

## RETIREMENT DISTRIBUTIONS

# LifeStage Retirement Income vs. the 4% Rule

Many people struggle to manage distributions from their retirement accounts. Taking too much can cost you a secure retirement; taking too little can keep you from recreational pursuits in your retirement years (e.g., travel). Retirement planning professionals often offer a rule of thumb to those beginning retirement distributions—recommending that retirees take 4% of their total account balance in the first year of retirement, and then increase or decrease the resulting dollar amount in proportion to the cost of living each subsequent year.

A one-size-fits-all approach doesn't work for a lot of retirees managing their distributions. In fact, an analysis from T. Rowe Price shows that retirees who followed the rule may have an increased risk of running out of money during retirement. Similarly, in the research paper "The 4 Percent Rule is Not Safe in a Low-Yield World," two professors and a Morningstar Investment Management professional suggested that "The 4% rule cannot be treated as a safe initial withdrawal rate in today's low interest rate environment."

## CUSTOMIZED DISTRIBUTIONS

The General Board—your responsible choice—offers a solution to the need for a customized distribution strategy: LifeStage Retirement Income. Instead of blindly setting payment amounts based on an arbitrary rule, LifeStage Retirement Income sets and adjusts your payment amount based on current investment market conditions, cost-of-living changes, investment performance, your remaining account balance and your age. The General Board notifies you of the new monthly payment amount each November.

When you use LifeStage Retirement Income to manage your retirement income payments, LifeStage Investment Management Service manages your account's investments. And you don't have to wait until retirement to find out how much income your accounts are projected to provide. Participants in General Board-administered retirement plans can use the LifeStage Retirement Income Calculator to see how much their payments would be if they elected LifeStage Retirement Income at retirement. For more information about LifeStage Retirement Income, visit [www.gbophb.org/retirement/services](http://www.gbophb.org/retirement/services).

## One-on-One Assistance

If you'd prefer a personal touch, the General Board offers individual financial planning at no charge to eligible participants\* from Ernst & Young Financial Planning Services. Your financial planner can help you develop a custom allocation mix or custom distribution plan and review it regularly to ensure it continues to meet your needs. They can also help you with other financial concerns. Financial planners are available Monday through Friday from 8:00 a.m. to 7:00 p.m., Central time at 1-800-360-2539.

Don't settle for using the 4% ballpark estimate. With LifeStage and Ernst & Young, your retirement income planning is *customize.able*.

\* Visit [www.gbophb.org/retirement/services/](http://www.gbophb.org/retirement/services/) for details.



*The General Board—  
your responsible choice—  
offers a solution to the  
need for a customized  
distribution strategy:  
LifeStage Retirement  
Income.*



General Board

**Pension and Health Benefits**

*Caring For Those Who Serve*

## INVESTMENTS

## Wespath—What's In a Name?



Since 2011, the General Board's investments division has been known as Wespath Investment Management. While the name changed, the division—which has been trusted since 1908 to invest and grow the plan assets that can help secure the retirement futures for more than 90,000 United Methodist clergy and lay employees—remained unchanged.

Your General Board-administered accounts continue to be invested by our investments division staff and investment fund managers. These employees are still managing your retirement investments, and you can continue to track fund status and performance on the General Board website: [www.gbophb.org](http://www.gbophb.org). However, Wespath also has its own website developed specifically for institutional investors.

So, what did change? The division was renamed to reflect Wesleyan heritage and a path toward financial growth. Wespath now offers its investment services to United Methodist foundations, general agencies, children's homes, retirement homes and other United Methodist affiliates. The expansion of our investor groups was designed to increase the funds' asset base at a time when a large number of participants are retiring and comparatively fewer are entering the plans. A larger

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asset base keeps administrative costs low as a percentage of account balances, since costs are shared among a larger group of investors.

Since the introduction of Wespath, approximately \$700 million in new money has been added to the plans' assets, resulting in more than \$20 billion in assets under management (as of the end of November 2013). These new assets have contained increases in fund fees at a time when costs have been on the rise. For more information about Wespath, visit our website at [www.wespath.com](http://www.wespath.com).



## Changes to MPP Investments in LifeStage

As previously communicated, if you are a clergy person with a balance in the Ministerial Pension Plan (MPP) who has not yet taken a distribution, the LifeStage Investment Management Service (LifeStage) may change the target fund allocation and initiate a rebalance for your account beginning this month, resulting in a greater allocation to equities (stock). This change is a result of General Conference 2012 legislation that limits the amount of MPP that can be annuitized.

