

Can I Create a Sustainable Income in Retirement?

Pre-Retirement Webinar Series

Session 2

Oct. 11, 2018



Agenda

- Welcome
- ELCA Retirement Plan Distribution Options
- Housing Allowance Eligibility
- Social Security
- Additional Income Sources
- Closing

Today's Presenters

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Financial Planner



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Financial Planner



Click on the **handouts icon** to download the presentation



Click on the **chat icon** to submit a question

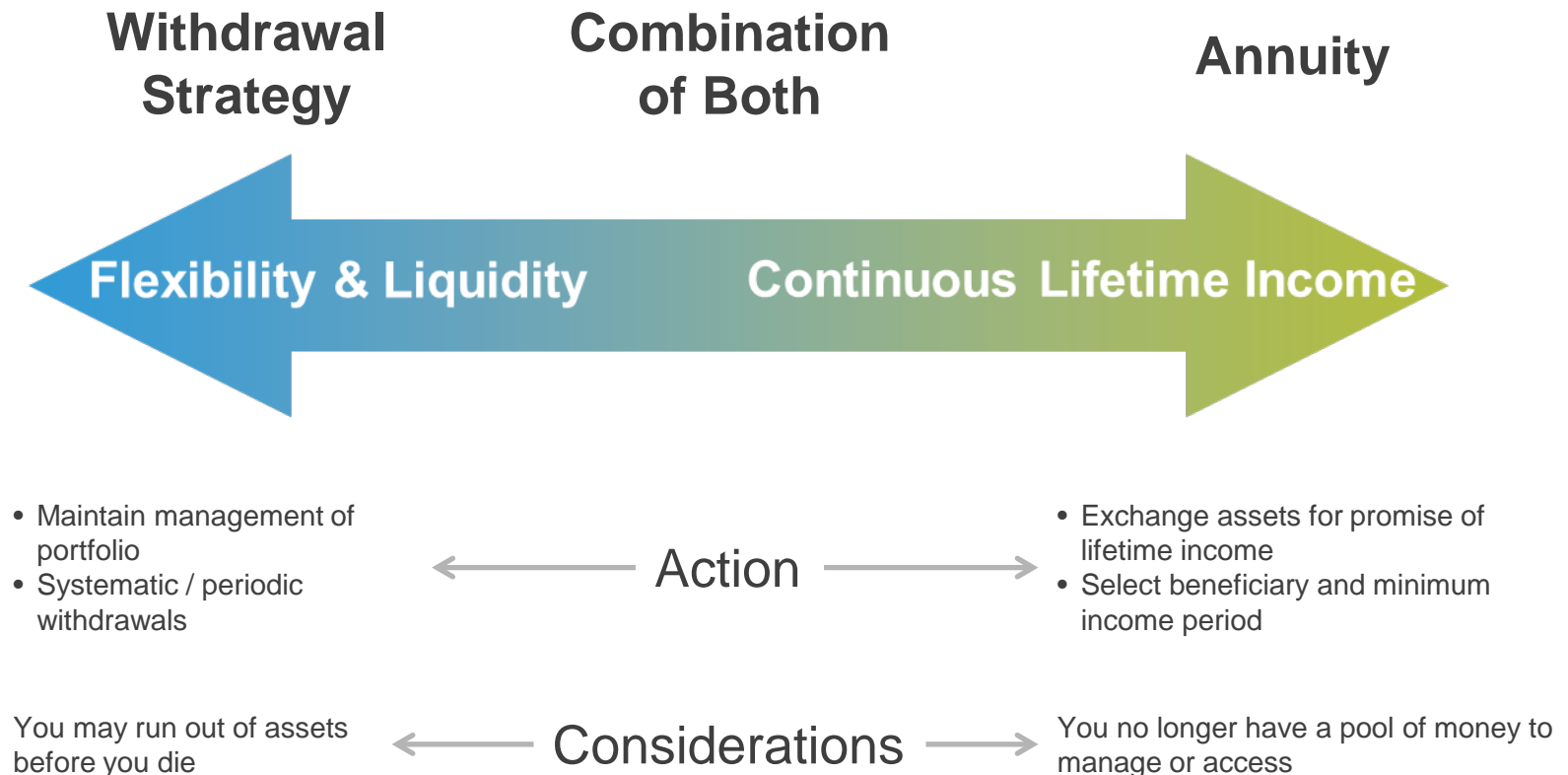
Prayer





ELCA Retirement Plan Distribution Options

ELCA Retirement Plan — Distribution Options



*20% annual limit on withdrawals from employer contributions.

For informational purposes only, does not constitute an offer to sell any investment, and may be subject to changes and corrections. An offer for the sale of interests in the funds will only be made through the Investment Funds Descriptions for the funds. Investment Funds Descriptions are available upon request.

