

\$200K for Retirement? Learn Your Future's True Costs

Wespath Prepares for the Church's Future
LifeStage Suite Retirement Planning Support
Principled Fund Management

Moving Expense Payments

Are You Earning a Match?

July 2018

\$200K for Retirement? Learn Your Future's True Costs



“Take little steps,
invest just a
little more, and
it gets easier.”

—Jordan Ault
MISSOURI ANNUAL
CONFERENCE

How much do you think retirement will cost? If your retirement is a long time off, it may feel like projections are unrealistic and goals are unattainable. Acting now can have a real impact on the quality of your financial future.

Younger workers seem to have the most unrealistic expectations, according to the *Millennials & Aging* survey. One-third of the respondents—ages 21 to 37—think that they need to save \$200,000 or less to be comfortable in retirement, even though they expect to live to age 81, on average. The U.S. Bureau of Labor Statistics' 2014 *Consumer Expenditure*

Survey found that average annual household retirement expenditures for an individual between the ages of 65 and 74 are \$48,885. Even with 7% investment returns, that \$200,000 would be expected to last less than 5 years.

In fact, an April 2018 CNBC story found that a **healthy** 65-year-old retiring this

year should expect to spend more than **\$130,000 just on healthcare in retirement!**

So, how much do you really need to retire?

What the Experts Say

The March 2017 Merrill Lynch *Finances in Retirement Survey* found that the average lifetime cost of retirement is \$738,400. Setting a savings goal now can help even if retirement is years off.

Personal Perspectives

St. Louis, Missouri-based The Reverend Chelsey Hillyer and her husband, Jordan Ault, began saving for retirement in their 20s, setting “goal posts” for their 20s, 30s and beyond. While they understood the importance of planning, actually saving was more difficult. “It felt easier to try to pay off the car or student loans, than to save for retirement,” says Jordan. A decade into their savings journey, they found that even small savings add up.

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—Merrill Lynch

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\$200K for Retirement? Learn Your Future's True Costs (continued)



“I realized that I needed to save more than only the minimum.”

—Rev. Katie Pearce
ARKANSAS ANNUAL CONFERENCE

Jordan says to “Take little steps, invest just a little more, and it gets easier.”

For the first four years of The Reverend Katie Pearce’s six years in ministry, the Morrilton, Arkansas-based pastor contributed just enough to UMPIP to receive the match offered by the Church. After receiving a raise, she funneled the extra money into her retirement account. “I used the Retirement Readiness Tool on Benefits Access,” says Katie. “It scared me into realizing that I needed to save more than only the minimum.”

Tools to Help You Plan

At 32, Katie benefited from the long-term view provided by her Retirement Readiness Tool projection in Benefits

Access. The tool shows how much you are projected to have, how much you may need, and the shortfall or surplus. It includes balances held in Wespath-administered retirement plans, Social Security, and retirement savings held outside of Wespath that you add in the tool. It also enables you to see how different retirement planning and lifestyle choices (e.g., housing and health care costs, discretionary spending, retirement age and investment style) will impact your retirement needs or goals. To access the tool, log in to benefitsaccess.org and go to **Take Action > Project Future Values > Determine Retirement Readiness.**

When Katie gets closer to retirement, she might want to view her results



using the Retirement Benefits Projection, which walks you through choices you will make at the time of your retirement—such as distribution options—and shows your projected benefit amounts. To access the tool, log in to benefitsaccess.org and go to **Take Action > Project Future Values > Project Future Retirement Benefits.**

Get Assistance



Wespath also offers one-on-one, confidential, professional financial planning assistance at no additional cost to you from EY Financial Planning Services.¹ EY can help you plan your retirement and help with other financial questions or concerns. Call EY at **1-800-360-2539** or visit their website at wespath.eyfpc.com.

¹ Costs for EY Financial Planning and LifeStage services are included in Wespath’s operating expenses that are paid for by the funds. EY Financial Planning Services are available to active participants and surviving spouses with account balances, and to retired and terminated participants with account balances of at least \$10,000.

Wespath Prepares for the Church’s Future

Wespath has monitored the work of the Commission on a Way Forward, and related discussions among Church stakeholders, to assess the possible impacts on the benefit plans we administer. When asked, Wespath has provided input in order to mitigate risks to plan participants. Our mission as a prudent fiduciary is seeking to ensure that benefits remain sustainable into the future for all our plan participants. Once the form of the post-2019 Church is known, Wespath will make any necessary adjustments to continue serving our participants and the Church.