LifeStage assumes that you are planning to invest the non-annuitized 35% of your MPP balance on account for the long term and take distributions throughout retirement, unless you have elected otherwise on a LifeStage Personal Investment Profile. This investment strategy is aligned with accepted financial planning practices as it provides you with a better opportunity to preserve your purchasing power throughout retirement. If you intend to take a cash distribution of the non-annuitized 35% of your MPP balance soon after you retire (e.g., to purchase a home), consider updating your profile, so that your account is invested for the short-term.

### LEARN MORE ABOUT YOUR OPTIONS

If you haven't created or updated your LifeStage Personal Investment Profile, consider discussing your options with an Ernst & Young financial planner. The General Board offers financial planning assistance at no charge through Ernst & Young Financial Planning Services. Call as often as you like and stay on the phone as long as you need. Financial planners are available Monday through Friday from 8:00 a.m. to 7:00 p.m., Central time at **1-800-360-2539**.



### Updating Your Profile

You can update your LifeStage Personal Investment Profile at any time. LifeStage will rebalance your account periodically as necessary based on your elections. To update your profile:

- 1 Log in to the Benefit Access website at **[www.benefitsaccess.org](http://www.benefitsaccess.org)**
- 2 Select "**My Benefits**" from the toolbar at the top of the page.
- 3 Click the **Retirement Benefits** drop-down menu, choose "**LifeStage**" and click "**Change LifeStage Personal Investment Profile.**"

If you cannot update your profile online, call a General Board representative at **1-800-851-2201**.

For more information about these changes, see the July and October 2013 issues of *Hark*, or the article on the General Board website can be found at **[www.gbophb.org/retirement/plans/mpp-changes-2013/](http://www.gbophb.org/retirement/plans/mpp-changes-2013/)**. Changes went into effect on January 1, but accounts will not be rebalanced until January 17.

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## RETIREMENT PLANNING

## What's New in Benefits Access



If you haven't logged on to the online account management website in a while, be sure to visit Benefits Access at [www.benefitsaccess.org](http://www.benefitsaccess.org) to see what's new. In the last year, the General Board has significantly enhanced the website's functionality and increased service offerings.

Make sure you explore the:

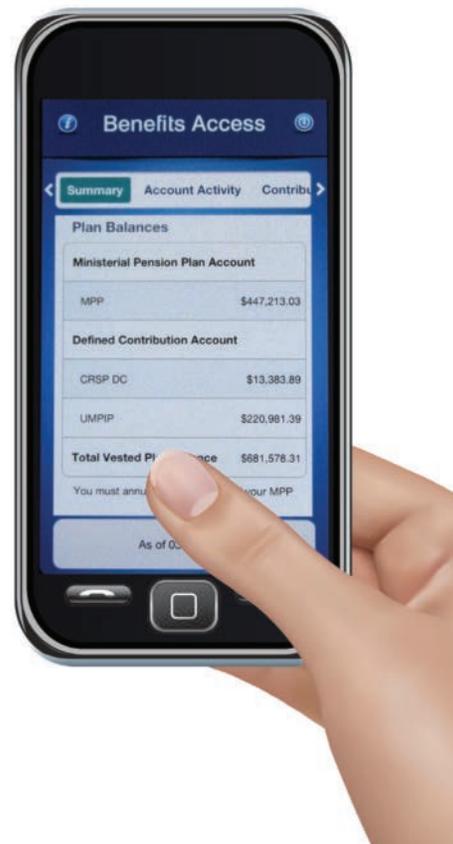
- 1 **Summary of available retirement benefits\***—shows your retirement account plan balances and projects your estimated retirement income if you were to retire today
- 2 **Online application for benefits**—allows you to elect to begin benefits from your defined contribution accounts (i.e., UMPIP, CRSP DC, Retirement Plan for General Agencies, Horizon 401(k) Plan) and initiate MPP benefits (both the annuity and one-time distribution), if any
- 3 **Profile updates**—enables you to manage bank account information and income tax withholding elections for ongoing payments
- 4 **LifeStage Retirement Income service\***—manages your retirement distributions. (Learn more in the article "LifeStage Retirement Income vs. the 4% Rule" in this issue)
- 5 **LifeStage Retirement Income Calculator**—allows you to determine how much your payments would be if you used the LifeStage Retirement Income service

\* Available only to retired and terminated individuals who are eligible for or receiving benefits, and active participants who have notified their conference/employer of their intent to retire within the next year.

Access to your Benefits Access account is now available through your smartphone. The Benefits Access Mobile App is designed to provide 24/7 access to view your General Board-administered retirement accounts. It is compatible with the iPad®, iPhone®, iPod touch® and Android™ smartphones. For details and download instructions, go to:

[www.gbophb.org/retirement/services/bamobileapp/](http://www.gbophb.org/retirement/services/bamobileapp/)

and click the link for the *Benefits Access Mobile App User Guide*.