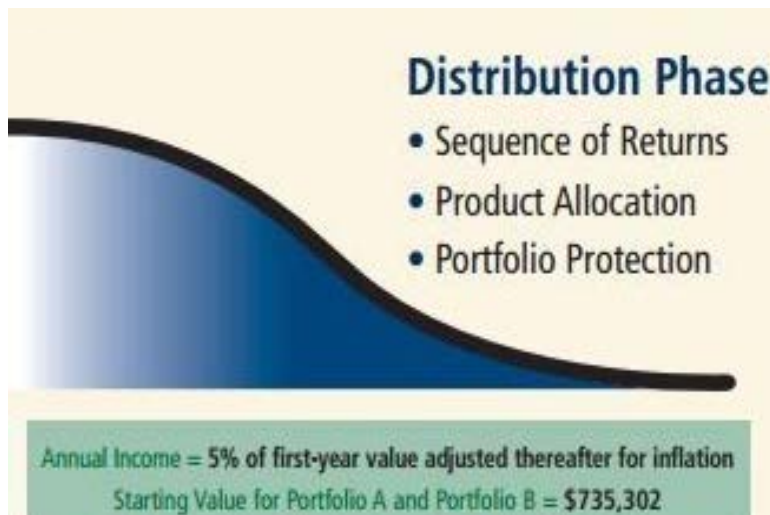
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Withdrawals from Investments

- Two types of withdrawals:
 - Systematic withdrawals
 - One-time withdrawals
- How much income can your investments provide?
 - What mix of investments will you use?
 - How much can you withdraw without running out of money in your lifetime?

Given an average 8% return, why can't I take 8%?



Age	Annual Return	Portfolio A Year-End Value	Annual Return	Portfolio B Year-End Value
66	-12%	\$608,058	29%	\$915,383
67	-15%	\$478,981	18%	\$1,038,620
68	-14%	\$372,924	25%	\$1,254,080
69	22%	\$415,677	-6%	\$1,139,914
70	10%	\$415,031	15%	\$1,263,822
71	4%	\$390,325	8%	\$1,325,828
72	11%	\$388,972	27%	\$1,641,225
73	3%	\$354,257	-2%	\$1,559,902
74	-3%	\$296,317	15%	\$1,742,637
75	21%	\$310,572	19%	\$2,025,772
76	17%	\$313,029	33%	\$2,642,842
77	5%	\$278,728	11%	\$2,885,300
78	-10%	\$198,994	-10%	\$2,550,113
79	11%	\$167,091	5%	\$2,631,281
80	33%	\$166,453	17%	\$3,015,102
81	19%	\$140,801	21%	\$3,590,977
82	15%	\$102,502	-3%	\$3,416,756
83	-2%	\$39,480	3%	\$3,448,238
84	27%	\$0	11%	\$3,761,512
85	8%	\$0	4%	\$3,859,407
86	15%	\$0	10%	\$4,171,204
87	-6%	\$0	22%	\$5,030,357
88	25%	\$0	-14%	\$4,255,708
89	18%	\$0	-15%	\$3,544,793
90	29%	\$0	-12%	\$3,033,870
	8%	\$0	8%	\$3,033,870

