

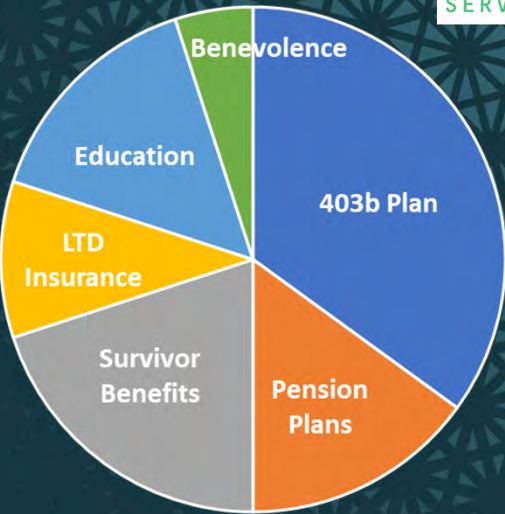



MINISTER BENEFITS
and
THE PATH TO RETIRE WELL



June 7, 2024



What We Do



Service Category	Color
403b Plan	Blue
Pension Plans	Orange
Survivor Benefits	Grey
LTD Insurance	Yellow
Education	Light Blue
Benevolence	Green



Benefits Quiz for Ministers

Choose all that apply:

Active ministers may receive **NBUSA-provided benefits** if they:

~~a) Have a local church license; or~~

b) Have a district license; or

c) Are ordained

} On a U.S.
district



Benefits Quiz for Ministers

True or False:

Eligible ministers receive basic life and disability **insurance benefits** if their church supports the NBUSA Fund.

True.

If a church contributes **at least \$1 annually**.



Eligibility for Ministers

Evaluated every January 1st :

- ✓ **Credentials**
- ✓ **NBUSA Fund Support**
- ✓ **Ministerial Role:**
 - Lead/Senior Pastor (incl bivocational)
 - Assoc Pastor (full-time; full-livelihood)
 - 30 hours/week average
 - 30 weeks/year minimum
 - 50%, or more, of gross income



Survivor Benefits

<u>Age</u>	<u>Coverage</u>
50/under	\$30,000
51 to 70	\$15,000
71 to 75	\$ 7,500
Spouse	\$ 2,500

- **Not taxable income**
- Addt'l coverage available



Long-Term Disability Insurance

- \$500 per month (taxable)
- No application required
- No waiting period for coverage



Add'l coverage available



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Benefits Quiz for Ministers

True or False:

If my church pays 100% of its NBUSA Fund budget allocations **my retirement is taken care of.**

False!

The minister and/or local church must also contribute to the minister's retirement.



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FTM ALLOCATION CHANGES



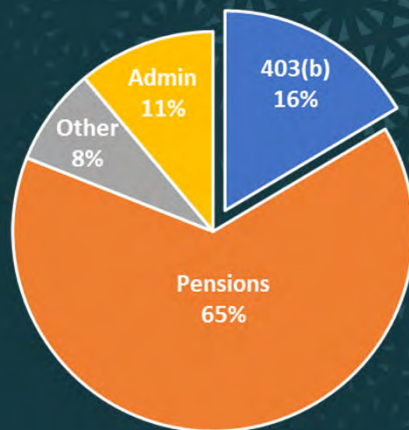
	<u>Previous</u>	<u>Current</u>
WEF	5.50%	5.50%
Education	2.25	2.50
NBUSA	<u>2.25</u>	<u>2.00</u>
Total	<u>10%</u>	<u>10%</u>

Current rates are effective for district assembly years beginning after 12/31/23

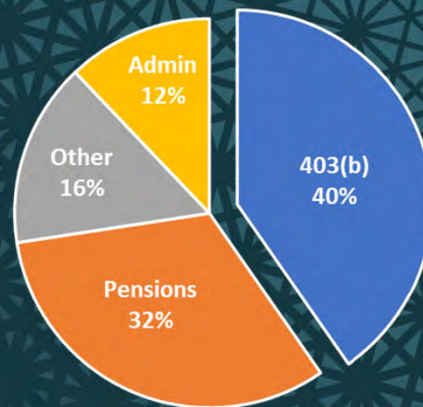


How NBUSA Funds Are Used

Past



Future



NBUSA VISION

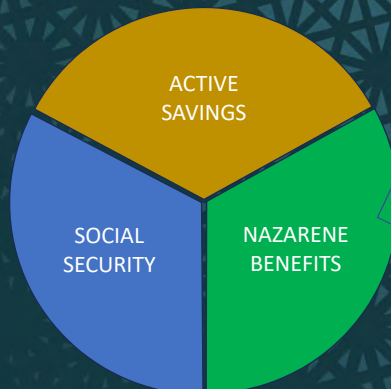
OUR VISION

“NAZARENE MINISTERS
RETIRE WELL”

**NBUSA**

RETIRING WELL

TO RETIRE WELL...



