

DON'T FEAR THE BEAR MARKET

Thomas Paine once wrote: "These are the times that try men's souls." Do you feel that way as an investor after reviewing your 3rd quarter statement? This has been an exceedingly challenging year for investors, and the third quarter of 2015 was an especially tumultuous period. Though the conflict in Ukraine, the debt crisis in Greece, and the Syrian refugee crisis in Europe have all contributed to the global investor concerns, the epicenter of third quarter economic turbulence was the Chinese economy.

Beginning in July, after the Shanghai Composite Index had begun to decline, the Chinese government and central bank enacted several reforms in hopes of spurring investment and stabilizing the market. But when that was met with limited success, they devalued their currency (yuan) in August. That is when the third quarter global financial melee began in earnest. Consequently, the S&P 500, a broad measure of U.S. large cap stocks, was down 6.4% for the quarter and down more than 5.3% for the year. The Russell 2000 index (small cap stocks) was down 11.9% for the quarter and 7.7% for the year, while International and emerging markets fared even worse. Oil plunged 23.9%, helping the American consumer, but making energy and materials the worst performing sectors of the economy.

Analysts technically refer to these downward movements as 'market corrections.' A market correction is usually defined as a 10% temporary decline of value in an otherwise upward trending market, and they occur on average every 2.5 years. But market corrections, and the volatility that often characterizes them, can be unsettling. For example, on August 28th the Dow Jones Industrial Average plunged 1089 points, and then regained 369 of those points, within the first 15 minutes of the opening bell! That's a level of turbulence and drama that most of us find unnerving!

How are you doing with all of this market volatility? Are you asking yourself, "What should I do?" If so, then here is my advice: exercise wisdom by employing self-restraint and doing nothing. That's right, nothing. File your quarterly statement and focus on things over which you can exercise more control. For example, invest more time in worship, spend

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**"These are
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Thomas Paine



This Old Hous(ing allowance)e

“Well as an ordained minister, you get a housing allowance that is not subject to taxes.”

I am sure you have heard that said. Perhaps by a friend, a peer, a minister mentor or other leader within the church wanting to make sure you were aware of all the benefits available to you as a pastor. Comments like this, though helpful, often do not go far enough in giving the “full story” on housing allowance. Two things in particular are worth mentioning.



benefits are considered eligible for the tax-free housing allowance exclusion. If the minister in our example is in the 25% tax bracket, his annual housing allowance would save \$114,145.60 in income tax over a 15-year retirement, and the tax savings would increase for ministers in a higher tax bracket or with a larger housing allowance. In addition, this has the potential of also preventing pastors from needing to reduce their Social Security benefit while in

1 Though housing allowance, for the time being, is exempt from income taxes, it is still subject to Self-Employment taxes. When you calculate your Social Security taxes due, the 15.3% is taken from salary plus housing. For example, say your church is paying you \$45,000 in salary and \$20,000 in housing. Your quarterly payments need to be based on 15.3% of \$65,000 NOT \$45,000. That’s a difference of \$3,060 for the year! Very few of us have that kind of money just laying around.

retirement. So what does this mean for you? Make sure you have at least enough in your PCA retirement plan to cover your housing expenses in retirement. The minister in our example would need at least \$500,000 in his PCA retirement account to cover his housing expenses for 25 years of retirement beginning at age 70. It is important to remember that you must have that money in your account prior to retirement in order to enjoy this benefit.

2 Perhaps the housing allowance benefit most unknown to people is that ministers are allowed to claim housing allowance once they retire but only through their denominational retirement plan. What does this mean? Let’s take our example above of the minister who is getting paid \$65,000 in salary plus housing. For simplicity sake let’s say he retires at 70 and his annual housing costs remain \$20,000 a year. When a minister retires and begins receiving retirement benefits from a denominational plan, those

When it comes to financial planning, knowing “the rest of the story” is critical to ensure that we “render unto Caesar what is Caesar’s” and protect ourselves from paying more than is necessary out of our hard earned savings. If you are approaching retirement or have more questions about the housing allowance exemption, don’t hesitate to call us. We would be happy to help you maximize your tax savings.