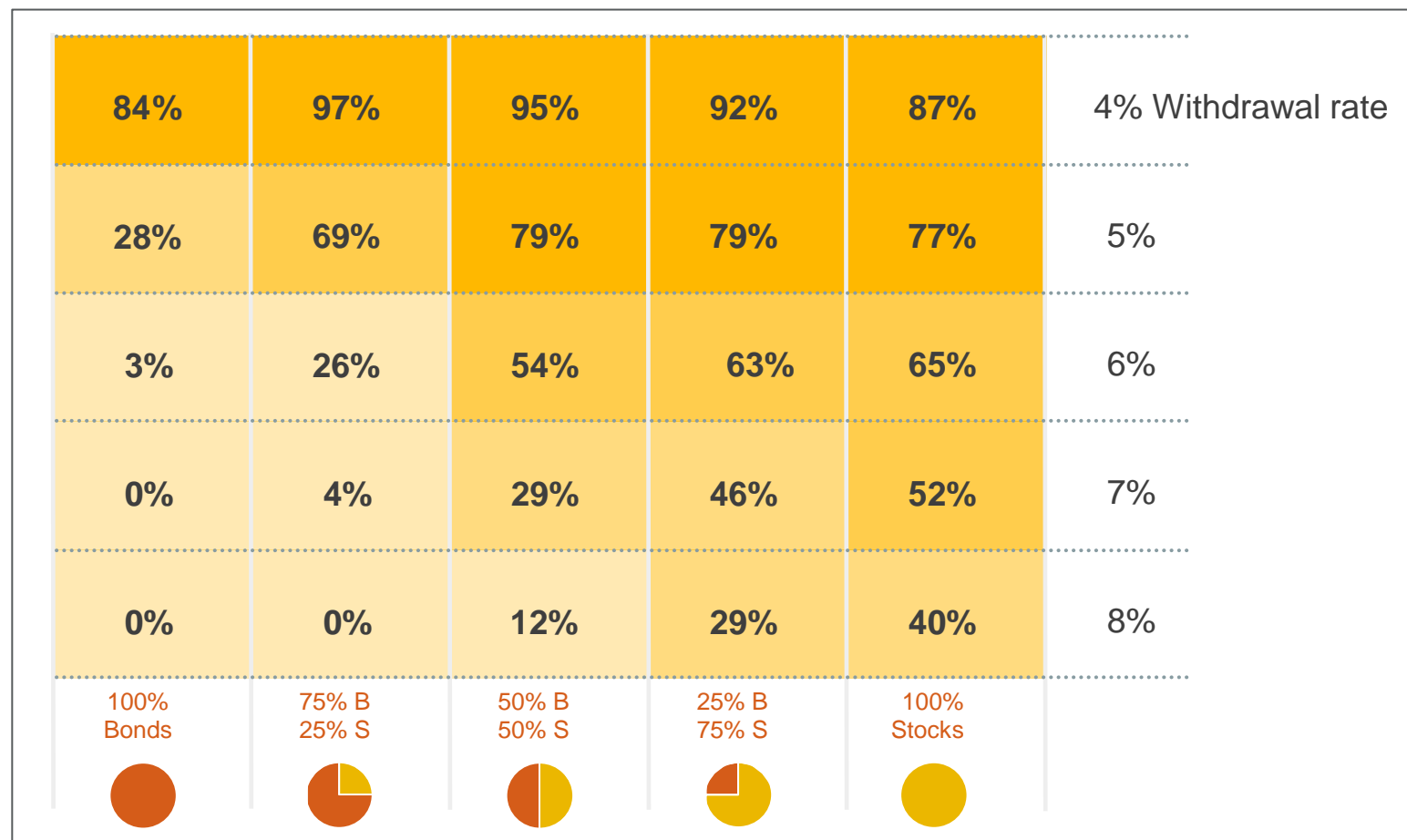
BIG DIFFERENCE

Hypothetical for illustrative purposes only.

Standard & Poor's. The sequence of returns has an average compounded annualized return of 8% over 25 years and year-to-year volatility consistent with a portfolio comprised predominantly of stocks. Annual returns rounded to the nearest whole number. Accumulation portfolios assume a starting value of \$100,000 at age 40 with no annual withdrawals. Distribution portfolios assume a starting value of either \$100,000 or \$735,302 at age 65 and a 5% first-year withdrawal adjusted thereafter for 3% inflation annually. Except where noted, the average annualized return for the 25-year period is 8%.

Probability of Meeting Income Needs

Various withdrawal rates and portfolio allocations over a 25-year retirement



IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes using the Ibbotson Wealth Forecasting Engine are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © Morningstar. All Rights Reserved.

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Some Pros and Cons of a Withdrawal Strategy

