



# YOUR RETIREMENT INCOME

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• *Asset Accumulation*

• *Income Streams*



• *Social Security*



• *Allocation  
Models*



• *Withdrawal Options*



# Calling and the Changing Face of Retirement

*I know the plans I have for you says the Lord...  
(Jeremiah 29:11)*

*The Lord will fulfill his purpose for me; the steadfast love  
of the Lord endures forever (Psalm 138:8).*

## RETIREMENT, CALLING AND PURPOSE

One of the great gifts of time and experience is that it gives us a chance to identify our authentic voice, our sense of calling, and purpose. Today, as life expectancies expand, we are seeing an entirely new stage of life come into being. No one has come up with a label for this new stage but the possibilities present are exponential as our globe shrinks and the world has come near. Retirement means different things to different people but one thing is clear—the face of retirement is changing.

RETIREMENT	
Old Paradigm	Emerging Paradigm
Work for the same organization for life	Work for several organizations during career
Retire at 65	Remain employed beyond 65
Receive a pension—covering most expenses	Self-funding with employer match for retirement (401k, 403b, etc.)
Social Security as stable supplemental income	Social Security changes

The emerging paradigm suggests that definitions of retirement are expanding/shifting and may even include continuing to work...*more but different*. What remains the same, however, is the opportunity to continue to live creatively into our God shaped purpose. Life stage transitions give us a chance to listen to our life in fresh ways and reexamine what is important to carry forward. Soren Kierkegaard said it this way, “Life can only be understood backward; but it must be lived forward.” Taking time to ask...

- What are my/our core values?
- What themes have run through my/our life?
- What are my strengths, gifts, and interests?
- What am I passionate about and what motivates me to act?
- What brings joy to my heart?

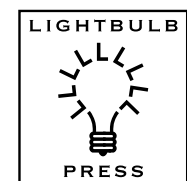
...may be one of the most important parts of retirement planning. Knowing who we are, whose we are, and what resources we have to work with can help sort the possibilities of the future.

The information provided in this guidebook is educational in nature. Ministers or churches with specific financial or legal questions should consult the appropriate financial or legal advisor who understands ministerial issues.

# YOUR RETIREMENT INCOME

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# The Last Paycheck

Retiring means stitching together different sources of income.

When you retire, you'll share a common experience with everyone who has already made the change: You won't get a paycheck anymore.

Without this steady stream of revenue, you'll have to arrange for the income you'll need. Specifically, you'll want to answer the following questions:

- What sources of income are you confident you can count on?
- How much income will they provide each year?
- How and when will the income be paid?
- How will you coordinate payments from different sources to create a steady stream of income, so that there's money in the bank when you need it?

## WHAT THE SOURCES ARE

You'll probably count on income from a number of different sources.

**Social Security** income is paid to people who contribute to the system, and to their surviving spouses.

**Defined benefit pensions** are designed to provide lifetime income from a plan your employer creates and funds.

**Defined contribution plans**, such as 401(k) or 403(b) plans, are designed to provide income from contributions and earnings on those contributions, which may be made by you, your employer, or both.

**IRAs** are individual retirement accounts. You contribute income you've earned to produce tax-deferred investment earnings that you can withdraw after 59½ as retirement income.

**Personal investments** in taxable accounts can provide interest, dividends, and capital gains to use as retirement income or reinvest.

**Jobs** can provide income if you want to work and work is available.

## WHEN THE MONEY ARRIVES

Unlike a paycheck, which arrives regularly, retirement income arrives on different schedules. Social Security and pension payments usually come monthly. Others, like stock dividends, arrive quarterly. Interest on bonds is paid semi-annually. Few, if any payments, are weekly or biweekly. That means you have to think about balancing the amount coming in to meet your expenses.

## PUTTING IT TOGETHER

Managing your finances during retirement involves juggling your sources of income to make sure you have enough money to live on. It's a lot like making a quilt: No piece by itself is big enough to keep you warm at night. But properly stitched together, the pieces can provide a lot of comfort.

## THE BIGGER PICTURE

The regular income you can expect from Social Security and a defined benefit pension depends on your work history. In general, the longer you work and the higher your salary, the more income you can anticipate, up to the annual ceilings.

Realistically, though, neither of these sources is likely to be as important a provider of retirement income in the future as it has been in the past. Social Security faces the imbalance of more beneficiaries and fewer workers. And fewer employers are offering defined benefit plans.

The retirement income you can expect from investments you've made depends on three things: how much is invested, where it's invested, and the long-term return those investments provide. You have much greater control over these choices, so much greater responsibility for the outcome than you may realize.

That's why it's critical to put basic investment principles to work, including asset allocation and diversification, across your tax-deferred, Roth, and taxable portfolios. It's also why you want to start thinking seriously about retirement income before you start thinking seriously about retiring.

## REALISTIC RETIREMENT INCOME

For the vast majority of retirees, combined income from Social Security, pensions, and other sources will be significantly less than their pre-retirement income. This means careful budgeting and planning become very important in managing expenses.

Ideally, what you would like to know ahead of time are the things that could put a strain on your retirement income. Although you can't predict what will happen, you can prepare by creating an emergency fund to be ready. It's generally smart to keep your reserve money liquid, which means you can turn it into cash easily if you need it. For example you might put some of these assets into a money market account for immediate access, and some into US Treasury bills or certificates of deposit (CDs) with six-month to one-year terms.

