hark!

in this issue:

Bringing you great tips for responsible investing

April 2014

RETIREMENT PLANNING

Determining the Best Time to Take Social Security

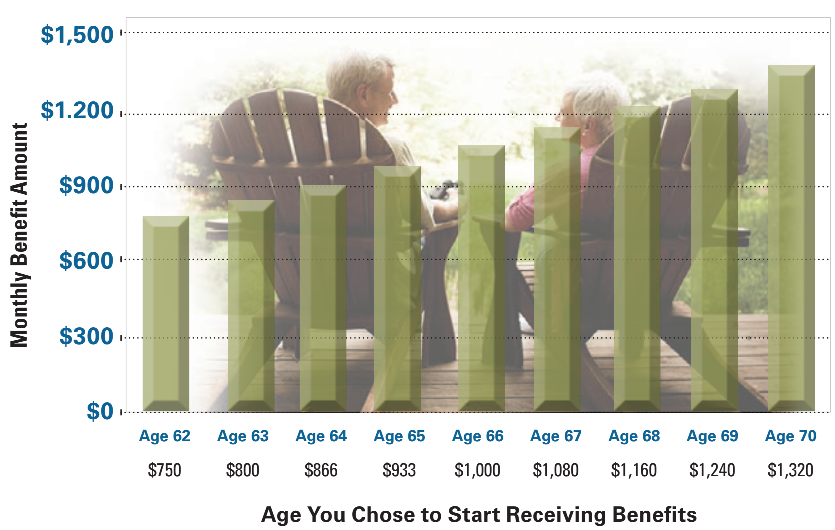
You began paying for government retirement benefits the day you started working. At that time, you may have had no idea why so much of your income went to Social Security. As you approach retirement, however, those benefits begin to figure prominently in the planning process. Many people struggle to determine when to begin their Social Security benefits. You can start as early as age 62, but there are advantages to delaying your benefits until at least full retirement age, or even age 70—if you can afford to wait.

FULL RETIREMENT AGE

The Social Security Administration calculates your benefit based on personal information, including your age and your highest 35 years of inflation-adjusted earnings, and applies a formula to come up with your monthly benefit amount. For each month you delay benefits until age 70, your monthly benefits increase. Between full retirement age (age is 65-67 depending on your birth year) and age 70, the amount of your monthly benefit increases approximately 8% (plus inflation) each year. The higher benefit amount can make a difference. The starting benefit at age 70 is approximately 78% higher than the starting benefit at age 62. That's why a February 4, 2014 article in *The Wall Street Journal's MarketWatch* referred to Social Security as "the most cost-effective longevity insurance available."

EXAMPLE:
Suppose you worked **20 years** and earned a full monthly benefit of $1,000. If you chose to begin payments at age 62 and lived to age 90, you would receive a total of $252,000 vs. $316,800 if you began payments at age 70, not taking cost of living adjustment into account.

This example assumes a benefit of $1,000 at a full retirement age of 66.



Guidance for Your Choice

Determining when to begin your Social Security benefit is a complex decision that has wide-ranging and long-lasting consequences. The best strategy is to fully explore your options before making a decision.

The General Board of Pension and Health Benefits (General Board), your responsible choice, offers no-charge, confidential consultations with financial planners who can explain your choices and help you make the decision that is best for your situation. To take advantage of this service, contact Ernst & Young Financial Planning Services at **1-800-360-2539**. Financial planners are available Monday through Friday from 8:00 a.m. to 7:00 p.m., Central time.

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General Board
Pension and Health Benefits
Caring For Those Who Serve

Best Time to Take Social Security (continued)

DECISION-MAKING FACTORS

Your Health
If longevity runs in the family you might be better off waiting; if you have a shorter than normal life expectancy (e.g., due to illness), you may consider taking benefits earlier.

Other Income
Substantial earnings outside of Social Security could drastically reduce or even offset your payment completely (depending on the amount of your benefit, you might lose your entire benefit if your earned income is between $30,000 and $45,000).

