



Retirement Replacement ratio? — Continued from page 2

Replacement Ratio Defined

Simply put, your retirement replacement ratio is the percentage of your current income that you believe you will need in retirement. So, if your housing and salary at your present call is \$70,000 a year, a typical replacement ratio would be 85% of your pre-retirement income or \$59,500.

How is this ratio calculated?

The next question people often have is, why not simply use 100%? Everyone's personal budget before retirement includes expenses that are helping them prepare for retirement; therefore, there is no need to replace all of your income during retirement. For example, for every minister who has remained in Social Security, 14.13% of your current income is going to pay your SECA tax. When you retire, you will no longer be paying into Social Security. The same is true for the portion of your budget going to retirement savings and maybe even some of your life insurance policies. So, the question remains: how do you calculate an appropriate retirement income replacement ratio?

Calculating your retirement replacement ratio is a very personalized issue. Do you want to maintain the same standard of living you currently have? Do you want a lower one? A higher one? As you can tell, this is a conversation to have with your spouse. In the financial advising industry, the rule of thumb recommendation is somewhere between 70-90%. For example, let's take a pastor whose salary and housing allowance (i.e. portion of salary that is housing related and non-taxable for federal income tax purposes) is \$70,000, and assume he is in Social Security and has been making a 5% salary reduction to his retirement account. If he wanted to maintain his current standard of living in retirement, his replacement rate would be

80%, or \$56,000 a year, of which about 35-40% would come from Social Security.

The following chart shows the typical ratio based on preretirement income level. As you can see, the less you earn preretirement, the greater your replacement ratio will be in retirement.

Typical Retirement Replacement Ratios			
Pre-Retirement	Social Security	Other Sources	Total Income
\$20,000	69%	25%	94%
\$30,000	59%	31%	90%
\$40,000	54%	31%	85%
\$50,000	51%	30%	81%
\$60,000	46%	32%	78%
\$70,000	42%	35%	77%
\$80,000	39%	38%	77%
\$90,000	36%	42%	78%

SOURCE: The Aon Consulting/Georgia State University 2008 Retirement Income Replacement Ratio Study

Still confused? Still not sure how to calculate your retirement income replacement ratio? Give us a call. One of the things I learned quickly during my first semester of seminary is that my professors wanted me not to simply know the material for the tests but also to understand the material and know why it was important. That is RBI's commitment as well. No, your retirement income replacement ratio will not help you explain the difference between inerrant and inspired, but it may help bring harmony to your marriage as you and your spouse determine what your needs will be in the future and how to provide for them.

—Ed Dunnington, *Financial Planning Advisor*

Encouragement — Continued from page 3

Here is the key: go to Him often in prayer. In Luke 18:1 Jesus tells a parable, and Luke introduces it with, "Then Jesus told them a parable to show them they should **always pray** and not lose heart." Jesus knows we will walk a long, difficult and harsh journey, so He reminds us to rest in Him through close fellowship and persistent prayer.

RBI also knows that as a school teacher, pastor, church worker or missionary, you may be facing difficult times,

especially financially. We do not have all the answers, but we are good listeners and have ample amounts of encouragement and support. We want to listen, pray and provide sound financial guidance as needed. Please call us or visit us and let us join you on this journey. We will walk with you on this rough road, and promise to keep you, your family and your ministry in prayer. — Harry Cooksey, *Relationship Manager*

* <http://nae.net/pastorresearch/> see the article and full survey at this site.

MONEY MARKET CHANGES

In response to new SEC regulations

Among the PCA Retirement Plan 'Core Funds' options, the plan offers a money market fund option that is designed to provide a safe place for 'cash' by investing in high-quality, short-term debt. Since 2009, Charles Schwab & Co. has managed the money market fund, also known as the *Schwab Value Advantage Money Fund (Ultra) – Institutional Prime Shares (SNAXX)*. However, on September 26, 2016, because of recent regulatory changes, the Board of PCA Retirement & Benefits, Inc. (RBI) has chosen to replace this fund with the *Schwab Retirement Government Money Fund (SNRXX)*.

In June 2014, in response to the 2008-2009 financial crisis "when heavy investor withdrawals threatened the price stability of these funds," the Securities and Exchange Commission (SEC) passed several new rules governing money market funds. Historically, money market funds (often referred to as a 'cash equivalent') have been very liquid and accessible, and have sought to maintain a stable \$1 per share value. In other words, much like a bank savings account, money market funds did not daily fluctuate in value.

