



# Prepar<sup>T</sup>ing Now for Life after Paychecks

(Getting ready for “then” takes place “now”.)

FCMM (“Free Church Ministers and Missionaries”) **Benefits & Retirement** is the denominational organization of the **Evangelical Free Church of America** that assists local churches and ministries in providing benefits programs to their staff.



# FCMM Services – for EFCA and like-minded ministries

- **Retirement Plan**, including optional in-plan annuities
- **Benefit Plan** (Disability & Life/AD&D insurance)
- Trusted advice for human resources and benefits
- **We recommend:**
  - Payroll service through MinistryWorks
  - Group Health Insurance through GuideStone

prepare today,

ready tomorrow®

# Providing My Future Income

- A. Three Principles
- B. Approaching the Finish Line
- C. Funding post-employment life (sometimes called “retirement”)

# Funding Post-Employment Years

Planning for “Retirement” is simply putting aside income now to fund income for future years.

“The money you save while you’re working is the income you’ll have in retirement.” – Chris Hogan

Biblical example: Joseph managed Egypt’s resources by storing up during the productive years, to provide for the leaner years. (Genesis 41:35-36)

Many employers provide retirement plans for tax-advantaged accumulation of resources. Churches have a responsibility to pastors and staff to assist and encourage their provision for future years.

*Galatians 6:6 NLT: Those who are taught the Word of God should provide for their teachers, sharing all good things with them.*

# A - Three principles to practice *storing up*

- 1) Start to contribute **early** (to tax advantaged retirement funds)
- 2) Contribute **regularly**
- 3) Contribute at **increasing** rates

# 1. The value of starting early

For every **\$1,000** invested during your 30s, earning 6%, you'd have to invest **\$3,000** in your 50s to match the value at retirement.



# The Story of Two Savers

*Saver A spends his money partying for 8 years, then opens a tax-deferred account earning 12% at age 26 and invests \$150/Month for the next 40 years*

**Contributions = \$72,000**

*Saver B invests \$150/Month for 8 years in a tax-deferred account earning 12% and saves NOTHING for the next 40 years*

**Contributions = \$14,400**

**Which saver ends up with more money?**

<u>Saver A</u>			<u>Saver B</u>		
Age	Annual Amt	Total	Age	Annual Amt	Total
18	\$0	\$0	18	\$1,800	\$1,902
19	0	0	19	1,800	4,046
20	0	0	20	1,800	6,462
21	0	0	21	1,800	9,183
22	0	0	22	1,800	12,250
23	0	0	23	1,800	15,706
24	0	0	24	1,800	19,600
25	0	0	25	1,800	23,989
26	1,800	1,902	26	0	26,868
27	1,800	4,046	27	0	30,092
28	1,800	6,462	28	0	33,703
29	1,800	9,183	29	0	37,747
30	1,800	12,250	30	0	42,277
35	1,800	34,506	35	0	74,506
40	1,800	74,937	40	0	131,305
45	1,800	148,388	45	0	231,405
50	1,800	281,827	50	0	407,815
55	1,800	524,245	55	0	718,709
60	1,800	964,644	60	0	1,266,610
65	1,800	1,764,716	65	0	2,232,200