— Ed Dunnington, *Financial Planning Advisor*

INVESTMENT PERFORMANCE: Average Annual Return Through 9/30/15

	3 RD QTR 15	1 YR.	3 YR.	5 YR.
CORE FUNDS				
PCA Large Cap Growth	-5.86%	0.42%	11.78%	11.86%
PCA Large Cap Value	-8.88%	-5.12%	12.28%	11.35%
S & P 500 Stock Index	-6.56%	-1.07%	11.86%	12.75%
PCA Mid Cap Growth	-6.96%	1.59%	13.38%	12.30%
PCA Mid Cap Value	-9.98%	-4.89%	12.88%	12.12%
PCA Small Cap	-6.87%	2.20%	9.57%	N/A
International Stock	-10.49%	-10.67%	0.64%	0.87%
PCA Diversified Bond	1.02%	2.35%	1.45%	2.89%
Conservative Bond	-0.12%	1.02%	0.74%	1.17%
Money Market	-0.10%	-0.36%	-0.40%	-0.42%

	3 RD QTR 15	1 YR.	3 YR.	5 YR.
TARGET FUNDS				
PCA TR2060	-8.70%	N/A	N/A	N/A
PCA TR2055	-8.68%	-5.72%	7.98%	8.16%
PCA TR2050	-8.67%	-5.72%	7.98%	8.16%
PCA TR2045	-8.67%	-5.72%	7.76%	8.06%
PCA TR2040	-8.63%	-5.65%	7.35%	7.77%
PCA TR2035	-8.38%	-5.46%	6.78%	7.41%
PCA TR2030	-7.72%	-5.00%	6.19%	6.94%
PCA TR2025	-6.66%	-4.19%	5.55%	6.42%
PCA TR2020	-5.40%	-3.47%	4.75%	5.83%
PCA TR2015	-4.25%	-2.84%	3.95%	5.27%
PCA TR2010	-3.06%	-1.91%	3.15%	4.73%
PCA Harvester	-2.26%	-1.38%	2.13%	3.92%

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

To help our ministry partners steward God’s financial resources with wisdom and compassion.

Don't **Fear** The **Bear** Market!

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time with your family, read a book, watch a movie, or minister to those in need. As the British say, "Keep calm, and carry on." If you are invested in a PCA Target Retirement Fund, the best thing that you can do is nothing. Let me explain...

First, let's be honest. Perhaps the most powerful emotion that we all experience as investors in a declining market is fear. It feels like we are losing our hard-earned savings, and that is terribly difficult to stomach. It doesn't matter how savvy you are or how long you have been an investor, watching your balance decline is excruciatingly painful. Sadly, many novice investors overreact and respond to this fear by selling their investments and moving to cash. But this means selling at a loss. And though 'flight' is a very strong impulse (and one of the most common mistakes that people make), unnecessarily selling investments in down markets should always be avoided!

The 'sell' rationale is certainly understandable, but it's deceptive. Selling holds out the hope that you may be able to mitigate further losses. But selling actually creates another problem. Ask yourself, 'How will I know when to reinvest?' At any point on any day the markets could begin to rebound or drop further. Those who wait too late to reinvest will lock in a permanent loss. And that's a huge problem!

Those who sell and move to cash inadvertently thrust themselves into the precarious position of a 'market speculator' with all the inherent risks associated with 'day trading.' But who among us can divine the future? Statistical studies have shown that it's far more likely that those who sell will turn their temporary devaluation into a real and permanent loss. Wouldn't it be far less perilous and stressful simply to

stay invested and allow your investments to recapture their lost value automatically as the markets rise?

Retirement investors must remember that they are in this for the long haul, so be careful about your level of media consumption. Media analysts working on 24/7 news cycles encourage market speculation by continually bombarding viewers with short-term developments and short-term perspectives. Market movements are sensational and draw viewers. Many of them are actually trying to convince you to buy a product or perhaps their own indispensable advice! So beware of talking heads!

The markets are resilient. Remember, if you are invested in a PCA Target Fund, you are extraordinarily well invested and diversified. Your 'one fund' actually

What should you do in response to the market's volatility? If you are invested in a PCA Target Retirement Fund, the best thing you can do is nothing. That's right, nothing.

holds 11-13 different funds, invested in 3 broad asset classes (stocks, bonds, real assets) by 16 different investment companies. And those funds hold solid and highly researched investments. So even though values have dropped temporarily, you continue to hold the same number of shares you held before. The markets are not static. Remember, Quarterly Statements are simply a required picture, or 'snapshot' of where the markets are on one hour, of one afternoon, on one day! The S&P 500 is already up 5.5% as I write. So, stay invested and you will fully recapture the value of your investments! If you sell, however, you may forever 'lock-in' a loss and permanently impact your retirement readiness.

Second, keep making contributions! For participants who are still working and making contributions,

downturns in the market afford you a valuable opportunity to purchase additional shares at a lower cost than what you would have paid just a few months ago. I love finding a good deal, don't you? When the markets are down, think of stocks and mutual funds as being on sale! 'Now, for a limited time only, mutual fund shares are 10% off!' For some reason many believe that it is best to invest in rising markets. But there's an old investment adage that goes like this: 'buy low, sell high.' Well, now is the time to 'buy low.' So consider actually increasing your contributions!