Surviving Spouse
If you choose to take Social Security before full retirement age, your surviving spouse would be entitled to a lower benefit based on your reduced benefit when you die.

ADVANTAGE OF DELAYING

According to "When to Claim Social Security," which appeared in the *Journal of Personal Finance in 2012*, "most retirees would be best served delaying [Social Security] benefits until at least Full Retirement Age (FRA) or later, and that delayed [Social Security] benefits are especially valuable for females, married couples, retirees who expect to invest in relatively conservative portfolios during retirement, and retirees who have longer life expectancies."

While most people understand that beginning benefits later results in a higher monthly payment amount, it isn't easy to determine the age at which you will receive a greater lifetime benefit from delaying your Social Security start date. And for many people, identifying the circumstances under which they could maximize their total benefit is unrealistic because they need the income to meet their day-to-day obligations and they don't know how long they will live.

However, there are other ways to cover expenses while delaying benefits. If you have accumulated savings in a retirement savings plan—such as the United Methodist Personal Investment Plan, the Clergy Retirement Security Program Defined Contribution plan, the Retirement Plan for General Agencies, the Horizon 401(k) Plan or an IRA—you could take higher installment payments until you reach the delayed Social Security start date and then adjust your payments lower when beginning your Social Security benefits. Experts generally agree that the "returns" you earn from delaying Social Security will likely exceed what you could earn on your investments.

Are you a clergyperson who is considering opting out of Social Security?

Did you already opt out? Be sure to read "Opting Out of Social Security Can Be Costly" in this month's Hark Supplement.

RETIREMENT SAVINGS

Let UMPIP Give Your Retirement Savings a Boost

The piece of advice you hear most often from retirement planning professionals is to save more. And the most common response is likely "I can't afford to." But many people are not maximizing their retirement savings because they are unaware of the ways they can boost their balance without paying much more out of pocket. Here are three ways to increase your savings in UMPIP without busting your budget.

Double your money with matching
If your church or employer offers matching contributions, make sure you save enough in UMPIP to earn the full match. Receiving a dollar-for-dollar matching contribution is like earning a 100% return on your investment the day it is deposited in your account.

Reduce your current taxable income with before-tax contributions
Contributing before-tax income to UMPIP may cost less than you'd think because the contributions reduce your current taxable income. Fewer federal taxes withheld from your paycheck helps reduce the amount of take-home pay it costs to grow your savings. And investment earnings on your contributions accumulate tax-free until you take distributions from your account.

Earn tax credits for saving
You may be able to take advantage of the Internal Revenue Service's Retirement Savings Contributions Credit (Saver's Credit) of up to $1,000, offsetting the cost of saving in UMPIP. Single filers with an adjusted income of up to $30,000 in 2014; heads of households earning up to $45,000 in 2014; and married joint filers earning up to $60,000 in 2014 may be eligible.

Additional information about contributing to UMPIP and earning tax benefits can be found in the Saving for Your Future brochure, online at **www.gbophb.org/assets/1/7/3543.pdf**. Remember, you can change or increase your contribution amount or percentage at any time. Simply submit a Before-Tax and After-Tax Contributions Agreement to your conference or salary-paying unit to begin contributing to UMPIP or increase your contributions. So start contributing today!

