Planning for Retirement

Written by David K. Bernard, General Superintendent of UPCI

Ministers typically don't think of retiring from ministry. Yet they should plan for a time when they do not have to depend on employment to support themselves or their spouse. At some point in their senior years they will want freedom from daily ministerial responsibilities and the need for a regular paycheck. Age or declining health may force this time upon them, but if not, at some point they will desire the flexibility to minister, spend time with family, travel, and relax on their own schedule without having to earn a living. In short, planning financially for their senior years is their responsibility. Like other employers, their church employer should help them plan to meet this responsibility.

Traditionally, many pastors have relied upon their churches to make monthly payments to them after they retire. While such income is deserved, this plan is not preferred for several reasons. First, it makes the minister and spouse dependent upon the local church for the indefinite future, and circumstances can change. Second, retirement agreements can be difficult to enforce, and attempting to enforce them can severely damage relationships and churches. Third, such a plan can distort the search for a successor, as the church may feel the need to choose someone who will guarantee the retirement plan even if that person may be not the most qualified or the first choice of the church. Fourth, it can limit the church's future ability to secure a new pastor or assistant pastor, launch a building program, and make other important plans. The church's growth and the new pastor's leadership may be hindered. In some cases, a church has to support two former pastors or widows in addition to the current pastor. In short, the future of the church may be held in check by its past.

It is difficult to write a binding contract in this situation, because a contract requires a true exchange. Each party must contribute something of present value. If a church simply agrees to pay for past services, it receives nothing new in return, and so it probably cannot be legally required to maintain monthly payments indefinitely. Moreover, since churches are nonprofit organizations they are not supposed to distribute their assets for the benefit of private individuals. It can be difficult to justify why a church continues to make monthly payments when no service is being rendered, unless they are classified as charity and so are completely discretionary. To ensure enforceability, then, a retirement plan should be established as part of the pastor's compensation long before retirement.


David K. Bernard

Traditionally, many pastors have relied upon their churches to make monthly payments to them after they retire. While such income is deserved, this plan is not preferred....

If no retirement plan is already in place, another option is for the church to make a lump-sum retirement payment, even if it has to borrow money to do so. The retiring minister can then set up his own plan. This arrangement provides certainty for both minister and church, although it may still limit the church's future options. If the minister plans to remain part of the local congregation, another option is for the new pastor to hire him or her as a pastoral advisor or assistant, in which case the former pastor can continue to receive employee compensation.

In sum, the best practice is for a church to include retirement payments in the pastor's compensation package while the pastor is actively employed. Some pastors may prefer to make their own arrangements through individual retirement accounts (IRAs) or annuities. In this case, both pastor and church board should understand that the pastor's compensation includes funds for retirement.

> *The best practice is for a church to include retirement payments in the pastor's compensation package while the pastor is actively employed.*

One objection is that the church cannot afford to make retirement contributions. If that is true, then it is unreasonable to expect the church to make retirement payments in the future while also compensating a new pastor. In this situation a new pastor will have to fund a retirement plan that the previous pastor did not. While a retired pastor is certainly worthy of support, the church needs to provide this support while the pastor is still active, as part of fair compensation for services the pastor is currently rendering. If the church plans to make retirement payments to the future without funding them in the present, it is not compensating the pastor fully for present services but is deferring part of its present obligations to the future.

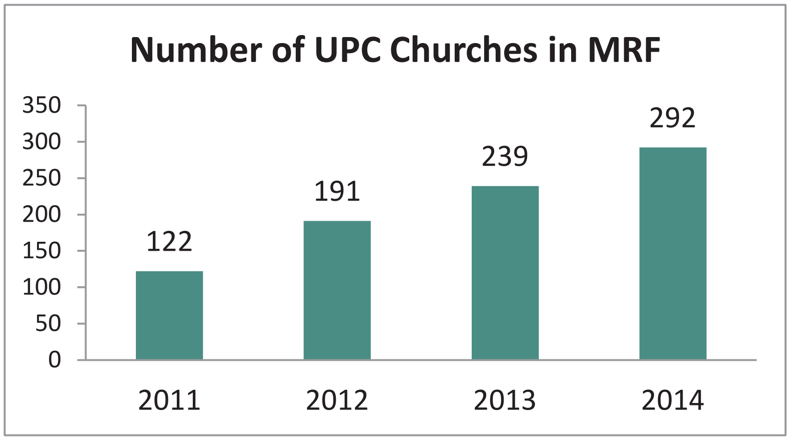
U.S. churches can set up a retirement plan for ministers and other paid employees through the UPCI Ministers Retirement Fund, which has several advantages over individual and secular plans. There is no administrative cost to the church. The minister immediately becomes owner of the money and controls how it is invested.

A bivocational pastor or a pastor whose spouse is employed may be able to establish an adequate retirement plan through other employment. Social Security alone will probably not be adequate. In any case, it is our Christian responsibility to provide for ourselves and our families. (See II Thessalonians 3:10; I Timothy 5:8). This responsibility extends to the senior years for both us and our spouse.

The Ministers Retirement Fund — Sowing Your Future Today

The Ministers Retirement Fund is a separate corporation governed by its own board. The assets invested in the MRF are not owned, controlled, or accessible by the UPCI. Each participant is fully vested and owns his or her investment. The MRF currently has over $50 million in assets. The size of the fund enables it to operate at a low cost and to access institutional investments, otherwise unavailable to the individual investor.

The MRF is administered by two third-party administrators, a professional Registered Investment Advisor, Moneta Group Investment Advisors, LLC[1] (Moneta Group) and RPS Benefits, LLC (RPS), the recordkeeping administrator. Both Moneta Group and RPS receive a flat asset based fee that is not impacted by the investment choices of participants; therefore they do not work on commission or have financial incentive to influence those choices. The UPCI utilizes the MRF as the retirement plan for its employees and contributes on behalf of its headquarters employees and missionaries.



Since 2011, the number of UPC Churches using the MRF has more than doubled.

Upon reaching the age of retirement, participants have some special benefits that may not be available from individual or secular retirement plans. First, subject to applicable law they can take distributions as a housing allowance and the distribution will be free of federal and state income taxes. Second, if they are still active in ministry they are eligible to postpone their Required Minimum Distribution (RMD) that is otherwise required by law when an individual attains age 70 ½.

If you are interested in learning more about the MRF or want to start the process of having your church adopt the MRF, please visit their website or contact the dedicated MRF Service Team using the information below.

MRF
MINISTERS RETIREMENT FUND

The Ministers Retirement Fund
Toll Free: 1-855-673-8724
MRFquestions@rpsbenefits.com
http://mrfupci.org