How much guaranteed retirement income do you need? The answer to this question is a subjective judgement call. One person may not rest comfortably unless all their money is guaranteed; while another individual may feel fine knowing a quarter of their retirement income is guaranteed. Is there a more objective way to tackle this question? One way to determine the amount of guaranteed income needed is to examine anticipated expenses in retirement. The closer one is to retirement, the better off they will be in anticipating and determining their expenses. The first step in this process is to create a retirement expense worksheet and record the cost of all potential expenses for retirement. Next divide these expenses into two groups: 1) essential living expenses and 2) discretionary living expenses. Examples of essential expenses are food, shelter, medical insurance, etc. Examples of discretionary expenses are gifts, travel and entertainment.

If you are able to cover all or most of your essential living expenses through your Social Security benefit and/or a pension plan, you probably have all the guaranteed income you need. Keep in mind this is a subjective judgement. But at a minimum, this is a good starting point for a guaranteed retirement income discussion. A natural second topic in this discussion is how you will find “guaranteed income” in the event you do not have enough to cover your essential living expenses. In the past, guaranteed income discussions were limited to annuity contracts. There are a vast number of annuity products but typically you can group them into two basic types: deferred and immediate. A deferred annuity is typically purchased and invested for a period of time until withdrawals are made. On the other hand, immediate annuities pay out a benefit soon after an initial investment is made.

Thanks to the increasing demand for guaranteed income a number of new annuity or annuity-like products have entered the market. Investment products such as guaranteed managed payout funds, guaranteed minimum withdrawal benefits products, and qualified longevity annuity contracts can now be added to the mix. These products are new and may be hard to find, but we anticipate that over time there will be additional guaranteed income products and greater knowledge about these products.

If you are in the market to purchase guaranteed income, I advise you to seek out someone who could provide you with objective advice on the product. Do not solely rely on the advice of a person who stands to earn a commission on the product they sell to you. There are literally advisors (i.e. hourly fee or flat fee who can help you navigate the annuity maze and determine the best type of guaranteed income product for you and your family. It may be challenging to pay a couple hundred dollars up front to use an advisory service, but you are likely to save thousands of dollars on the back end.

As always, we welcome the ability to be a resource to you, and we regularly work with our participants in thePCA Retirement Plan discussing discussions of retirement income. Please give us a call if we can help you.

— Mark Melendez, Client Services Manager

1. Incarnational – One of the most unique things about the Christian faith is that God came down to us and took on flesh (John 3:16). There is power in knowing he has walked this road. He knows what it is like to be loved by family, to have friends and to suffer loss and disappointment. 2. Hopeful – 2 Corinthians 3:18 states, “[we] are being transformed…from one degree of glory to another.” We realize there are a thousand reasons why many of us find ourselves in our current financial situation. Perhaps it is because we have or currently do pastor small, struggling churches, or medical expenses prevented us from contributing. Maybe we lose everything in the housing meltdown. Perhaps we were expected to send our children to private schools but not paid enough to afford it. Or possibly we lived beyond our means in an effort to keep up with our church members. Regardless of the reason, we understand the challenges and consider it a privilege to walk with you through them.

RBI seeks to assist our church servants through providing financial planning guidance for those participating in our denominational retirement program, which is a 403(b) defined contribution plan.
**RETIREMENT PLAN LOANS: Just Say ‘No!’**

H ave you ever considered borrowing money from your 
PCA Retirement Plan account? For some, the ability to 
access money easily and quickly with no credit check is very tempting. And the interest you pay goes back into your 
own account. Sounds very appealing, doesn’t it? But actu-
ally, with the possible exception of borrowing from the malloc, 
borrowing from your retirement plan may turn out to be the most 
expensive loan you will ever take in your life!

One of the biggest disadvantages of taking a loan is the 
potential loss of earnings that comes from being out of the 
markets. Consider the potenially substantial impact of a retirement 
plan loan. Over the past 5 years, a 33-year-old employee who would have earned an 
8.88% return in the PCA Target Fund 2050 (period ending 3/31/17) if he had 
borrowed $20,000 from his plan 5 years ago, at a 4.25% interest 
rate, and paid it back on time over a 5 
year period, the ‘short-term’ loss to his retirement plan would have been $2,988. By age 70, 
however, that $2,988 in lost earnings would have grown 
two years after they pay off the loan! It’s what one researcher 
called, ‘a double whammy.’