ADJUST.ABILITY

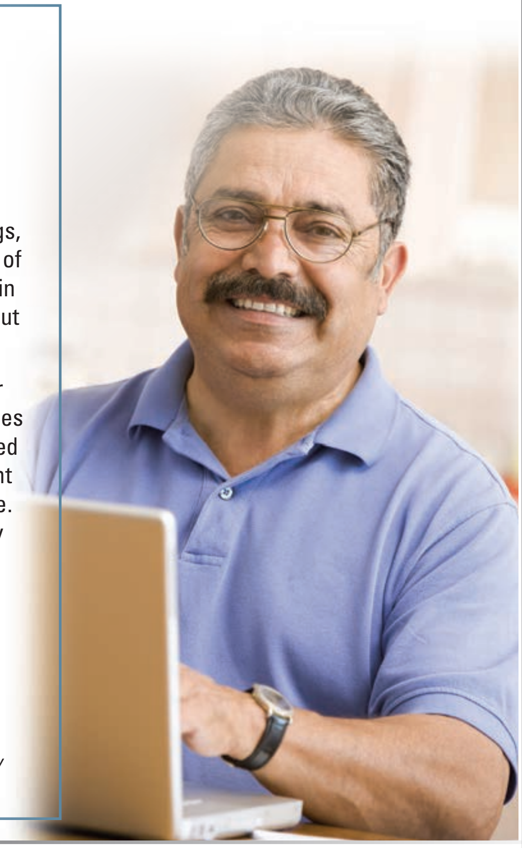
Making Retirement Savings Last a Lifetime

If you are near retirement, you are facing important decisions about your benefits and savings, and you are likely trying to figure out a way to make your nest egg support you for the rest of your days. Cautionary tales abound about people who spent too much and ran out of money in retirement. Less common, perhaps, is the retiree who lived very frugally in fear and missed out on enriching experiences or even basic comforts.

The General Board, your responsible choice, offers a service that can help you optimize your retirement distributions: LifeStage Retirement Income*. LifeStage Retirement Income manages your distributions by turning your defined contribution accounts into monthly payments designed to last your lifetime. This service sets your distribution amount based on current investment market conditions, cost-of-living changes, your remaining account balance and your age. The General Board recalculates your payment annually and updates you on the new monthly payment amount each November. Now that's adjust.ability.

To determine how much your monthly distribution payment would be using LifeStage Retirement Income, use the LifeStage Retirement Income Calculator in Benefits Access (www.benefitsaccess.org). For more information about LifeStage Retirement Income, visit **www.gbophb.org/retirement/services**.

** When you use LifeStage Retirement Income to manage your retirement income payments, LifeStage Investment Management Service manages your account's investments. While the likelihood of your account running out of money is small, LifeStage Retirement Income cannot guarantee that your account balance will last your lifetime.*



INVESTING

The Divestment Dilemma

Divestment presents many challenges. Over the past several years, the General Board has heard calls from a variety of United Methodists to divest of its holdings in companies that they believe are profiting from Israel's occupation of Palestinian land or companies whose actions seem to affect the human rights of Palestinians. Others have asked us to divest from companies supporting the regime in Sudan or the sourcing of minerals from conflict regions in the Democratic Republic of Congo. Recently, groups of United Methodists have called on us to divest of holdings in fossil fuel companies responsible for releasing excessive amounts of carbon into the atmosphere.

As one of the world's leading socially responsible investors, the General Board has an unwavering commitment to defending human rights and promoting environmental stewardship. By collaborating with our socially responsible investment partners, we have successfully convinced a significant number of companies to implement sustainable business practices, address human rights violations and consider the environmental impact of their operations around the world.

The General Board must manage its funds prudently. As a fiduciary, we are responsible to each of our 91,000 participants to help secure their retirement benefits and future financial security. In this role, we have a long-term investment strategy, designed to sustain long-term retirement benefits. Calls for divestment present a dilemma for us, particularly when we hear many refer to "divestment" as a "symbolic" gesture, and the related issues involve complicated discussions. We respect and honor the values of The United Methodist Church; we remain committed to prudent management of our investment funds; and we advocate for change by aggressively engaging with the companies in which we invest.

The General Board's investment policy continues to avoid investing in companies that produce and/or distribute products or provide services that inherently conflict with United Methodist values. We avoid investing in companies that derive 10% or more of revenue from the sale of alcohol, tobacco, weapons and pornography, as well as companies that profit from gambling or operating prison facilities. We are also cognizant of the importance of prudent environmental stewardship, and will relentlessly work to promote sound environment-friendly business policies.