The value of a reserve fund that you draw on only in a real financial emergency is that you'll have quick access to money when you need it most—whenever that is.

# Making Critical Choices

You'll have the answers you need down the road if you ask the right questions now.

The idea of retiring isn't new. People who grew too old or too ill stopped working and stayed home long before pensions

and Social Security. But as people live longer, the retirement experience takes on a different meaning. Not only can you expect more years of retirement than of adolescence, but they can be a lot more satisfying and rewarding.

The complication is that you're faced with a number of decisions, some of them irrevocable. So rather than waiting to evaluate your alternatives until it's time to choose, it's smart to start thinking about them now.

**Q: What financial decisions must I make?**

**A: Set your retirement timeline**

- You may be eligible for full pension benefits from some employer plans if you have enough years of service.

## PAYING FOR HEALTHCARE

Anticipating the cost of healthcare after you retire is much more difficult than estimating your living expenses. And you have less flexibility in managing medical bills if you become seriously ill or disabled than you do in managing many of your variable costs.

As you begin retirement planning, you'll want to pay particular attention to the health coverage available through your employer, if that's how you're insured. You need to know what will happen to the coverage if you retire before you're eligible for Medicare at 65, whether your employer pays the cost of supplemental, or Medigap, coverage, and what arrangements you could make to continue health insurance if your spouse has been covered under your plan and you're eligible for Medicare before he or she is.

You may want to investigate long-term care insurance, especially if there's a group plan for which you're eligible. If you decide it's a good idea for you,

55

- You can usually begin withdrawing from 401(k)s, 403(b)s, and certain other plans without a 10% penalty if you retire, quit, or are fired.

59½

- You can withdraw money from tax-deferred savings plans without paying a 10% penalty.

62

- You may be eligible for reduced pension benefits from your employer.
- You can receive reduced Social Security benefits.

**Q: Should I enroll in Medicare at 65?**

**A: It depends**

If you're paying for individual coverage, the answer is almost certainly yes, as Medicare will be cheaper. If you're still eligible for your employer's plan, you may want to wait. The key is that you must have

what the government considers comparable coverage. If you do, you can enroll without penalty in Medicare within eight months after that coverage ends.

If you don't have comparable coverage and delay enrolling after you turn 65, you face a permanent surcharge on your Parts B and D premiums for each year you were eligible and didn't enroll.

If you work for a small company, you may be required to enroll in Medicare Part A—the hospitalization portion—at 65 but be able to keep your employer-plan coverage for doctor visits and prescription drugs. You should be sure to confirm that your insurer will continue to pay claims.

65

- You are eligible for full pension benefits from most employers.
- You qualify for Medicare benefits.

66

- You're eligible for full Social Security benefits if you were born between 1943 and 1954. Age increases gradually to 67.

70

- You should begin to collect your Social Security benefits if you haven't already because your base benefit has reached its maximum.

70½

- You must begin withdrawals from your 401(k) and traditional IRAs, but not from Roth IRAs or from employer sponsored retirement plans if you're still working.

## FACTORS TO CONSIDER

As you prepare a retirement budget, you'll want to take these factors into account:

**People who retire in their 60s can expect to live into their 80s.**

**To estimate a retirement income of 80% of your final salary, you have to account for inflation. The number will be higher than 80% of your current income.**

**You have to anticipate changes in Social Security in the future, which means you may get less income from that source.**

purchasing the coverage in your late 50s or early 60s is likely to cost less than waiting longer.

## MAINTAINING YOUR SAVINGS RATE

If you've been saving and investing for much of your adult life, now isn't the

**You can't predict the cost of healthcare insurance or out-of-pocket costs after you retire.**

**There's a direct relationship between age and health costs: About 7% of Americans between ages 65 and 74 need help in handling the tasks of everyday living. But by age 85 almost 30% do.**

**That may mean you'll face nursing home or home care costs.**

Source: Urban Institute

time to stop. In fact, if anything, it's the time to jump up the rate at which you're putting money away, to perhaps closer to 15% of gross income rather than 10%. That will help boost your chances of having the future income you need.

## GRADUAL RETIREMENT

An alternative to moving abruptly from working one day to retirement the next may be working gradually less over a period of time.

Gradual, or phased, retirement can take different forms. You might reduce the number of days you work each week—from five to four to three—or the number of hours a day. Or you might find a new job with a flexible schedule.

There may be some roadblocks to staying where you are. Qualified employer plans have strict rules limiting your ability to collect retirement income while you're still employed at the same company. Your reduced schedule would have to provide enough income for you to maintain your standard of living if you didn't want to begin tapping your retirement savings.

If retiring slowly sounds appealing, it's probably smart to start investigating your alternatives sooner rather than later. If your employer values your work, he or she may consider rehiring you as an independent contractor or consultant or find some other way to keep you on board. But you'll probably have to take the initiative.

# Effective Investment Strategies

A great strategy doesn't guarantee a win, but investing without a game plan compounds the risk of coming up short.

Random buying and selling—adding a few stocks here, redeeming a bond there—is rarely an effective strategy for planning retirement income. To be a successful investor, you have to follow two seemingly contradictory pieces of advice: Stick with your investment strategy but stay flexible. That means

having a long-term perspective but not getting locked into choices that don't work as you expected.

By knowing how different investments can affect your portfolio, the level of income you want to produce, and how much risk you are willing to take, you'll have a stronger opportunity—though, of course, not a guarantee—of ending up where you want to be financially.