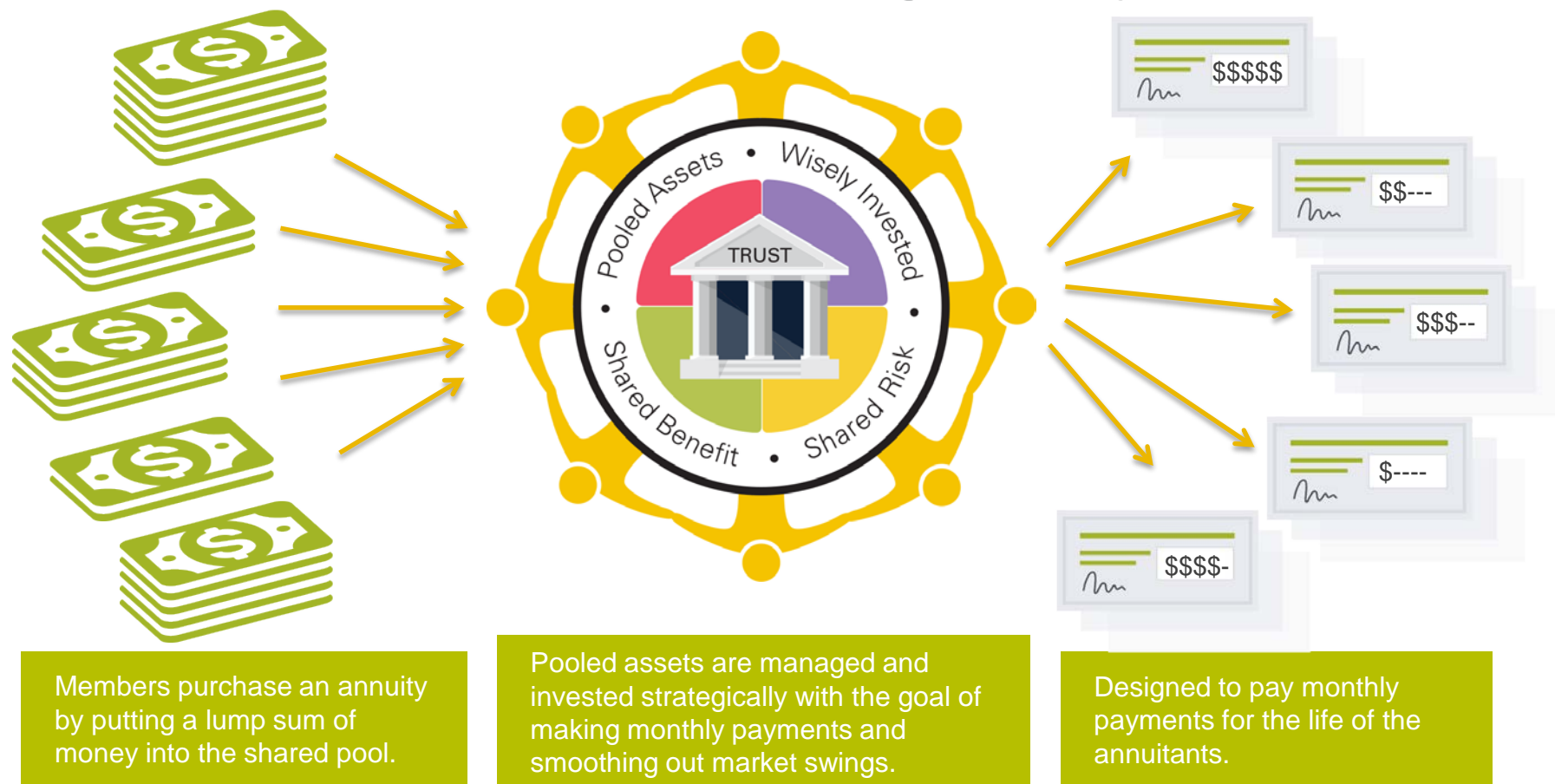
Pros:

- Increased flexibility
- Assets remain liquid
- May have money left over to give to the people and places you care about when you pass away
- Available for additional partial withdrawals

Cons:

- Maintain management of portfolio
- Desire to increase the % withdrawn in order to maintain the same income
- Difficult to determine withdrawal rate to last a lifetime
- May run out of assets

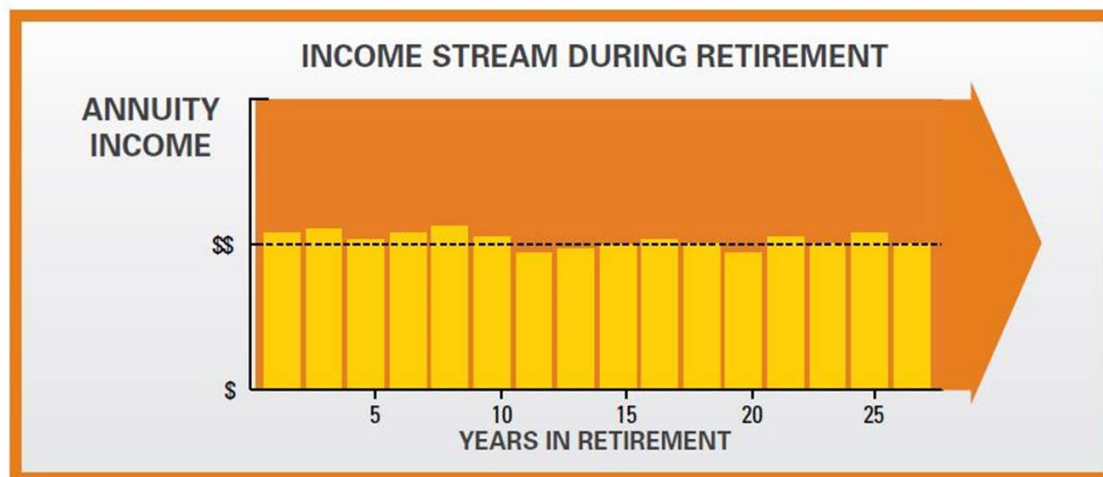
How does the ELCA Participating Annuity work?