Another major disadvantage of retirement plan loans is the 
hidden cost of double taxation. Loans must be repaid with 
‘after-tax’ dollars. When you repay a retirement plan loan, you 
are taking already taxed dollars and putting them into a retire-
ment plan where they will be taxed again when you withdraw 
them in retirement. This is not true of any other type of loan.

And, there is no tax deduction for the interest you pay. 
Whereas, if you own a home equity loan, or an equity line of credit (ELOC), the interest 
you pay may be tax deductible. For this 
reason, if you qualify, equity loans are al-
ways preferable to retirement plan loans.

Disturbingly, behavioral research also noticed about 50% of those who take one 
retirement plan loan will take another. And 
20% of those will dip into their savings 5x or 
more!

Sadly, it appears many who take these loans begin to think of them as an easy way to bor-
row cheaply. But as you can see above, retirement 
plan loans were never meant to be used as emergency 
funds! The cost is just too high! Those who take two or more loans over their lifetime retire with 142%-33 
less in their accounts on average.

And for those who are struggling with financial stress and uncertainty, retirement plan loans can also expose you to catastrophic financial risk. If you are 
able to repay a retirement plan loan, and ‘default’ on the loan, it will be considered a ‘distribution’ and 
you will have to pay Federal and State income taxes on the 
entire remaining balance of the loan — in-
cluding an additional 10% early-withdrawal pen-
alty if you are under age 59½. So you should 
never borrow without a sound repayment strategy. Because, if you are unable to make a monthly loan payment, how will you be able to pay all the taxes and penalties that will be owed?

In many cases it is better to avoid borrowing at all or to bor-
rrow from other available sources before borrowing from your retirement plan. But there may be times when it is unavoidable. Borrowing to avoid bankruptcy, foreclosure, and starvation are certainly warranted. Or perhaps borrowing to pay off a 24% credit card when safeguards are in place to keep you from go-
ing back into debt. But every time you take money out of your retirement plan, whether permanently or temporarily, you risk 
stealing the growth of your nest egg. And given the increas-
ing length of our longevity and retirement years, you will need 
every dollar! — Dave Andregg, Financial Planning Advisor

The U.S. has slowly drifted away from defined 
benefit pension plans to a new standard: defined contribution retirement plans. Today, the 401(k) and 
403(b) defined contribution plans are the main 
vehicle employers use for retirement saving. 

**INCOME, HOW MUCH of a GUARANTEE is needed?**

S ome of the retirement plans of our parents and grandpar-
tens were things to behold. These plans were called ‘de-
finite benefit pension plans’ and provided a guaranteed 
retirement amount. This dollar amount was provided to an em-
ployee for as long as they would live, and often, it covered the 
life of their spouse as well. The retirement benefit was backed 
by investments held in trust by the employer, and additional 
guarantees were provided by an agency of the federal govern-
ment called the Pension Benefit Guaranty Corporation (PBGC).

Should the employer go bankrupt or close or even, the PBGC would continue to provide retirement income.

Those who were fortunate enough to have a defined benefit plan did not know the total dollar value of their benefit. 
If an individual asked the employee what their pension 
was worth, most would reply by saying, “approximately two thirds of my final salary.” When combined with Social Security income, employees were often able to fully replace their income in retirement. The retirement paradigm 
of the time was designed to place most of the retire-
ment risk on the employer, and served to protect 
employees until death.

The U.S. has slowly drifted away from defined benefit pension plans to a

**INVESTMENT PERFORMANCE: Average Annual Return Through**

<table>
<thead>
<tr>
<th>Fund</th>
<th>2YR QTR 17</th>
<th>3YR.</th>
<th>5YR.</th>
<th>10YR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCA Large Cap Growth</td>
<td>3.27%</td>
<td>17.08%</td>
<td>6.31%</td>
<td>12.29%</td>
</tr>
<tr>
<td>PCA Large Cap Value</td>
<td>1.56%</td>
<td>16.39%</td>
<td>6.18%</td>
<td>13.65%</td>
</tr>
<tr>
<td>S&amp;P 500 Stock Index</td>
<td>2.96%</td>
<td>17.27%</td>
<td>9.06%</td>
<td>14.05%</td>
</tr>
<tr>
<td>PCA Mid Cap Growth</td>
<td>2.39%</td>
<td>15.14%</td>
<td>7.10%</td>
<td>13.48%</td>
</tr>
<tr>
<td>PCA Mid Cap Value</td>
<td>0.47%</td>
<td>16.00%</td>
<td>8.36%</td>
<td>14.27%</td>
</tr>
<tr>
<td>PCA Small Cap</td>
<td>1.49%</td>
<td>16.77%</td>
<td>7.57%</td>
<td>14.14%</td>
</tr>
<tr>
<td>International Stock</td>
<td>3.01%</td>
<td>20.30%</td>
<td>11.25%</td>
<td>16.25%</td>
</tr>
<tr>
<td>PCA Diversified Bond</td>
<td>2.65%</td>
<td>0.49%</td>
<td>2.04%</td>
<td>8.08%</td>
</tr>
<tr>
<td>PCA Conservative Bond</td>
<td>0.95%</td>
<td>1.92%</td>
<td>1.27%</td>
<td>1.17%</td>
</tr>
<tr>
<td>Stable Value Fund Quint</td>
<td>0.20%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Note:** Investment returns shown are net of investment manager, custodial and administrative fees. The above returns are unaudited.