**THE MONEY YOU HAVE TO INVEST**

## STRATEGIC DECISIONS

Whether you are investing a little or a lot of money, it's always important to:

- Save for retirement
- Create a plan to meet your goals
- Monitor your progress
- Make adjustments as necessary

## MOVING IN NEW DIRECTIONS

If your emphasis has been on building an equity portfolio, you may want to consider starting to invest in income-producing investments, including intermediate and long-term bonds and bond funds.

Among the factors to consider are the bonds' ratings—unless they are US Treasuries—their terms, and the interest rates they pay. A question with longer-term issues is whether you're willing to commit your principal at the current market rate if rates seem likely to increase in the future.

## DRAWING ON PRINCIPAL

While preserving principal is critical while you're investing for retirement, there's nothing wrong with planning to use some of the principal—say 4% to 5% a year—*after* you retire. But, you need a plan for tapping your resources, similar to a withdrawal schedule for your IRA, and a sense of which investments to liquidate.

A maturing CD, for example, can become a source of current income. When it comes due, you can deposit the principal in a money market or savings account to draw on as you need cash. That might be smarter than withdrawing money from an investment that's doing well, like a stock fund, or selling real estate when prices are low.

IMPATIENT—  
OUT OF  
MARKET  
TOO SOON

RANDOM  
BUYING

## APPROACHES TO PLANNING

There's no way to protect yourself completely from market volatility without taking on inflation risk. But there may be ways to produce a stream of income while maintaining some long-term growth. One approach is to deposit dividends or distributions from certain equity investments into a spending account. That's a departure from the strategy of reinvesting all earnings to buy additional shares, which is appropriate as you build your retirement savings. But this regular source of income can supplement your living expenses or pay for extras.

At a certain point—which is different for different people—you may also begin selling certain stocks or stock mutual funds that have increased in value and reinvesting the money in income-producing investments. If you ladder, or stagger, the maturity dates

of the bonds and CDs you purchase, you can either redeem them when they come due and add the principal to your spending account or buy a replacement.

Remember, though, that there are no guarantees in investing. While the markets could be strong in any period, you could also have flat or falling returns and even lose principal.

**THE MONEY YOU NEED WHEN YOU RETIRE**

CHASING  
HOT STOCK  
TOO  
LATE

INFLEXIBLE  
STRATEGY

## ANTICIPATING INCOME FOR THE LONG TERM

The amount you can withdraw from your retirement accounts depends on the size of your account, the return it provides from year to year, and the number of years you need income. Losses early in the withdrawal period seriously limit long-term return.

The money you start with	Maximum monthly withdrawal to provide income for different periods*			
	10 years	15 years	20 years	30 years
\$50,000	\$580	\$448	\$386	\$332
\$100,000	\$1,160	\$896	\$772	\$668
\$150,000	\$1,740	\$1,340	\$1,160	\$999
\$200,000	\$2,320	\$1,790	\$1,550	\$1,330
\$250,000	\$2,900	\$2,240	\$1,930	\$1,660
\$300,000	\$3,480	\$2,690	\$2,320	\$1,990
\$350,000	\$4,060	\$3,138	\$2,706	\$2,322

\*This hypothetical example is for illustrative purposes only and is not intended to represent or imply the actual performance of any specific investment. It assumes a constant 7% return compounded monthly. It is important to note that any investment involves risks that may result in the loss of principal and there is no guarantee that the strategies illustrated will produce positive investment results.

# Investment Allocation Models

There's a better way to produce lifetime income.

If you allocate your investments among a number of different types of securities, you've positioned yourself to benefit from the positive returns that

various asset classes may produce during different phases of a market cycle. For example, stocks have historically provided their strongest returns at different times than bonds or cash equivalents.

When one part of your portfolio provides strong returns, those returns can help to offset weaker performance in another part, including short-term losses. That's why asset allocation is sometimes described as a way to help manage investment risk.

## RISK AND RETURN

A major concern as you plan for retirement is that you'll fail to meet your savings goals, either because you lose some of your principal or because your return isn't as robust as you'd anticipated.

The more worried you are about one of these risks, the less important the other is to you. That's because to reduce the risk of investment loss, you usually reduce the potential for return. Conversely, to increase your return, you must generally be willing to take somewhat more investment risk.

What allocating your assets does is allow you to take more risk with one segment of your portfolio while taking little or no risk with another segment. The relationship, on a percentage basis, between the two segments is something you determine based on which of the risks concerns you most.

## WAYS AND MEANS

The widely accepted retirement rule of thumb is that you need between 70% and 80% of your preretirement income to maintain your standard of living after you stop working. That figure may be

too simplistic, though, to figure what you'll actually be spending.

One place to start is to calculate what the essentials are costing you right now. You can be fairly confident you'll go on paying these bills and that inflation will push their costs up. Next, think about the things you're likely to spend less on, including commuting. You may also be paying less in income tax, and you'll no longer be paying into Social Security.

But consider the additional expenses you may encounter, such as medical and dental care, and the cost of doing things that are important to you, such as travel, hobbies, or other activities.

## INVESTMENT ALLOCATION MODELS

Investing exposes you to certain risks, which may mean you won't reach your goals. But you can help to manage some of those risks by including different asset classes in your portfolio.

### Portfolio One **Aggressive**

Aggressive portfolios tend to concentrate on investments that have the potential to provide better-than-average growth in value over the long term, but also carry the possibility of significant losses. A portfolio that allocates 80% to 90% of its total value to equities may be described as aggressive, in part because very little is directed into investments that have historically performed well in periods when equities were providing disappointing returns. That means there's no way to offset periodic equity losses.