Carefully consider the target asset allocations, investment objectives, risks, charges and expenses of any fund before investing in it. All funds, including Portico Benefit Services' funds, are subject to risk and uncertainty. Past performance cannot be used to predict future performance. Portico Benefit Services' funds, including the ELCA Participating Annuity Investment Fund, are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Losses or underperformance in the markets could cause a reduction in monthly participating annuity payments. Fund assets are invested in multiple sectors of the market. Some sectors, as well as the funds, may perform below expectation and lose money over short or extended periods. See the ELCA Investment Fund Descriptions, Investment Memorandum for the ELCA Participating Annuity Trust, and/or the ELCA Retirement Plan Summary on myPortico for more information. Neither Portico Benefit Services nor its funds are subject to registration, regulation, or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, or state securities laws. Members, therefore, are not afforded the protections of the provisions of those laws and related regulations.

The ELCA Participating Annuity: Process & Options

- How does it work?
 - You start receiving monthly payments immediately
 - Annuitants participate in the investment performance and mortality experience of the fund
 - Payments may go up or down each year
- What options are available?
 - You can choose a **single-life** or **joint-life** annuity
 - Most annuity options come with a **15-year minimum payout** option



Some Pros and Cons of the ELCA Participating Annuity

Pros:

- Continuous lifetime income
- Annuitized assets managed for you
- Shared risk and benefit
- Income may continue to beneficiaries

Cons:

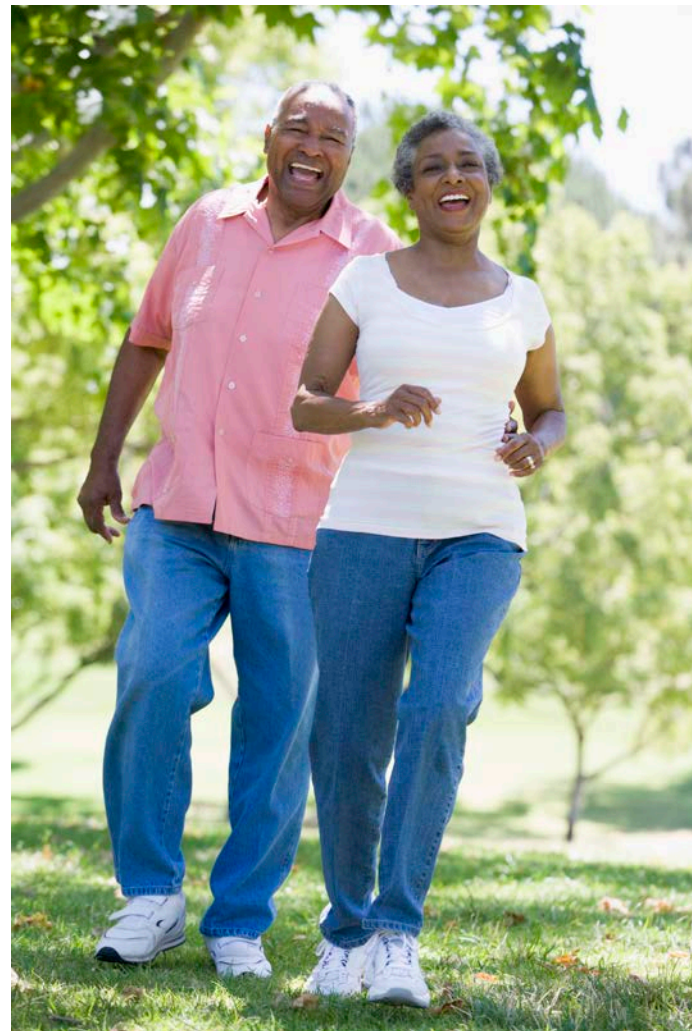
- Less flexibility
- Annuitized assets are not liquid
- May need additional assets for legacy planning
- Funds no longer available for on-demand withdrawals

**ACTION
STEP**

Learn more about your ELCA Retirement Plan distribution options

Sally & Dan's Decisions*

- Plan to move and purchase their first home in a bigger city
- Look forward to travel
- Focus on volunteering, traveling, and grandkids
- Plan not to work in retirement
- Interested in a withdrawal strategy



Nancy's Decisions*

- Mortgage paid off, plans to stay in her home
- Plans to work part-time as an interim pastor
- Looks forward to quilting and volunteering
- Interested in an annuity strategy



Housing Allowance Eligibility

Housing Allowance Eligibility for Distributions

<i>What is it?</i>	<p>The IRS allows pastors to claim the housing allowance exclusion on designated housing allowance distributions received from a church-sponsored plan. The housing allowance exclusion must be designated in advance, in writing, before the beginning of each calendar year. Portico completes this designation annually for all eligible members.</p> <p>NOTE: This does not apply to surviving spouses or beneficiaries.</p>
<i>Can it be applied to annuity and withdrawal distributions?</i>	Yes
<i>How does it impact withholding?</i>	Can elect to have no taxes withheld from annuity payments and/or waive the 20% mandatory withholding from lump-sum distributions.