Local Church and NBUSA

IT TAKES ALL THREE

NBUSA

Clergy Unique Tax Advantages



	<u>Taxable?</u>	
	<u>Fed</u>	<u>SS/Med</u>
Housing Allowance	No	Yes
403b Contributions	No	No
403b In-Plan Earnings	No	No
403b Distributions	No*	No

* Qualifies for Housing Allowance in retirement



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Housing Allowance in Retirement

Distributions are **designated as housing allowance** by Plan design.

- ✓ Maintain credentials w/ U.S. district
- ✓ **IRS substantiation and limits apply**
- ✓ No church-approved declaration required
- ✓ Annual tax reporting - "**taxable amount not determined**"



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How Much Do You Need to Retire?

Fidelity

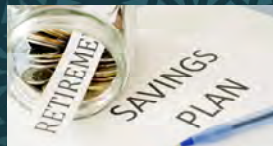
Savings factors to help you on your journey to retirement

Save "x" your starting salary



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How Should You Save for Retirement?



Fidelity

1. **15%** of annual gross income (**by age 25**)
 - Includes employer/NBUSA contributions
2. >50% in stocks (on average)
3. Plan to retire at 67; but live to 93
4. Plan to maintain same lifestyle
5. Review annually; adjust as necessary

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RETIRING READINESS

RETIREMENT READINESS IS A NAZARENE PROBLEM

74% retire after 72 (2015)

2019

59% ~ No Pastor savings!

67% ~ No Church help!



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RETIREMENT READINESS

RETIREMENT
READINESS



NBUSA

THE MANUAL OF THE
CHURCH OF THE NAZARENE

CALLING OF A PASTOR

“...the payment of the pastor’s salary **in full** shall be considered a **moral obligation** by the church.”

Section H
Paragraph 115.4

(emphasis added)

THE LOCAL CHURCH BOARD

“To determine the amount of remuneration and benefits, **including retirement benefits**, the pastor shall receive, and to review them at least once a year.”

Section K
Paragraph 129.8



AVERAGE LIFE EXPECTANCY FOR TODAY'S 67-YR OLD

Men - 15.8 years; Women - 18.1 years¹



¹ per Social Security Administration



SOCIAL SECURITY



Quick Calculator Benefit Estimates

May 13, 2024

Social Security Example

- Age 30
- \$40,000 base salary
- Retire at 67
- **Today's dollars**

Monthly SS benefit:

Age 67 (normal) \$1,750

Age 62 (early) \$1,140

Age 70 (max) \$2,100



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Benefit Value of the (former) APS Program

Average NBUSA 403(b)
Contributions per Minister

\$600 (2022 and 2023)



Future Value of \$600/yr @ 7%

<u>Years</u>	<u>Value</u>
10	\$ 9,000
20	\$ 26,000
30	\$ 60,000
40	\$ 127,000

Provides \$715 per month for 26 years
(if the balance earns 5%)



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EXAMPLE RECAP

Relying only on NBUSA and SS benefits is not enough.

Example

- Age 30
- \$40,000 salary
- Retire at 67



Monthly Retirement Benefits

(Today's \$)

403(b) NBUSA ¹	\$ 66	2%
Social Security	\$1,750	53%
Total	\$1,816	55%
Current Salary	\$3,334	100%

Could you live on 55% of today's salary?

¹ The value, today, of a future \$715 benefit (37 yrs @ 7%); \$715 monthly benefit at age 67 ends in 26 years (age 93).



THE SOLUTION



Q: How do we address the lack of retirement readiness among our ministers?

A: Require local effort; and increase benefits from NBUSA



THE PATH TO RETIRE WELL

The following material provides an overview of the 403(b) matching benefit for **local** church ministers.