**Saver B has outpaced A by over \$467,000!!**

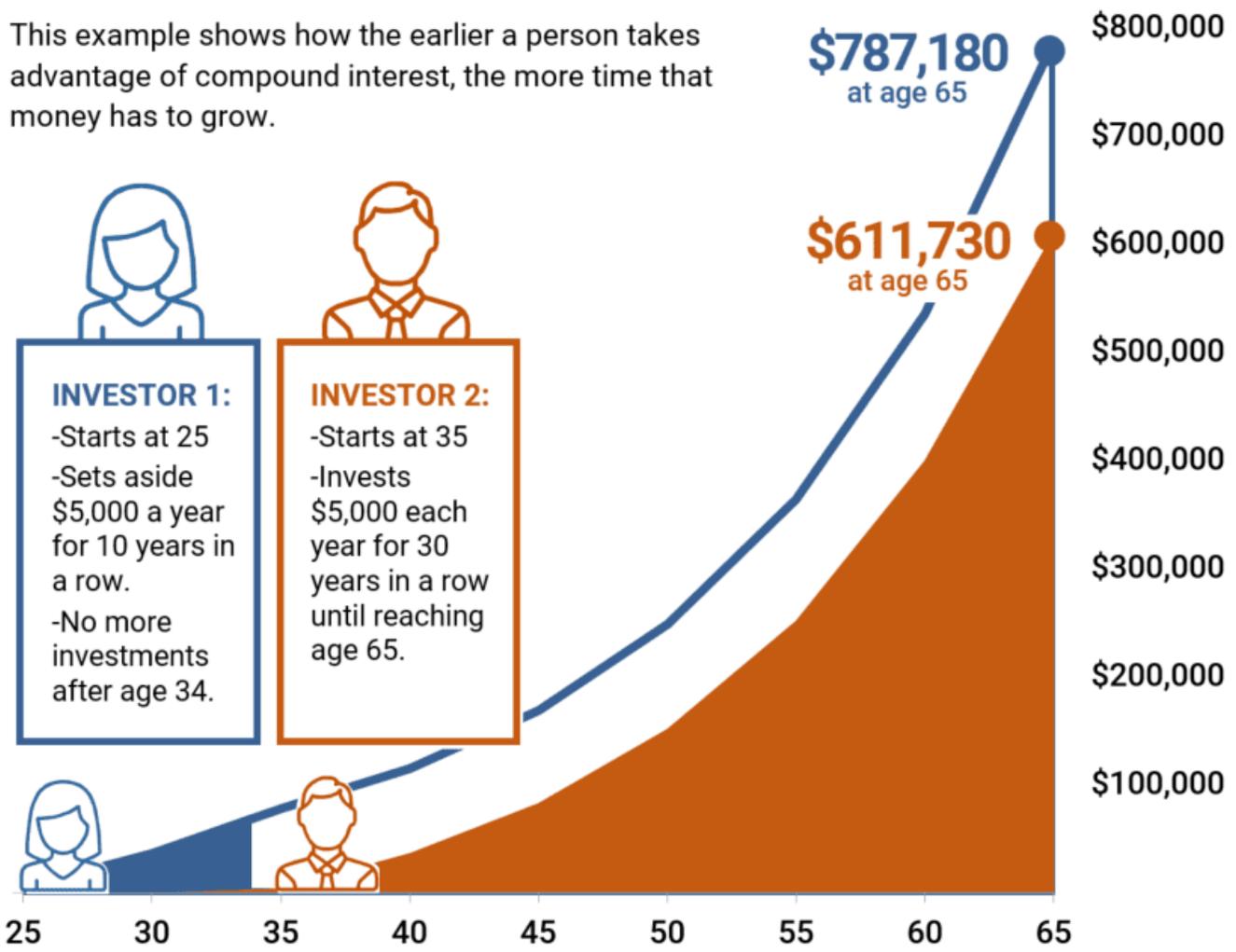
**DON'T PROCRASTINATE**





# COMPOUND INTEREST: WHO WILL EARN MORE?

This example shows how the earlier a person takes advantage of compound interest, the more time that money has to grow.



**INVESTOR 1:**  
-Starts at 25  
-Sets aside \$5,000 a year for 10 years in a row.  
-No more investments after age 34.



**INVESTOR 2:**  
-Starts at 35  
-Invests \$5,000 each year for 30 years in a row until reaching age 65.



NOTES: Assumes an 8 percent interest rate, compounded annually. Balances shown are approximate.  
SOURCE: Author's calculations.

## 2. Consistently contribute

Regular contributions ...

Over a 40-year career, contribute  
**15%** of income annually to  
retirement savings (employer and  
employee contributions combined)

Source: T. Rowe Price

Note: 2/3s of middle income employees are saving < 5%.

Source: LIMRA

# Sources of Contributions

- **Employer** may contribute a % or \$ amount, per the employer's Adoption Agreement with FCMM.
- **Employee** may elect to contribute a % or \$ amount to be deducted from each paycheck (**chosen as salary deferral via Form 03 Investment Selection & Salary Deferral**):
  - **Salary Deferral** (traditional "pre-tax") – lowers current taxable income. Later, retirement distributions are subject to income tax.
  - **Roth-designated Salary Deferral** – does not lower current taxable income but grows tax-free and later provides tax-free retirement distribution.
- Some employers match a specific % or \$ amount of employee salary deferral.
  - Match is determined by employer via Adoption Agreement. (Example: Employer matches 100% of employee salary deferral up to 5%.)