Housing Allowance – Excludable Income

Based on the IRS guideline, the amount excludable from federal gross income is the lesser of:

1. Amount designated as housing allowance by Portico
2. Annual amount spent for primary residence, including: down payment; mortgage principal and interest; utilities; taxes; insurance; maintenance; and furnishings
3. Fair rental value of the home, including furnishings and cost of utilities

Housing Allowance Example

\$50,000

Amount designated as housing allowance by Portico Benefit Services

\$65,000

Annual amount spent for your primary residence

\$40,000

Fair rental value of the home, including furnishings and cost of utilities

\$40,000

Amount excludible from federal gross income

Clergy Housing Allowance Worksheet

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How We Serve

Our work with members typically falls into one of three categories: Financial Basics, Tax Planning, and Retirement Planning. Contact us to discuss your needs and get started.

[FINANCIAL BASICS](#)
[TAX PLANNING](#)


Service	Description	Conversation	Resource
Clergy Housing Allowance	The Clergy Housing Allowance Exclusion provides unique savings for eligible clergy — both during their working years and in retirement. A planner can help you determine how much income can be excluded from income tax, and understand the impact of a home purchase on this process.	15 – 30 minutes	Clergy Housing Allowance Worksheet Tax Advantage: Clergy Housing Allowance Exclusion

Portico Benefit Services does not provide tax advice. We provide members with certain written tax information of general application to help them understand the way in which we administer our plans. Consult with your tax or legal advisor for tax questions or advice specific to your situation.



Social Security

Social Security Projections



Your Retirement Benefit Estimate

The amount you receive when you first start your benefits sets the base amount you will get for the rest of your life.

You can get lower monthly payments for a longer period of time or higher monthly payments over a shorter period of time.


Assuming you continue earning about the same amount, if you

- wait to start your benefits at [your full retirement age](#) (67 Years and 00 Month(s) for you), your monthly benefit will be about...**\$2,215.00**.
- delay starting your benefits until **age 70**, your monthly benefit will be about...**\$2,746.00**.
- stop working at **age 62** and start receiving Social Security benefits, your monthly benefit will be about...**\$1,536.00**.

Assumptions: We estimate your benefits using your average earnings over your working lifetime. If you worked last year, we will also assume that you will continue to work and make about the same amount as you entered for last year's earnings.

These estimates do not include:

- [Medicare](#) premiums or other amounts that may be deducted from your benefit.
- Any Social Security [benefits you may be eligible for](#) on the record of your current, divorced, or deceased former spouse.

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ACTION STEP

Determine what you can expect to receive from Social Security by visiting ssa.gov/estimator or calling 1.800.722.1213

What does Social Security currently provide?