Under the new SEC rules, however, many money market funds will now be required to have a 'floating net asset value.' That means the value of the fund will move up and down in value with the markets every day.

In addition, in times of market stress, these funds will be able to impose fees on redemptions (i.e. liquidity fees), and/or temporarily suspend withdrawals altogether (i.e. redemption gates)! Obviously, while these rules may be favorable for fund managers and regulators, they are not very favorable for investors looking for a safe-haven from market fluctuations.

Understandably, these new SEC rules (which became effective on October 14, 2016), have led many institutional investors and retirement plan sponsors to

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make changes to their money market funds. RBI has selected the *Schwab Retirement Government Money Fund (SNRXX)*, because money market funds that only invest in 'government-backed securities' are not subject to liquidity fees or redemption gates, and will seek to maintain a stable \$1 per share value. In addition to the increased safety ('credit-worthiness') that government-backed investments offer, the operating cost of the fund is slightly less,

— Continued on page 2



What is my retirement replacement ratio?

Lessons from "Inspiration and Interpretation"

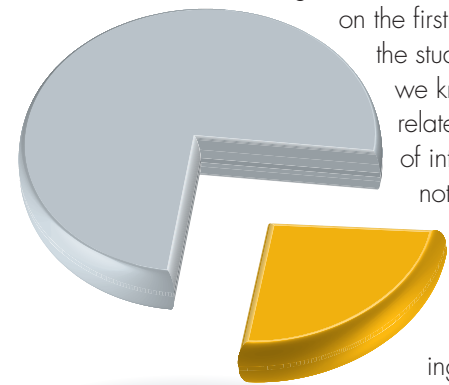
Have you ever come to a meeting with enthusiasm about what you are going to learn, only to find yourself thinking a few minutes in, "What have I gotten myself into? I have no idea what he is talking about." So it was when I sat down in Dr. David Jones' "Inspiration and Interpretation" systematic theology class during my first semester of seminary. I sat on the front row, next to a fellow student who appeared to be, and was, more scholarly than myself (David Filson was intimidat-

ing). I'll never forget a question he asked on the first day about epistemology, the study of how we know what we know about God, as it relates to our understanding of interpretation. I was taking notes furiously so I could look the words up to know what they meant. Feeling hopelessly lost, I spent the next four months wondering if I had made a terrible mistake by coming to seminary.

A similar feeling overtakes many people when they begin to talk about retirement and start to do some basic retirement planning. If you sit down with a Financial Advisor, he or she will most certainly ask you questions like: "At what age would you like to retire?" "Do you plan to work part-time during retirement? If so, how much do you hope to earn a month, per year?" "Will your house be paid for?" "Do you plan to downsize?" "Where do you hope to live?" "Do you know what your monthly Social Security benefit will be?" Some of these questions are easier to answer than others. One question that many people get stuck on is, "What percentage of your current income will you need in retirement?" This is often referred to as your *retirement income replacement ratio*. But what is a replacement ratio and how does it help you in planning for retirement?

— Continued on page 4

One question that many people get stuck on is, "What percentage of your current income will you need in retirement?" This is often referred to as your retirement income replacement ratio.



From a Pastor's Pen: Encouragement for the Discouraged

"We voted unanimously to ask you to resign from being our pastor." Those were the alarming words of two Ruling Elders who came to my church office on a Monday morning after Easter Sunday. My heart sank. I could not believe what I was hearing. I went into a state of shock and denial. I could not think. I walked around the church and wondered what was coming next. Regrettably, I have witnessed many similar situations during my time at PCA Retirement & Benefits, Inc. (RBI).

Our start in ministry often finds us in lofty peaks with our hearts filled with joy. There is a lot of satisfaction knowing that you are fulfilling the call the Lord has given you. However there are also dark valleys that we must travel. Dealing with these times can lead to deep discouragement and disappointment. Loss of employment and workplace difficulties affect pastors and their families profoundly. There is often a loss of community and a tangle of broken relationships that each family member must bear uniquely. Hurt, confusion, and anger are common emotions to

wrestle with in these difficult times.

Lay church workers, teachers and missionaries can experience similar emotions - rejection and little sense of appreciation for the hard work performed. Add to this the financial strain they have if faced with modest pay and high cost of living. The work of ministry, whether it is in a church or other venue, can be disheartening, especially due to finances. *Grey Matter Research** conducted a survey among 4,249 pastors and found a vast majority (90%) under financial stress. This strain was due to lack of emergency savings, little to no retirement savings, high medical bills and an average of \$36,000 in educational debt. Most have modest salaries and spouses who feel obligated to work to help pay the bills.

