



YOUR DOLLARS DO NOT EXPIRE WHEN YOU DIE: FCMM Accounts Include Beneficiary Benefit

Until participant annuitizes, accumulated retirement funds are inheritable

While FCMM participants recognize that good stewardship requires intentional planning for retirement life and ministry, it is also good to know that the value in one's FCMM account also provides some protection for one's family now. If a participant passes away prior to beginning to draw out retirement benefits, the entire value in one's FCMM account is a death benefit that is distributed according to the instructions in one's Participant Beneficiary Designation (Form 02) and provisions in the tax code. For married couples the beneficiary is often a spouse, but one can also establish a trust fund or some other kind of legal arrangement.

The Kiplinger Tax Newsletter recently pointed out the importance of keeping current on plan beneficiaries for estate planning, especially if the participant experiences family changes. The

FCMM plan document allows you to name both primary and contingent beneficiaries. In the absence of such designation the plan states, "the beneficiary shall be the member's heirs at law, as determined in accordance with the laws of descent and distribution of the state of residence of the member at the time of his or her death."

Whether you are relatively new to the plan or you've been a long-time participant, you may want to review the beneficiary arrangement you presently have in place to be sure things are set up according to your present intentions. You'll find Form 02 at www.efca.org/fcmm.

From time to time, FCMM staff hears of a (incorrect) impression that the benefit provision is not available for designated beneficiaries. Please contact us if you have questions or concerns.

THE HOUSING ALLOWANCE BENEFIT IN RETIREMENT

Rev. Bud Smith, Director of Marketing &
Customer Service

One of the significant advantages of a 403(b)(9) church plan like FCMM is the opportunity for all credentialed staff members (ordained, licensed, commissioned) to receive the clergy housing allowance tax benefit when retirement benefits are drawn from FCMM.

A common question often arises: "How can I get 'housing allowance' when I am no longer employed by a local church or serving on the mission field?" The IRS considers all retirement benefits as "deferred income." Thus, if contributions were made to one's retirement account in FCMM when that person qualified for the clergy housing tax benefit, then the person also qualifies for the tax advantage on his/her retirement benefits at retirement time, even though he or she may no longer be serving in a full-time ministry position.

FCMM's procedure for all retired pastors and missionaries is similar to what is currently practiced by a local church or mission board. Every fall retired FCMM participants are asked for a projection on their housing allowance expenses for the following year. Unless notified differently, FCMM assumes that 100% of the annual benefit distributed from one's FCMM account will go towards housing expenses. At an FCMM trustee meeting, these housing allowance estimates are formally recorded in the minutes of the meeting. The retired pastor must keep his actual housing expense records in order to justify the amount of his annual FCMM benefit that actually went to housing expenses.

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HOUSING ALLOWANCE BENEFIT

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Any amount above those qualified housing expenses would be subject to income taxes.

As one can easily surmise, there is a significant tax advantage to credentialed clergy in having one's retirement funds in a 403(b)(9) church plan. It can stretch the value of retirement dollars 15% or more. And even if a mortgage might be fully paid off at retirement time, other related housing expenses such as property taxes, insurance, all utilities, general upkeep, condominium fees, etc. can be applied to housing expenses. That's why we believe every EFCA church and ministry should be using a "church plan" for its staff members, and we also believe FCMM is the best church plan out there when one compares all the factors of investment options, flexible benefit arrangements, IRS compliance assurance, competitive fees, and excellent customer service.

One word of caution should be added. It is important that local churches and ministries follow "best practices" in terms of correctly identifying those who meet the IRS regulations as to qualification for the clergy housing allowance tax benefit. Dan Busby (C.P.A.) and John Van Druen (J.D., C.P.A.) provide a helpful resource in reviewing these important matters. Their book is updated every year, and the most recent issue is *Zondervan 2012 Minister's Tax and Financial Guide*. Every pastor and local church should have a copy on hand. Should you have further questions regarding this issue, please call on our FCMM staff at (800)995-5357.

Another question that the FCMM office often encounters is "What is the future of the clergy housing allowance tax benefit?" While to date there have been a number of legal challenges raised on the matter, thus far the tax benefit has weathered each effort to undo it. It's not beyond the realm of possibility that eventually the clergy housing tax benefit may be removed. But in the meantime, it is both appropriate and wise to take advantage of the tax benefit presently available.

RETIREMENT SAVINGS GOAL ADVISED

The Retirement Advisor Council has published a position paper on retirement readiness. The paper assumes a target income replacement ratio of at least 75% and calls for consistent retirement account savings levels of **10% to 16% of pay** over a 30-year or 40-year career. Studies show, on average, this contribution level will be necessary to fund adequate retirement income.

FCMM encourages church employers to adopt benefit provisions that can enable staff members to reach this level through a combination of church contribution and elective salary deferral.

The position paper *Enhancing Retirement Readiness: Consensus on a Course of Action* is posted on the Retirement Advisor Council website: dpcicadvisors.com/positions.html.

EFCA THEOLOGY CONFERENCE INCLUDES RETIREMENT PLANNING RESOURCES



FCMM's presence at the EFCA Theology Conference continues to add value to the event. At the 2013 conference, January 30–February 1 at Southern Gables EFC in Littleton, Colorado, FCMM will offer workshops and individual consultations.

When you register for the conference, sign up for the Retirement Planning Today luncheon to take place just before the conference sessions begin. This workshop and one on Social Security Planning will also be offered later during the conference. Conference registration information is available at www.efca.org/theologyconference.

Jeff Englin, a Wealth Management Consultant with our partner Alliance Benefit Group, will present the workshops and offer a limited number of 25-minute consultations on Wednesday and Thursday. Sign up for your consultation at the FCMM booth.

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MEET THE TEAM

STAFF



Dawn Swanson joined FCMM in the fall of 2008 as Accountant. She previously worked in the EFCA's accounting department and in government and larger corporations in the areas of employee benefits and risk management/insurance. She holds degrees in business and accounting. She lived in Washington, D.C. and Boston for several years before returning to Minnesota. Dawn grew up on a Minnesota dairy farm and enjoys the outdoors (tennis, golf, hiking, biking), home projects, and mowing lawns. She also enjoys being an aunt and, recently, a great aunt.

BOARD



Ronald Jones retired in 2003, having worked in the area of institutional investments for 26 years with Hewitt Associates just outside Chicago, IL. He was elected to the FCMM Board of Trustees in 2008. Ron has also served on investment committees of a variety of non-profit organizations including the M.D. Anderson Cancer Center and Gustavus Adolphus College, St. Peter, MN. He is a member of Village Church of Barrington (EFC), IL, and is a member of the Advisory Board and the Capital Campaign Cabinet of Breakthrough Urban Ministries in Chicago. He and his wife, Cindy, have three adult sons and six grandchildren.