2018 maximum monthly benefit at FRA* = \$2,788

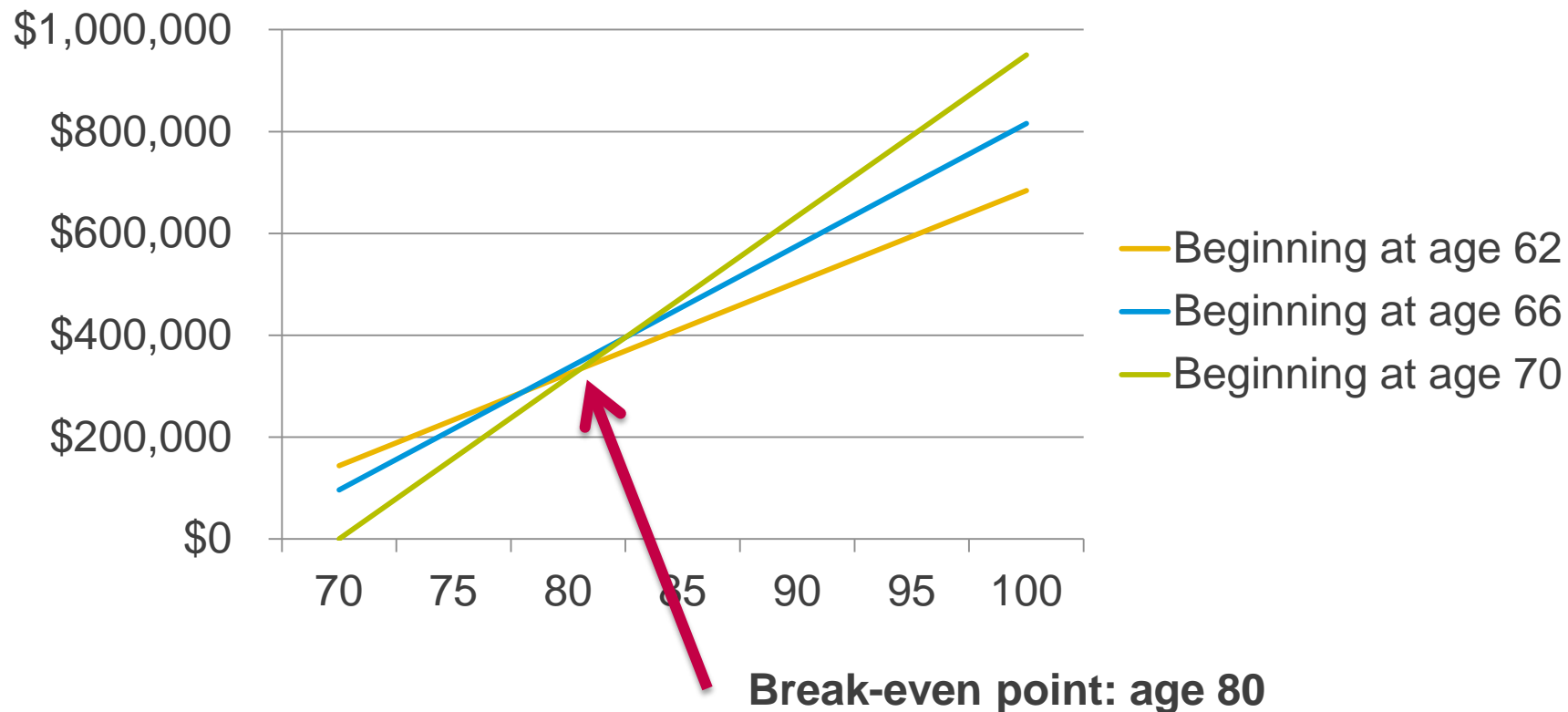
2018 average monthly benefit = \$1,404

When can I collect Social Security benefits?

BORN	AGE FOR FULL BENEFITS	REDUCED BENEFIT AT AGE 62
Before 1938	65	80%
1943-1954	66	75%
1960 and Later	67	70%

NOTE: For years missing, add two-month increments to reach your age for full benefits

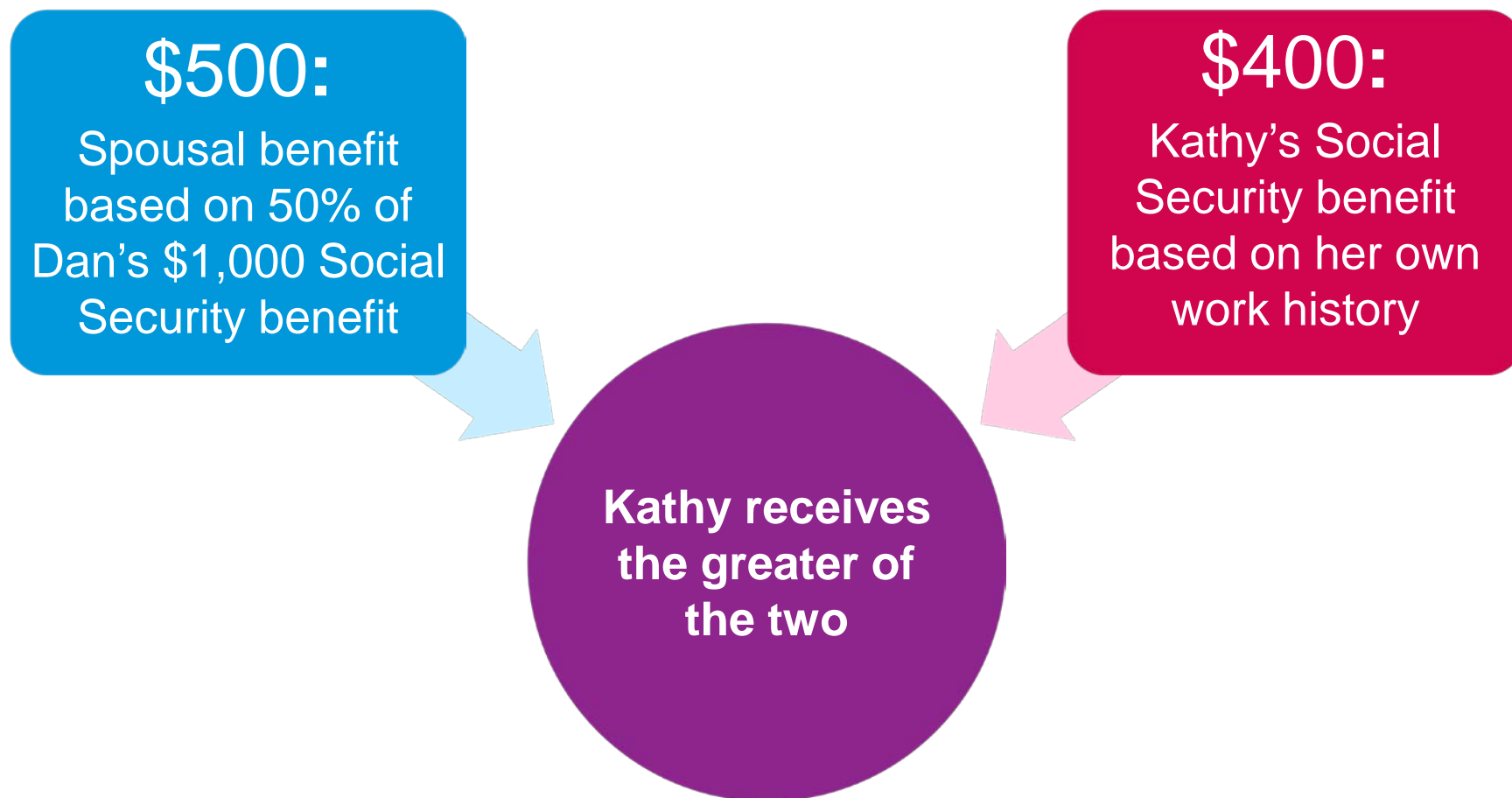
When should I start collecting Social Security benefits?