### Portfolio Two **Moderate**

Moderate portfolios tend to balance investment in equities, such as stock, stock ETFs, and stock funds, with investment in interest-paying investments, such as bonds, bond funds, and cash equivalents. While there's no precise point when an allocation is moderate rather than aggressive or conservative, portfolios that assign between 50% and 60% of their total value to equities generally fit into this category. The goal of a moderate allocation is growth tempered by some current income and some preservation of principal.

### Portfolio Three **Conservative**

Conservative portfolios tend to emphasize current income and preservation of principal by putting more money into bonds and cash equivalents than into equities. The risk with very conservative portfolios is that the rate of return may be too low to outpace the rate of inflation, resulting in decreased buying power over time. One approach for people approaching retirement is to gradually move toward a more conservative model while keeping 33% to 50% of their portfolio in equities for continued growth potential.

## EXERCISING CAUTION

The danger of investing your emergency fund in stocks or other equities is that you risk having to sell during a period when prices are down if you need cash immediately. This is one case where—on a limited portion of your portfolio—stability is more important than growth.

# MAKING WITHDRAWAL PLANS

It's time to start thinking about converting savings to income.

If you have retirement savings in tax-deferred, tax-free Roth, and taxable accounts, you'll have to choose the order in which you take income from those accounts after you retire. In addition to providing the income you need, an effective withdrawal plan should allow you to:

- Continue to accumulate investment earnings
- Avoid reducing your principal as long as possible
- Minimize the amount you owe in income taxes

## IN ONE CORNER

There are good arguments for postponing withdrawals from your tax-deferred accounts until you reach 70½ when you must begin to take annual **required minimum distributions (RMDs)**.

The longer you leave these savings untouched, the more time your balance has to compound. And the more savings you accumulate, the greater the potential that you'll have income as long as you need it—though there's no guarantee.

When you take money out of these accounts, part of the withdrawal goes

to pay income taxes, which are due on all earnings and any tax-deferred contributions to an employer plan or tax-deducted contributions to an IRA. The tax rate that applies is the same rate that applies to your ordinary income.

In contrast, qualifying dividends and most long-term **capital gains** in a taxable account are taxed at a maximum of 15% or 20% if your adjusted gross income (AGI) is \$450,000 or higher and you file jointly or \$400,000 if you file as a single. A 3.8% surtax also applies if you have an AGI of \$250,000 and file jointly or \$200,000 and file as a single.

## AND IN THE OTHER

Before you make up your mind, though, there may be good reasons to begin taking money out of your tax-deferred **individual retirement accounts (IRAs)**—though not your tax-free Roth accounts—as soon as you retire.

If you have large balances, as you could if you've contributed regularly over an extended period or rolled over large amounts, you could face a substantial tax bill if you wait to withdraw until

you're 70½ when RMDs kick in. In fact, the mandatory withdrawal could bump you into a higher tax bracket. So you may want to begin reducing your balances sooner—reinvesting the money if you don't need the cash.

## SOME PRACTICAL DETAILS

Planning ahead is important because it may be the only way to put the withdrawal strategy you prefer into practice. For example, you're likely to have limited control over the timing of pension income from a defined benefit plan or retirement income from a 401(k) or similar plan unless you take your money out—ideally rolling it over to an IRA or converting to a Roth IRA. The payments typically begin in the year you retire, and once they start you probably will not have the option of changing your mind.

## MANAGING THE INCOME

Keeping track of your required distributions after 70 is easier with one IRA than it is with several separate IRAs. Among other things, you must do just one calculation to determine your RMD, if one is required.

Sometimes, though, it makes sense to have two or more IRAs. For example, while it's possible to convert your tax-deferred IRAs and employer plans to a tax-free Roth to be eligible for tax-free income, you could face a substantial tax bill if you convert everything. So you might decide to keep part of your savings tax deferred. In that case, you need both a tax-deferred and a Roth IRA.



If you have a **rollover IRA** in which both contributions and earnings are tax deferred, you might want to keep that account separate from an IRA to which you made after-tax contributions, if for no other reason than to simplify calculating the tax due on the merged account. You may also decide to keep the accounts separate if there's any possibility that you might roll your rollover IRA back into a new employer's plan.

An equally compelling reason for having two or more IRAs is wanting to name two or more beneficiaries. The rules governing distributions provide more flexibility if there's one beneficiary per IRA than if there are two or more beneficiaries of different ages. The same is true if one beneficiary is a person and the other a charitable organization.