No matter where we invest in the world, we pay particular attention to a company's human rights record—looking at business practices and policies—as we continue to evaluate options in support of the Church's position on a just and lasting peace in the Middle East and around the world.

To learn more about
our position on divestment, visit
www.gbophb.org/humanrights

Photos taken during meetings of the Human Rights and Investment Ethics Task Force, exploring human rights and investment ethics policies and practices.

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RETIREMENT PLANNING

Opting Out of Social Security Can Be Costly

You have an option as a clergyperson that most U.S. workers do not have: to apply for an exemption from Social Security taxes. At first it may sound tempting, but opting out can be a costly decision down the line—and one that is irrevocable. If you have already opted out, make sure that you take the steps to protect yourself and your family.

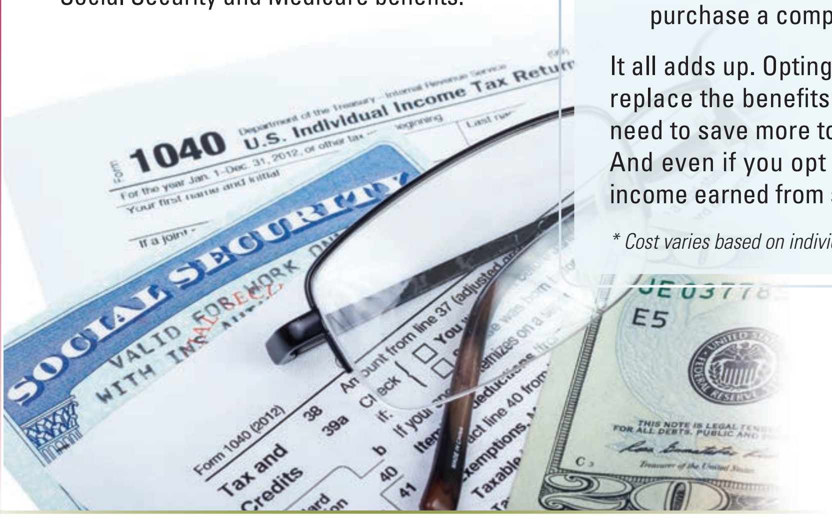
GUIDELINES FOR OPTING OUT

Few ministers meet the strict IRS guidelines required to apply for an exemption. Clergy must certify:

> *"I am conscientiously opposed to, or because of my religious principles I am opposed to the acceptance (for services I perform as a minister…) of any public insurance that makes payments toward the cost of, or provides services for, medical care."*

The clergyperson must also inform the ordaining, commissioning or licensing body of The United Methodist Church that he or she takes the aforementioned stance. If approval is granted by the IRS, the exemption is irrevocable.

Unlike certain other denominations, The United Methodist Church does not oppose Social Security or public insurance. The Church's retirement and health plans operate under the assumption that clergy will receive Social Security and Medicare benefits.



HOW OPTING OUT CAN HURT

While many believe the Social Security taxes are costly now, opting out could cost you much more later—at a time when you can least afford it. When you opt out of the Social Security system, you may lose the following benefits:

1. **Medicare**—At age 65, most individuals become eligible to apply. Part A, which covers hospital costs, ordinarily has no premium. If you opt out and are ineligible, you may purchase Part A for approximately $426 monthly.*

2. **Disability**—Social Security offers monthly disability income if you qualify due to catastrophic illness or injury. If you opt out, consider purchasing a comparable disability income insurance policy. The cost will depend on your age, health status and other factors.

3. **Retirement benefits**—Monthly retirement benefits are provided from as early as age 62 if you are eligible. The average Social Security benefit is $15,228 annually. To provide this same level of benefit for 20 years of retirement, you would need more than $300,000 in retirement savings. If you lived longer, you would need significantly more—and that doesn't even take into account the fact that Social Security benefits increase with inflation.

4. **Survivor benefits**—After you die, Social Security may provide benefits to some surviving family members. If you opt out, you may need to purchase a comparable life insurance policy to provide for survivors.