In spite of the reason we have for discouragement, we also have reasons to be encouraged. The great advantage we have as followers of Jesus Christ is His unending love for us, His abiding presence, and the hope of His promises. Hear Paul's words from 2 Corinthians 4:7-12:

⁷ But we have this treasure in jars of clay, to show that the surpassing power belongs to God and not to us. ⁸ We are afflicted in every way, but not crushed; perplexed, but not driven to despair; ⁹ persecuted, but not forsaken; struck down, but not destroyed; ¹⁰ always carrying in the body the death of Jesus, so that the life of Jesus may also be manifested in our bodies. ¹¹ For we who live are always being given over to death for Jesus' sake, so that the life of Jesus also may be manifested in our mortal flesh. ¹² So death is at work in us, but life in you.

The Lord is not asking us to be courageous by trusting in our own strength or determination; we are not to be self-dependent, but God-dependent. When discouragement comes, Jesus wants us to abide in His presence and power, and from this we can push on when we are at our weakest.

— Continued on page 4

Financial Planning Seminars

The goal of our seminars is to be of significant assistance and help to you and your spouse, no matter where you are financially.

The 2016-2017 Schedule

2016

October 4 Charlotte, NC
November 15 Houston, TX

2017

January 25 Augusta, GA
February 16 Greenville, SC
Mid-March (tentative) South Florida
Late April (tentative) Arizona

Money Market Changes — Continued from page 1

and the team that oversees this new fund has significant long-term experience managing government-only funds.

RBI is providing this information to make you aware of the change that has taken place in this particular fund. Since none of the *Target Funds* invest in the money market fund, if you are fully invested in a *Target Fund*, this move did not impact you. If, however, you were invested in the *PCA Money Market Fund* as a Core Funds option, then your investment was automatically transitioned into the new money market fund on September 26, 2016. So, no action is required by any investor in the PCA Retirement Plan. If you would like additional information regarding the new money market fund, please review the Charles Schwab summary prospectus at the following website: <http://hosted.rightprospectus.com/SF/Fund.aspx?dt=P&cu=808515555> or give us a call at (800) 789-8765.

— Dave Anderegg, Financial Planning Advisor

INVESTMENT PERFORMANCE: Average Annual Return Through 9/30/16

	3RD QTR 16	1 YR.	3 YR.	5 YR.	10 YR.		3RD QTR 16	1 YR.	3 YR.	5 YR.		
CORE FUNDS	PCA Large Cap Growth	3.82%	10.36%	5.28%	13.51%	7.23%	TARGET FUNDS	PCA TR2060	4.68%	11.03%	N/A	N/A
	PCA Large Cap Value	3.92%	12.78%	3.44%	15.43%	N/A		PCA TR2055	4.68%	11.05%	4.70%	11.70%
	S & P 500 Stock Index	3.71%	14.81%	6.58%	15.78%	6.63%		PCA TR2050	4.68%	11.05%	4.71%	11.70%
	PCA Mid Cap Growth	4.34%	10.73%	6.06%	15.97%	8.46%		PCA TR2045	4.64%	10.73%	4.56%	11.49%
	PCA Mid Cap Value	5.35%	16.71%	5.36%	16.87%	6.92%		PCA TR2040	4.40%	10.43%	4.41%	11.03%
	PCA Small Cap	3.79%	9.58%	5.83%	N/A	N/A		PCA TR2035	3.89%	9.61%	4.10%	10.36%
	International Stock	7.07%	11.21%	-0.33%	5.76%	1.05%		PCA TR2030	3.30%	8.41%	3.81%	9.47%
	PCA Diversified Bond	0.49%	4.95%	3.64%	3.13%	4.33%		PCA TR2025	2.61%	6.85%	3.37%	8.45%
	Conservative Bond	0.45%	1.34%	1.18%	1.05%	2.13%		PCA TR2020	2.05%	5.97%	3.10%	7.48%
	Money Market	-0.01%	-0.19%	-0.28%	-0.37%	0.55%		PCA TR2015	1.57%	5.14%	2.90%	6.49%
								PCA TR2010	1.18%	4.76%	2.80%	5.59%
						PCA Harvester	1.17%	4.99%	2.74%	4.58%		

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