# Types of Retirement Accounts

- Tax advantaged / tax-deferred
  - Employer Retirement Plan
    - 401k – “For-profit” company
    - 403b – “Non-profit” company
    - 403b(9) – Church (FCMM Retirement Plan)
  - Individual
    - IRA (“Individual Retirement Account”) – Traditional pre-tax or Roth after-tax
- Not tax advantaged
  - Personal savings
  - Investment/brokerage account

# FCMM Retirement Plan is an Employer Plan

- Contributions sent by the church/employer
- Regulation: must be the sole retirement plan of a church/employer
- As a 403(b)(9) Church Plan, allows much higher contribution maximums than IRAs
  - 2024: Total maximum of \$69,000, of which up to **\$23,000** can be employee deferral (plus **\$7,500** “catch-up” ≥ age 50), no higher than includible compensation (which excludes housing allowance)
- FCMM Retirement Plan is designed for the autonomous polity of the Evangelical Free Church.

## 3. Increase contributions

**Increase** your rate of contributing over your years

- Bump up by 1% point, or more, when receiving a salary increase

# To do:

- Increase your rate of contributing over your years
  - Example: 10% in 20s, 12% in 30s, 15%+ in 40s and up
  - Form 03 *Investment Selection and optional Salary Deferral*: To change (increase!) contributions deducted from pay.
- Diversify investments among different types of assets  
(Ecclesiastes 11:2 NLT: *Divide your investments among many places, for you do not know what risks might lie ahead.*)
  - FCMM managed funds (Options C,D,E) are diversified.

# Investor Types

- “Do it for me.”
- “Help me do it.”
- “Do it myself.”

# FCMM Retirement Account Funds

- Option C – FCMM Lifetime Fund
- Option D – FCMM Managed Stock Fund
- Option E – FCMM Managed Bond/Income Fund
- Option F – American Mutual Funds
- Option G – Vanguard Mutual Funds
- Option H – Adjustable Rate Investment through Christian Investors Financial
- Option J – Biblically Responsible Mutual Funds: Timothy Plan Funds and GuideStone Funds

## Option C “Lifetime Fund” Takes a Different Approach: Steady

- Balanced, diversified fund managed by FCMM trustees and professional investors
- Investment strategy focuses on long time horizon, crediting participant accounts with steady returns at lower volatility.
- Participant account does not directly fluctuate with annual market
- Designed to convert to stable monthly retirement income benefit (“annuity”). [If taken as cash withdrawal or rollout, then a market value adjustment will be made, if applicable.]
- Structured for long-term investment, not for transfer activity among funds