Preventing and Protecting our Church Servants.
of the biggest disadvantages of taking a loan is the potential loss of earnings that occurs from being out of the market. Consider the potential substantial impact of a retirement plan loan. Over the past 5 years, a 33 year old participant would have earned an 8.8% return in the PCA Target Fund 2050 (period ending 3/31/17). If he had borrowed $200,000 from age 5 years ago, at a 4.25% interest rate, and paid it back on time over a 5 year period, the ‘short-term’ loss to his retirement plan would have been $2,988. By age 70, however, that $2,988 in lost earnings would have grown to $36,524 — even if he only averaged a 7% return! 20% of those will dip into their savings 5x or more! Sadly, it appears many who take these loans begin to think of them as an easy way to borrow cheaply. But as you can see above, retirement plan loans were never meant to be used as emergency funds! The cost is just too high! Those who take two or more loans over their lifetime retire with 14-23% less in their accounts on average.

And for those who are struggling with financial stress and uncertainty, retirement plan loans can also expose you to catastrophic financial risk. If you are unable to repay a retirement plan loan, and ‘default’ on the loan, it will be considered a ‘distribution,’ and you will have to pay Federal and State income taxes on the entire remaining balance of the loan — including an additional 10% early-withdrawal penalty if you are under age 59½. So you should never borrow without a sound repayment strategy. Because, if you are unable to make a monthly loan payment, how will you be able to pay all of the taxes and penalties that will be owed? In many cases it is better to avoid borrowing at all or to borrow from other available sources before borrowing from your retirement plan. But there may be times when it is unavoidable. Borrowing to avoid bankruptcy, foreclosure, and starvation are certainly warranted. Or perhaps borrowing to pay off a 24% credit card when safeguards are in place to keep you from going back into debt. But every time you take money out of your retirement plan, whether permanently or temporarily, you risk stunting the growth of your nest egg. And given the increasing length of our longevity and retirement years, you will need every dollar! — Dave Andery, Financial Planning Advisor

Preventing and Protecting our Church Servants.

Have you ever considered borrowing money from your PCA Retirement Plan account? For some, the ability to access money easily and quickly with no credit check is very tempting. And the interest you pay goes back into your own account. Sounds very appealing, doesn’t it? But actually, with the possible exception of borrowing from the miracle, borrowing from your retirement plan may turn out to be the most expensive loan you will ever take in your life.

One of the biggest disadvantages of taking a loan is the potential loss of earnings that occurs from being out of the markets. Consider the potential substantial impact of a retirement plan loan. Over the past 5 years, a 33 year old participant would have earned an 8.8% return in the PCA Target Fund 2050 (period ending 3/31/17). If he had borrowed $200,000 from age 5 years ago, at a 4.25% interest rate, and paid it back on time over a 5 year period, the ‘short-term’ loss to his retirement plan would have been $2,988. By age 70, however, that $2,988 in lost earnings would have grown to $36,524 — even if he only averaged a 7% return. And, there is no tax deduction for the interest you pay. Whereas, if you obtain a home equity loan, or an equity line of credit (ELOC), the interest you pay may be tax deductible. For this reason, if you qualify, equity loans are always preferable to retirement plan loans. Disturbingly, research also noticed about 60% of those who take one retirement plan loan will take another. And 20% of those will dip into their savings 5x or more! Sadly, it appears many who take these loans begin to think of them as an easy way to borrow cheaply. But as you can see above, retirement plan loans were never meant to be used as emergency funds! The cost is just too high! Those who take two or more loans over their lifetime retire with 14-23% less in their accounts on average.