LifeStage Suite Retirement Planning Support

Wespath's LifeStage suite of services can help you plan like a financial expert:

- **During your career, LifeStage Investment Management** manages the savings you've invested in Wespath-administered retirement plans.
- **Throughout retirement, LifeStage Retirement Income** manages distributions from your Wespath-administered retirement accounts.

LifeStage Retirement Income issues monthly payments from your defined contribution accounts. These payments are designed to last for your lifetime and they adjust annually to account for changes in inflation, your age and your remaining account balance.

Plus, with LifeStage Retirement Income, your money remains invested with Wespath, preserving your access to comprehensive financial guidance

through EY Financial Planning Services, investment fund options that are aligned with the Church's *Social Principles*, sustainable investment activities and the clergy housing allowance.

Try the LifeStage Retirement Income Calculator to help determine how much distributions would be with LifeStage Retirement Income (log in to benefitsaccess.org and select **Take Action > Project Future Values > Calculate LifeStage Retirement Income**). Also consider taking advantage of the financial guidance available from EY (**1-800-360-2539**) to determine whether LifeStage is right for you.

For more information, visit wespath.org/retirement/services/lifestage/.

Principled Fund Management



We continue our series highlighting Wespath's investment beliefs, which help define our investment philosophy, while aligning our products and services with the principles of The UMC.

Diversification—Wespath provides investors with efficient, global diversification across a broad range of asset classes, investment styles and asset managers, which improves risk-adjusted returns to our investors.

To view all of our investment beliefs, visit wespath.org/assets/1/7/5060.pdf.



Investment Solutions for United Methodist Organizations

FOUNDATIONS • COLLEGES AND UNIVERSITIES
CHILDREN'S HOMES • HEALTHCARE INSTITUTIONS
OLDER ADULT MINISTRIES

Contact Us: 847-866-4100

Wespath

Investment Management

a division of Wespath Benefits and Investments

Improve Your Well-Being with the Center for Health Newsletter



The July issue of the *Center for Health Newsletter* highlighting healthy aging is now available at wespath.org/cfh/newsletter. David Bell, Executive Director of the Michigan United Methodist Foundation is featured as the "Ask a Professional" on estate planning.



The Tax Cuts and Jobs Act—effective January 1, 2018 through December 31, 2025—temporarily eliminates tax deductions and the exclusion from gross income that were available to prevent the taxability of moving expense payments. Because clergy move regularly to fill appointments, this change has a tangible impact.

Moving expense payments and reimbursements—whether made directly from your conference/church/employer to the company or reimbursed to the clergyperson—**must now be included in gross income, creating tax liability.** In addition, these payments are now subject to SECA taxes. Clergy are responsible for reporting these taxable amounts even if the conference/church/employer fails to report them to the IRS, and should plan to make

additional tax payments to cover the liability.

Information on this change and resources are available from the following sources:

- Tax advisers
- General Council on Finance and Administration: wespath.org/gcfa-tax
- EY Financial Planning Services: wespath.eyfpc.com
- Wespath Moving Expense Q&A wespath.org/assets/1/7/5236.pdf

Are You Earning a Match?

An estimated 60% of U.S. plans offer matching contributions, and four of five Americans earn their match. Are you the one missing out?

What Match Can You Expect?

CRSP DC—Clergy must contribute 1% of their plan compensation* annually to UMPIP to earn a full matching contribution of 1% to CRSP DC.

RPGA—Participants must contribute 2% to UMPIP to earn a full matching contribution of 2% to RPGA.

Other conference, church and employer plans—Log in to

benefitsaccess.org and view the **Contributions** page under **Retirement Benefits** or contact your plan sponsor to determine how much you must contribute to earn your match, if any.

Don't miss out on your opportunity to contribute to UMPIP and improve your future financial well-being. Complete and return a *Contribution Election* form today to begin or increase your contributions and earn your match.

*CRSP plan compensation includes current year moving expense payments, if any

Update Your Beneficiaries Online



Designating a beneficiary for your retirement plan benefits can help you provide financially for your loved ones after you're gone. Benefits are distributed based on the beneficiary designation on file with Wespath. Active, retired and terminated plan participants can add, update or remove this information online in Benefits Access. Visit benefitsaccess.org and select **Take Action > Update Personal Data > Update Beneficiary Designations.**

Even if your beneficiary hasn't changed, it's possible that his or her contact information has.

Using Benefits Access to update your beneficiaries helps ensure accuracy and saves the plan money, due to lower postage and printing costs.

Shared Interest Video



See how Wespath's Positive Social Purpose Lending Program, in partnership with Shared Interest, helped Celeste build her business and support her community in Mozambique.

wespath.org/video/wespath-cares/psp/