**SUPPORT
LOCAL**



NBUSA

**APS Replaced by
Ministers Match**

APS

Replaced by
Ministers Match Program

MATCH

BONUS

Ended in 2023



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LOCAL EFFORT

NBUSA Fund Allocations (Church)

- At least 50% paid

Local Effort:

1. **Contributions** to a Minister's 403(b) account:
 - ✓ Elective Deferrals (Minister)
 - ✓ Employer Contributions (Local Church)
2. Student Debt Payments (June 2024)

No "Local Effort" = No NBUSA match



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Effective in June 2024...

Student loan payments qualify as **Local Effort** for the match. Check our website for details.



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403(b) MATCH TABLE

A	B	C
Local Effort	NBUSA Effort	
NBUSA Fund Paid %	Match %	Maximum Match \$
100%	50%	\$2,500
90%	45%	\$2,250
80%	40%	\$2,000
70%	35%	\$1,750
60%	30%	\$1,500
50%	25%	\$1,250



HOW IT WORKS

Church NBUSA Fund paid % **100%**

Local Contributions: Minister \$1,800
 Church 1,800
 Student Debt 1,400

Total Local Effort \$5,000

NBUSA Match % 50%

NBUSA Match \$ \$2,500

A	B	C
Local Effort	NBUSA Effort	
NBUSA Fund Paid %	Match %	Maximum Match \$
100%	50%	\$2,500
90%	45%	\$2,250
80%	40%	\$2,000
70%	35%	\$1,750
60%	30%	\$1,500
50%	25%	\$1,250



HOW IT WORKS

Minister	\$1,800	→	\$1,800
Church	1,800	→	1,800
Student Debt Payments	<u>1,400</u>		
Total Local Effort	\$5,000		
NBUSA Match %	<u>50%</u>		
NBUSA Match \$	\$2,500	→	\$2,500
Total Contributions to 403b			<u>\$6,100</u>

\$6,100 per year, for 40 years, earning 7%,
will grow to a balance of \$1.3 million!

\$6,100 is 15%
of \$40,000



ADDITIONAL INFO FOR MATCH

NBUSA Fund % Paid:

- Higher of last church year or recent 5-year avg

Education Fund % Paid:

- Previous requirement under APS has expired.



AFFORDABLE

Invest \$1,240 (\$103/mo) to receive \$750?

$$\$750 / \$1,240 = 61\% \text{ return}$$

- A contribution of \$1,500;
- Costs you \$1,240 (after tax); and
- You end up with \$2,250 in your account.

40 years @ 7% ~ \$450,000



Here's an example of how it works...

AFFORDABLE EXAMPLE

- \$40,000 (100%) base salary
- 8.3% SS reimbursement (SECA)
- \$12,000 (30%) housing allowance
- Married, filing jointly (2023 fed tax code; ignoring state tax)
- Spouse has no income
- No other dependents

\$36,656
net after-tax

- \$1,500 (3.75%) elective deferral to 403b
- Church - 100% NBUSA Fund paid



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AFFORDABLE EXAMPLE

Net, after-tax before contrib	\$ 36,656
Net, after 403(b) contrib	<u>35,416</u>
Change (1,240)*	(\$103/mo)
NBUSA match	<u>750**</u>
Difference after match	\$ (<u>490</u>) (\$41/mo)

* \$1,500 in 403b acct

** \$2,250 in 403b acct

(40 yrs of this @ 7% ~ \$450,000)



AFFORDABLE EXAMPLE

Contribution to 403b	\$ (1,500)	
SS tax savings ¹	230	} \$260
Federal tax savings	<u>30</u>	
Net cash out of pocket	(1,240)	
NBUSA match contribution	<u>750</u>	
Difference after match	\$ (<u>490</u>)	

... and \$2,250 in their 403b!!!

¹ Unique to clergy



AFFORDABLE

Full or partial matching contributions by the local church improves the numbers in the previous example.



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LOCAL CHURCH EMPLOYER CONTRIBUTIONS

discretionary

**EMPLOYER
MATCHING**



Either one, or both; it makes no difference for the match!



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ADDITIONAL INFO FOR MATCH

Eligibility determined each January 1st.