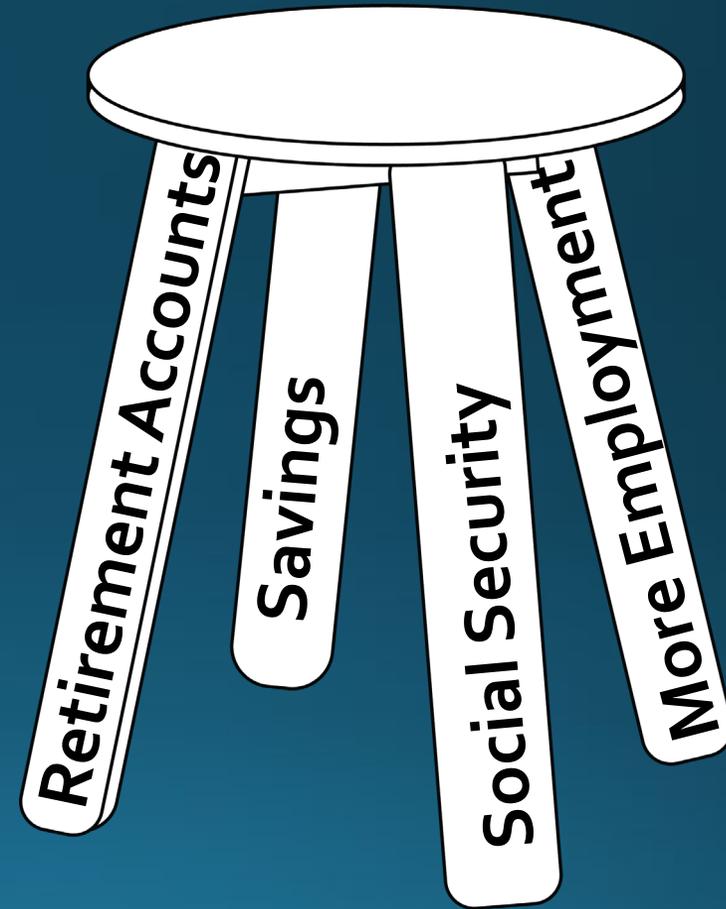
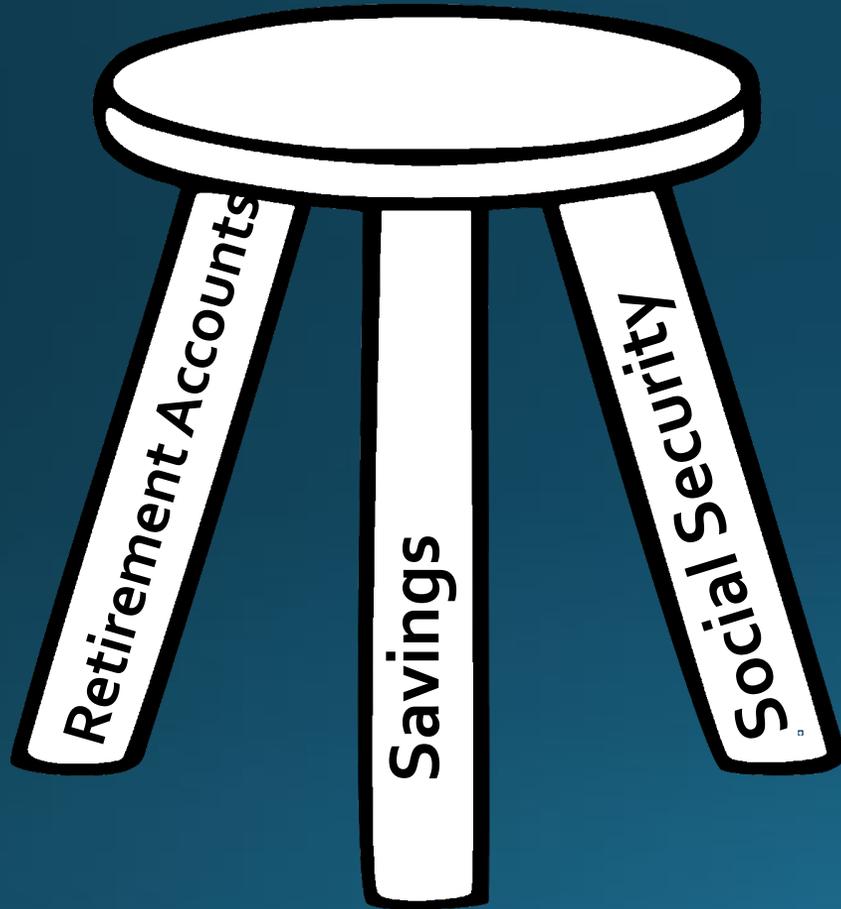
# What is a good strategy, at any age, for the “do it for me” investor?

- Option C (Lifetime Fund): 50%
- Option D (Stocks): 25-40%
- Option E (Bond/Income): 10-25%