## HANDLING A ROTH

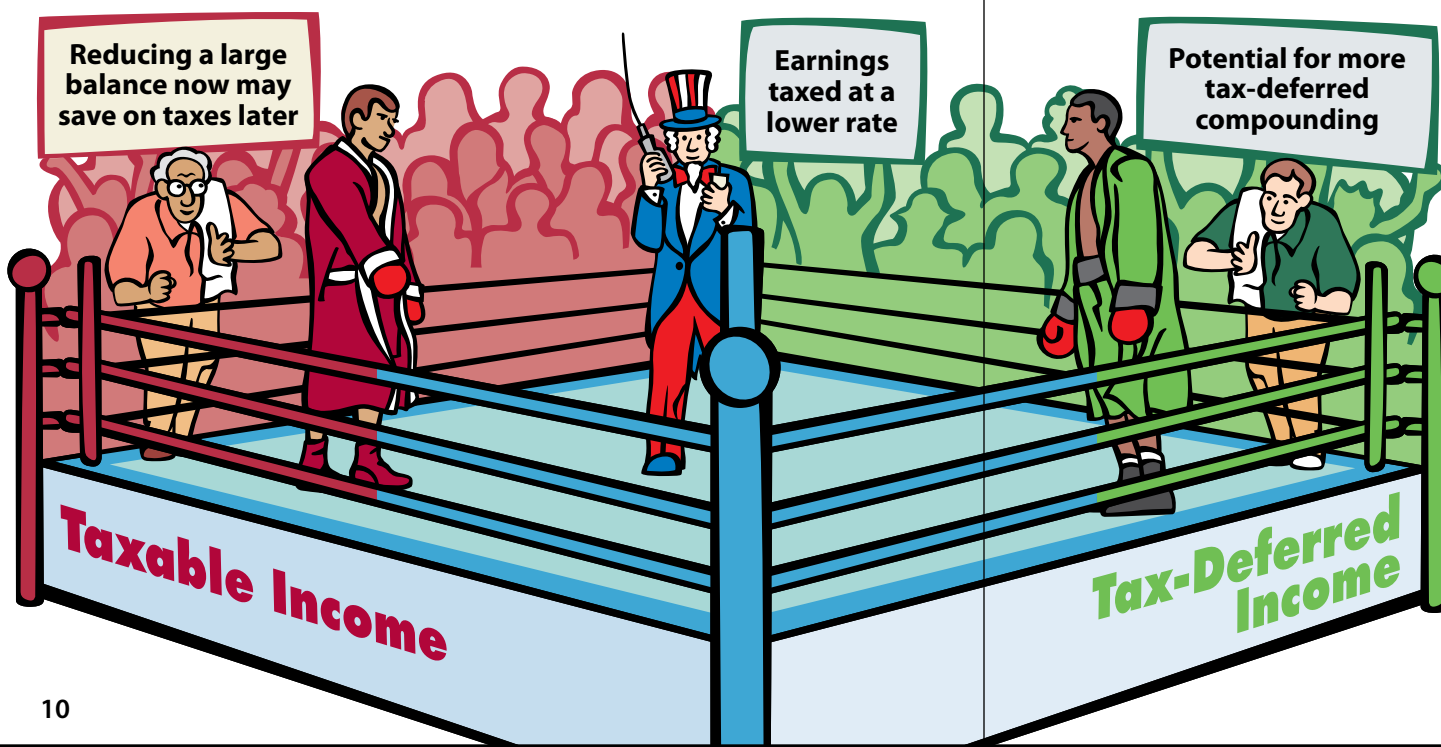
Since a Roth IRA doesn't require withdrawals ever—though a Roth 401(k) or 403(b) does—and there are no taxes due on your withdrawals if you follow the rules, you may want to tap these accounts last. Or you may want to mix some tax-free income with your taxable income. It's your call.

## REVIEWING THE DETAILS

Between 50 and 65, you'll want to seek help to review:

- Appropriate diversification for your investments
- Realistic projections of retirement income sources
- Ways to manage expenses to adjust to lower income
- Timing of your application for Social Security
- Terms of your will and other trust and estate documents

Estate planning is important for small as well as large estates. It ensures a smooth transition of assets as well as critical healthcare decisions. A well-organized estate can greatly reduce stress on families.



# Social Security

When you're ready to collect, you have to ask for your money.

Your Social Security benefit won't automatically appear in your bank account the day you're eligible. You'll have to ask the Social Security Administration (SSA) to start paying and provide evidence that you qualify. To receive your full benefit, you must have reached your **full retirement age (FRA)** though you may begin collecting anytime after 62.

The SSA provides an updated Social Security Statement each year to workers 25 and over detailing what you have paid into the system and the income you can expect if you retire at different ages. You can access your statement online at any time by registering at [www.socialsecurity.gov](http://www.socialsecurity.gov).

Changes in Social Security Retirement-Age Provisions

Year of Birth	Attainment of Age 62	Starting Age for Full Benefits (Year/Months)	Credit for Each Year of Delayed Retirement	Age-62 Benefit as % of PIA
1938	2000	65/2	6.5%	79.2%
1939	2001	65/4	7.0%	78.3%
1940	2002	65/6	7.0%	77.5%
1941	2003	65/8	7.5%	76.7%
1942	2004	65/10	7.5%	75.8%
1943-54	2005-16	66/0	8.0%	75.0%
1955	2017	66/2	8.0%	74.2%
1956	2018	66/4	8.0%	73.3%
1957	2019	66/6	8.0%	72.5%
1958	2020	66/8	8.0%	71.7%
1959	2021	66/10	8.0%	70.8%
1960+	2022+	67/0	8.0%	70.0%

## SPREADING THE WEALTH

You can start collecting Social Security as early as 62 or as late as 70. The earlier you begin, the smaller the annual amount you get. And the later you start, the larger your payments. The underlying principle the SSA has adopted in providing these options is trying to equalize the lifetime value of the benefits.

If you're not working when you turn 62, and Social Security income would help cover your living expenses, you can apply for your benefit. If you were born between 1943 and 1954, you'll be eligible for 75% of the amount you would have received if you were 66. That reduction

is permanent. If you were born between 1955 and 1960, that percentage drops gradually to 70% as full retirement age increases to 67.

