payments made	2b	
c. real property taxes	2c	
d. maintenance expenses	2d	
e. utilities	2e	
f. furnishings	2f	
g. other applicable expenses related to housing	2g	
h. add lines a, b, c, d, e, f and g and indicate **total** here		2h
3. Indicate the fair rental value of the housing plus the cost of utilities:		
a. fair rental value of the housing (furnished)	3a	
b. fair rental value of appurtenances, such as garage (if not in line a) . .	3b	
c. cost of utilities	3c	
d. add lines a, b and c, and indicate **total** here		3d
4. Indicate the least of the amounts indicated on lines 1, 2h and 3d		4

Assuming there is sufficient documentation, the amount indicated on line 4 is the amount that may be excluded from gross income as a housing allowance pursuant to the provisions of Section 107 of the Code.

RETIREMENT-PLANNING CHECKLIST

Use this checklist to make sure you have all the necessary information to begin planning your retirement.

- ❑ Social Security statement
- ❑ Retirement budget

Account statements:

- ❑ Savings
- ❑ Checking
- ❑ Investments
- ❑ Wespath plan(s)
- ❑ Any retirement plans from prior employers
- ❑ Spouse's plan(s)
- ❑ IRA

Retirement Benefits Projection:

- ❑ Wespath plan(s)
- ❑ Any retirement plans from prior employers
- ❑ Spouse's plan(s)

Estate-planning documents:

- ❑ Last will and testament
- ❑ Updated beneficiary-designation forms for retirement plans, welfare plans, life insurance policies, etc.
- ❑ Durable power of attorney for health care decisions
- ❑ Durable financial power of attorney
- ❑ Living will
- ❑ Trust documents
- ❑ Other:
  - ❑ ______________________________
  - ❑ ______________________________
  - ❑ ______________________________
  - ❑ ______________________________

- ❑ List of insurance policies

- ❑ Health insurance coverage information

- ❑ Housing-related information

- ❑ Personalized retirement planning report from EY Financial Planning Services

- ❑ Other information/documents:
  - ❑ ______________________________
  - ❑ ______________________________
  - ❑ ______________________________
  - ❑ ______________________________
  - ❑ ______________________________

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