NBUSA Match Made Quarterly

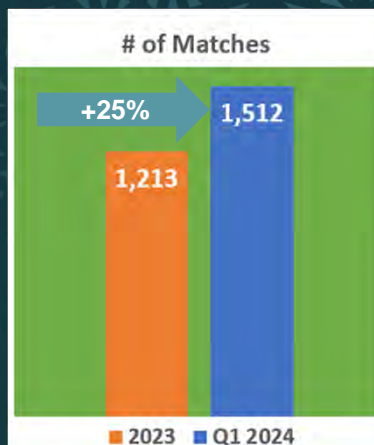
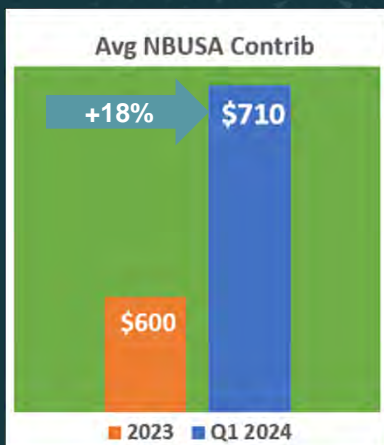
Local Contributions	Match Paid
Jan – Mar	April
Apr – Jun	July
Jul – Sep	October
Oct – Dec	January

Student Loan Match
1x per year (2nd Qtr)



1st Quarter 2024 Match Results

1st of 4
Quarters





WHAT'S YOUR PLAN?

The most important step you take...
is the next one!

- Start small, but commit to annual increases
- Talk w/ your church Treasurer/Board
- Bi-vocational? Consider everything
- Forget the past; focus on your future!
- **PLEASE** don't wait...



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An Adequate Retirement is about Time and Money



The more you have of one,
the less you will need of the other!



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The **HIGH COST** of Waiting



Time vs Money @ 7%



<u>Age</u>	<u>Invest</u>	<u>Years</u>	<u>Result</u>
27	\$2,500	40	\$547,000
32	3,500	35	526,000
37	5,000	30	508,000
42	7,500	25	506,000



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403(b) Annual Contribution Limits

	Employee (EE)			EE & Employer
	Regular	Catch-Up	Total	Total
2024	\$ 23,000	\$ 7,500	\$ 30,500	\$ 69,000
2023	\$ 22,500	\$ 7,500	\$ 30,000	\$ 66,000

(Catch-up for age 50 and over)



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Ministers with no Cash Compensation

For ministers with **no cash compensation**¹, churches may contribute up to:

- \$10,000 per year
- \$40,000 lifetime limit for minister

¹ Compensation “includable in gross income”



HELP IS AVAILABLE

Ways to connect



Net Benefits – <https://nb.fidelity.com>



Ask the Virtual Assistant

Don't want to wait in a queue?
Virtual Assistant is available.



Chat with a representative

Monday - Friday
8:30 a.m. to 8:00 p.m.
ET



Meet one-on-one

Learn how we can help you plan for your financial goals.



Contact us

Phone numbers, dialing instructions and other details.

1-866-NAZAREN (629-2736)



HELP IS AVAILABLE

- NBUSA* - **contact us to get started**
 - 1-888-888-4656
 - benefits@nazarene.org
 - www.nbusa.org
- Consult your own financial advisor



* NBUSA staff are not licensed financial advisors



https://nbusa.org

Call Us: (888) 888-4656 Email Us: benefits@nazarene.org
Office Hours: Mon-Fri: 8am-4:30pm CT

NBUSA **YOUR ROLE?** ABOUT NEWS QUICK LINKS **BENEFIT LOGIN**

- Ministerial Employee
- Lay Employee
- Church Treasurer
- District Office
- Church Board

An Adequate Retirement

The elephant in the room is that most of our full-time lead pastors are not adequately

www.compassinitiative.org

913-577-2715 | compass@nazarene.org | [Donate Now](#) | [Search](#) | [Select Language](#)

Menu |  | **THE COMPASS INITIATIVE** | [Participant Login](#)

COMPASS Journey = up to \$10,000

COMPASS Quest = up to \$2,000

Total = up to \$12,000 to be used to pay off debt and/or invest in retirement savings!

HOPE finances.

THE COMPASS INITIATIVE

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Thank You!

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www.nbusa.org/ministers-match-resources