If you're working when you start taking benefits and your earnings for the year are more than the limit Congress sets, some of your benefits will be deferred until after you reach full retirement age. Specifically, SSA withholds \$1 for every \$2 you earn over the limit if you're 62 through 65, and \$1 for every \$3 over the limit the year you reach full retirement age.

The SSA can help you decide on the timing of your first payment to maximize your benefit, so it's smart to ask for advice.



## APPLYING FOR BENEFITS

The SSA suggests that you discuss applying for Social Security benefits in the year before you actually plan to retire. Since there are several options for timing retirement and the start of your benefits, the SSA can help you figure out the choice that will work best for you. You have these three choices:

- Retiring early, any time after age 62
- Retiring at full retirement age, which is 66 for people born between 1943-1954
- Postponing retirement past full retirement age

**FOR INFORMATION CALL  
1-800-772-1213**

## PATIENCE HAS ITS REWARDS

The longer you wait past your FRA—66 for participants born in 1954 or earlier, increasing gradually to 67 for participants born in 1960 or later—the larger your benefit will be. That's because you qualify for an additional 8% of your **primary insurance amount (PIA)** annually for each year you wait. There's no point, though, in waiting past 70, because the base amount you're eligible for won't increase any more.

If Social Security will be a primary source of income for your surviving spouse, waiting until you're 70 to take your benefit could make a big difference in providing a comfortable retirement for him or her.

## THE OTHER ISSUES

Chances are there are several factors behind choosing the age at which you apply for retirement benefits. Your health, your plans for the future, or an incentive your employer offers for leaving your job early can make a difference. So can the type of job you have and whether or not you plan to go on working.

## RECEIVING THE MONEY

When you're ready to begin receiving your benefit, you must choose from among three electronic payment alternatives. The money is transferred to your account automatically on a set monthly schedule.

You can have the benefit deposited directly into an existing checking or savings account or new account you set up.

You can sign up for the DirectExpress debit card program. Deposits are made directly to the card, and you can use it to make purchases,

Another factor to weigh in deciding when to begin taking income is that you may have to pay income tax on part of your Social Security benefit. That happens when your total income for the year, including half of your Social Security benefit, is more than the level set by Congress for your filing status. Those levels are fairly low and nearly all of your income is counted, including tax-exempt bond interest.

People who have moved into retirement or nursing homes, or who aren't managing their own finances, can have their money deposited in a custodial account. That way, the benefit can be used for their care.

## SPOUSAL BENEFITS

If your spouse didn't accumulate Social Security credits, he or she is eligible for half your PIA once you begin to take your own benefit. If your spouse does qualify individually but his or her benefit would be smaller than half your PIA, the larger amount takes precedence.

pay bills, or withdraw cash. Most but not all transactions are free.

You might consider a low-cost Electronic Transfer Account (ETA) with a federally insured bank or credit union. Most ETA providers allow ATM withdrawals and point of sale purchases, but there may be fees for using ATMs the ETA provider doesn't own or for more than a limited number of withdrawals.

For more information on these options, visit [www.ssa.gov/deposit/index.htm](http://www.ssa.gov/deposit/index.htm) or call 800-772-1213.



# Covenant Trust Company Investment Objectives

You need a plan to meet your financial goals for retirement.

	CAPITAL PRESERVATION	INCOME WITH GROWTH	CONSERVATIVE GROWTH	MODERATE GROWTH	FOCUSED GROWTH	STRATEGIC GROWTH	AGGRESSIVE GROWTH
<b>OBJECTIVE</b>	Liquidation or disbursement of funds in account is imminent	Income as primary objective	Need for current income and some long-term appreciation	Both income and appreciation needs	Price appreciation balanced with some current income	Limited needs for income and a desire for long-term appreciation	Limited withdrawal needs and the goal of maximizing growth
<b>INVESTMENT HORIZON</b>	Under 2 Years	2 to 5 Years	2 to 5 Years	Over 5 Years	Over 5 Years	Over 5 Years	Over 5 Years
<b>MAJOR FEATURES</b>	<ul style="list-style-type: none"> <li>All fixed income or cash</li> <li>Very low risk</li> <li>Very limited price volatility</li> </ul>	<ul style="list-style-type: none"> <li>Significant fixed income allocation</li> <li>Limited allocation to equities</li> <li>Low price volatility</li> </ul>	<ul style="list-style-type: none"> <li>Conservative risk tolerance</li> <li>Primarily income oriented with moderate equity exposure</li> <li>Potential small allocation to alternative investments</li> </ul>	<ul style="list-style-type: none"> <li>Moderate risk tolerance</li> <li>Balanced allocation to equity and fixed income</li> <li>Some alternative investments</li> </ul>	<ul style="list-style-type: none"> <li>Less than 50% in fixed income</li> <li>Significant alternative allocation</li> <li>More aggressive mix of equity components</li> <li>Greater than moderate risk tolerance</li> </ul>	<ul style="list-style-type: none"> <li>Mostly equity and alternative investments</li> <li>Limited fixed income allocation</li> <li>Increased risk tolerance</li> <li>Exposure to greater price volatility in shorter periods of time</li> </ul>	<ul style="list-style-type: none"> <li>Minimal fixed income allocation</li> <li>Primarily equity, real assets, and alternative strategies</li> <li>Increased allocation to alternative investments</li> <li>Exposure to greater price volatility in shorter periods of time</li> <li>High risk tolerance</li> </ul>

RISK/VARIABILITY OF RETURN

## SOURCES OF INCOME FOR COVENANT MINISTERS

Any budget you create will need to be based on what you can realistically expect your income to be in retirement.