# B – Approaching the Finish Line

- Sources of income after employment
- Social Security basics
- Medicare basics

# Sources of post-employment income



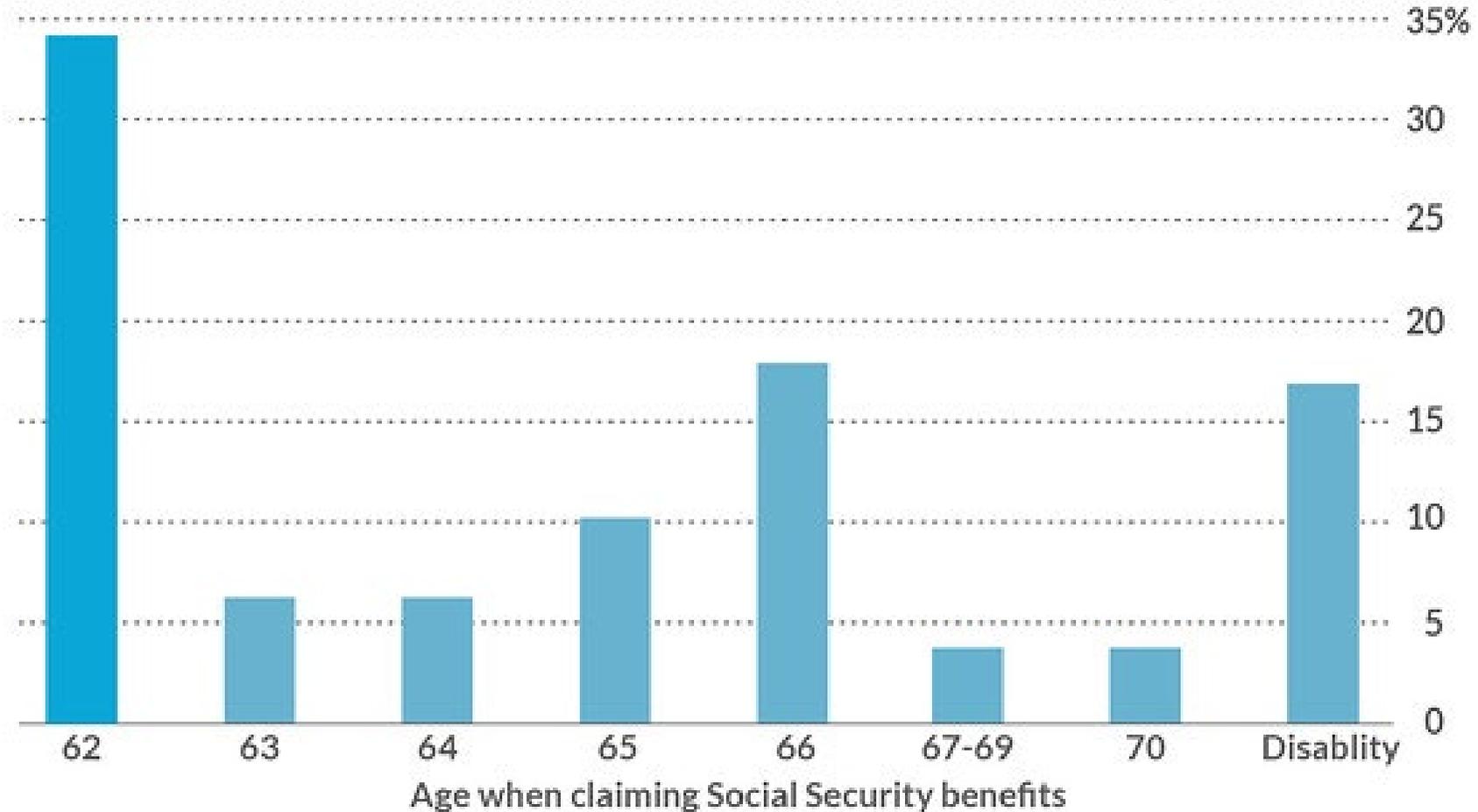
# Social Security

- Eligible at age 62
- Value of waiting to file: SS monthly benefit increases by nearly 8% for each year until age 70. (Difference in monthly benefit at age 70 vs. age 62 can be 66% higher.)
- Consider timing and strategy for your benefits and spousal benefits.
- Waiting to age 70 increases spouse's potential survivor benefit.
- Starting with age 65, filing for SS benefits automatically puts you in Medicare Part A.

# Age to start drawing SS benefit?

**62 remains the most popular age of retirement!** -starting SS

Percent of retirees who claim their Social Security benefits, by age



Source: USA Today, Social Security Administration

# Medicare

- Eligible at age 65. But it is not required to sign up at age 65.
- If in an employer group plan with 20 or more employees, it is not necessary to sign up for Medicare at age 65. Otherwise, be sure to enroll in Medicare timely when eligible.
- Want to understand Medicare? Attend at least two workshops well in advance while in U.S. Most providers of Medicare supplemental plans and Medicare Advantage plans offer workshops that cover Medicare basics. (An online resource: <https://www.aarpmedicareplans.com/medicare-education.html>)
- If you have a high deductible plan with HSA (Health Savings Account), be aware that after age 65, starting SS benefit will result in HSA contributions not allowed. This is in effect retroactively for six months prior to the date you apply for SS and tax penalties will incurred.