## 2014 Retirement Contribution Limits

The Internal Revenue Service (IRS) recently announced 2014 contribution limits for retirement savings plans. You may contribute up to **\$17,500** in before-tax participant contributions or **\$23,000** if you will be age 50 or older by the end of 2014—unchanged from 2013. Participants with 15 or more years of service with The United Methodist Church may be eligible to make an additional annual before-tax contribution of **\$3,000**; however, eligibility requirements and lifetime limits apply. If you have more than 15 years of service and want to contribute more than \$17,500 this year, please contact the General Board at **1-800-851-2201**.

Total contributions—before-tax, after-tax and plan sponsor contributions (if you are eligible)—cannot exceed the lesser of **\$52,000** or **100% of your total compensation**. Compensation for this purpose does not include amounts excluded from taxable income for housing allowance. Additional contributions made by participants over age 50 or with over 15 years of service do not count toward this limit.

### 2014 SAVER'S CREDIT

The Saver's Credit is a tax credit for low- and moderate-income 401(k) and 403(b) savers. If you qualify, you can contribute before taxes and take a credit on your federal income tax return. The following chart shows the allowable credit based on income.

Credit*	Adjusted Gross Income		
	Single Filers	Heads of Households	Married Filing Jointly
50% of contribution	\$0 – \$18,000	\$0 – \$27,000	\$0 – \$36,000
20% of contribution	\$18,001 – \$19,500	\$27,001 – \$29,250	\$36,001 – \$39,000
10% of contribution	\$19,501 – \$30,000	\$29,251 – \$45,000	\$39,001 – \$60,000
No credit	More than \$30,000	More than \$45,000	More than \$60,000

\* Maximum credit \$1,000 (\$2,000 if married filing jointly)

### INCREASE YOUR SAVINGS

Consider setting extra money aside for your retirement, especially if you are expecting a tax refund this year. For example, if you usually receive a \$3,000 refund, that means too much federal income tax is being withheld from your pay. Use the IRS withholding calculator (at [www.irs.gov/Individuals/IRS-Withholding-Calculator](http://www.irs.gov/Individuals/IRS-Withholding-Calculator)) to determine how many allowances to take, then complete a new *Form W-4*. Instead of receiving approximately \$250 extra in your paycheck, increase your contribution to the United Methodist Personal Investment Plan (UMPIP) by \$250 a month. More information about using your tax refund for retirement contributions was included in the April 2012 issue of *Hark*—available on the General Board website at [www.gbophb.org/resources/publications-materials/](http://www.gbophb.org/resources/publications-materials/) or through Benefits Access.

### EARN YOUR MATCH

If you participate in the Clergy Retirement Security Program (CRSP), a new matching feature began this year. You must contribute at least 1% of your plan compensation to UMPIP to earn the full 3% Church contribution to the CRSP Defined Contribution (DC) plan. If you do not contribute, your CRSP DC contribution is reduced—so be sure to start if you haven't already. If you are already saving 1% or more of your compensation in UMPIP, consider increasing your contributions to make up for the reduction in the CRSP Defined Benefit (DB) formula.

You can begin contributing to UMPIP or increase your contributions at any time by submitting a *Before-Tax and After-Tax Contributions Agreement* to your conference or salary-paying unit. So start saving today for a secure retirement.

## INVESTING

## Multiple Asset Fund Allocations Changing for 2014

The Multiple Asset Fund (MAF) target fund allocation will change in 2014. Currently, the MAF target allocations are 45% to the U.S. Equity Fund (USEF), 20% to the International Equity Fund (IEF), 25% to the Fixed Income Fund (FIF) and 10% to the Inflation Protection Fund (IPF). Effective January 1, the USEF target allocation will decrease to 40% and the IEF target allocation will increase to 25%. The FIF and IPF fund target allocations remain unchanged.

The objective of MAF is to attain current income and capital appreciation by investing in a broad mix of different types of investments. It is designed for investors with a relatively long time horizon who seek long-term investment growth and income from exposure to a broadly diversified portfolio comprised of equities, bonds, real estate and other types of investments.

These changes are being made to:

- 1 Reduce the fund's bias toward U.S. equities compared to world equity indices
- 2 Keep pace with current industry practices
- 3 Increase diversification within MAF

Additional information about MAF is available in the *Investment Funds Description* at [www.gbophb.org/assets/1/7/3052.pdf](http://www.gbophb.org/assets/1/7/3052.pdf).

If you have questions about the changes, contact the General Board via e-mail at [prcwebteam@gbophb.org](mailto:prcwebteam@gbophb.org) or by phone at 1-800-851-2201.



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