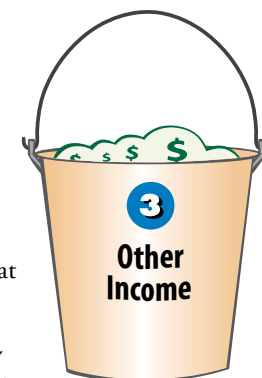
**1 Retirement Plans/ Tax Deferred Savings**  
The Covenant Pension Plan is a defined benefit (DB) plan, which means that you cannot outlive your vested benefits. You

can also select various surviving spousal benefits.

Remember that under the Covenant Pension plan, there is no benefit to waiting to receive a vested pension, so even if you continue to work past 65, you should apply and begin receiving benefits. There are opportunities to receive income before 65, but at significant penalty. In addition to the DB plan, some participants may also have balances in 403(b)9, 401(k) or IRA accounts to consider in this income category.



**2 Social Security**  
You can find your projected Social Security benefits online at [www.ssa.gov](http://www.ssa.gov). Covenant Trust Company has a model that can help you to optimize the timing and form of Social Security income, based upon early application penalties and deferral enhancements.



**3 Other Income**  
Beyond retirement plan income and Social Security, the remaining gap can be filled by taxable investment accounts or other assets, which for some may include savings, home equity, life insurance cash value, or inheritance.  
Because vested benefits under the first two categories are easy to estimate, you can get a sense for what retirement income you can count on, and how much of a gap needs to be filled.

## NATIONAL COVENANT PROPERTIES

Any portfolio mix will likely include fixed income as a component. From a fairly high percentage in a conservative “Capital Preservation” approach to a fairly low percentage in more aggressive investment mixes, National Covenant Properties offers a variety of fixed and variable rate investments to people associated with Covenant congregations.

DEMAND INVESTMENT ACCOUNT (DIA)	30-MONTH FIXED RATE INVESTMENT CERTIFICATE	5-YEAR FIXED RATE INVESTMENT CERTIFICATE
<b>\$50 minimum investment</b>	<b>\$500 minimum investment</b>	<b>\$500 minimum investment</b>
Interest rate adjustable every July 1 and January 1 (Demand + 30 days written notice.)	Interest rate fixed for term. Term is 30 months from date of issuance.	Interest rate fixed for term. Term is 5 years from date of issuance.

INDIVIDUAL RETIREMENT ACCOUNT (IRA)	HEALTH SAVINGS ACCOUNT (HSA)
<b>\$10 minimum investment</b>	<b>\$10 minimum investment</b>
Interest rate adjustable every July 1 and January 1. No stated terms.	Interest rate adjustable every July 1 and January 1. No stated terms.

Note: No fees are charged on any investment with National Covenant Properties

The offer and sale of the Certificates is limited to persons who, prior to receipt of our Offering Circular, were members of, contributors to, participants in, or affiliates of The Evangelical Covenant Church, including any program, activity, or organization that constitutes a part of The Evangelical Covenant Church, or any of its conferences, or any congregation of The Evangelical Covenant Church, or other persons who are ancestors, descendants, or successors in interest to such persons (Investors). This does not constitute an offer to sell or the solicitation of an offer to buy the Certificates. There shall not be any sale of the Certificates in any state in which such offer, solicitation, or sale is not authorized. The offering is made solely by the Offering Circular. The offering of Certificates involves certain risks, which are more fully disclosed in the Offering Circular under the heading “Risk Factors.” In the event NCP exercises its right to redeem a Certificate prior to maturity and upon sixty (60) days notice to the holder thereof, payment of the outstanding principal and interest will be paid to the holder to the date of redemption. The Variable Rate Certificates, Demand Investment Accounts, Individual Retirement Account (IRA) Certificates, Health Savings Account (HSA) Certificates and 403(b) Certificates are not available for sale to investors residing in South Carolina. The Variable Rate Certificates and Demand Investment Accounts are not available for sale to investors residing in Louisiana. NCP’s Certificates are not insured by any governmental agency or private insurance company, including the Federal Deposit Insurance Corporation, or any state bank, insurance fund, or any other governmental agency.

## COVENANT TRUST COMPANY SERVICES

### Investment Portfolio

- Professional investment management, commission-free
- Detailed performance reporting with online access

### Trust Services

- Revocable trusts—serve as trustee or successor trustee
- Access to network of attorneys to prepare, review, and update will, trust, or other estate planning documents
- Covenant Endowment Trust accounts

### IRAs

- Traditional, ROTH and SEP IRA management
- 401(k) and 403(b) Rollovers
- Required Minimum Distribution coordination and planning

### Retirement Investing

- Guidance on investment withdrawal and income planning, including Social Security
- *Retirement Central* at [www.CovenantTrust.com](http://www.CovenantTrust.com)

### Gift Planning

- Charitable Gift Annuities
- Charitable Remainder Trusts
- Donor Advised Funds
- Stock gift processing for charitable donations

**NOTES**

**NOTES**

# Evangelical Covenant Church Resources

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## Financial Leadership

8303 West Higgins Road  
Chicago, IL 60631

Phone: (773) 299-7263

Email: [dan.pietrzyk@covchurch.org](mailto:dan.pietrzyk@covchurch.org)