It all adds up. Opting out would mean you need to pay out of pocket to replace the benefits offered by Social Security. And, you would likely need to save more to have adequate funds to support your retirement. And even if you opt out, you still must pay Social Security taxes on income earned from secular employment.

** Cost varies based on individual factors and increases annually.*

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HELP US HELP THEM

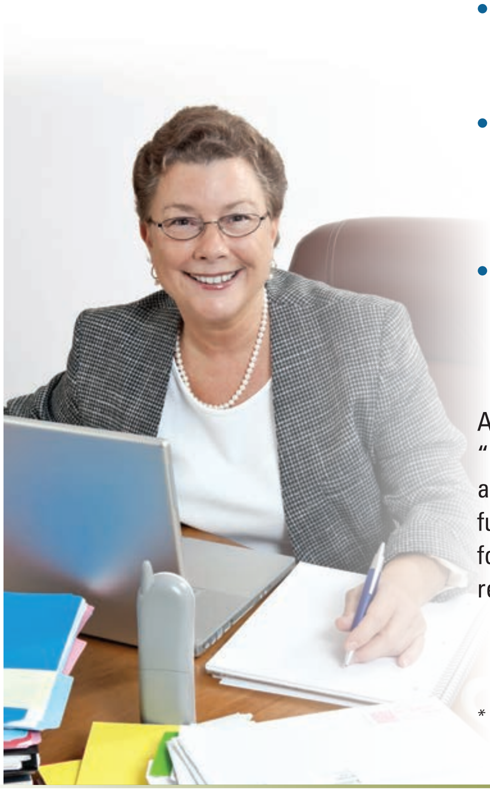
UMPIP for Lay Employees

Most United Methodist clergy enjoy generous retirement benefits. Help the lay workers at your church contribute to their retirement security through the United Methodist Personal Investment Plan (UMPIP).

UMPIP allows participants to save through convenient payroll deduction. Even small amounts saved over time can add up to a substantial amount for support in retirement. While most churches offer this savings opportunity to lay employees, some do not.

The main reasons for denying UMPIP to lay workers include:

- **Perceived lack of interest**—While some churches report that their lay staff has not shown interest in participating, it could be that the benefits of UMPIP have not been communicated.
- **Low income**—Many lay employees receive low pay, sometimes for part-time work. Even small amounts contributed over time can add up. Also, married employees may be able to contribute a large portion of pay if their spouse's income covers most of the household expenses.
- **Insufficient church budget**—Some churches may not think contributions for lay staff can be supported in the budget. However, at a minimum, they could sponsor UMPIP for personal contributions at no added cost to the church.



In addition to the financial benefits, UMPIP enables lay employees to access customized fund management services at no charge through the LifeStage Investment Management Service and objective financial advice at no charge* from Ernst & Young Financial Planning Services. These value-added services may not be available from other retirement plan providers:

HOW YOU CAN HELP

If your church does not offer UMPIP or another retirement plan to lay employees, there are ways you can help promote this plan:

- Urge the Staff Parish Relations Committee (SPRC) to sponsor UMPIP for lay employees.
- Take it a step further, and urge the SPRC to provide church contributions in addition to allowing lay employees the ability to make personal contributions.
- Share promotional and informational materials about UMPIP with your lay staff so that they understand the benefits of participation.

At the General Board, our mission is "caring for those who serve," whether as a minister or as a lay employee. Help us fulfill our mission and further opportunities for others in our connection to prepare for retirement through UMPIP.

Opting Out of Social Security (continued)

GUIDANCE

If you are contemplating opting out, or if you have already opted out, consider discussing the decision with a certified financial planner. The General Board offers confidential consultations with financial planners* at no charge who can help explain this choice and help you decide or, if you've already opted out, help you determine how much additional insurance and savings you need. To take advantage of this service, contact Ernst & Young Financial Planning Services at **1-800-360-2539**. Financial planners are available Monday through Friday from 8:00 a.m. to 7:00 p.m., Central time.

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