# C – Funding post-employment life (sometimes called “retirement”)

- Replacement Income planning
- FCMM Retirement Plan Distributions
- Benefit of minister’s housing allowance for church plan distributions

# Post-employment Replacement Income

Most ministry “retirees” need monthly income equal to 70% or more of pre-retirement income, as income replacement. (No longer paying SS tax or saving for retirement.)

- Up to 50% of that from retirement funds/savings
- 50% or more from Social Security

# For ministers: The additional benefit of clergy housing allowance in retirement

A church retirement plan (like FCMM Retirement Plan) only may designate retirement distributions as housing allowance. FCMM is considered the church for such designation. The same guidelines regarding eligible amounts apply as when employed by a church....

(i.e. Exclusion from gross income for income tax purposes (but not exclusion from SE tax) of the amount used to provide a home, limited to the smallest of

1. The amount **actually** used to provide a home, substantiated by documented eligible expenses.
2. The amount **officially designated** in advance by the church board.
3. The **fair rental value** of the home, including furnishings and utilities.)

# Retirement account distribution methods

- Receive annual Required Minimum Distributions (RMD) after age 73.
- Lump sum(s) – take out certain dollar amount(s) annually, or as needed, that meet or exceed annual RMD
- Convert accumulation to monthly income “paycheck”.
  - Take recurring monthly distributions that meet or exceed annual RMD, as long as account balance lasts.
  - FCMM monthly income benefit (“annuity”) for lifetime. Current illustration: \$100,000 at age 65:
    - Joint & Full (i.e. couple): approximate monthly income of \$498/month
    - Single: approximate monthly income of \$573/month
- Some combination of methods.

# Retirement Income Methods

## Lifetime Monthly Income (Annuity)

- Convert a lump sum to a monthly income stream
  - In-plan monthly income benefit
  - Satisfies RMD
- Can choose: single life; **joint & full life**; joint & 2/3 life; 10-year single certain; 5-year single certain
- Lifetime income – can't outlive
- No inheritable remainder
- Monthly amount will not increase

## Recurring (Periodic) Distributions

- Determine amount to withdraw annually or monthly
- Periodic amount can be changed
- Must be  $\geq$  RMD after 73
- Money may run out during lifetime
- Remainder may be inherited, with certain restrictions for taxable distributions and timetable for beneficiaries

## Required Minimum Distributions

- Use IRS Uniform Lifetime Table to calculate annual required withdrawal
- Distributions may become inadequate
- Remainder may be inherited, with certain restrictions for taxable distributions and timetable for beneficiaries
- "Still working" exception can delay RMDs while employed

All methods result in taxable income unless eligible to be designated as Housing Allowance, or unless distributed from a Roth (already taxed) account. ➡ An individual may use some combination of methods. ➡

# Information at [www.fcmmbenefits.org](http://www.fcmmbenefits.org)

The screenshot shows the homepage of the FCMM Benefits & Retirement website. The header includes navigation links for 'Secure File Exchange', 'Forms & Documents', 'Learn More', 'Account Access', and 'Search'. Below the header, the FCMM logo is displayed with the tagline 'prepare today, ready tomorrow'. The main content area features a large image of a river with rocks and trees. To the left of the image, there is a text block describing FCMM's role as the church benefits provider for the Evangelical Free Church of America. Below this text are four buttons for 'Retirement Plan [403(b)(9) Church Plan]', 'Benefit Plan [Disability & Life/ AD&D Insurance]', 'Payroll Service through MinistryWorks®', and 'Health Plan Solutions through GuideStone®'. A video thumbnail is also present. At the bottom, there are three columns of links for 'EMPLOYERS', 'INDIVIDUALS', and 'RESOURCES'. The footer contains sections for 'News' and 'Articles' with specific article titles.

Secure File Exchange Forms & Documents Learn More + Account Access Search

Why FCMM? Products & Services News & Articles FAQs Contact Us

**fcmm** BENEFITS & RETIREMENT  
prepare today, ready tomorrow

As the church benefits provider of the Evangelical Free Church of America, FCMM ("Free Church Ministers and Missionaries") Benefits & Retirement exists to enable pastors, staff members, and missionaries to serve Christ throughout their lives by assisting employing ministry organizations in providing retirement and other benefits.