And for those who are struggling with financial stress and uncertainty, retirement plan loans can also expose you to catastrophic financial risk. If you are unable to repay a retirement plan loan, and ‘default’ on the loan, it will be considered a ‘distribution,’ and you will have to pay Federal and State income taxes on the entire remaining balance of the loan — including an additional 10% early-withdrawal penalty if you are under age 59½. So you should never borrow without a sound repayment strategy. Because, if you are unable to make a monthly loan payment, how will you be able to pay all of the taxes and penalties that will be owed? In many cases it is better to avoid borrowing at all or to borrow from other available sources before borrowing from your retirement plan. But there may be times when it is unavoidable.

Borrowing to avoid bankruptcy, foreclosure, and starvation are certainly warranted. Or perhaps borrowing to pay off a 24% credit card when safeguards are in place to keep you from going back into debt. But every time you take money out of your retirement plan, whether permanently or temporarily, you risk stunting the growth of your nest egg. And given the increasing length of our longevity and retirement years, you will need every dollar! — Dave Andery, Financial Planning Advisor

New standard: defined contribution retirement plans. Today, the 401(k) and 403(b) defined contribution plans are the main vehicle employers use for retirement saving. These types of plans require a lot more individual oversight than the retirement plans of our parents. Defined contribution plans have also shifted the focus of retirement planning away from discussions about retirement guaranteed income, because in these plans retirement income is not typically guaranteed. Employees are responsible for ensuring their retirement account will provide an adequate amount of income for their life. On some occasions, employees have depleted their account before they die, and this scenario weighs heavy on many employers. The primary concern of the average American is whether they will have sufficient funds to live comfortably in retirement and until they die. Preferably, the payout should be regular, predictable and in particular, guaranteed.

The U.S. has slowly drifted away from defined benefit pension plans to a new standard: defined contribution retirement plans. Today, the 401(k) and 403(b) defined contribution plans are the main vehicle employers use for retirement saving.

<table>
<thead>
<tr>
<th>INVESTMENT PERFORMANCE: Average Annual Return Through</th>
<th>2nd QTR 17</th>
<th>3YR.</th>
<th>5YR.</th>
<th>10YR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCA Large Cap Growth</td>
<td>3.27</td>
<td>17.08</td>
<td>4.31</td>
<td>12.29</td>
</tr>
<tr>
<td>PCA Large Cap Value</td>
<td>1.56</td>
<td>16.39</td>
<td>4.18</td>
<td>13.65</td>
</tr>
<tr>
<td>S&amp;P 500 Stock Index</td>
<td>2.92</td>
<td>17.27</td>
<td>9.05</td>
<td>14.05</td>
</tr>
<tr>
<td>PCA Mid Cap Growth</td>
<td>3.93</td>
<td>15.14</td>
<td>7.13</td>
<td>13.48</td>
</tr>
<tr>
<td>PCA Mid Cap Value</td>
<td>12.67</td>
<td>16.00</td>
<td>8.28</td>
<td>14.27</td>
</tr>
<tr>
<td>PCA Small Cap</td>
<td>3.49</td>
<td>16.67</td>
<td>8.18</td>
<td>13.20</td>
</tr>
<tr>
<td>International Stock</td>
<td>3.01</td>
<td>20.30</td>
<td>2.15</td>
<td>6.20</td>
</tr>
<tr>
<td>PCA Diversified Bond</td>
<td>1.65</td>
<td>0.49</td>
<td>2.05</td>
<td>2.08</td>
</tr>
<tr>
<td>Conservative Bond</td>
<td>0.92</td>
<td>1.92</td>
<td>1.27</td>
<td>1.17</td>
</tr>
<tr>
<td>Stable Value Fund Fd*</td>
<td>0.20</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

| RETIREMENT INCOME, HOW MUCH OF A GUARANTEE is needed? |

Some of the retirement plans of our parents and grandparents were things to behold. These plans were called ‘defined benefit pension plans’ and provided a guaranteed retirement amount. This dollar amount was provided to an employee for as long as they would live, and often, it covered the life of their spouse as well. The retirement benefit was backed by investments held in trust by the employer, and additional guarantees were provided by an agency of the federal government called the Pension Benefit Guaranty Corporation (PBGC). Should the employer go bankrupt or cease to exist, the PBGC would continue to provide retirement income.

Those who were fortunate enough to have a defined benefit plan did not know the total dollar value of their benefit. If an individual asked the employee what their pension was worth, most would reply by saying “approximately two thirds of my final salary.” When combined with Social Security income, employees were often able to fully replace their income in retirement. The retirement paradigm of the time was designed to place most of the retirement income on the employer, and served to protect employees until death.

The U.S. has slowly drifted away from defined benefit pension plans to a new standard: defined contribution retirement plans. Today, the 401(k) and 403(b) defined contribution plans are the main vehicle employers use for retirement saving.