Web: <http://financialleadership.covchurch.org/>

*Services Provided:* Resourcing for ministers experiencing financial distress, financial literacy and leadership training as well as congregational financial leadership development

## Covenant Trust Company

8303 West Higgins Road  
Chicago, IL 60631

Phone: (800) 483-2177

Email: [info@covenanttrust.com](mailto:info@covenanttrust.com)

Web: <http://covenanttrust.com/>

*Services Provided:* Investment Management • Trust Services • IRAs & Retirement Investing • Endowments • Estate Planning • Legacy & Gift Planning

## Covenant Retirement Communities

5700 Old Orchard Rd  
Skokie, IL 60077-1036

Phone: (773) 878-2294

Web: <http://www.covenantretirement.org/>

*Services Provided:* Senior Living Options

## Evangelical Covenant Church Finance and Pension

8303 West Higgins Road  
Chicago, IL 60631

Phone: (773) 907-3364

Email: [paul.hawkinson@covchurch.org](mailto:paul.hawkinson@covchurch.org)

Web: <http://covchurch.org/affiliated/finance/>

*Services Provided:* Health insurance and retirement options to eligible ministers, church workers, and missionaries

## National Covenant Properties

8303 West Higgins Road  
Chicago, IL 60631

Phone: (800) 366-6273

Email: [ncp@covchurch.org](mailto:ncp@covchurch.org)

web: <http://nationalcovenantproperties.org/>

*Services Provided:* Loans for construction and real estate purchase for churches, real estate consulting services, and congregational and individual fixed income investment options including IRAs and HSAs

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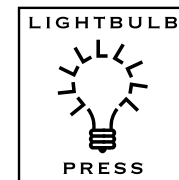
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# YOUR RETIREMENT INCOME

deals head on with the challenges you'll face in providing a financially secure retirement. This comprehensive yet easy-to-understand guide tells you how to build a solid investment portfolio, strengthen your cash flow, and create sources of lifetime income.

**YOUR RETIREMENT INCOME**

## The Last Paycheck

Retiring means stitching together different sources of income.

When you retire, you'll share a common experience with everyone who has already made the change: You won't get a paycheck anymore.

Without this steady stream of revenue, you'll have to arrange for the income you'll need. Specifically, you'll want to answer the following questions:

- What sources of income are you confident you can count on?
- How much income will they provide each year?
- How and when will the income be paid?
- How will you coordinate payments from different sources to create a steady stream of income, so that the bank's money in the bank when you need it?

### WHAT THE SOURCES ARE

You'll probably count on income from a number of different sources.

**Social Security** income is paid to people who contribute to the system, and to their surviving spouses.

**Defined benefit pensions** are designed to provide lifetime income from a plan your employer creates and funds.

**Defined contribution plans**, such as 401(k) or 403(b) plans, are designed to provide income from contributions and earnings on those contributions, which may be made by you, your employer, or both.

**IRAs** are individual retirement accounts. You contribute income you've earned to produce tax-deferred investment earnings that you can withdraw after 59½ as retirement income.

**Personal investments** in taxable accounts can provide interest, dividends, and capital gains to use as retirement income or retirement.

**Jobs** can provide income if you want to work and work is available.

### WHEN THE MONEY ARRIVES

Unlike a paycheck, which arrives regularly, retirement income arrives on different schedules. Social Security and pension payments usually come monthly. Others, like stock dividends, arrive quarterly. Inverts on bonds is paid semi-annually. Few, if any payments, are weekly or biweekly. That means you have to think about balancing the amount coming in to meet your expenses.

**PUTTING IT TOGETHER**

Managing your finances during retirement involves juggling your sources of income to make sure you have enough money to live on. It's a lot like making a quilt. No piece by itself is big enough to keep you warm at night. But properly stitched together, the pieces can provide a lot of comfort.

### THE BIGGER PICTURE

The regular income you can expect from Social Security and a defined benefit pension depends on your work history. In general, the more income you work, and the higher your salary, the more income you can anticipate, up to the annual ceiling.

Realistically, though, neither of these sources is likely to be as important a provider of retirement income in the future as it has been in the past. Social Security faces the challenge of more beneficiaries and fewer workers. And imbalances of more beneficiaries and fewer workers—fewer employees are offering defined benefit plans—mean you've made depends on three things: how much is invested, where it's invested, and the long-term return those investments provide. You have much greater control over these choices, so much greater responsibility for the outcome than you may realize.

That's why it's critical to put basic investment principles to work, including asset allocation and diversification, across your tax-deferred, Roth, and taxable portfolios. It's also why you want to start thinking seriously about retirement income before you start thinking seriously about retiring.

### REALISTIC RETIREMENT INCOME

For the vast majority of retirees, combined income from Social Security, pensions, and other sources will be significantly less than their pre-retirement income. This means careful budgeting and planning become very important in managing retirement.

Ideally, what you would like to know ahead of time are the things that could put a strain on your retirement income. Although you can't predict what will happen, you can prepare by creating an emergency fund to be ready. It's generally smart to keep your reserve money liquid, which means you can turn it into cash easily if you need it. For example, you might put some of these assets into a money market account for immediate access, and some into U.S. Treasury bills or certificates of deposit (CDs) with six-month to one-year terms.

The value of a reserve fund that you draw on only in a real financial emergency is that you'll have quick access to money when you need it most—wherever that is.

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THE FINANCIAL  
EDUCATION COMPANY