Living Spouse Benefits

<i>How long must I be married?</i>	At least 1 year, or less if spouse is the parent of your child
<i>How much can a spouse receive?</i>	50% of your benefit amount at spouse's full retirement age
<i>When can a spouse commence spousal benefits?</i>	As early as age 62 (with reduction), if you've commenced your benefit
<i>What if your spouse earned a benefit based on her/his own earnings record?</i>	Your spouse receives the greater of his/her own benefit or the spousal benefit

Social Security Spousal Benefit



Considerations — When to Collect Benefits

- Do you need the money?
- How long do you think you will live?
- What are your other sources of retirement income?
- What will you do with the money?
(If it will be invested, what returns do you expect?)
- How much will you earn before full retirement age?
- How much of your benefit will be subject to taxation?

Example — Social Security Benefit Choices



Sally & Dan

- Decide to wait to retire and collect benefits at their full retirement age
- Sally collects 50% of Dan's benefit since his benefit is higher than her own



Nancy

- Delays her benefit and collects it at age 70



Additional Income Sources

Additional Income Sources

**Part-Time Work
in Retirement**

**Previous
Employers'
Retirement Plans**

**Individual
Retirement
Accounts (IRAs)**

Taxable Accounts

**Spouse's
Retirement Plan
and/or Pension**

Inheritance

**Equity in Personal
Residence**

Rental Real Estate

Other

**ACTION
STEP**

Inventory your other income sources.

Other Available Income Sources



Sally & Dan

- Spouse's pension
- Traditional IRA
- Inheritance



Nancy

- Part-time work in retirement
- Equity in her home
- Roth IRA

Plan Types Eligible for Rollover

Pretax rollovers of at least \$200 can be made from the following types of retirement plans into your ELCA Retirement Plan account:

- Traditional IRAs
- 401(k) plans
- 403(b) plans
- Governmental 457(b) plans
- Other ELCA retirement plans, such as the ELCA Master Institutional Retirement Plan or the ELCA Retirement Plan for the Evangelical Lutheran Good Samaritan Society

Rollover Advantages

- **Consolidate** your retirement income sources
- Claim the **housing allowance exclusion** on distributions coming from contributions made while a pastor
- Take advantage of **potentially lower fees and administrative costs** based on investments priced at institutional rates
- Gain the **extensive expertise of our fund managers** and access to **20 investment funds**
- Increase assets eligible for annuitization in the **ELCA Participating Annuity**

Portico Walks With You – In-House Financial Planners



Bring with you:

- List of income sources
- Retirement picture
- Budget for today and retirement

Call us at **800.922.4896**

**ACTION
STEP**

Create a plan for your retirement income with the help of a Portico Financial Planner.

Closing

4 Things You Can Do Today

1. Learn more about your ELCA Retirement Plan distribution options.
2. Determine what you can expect to receive from Social Security and consider how you might maximize this important benefit.
3. Inventory your other retirement income sources.
4. Create a plan for your retirement income with the help of a Portico Financial Planner.

Next Steps

- Post-Webinar Survey
- Follow-Up Email
- **Ready to Retire Webinar** on Nov. 6 at 1 p.m. (Central)