Retirement Plan [403(b)(9) Church Plan]

Benefit Plan [Disability & Life/ AD&D Insurance]

Payroll Service through MinistryWorks®

Health Plan Solutions through GuideStone®

VIDEO: Ric Stanghelle, gives an overview report of FCMM to the 2023 EFCAOne Con... ▶

**EMPLOYERS**

- [Retirement Plan](#)
- [Benefit Plan](#)
- [Payroll Service through MinistryWorks](#)
- [Other Employer Resources](#)

**INDIVIDUALS**

- [Retirement Plan](#)
- [Planning for Retirement Resources](#)
- [Benefit Plan](#)
- [Other Individual Resources](#)

**RESOURCES**

- [Tax Guides from ECFA](#)
- ["When I'm 65" Resources](#)
- [FCMM "News & Notes" Newsletters](#)
- [FCMM Information Documents](#)

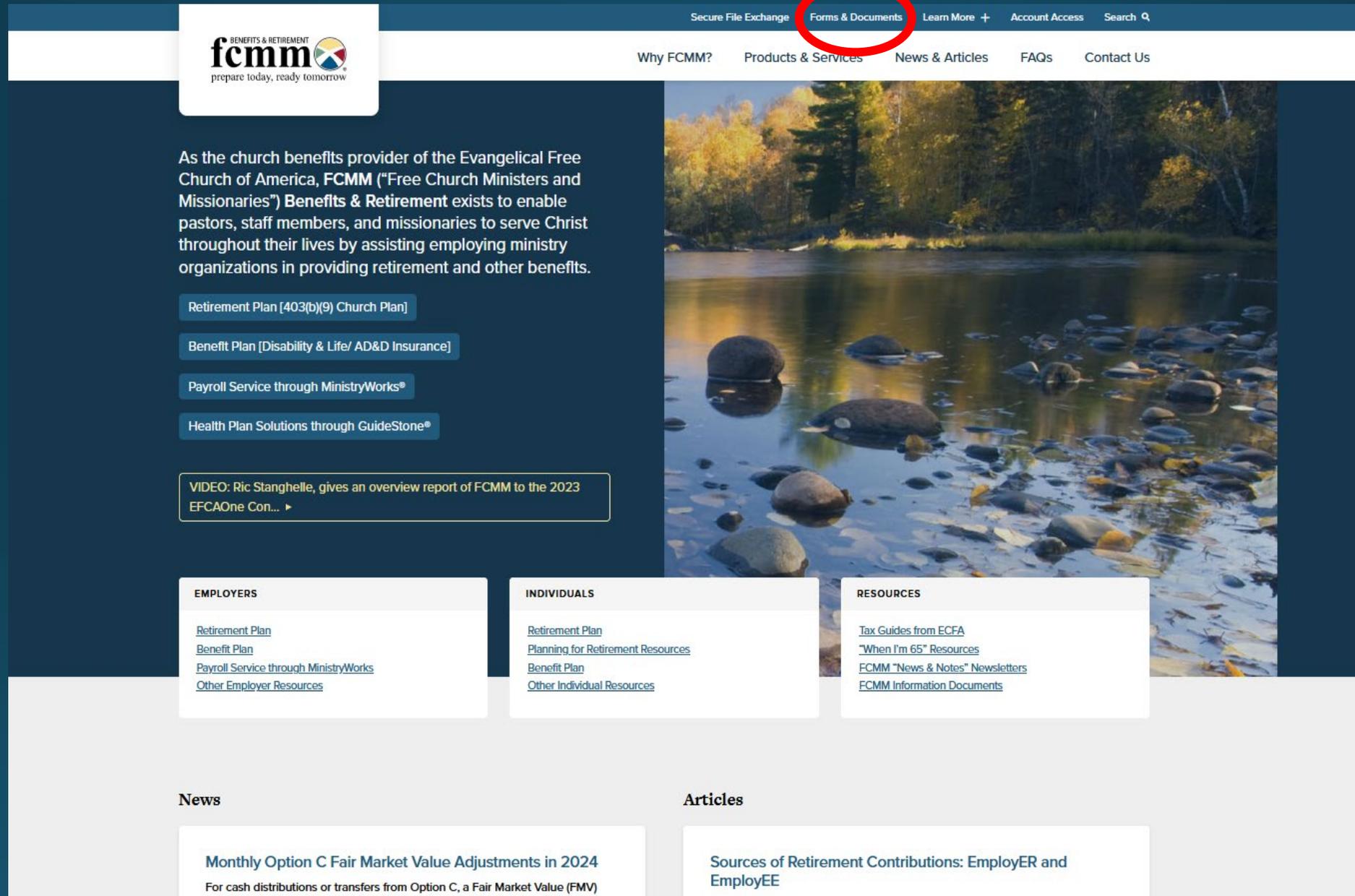
**News**

**Articles**

**Monthly Option C Fair Market Value Adjustments in 2024**  
For cash distributions or transfers from Option C, a Fair Market Value (FMV)