**Note:** Investment returns shown are net of investment manager, custodial and administrative fees. The above returns are unaudited.
How much guaranteed retirement income do you need? The answer to this question is a subjective judgement call. One person may not rest comfortably unless all their money is guaranteed; while another individual may feel fine knowing a quarter of their retirement income is guaranteed. Is there a more objective way to tackle this question? One way to determine the amount of guaranteed income needed is to examine anticipated expenses in retirement. The closer one is to retirement, the better off they will be in anticipating and determining their expenses. The first step in this process is to create a retirement expense worksheet and record the cost of all potential expenses for retirement. Next divide these expenses into two groups, 1) essential living expenses and 2) discretionary living expenses. Examples of essential expenses are food, shelter, medical insurance, etc. Examples of discretionary expenses are gifts, travel and entertainment.

If you are able to cover all or most of your essential living expenses through your Social Security benefit and/or a pension plan, you probably have all the guaranteed income you need. Keep in mind this is a subjective judgement. But at a minimum, this is a good starting point for a guaranteed retirement income discussion. A natural second topic in this discussion is how you will find ‘guaranteed income’ in the event you do not have enough to cover your essential living expenses. In the past, guaranteed income discussions were limited to annuity contracts. There are a vast number of annuity products but typically you can group them into two basic types: deferred and immediate. A deferred annuity is typically purchased and invested for a period of time until withdrawals are made. On the other hand, immediate annuities pay out a benefit soon after an initial investment is made. Thanks to the increasing demand for guaranteed income a number of new annuity or annuity-like products have entered the market. Investment products such as guaranteed minimum withdrawal benefits products, and qualified longevity annuity contracts can now be added to the mix. These products are new and may be hard to find, but we anticipate that over time there will be additional guaranteed income products and greater knowledge about these products.

If you are in the market to purchase guaranteed income, I advise you to seek out someone who could provide you with objective advice on the product. Do not solely rely on the advice of a person who stands to earn a commission on the product they sell to you! There are plenty of advisors i.e. hourly fee or flat fee who can help you navigate the annuity maze and determine the best type of guaranteed income product for you and your family. It may be challenging to pay a couple hundred dollars up front to use an objective advisor, but you are likely to save thousands of dollars on the back end.

As always, we welcome the ability to be a resource to you, and we regularly work with our participants in the PCA Retirement Plan concerning discussions of retirement income. Please give us a call if we can help you.

— Mark Malolepsz, Client Services Manager

GRACE  BASED

Financial Planning

I your experience is anything like mine, there are several sermon topics that when addressed are sure NOT to get “great message pastor!” comments. The first is the topic of sexual sin and brokenness. The second is Sabbath rest, and the third, tithing and money. Early in ministry I often wondered why this was the case. Now, years into it, my conclusion is these three topics, more than any others, are where people, including myself, feel the most guilt and shame. As a result of our shame, we avoid taking these areas of our lives to the Lord Jesus. It is in the gospel that the power of guilt and shame is broken in our hearts and lives. In light of the power and control these issues have over us, these ought to be the topics we take to the Lord first rather than reluctantly!

For the past two years here at PCA Retirement & Benefits (RBI), I have had the privilege of “pastoring” pastors and church staff in one of these three areas—money. In 2 Corinthians 8 and 9, Paul reminds us of the reality that our view and use of money is not simply an issue of numbers, rather, it is a matter of the heart. At RBI we believe this area of our lives is not lived beyond the reach or reach of God’s grace. One of the things I love about RBI’s vision and mission is our commitment to serve our church servants by helping to prepare them for the future while we work to protect them and their families today. One of the ways RBI seeks to assist our church servants is through providing financial planning guidance for those participating in our denominational retirement program, which is a 403(b) defined contribution plan. As one who has been trying to implement this vision for the past two years, there are several things I have come to realize make what RBI does different.

1. Incarnational – One of the most unique things about the Christian faith is that God came down to us and took on flesh (John 1:1-14). There is power in knowing he has walked this road. He knows what it is like to be loved by family, to have friends and to suffer loss and disappointment.

RBI seeks to assist our church servants through providing financial planning guidance for those participating in our denominational retirement program, which is a 403(b) defined contribution plan. As a result, we understand the challenges and consider it a privilege to walk with you through them.

2. Hopeful – 2 Corinthians 3:18 states, “(we) are being transformed...from one degree of glory to another,” which applies to our whole lives. One of the reasons we desire to help our church servants grow in this area is so they can become more generous than they are.