**Sources of Retirement Contributions: EmployER and EmployEE**

# Forms



The screenshot shows the FCMM website with the 'Forms & Documents' menu item circled in red. The page features a navigation bar with 'Secure File Exchange', 'Forms & Documents', 'Learn More', 'Account Access', and 'Search'. Below the navigation bar is the FCMM logo and a main content area with a description of the organization's mission. A large image of a river with rocks is on the right. The page is divided into three columns: 'EMPLOYERS', 'INDIVIDUALS', and 'RESOURCES'. At the bottom, there are sections for 'News' and 'Articles'.

**Navigation:** Secure File Exchange, **Forms & Documents**, Learn More, Account Access, Search

**Secondary Navigation:** Why FCMM?, Products & Services, News & Articles, FAQs, Contact Us

**FCMM Logo:** BENEFITS & RETIREMENT **fcm**m prepare today, ready tomorrow

**Mission Statement:** As the church benefits provider of the Evangelical Free Church of America, FCMM ("Free Church Ministers and Missionaries") Benefits & Retirement exists to enable pastors, staff members, and missionaries to serve Christ throughout their lives by assisting employing ministry organizations in providing retirement and other benefits.

**Service Links:** Retirement Plan [403(b)(9) Church Plan], Benefit Plan [Disability & Life/ AD&D Insurance], Payroll Service through MinistryWorks®, Health Plan Solutions through GuideStone®

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**EMPLOYERS:** Retirement Plan, Benefit Plan, Payroll Service through MinistryWorks, Other Employer Resources

**INDIVIDUALS:** Retirement Plan, Planning for Retirement Resources, Benefit Plan, Other Individual Resources

**RESOURCES:** Tax Guides from ECFA, "When I'm 65" Resources, FCMM "News & Notes" Newsletters, FCMM Information Documents

**News:** Monthly Option C Fair Market Value Adjustments in 2024  
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**Articles:** Sources of Retirement Contributions: EmployER and EmployEE

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The screenshot shows the FCMM website's "Forms & Documents" page. At the top, there is a navigation bar with links for "Secure File Exchange", "Forms & Documents", "Learn More +", "Account Access", and "Search". Below this is a secondary navigation bar with "Why FCMM?", "Products & Services", "News & Articles", "FAQs", and "Contact Us". The FCMM logo is in the top left corner. The main heading is "Forms & Documents". Below the heading are three filter buttons: "All Documents" (selected), "Retirement Plan", and "Benefit Plan (Disability & Life/AD&D Insurance)". On the right, there is a "DOCUMENT TYPE" filter with checkboxes for "Forms (Participants)", "Forms (Churches/Employers)", "Information", "Reports", "Newsletter", and "Brochures", followed by an "APPLY" button. The main content area lists four documents:

- 00 Participant Enrollment Packet for Retirement Plan**  
Retirement Plan Participant Enrollment information, including Forms 01, 02, 03, and 12
- 01 Enrollment Application for Retirement Plan**  
Participant enrollment application for Retirement Plan for employee of an FCMM-participating organization. This form is also used when a participant moves to a new sponsoring employer.
- 02 Beneficiary Designation for Retirement Plan**  
Retirement Plan participant beneficiary designation
- 03 Investment Selection for Retirement Plan (and optional Salary Deferral)**  
Participant Investment Selection form (including salary deferral agreement if applicable)

At the bottom right, there is a blue box titled "Secure File Uploading" with the text: "To securely send a form with personal information to FCMM, please use our [secure file exchange portal](#)."

# God is Our Provider

*And my God will supply every need of yours according to His riches in glory in Christ Jesus.*

Philippians 4:19 ESV

**Questions or feedback:**

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