Third, remember the long-term plan. Since you may be an investor well into your 90's, you must think long-term. Long-term investors need an investment

strategy that is broadly diversified, regularly rebalanced, and that incorporates an age-appropriate investment allocation like those in the PCA Target Retirement Funds. Temporary market downturns should not cause you to 'rethink your plan.' A wise retirement strategy has already taken into account positive and negative market returns.

Have you talked with an advisor and developed a sound retirement plan? If not, now may be the time. Whether you are recently retired or looking ahead to retirement, there are a number of critical questions that must be answered. Did you know that PCA RBI offers free financial and retirement planning assistance and guidance? Research shows that those who get advice do better than others. So, give us a call. Let us help you get on track for retirement!



A Pastor's Thoughts:

Fear, Finances and Faith

A call came into my office and a familiar voice said, "I have some sad news to share with you." Preparing my heart for the worst, I asked the administrator, "What is it?" The administrator said cancer had returned for one of their school teachers. My heart was heavy for this faithful teacher, because I knew her story. She had battled with this disease years earlier and now it returned. Uncertainty now loomed up in her life, and it would affect both her health and her income.

Earlier that same week, a pastor called me. He was discouraged and his voice reflected his condition. It was low and lifeless. He told me his church had asked him to leave a month earlier, and now he found himself looking for a job. Ministry opportunities were few and he and his family had little money for this type of transition. He said his wife was okay, but I know the situation was putting a strain on the marriage.

We all experience fearful days in our lives when the world closes in on us and turns dark. The unknown arouses deep fears in us because we don't know what the future holds. We don't know how we will provide for tomorrow. Fear rises up in our hearts and often clouds our thinking. At times, it also challenges our faith. How can we manage the anxiety that so often is linked to our finances?

Seeing Finances with God's eyes

Psalm 50:10 says, "For every animal of the forest is mine, and the cattle on a thousand hills." When I first heard this verse, I imagined rolling hills covered with large herds of cattle. But what is mentioned in this verse is a thousand hills and not just one. As a metaphor, a thousand hills represents an endless abundance: in this

case, God's storehouse. God was telling His people that their animal sacrifices were insignificant because He owned more than they could ever give to Him. God wants from us a grateful heart and our undivided devotion.

Throughout our times of fear and uncertainty, seeing God's ownership of all can bring relief. His love for us is undying and constant, and because He owns all things, He will abundantly supply all we need. During a time when I was unemployed and my children were in college, we were under great stress to make ends meet. God consistently pointed out His faithful love and His ability to provide for our family. Sadly, there were times I doubted His love, but He always proved His unwavering devotion to me. I learned to see His provision for my family as He led us through that dark period of life.

Applying Faith to Our Circumstances

I recently met with a school teacher to discuss retirement planning and she relayed some unfortunate information to me. She was a single mother with a child in college and a modest income. Due to her circumstances, she had very little retirement savings. However, she stood apart from some other calls I had received. She was steadfast in her faith in God and had little concern about tomorrow.

When all looks bleak and despairing, how can we be unwavering and hopeful for the future? We must trust in God! A pastor once said the greatest vocation in life is to know God! It is true. We must flood our minds and hearts with the reality of who God is, His promises and how these relate to our daily circumstances. As we do this, our faith in God will grow and enable us to stand in the storms of life.

— Harry Cooksey, *Client Relationship Manager*

A Pastor and Financial Planner

Rev. Ed Dunnington has always had a desire to serve pastors and their families. He originally believed that he would use his time in retirement to focus on this passion, but the Lord had other plans. Now as a Financial Planning Advisor here at RBI, he has the opportunity to act as an advocate for pastors, church servants, and their families. Ed believes that this third-party perspective is very important as pastors and church leaders work through the difficulties and complexities of ministerial finances.

Though he has been in pastoral ministry for the past twenty years, Ed has always had a natural affinity for finances. He graduated from the Virginia Military Institute with a degree in Mathematics and jokes that all of his pastor friends roll their eyes when he "geeks out" about money. On days off during his time in pastoral ministry, Ed could be found researching the latest market trends, reading financial articles, or creating Excel spreadsheets. Recently, Ed received his certification as a Chartered Retirement Planning CounselorSM and he continues to grow in knowledge and professional experience as he transitions into his role here at RBI.

When asked what makes RBI different from other companies similar in nature, Ed replied, "There isn't a sense here where we want your business or are trying to get your business or keep your business for some personal benefit. Though we have products, we are not hawking them. RBI's desire is to care for the pastors and families in our denomination. The products we carry are simply the tools we use to help care for them. The well-being of our church's servants is our motivation."

Though he does have a gift for finances, Ed is and will forever be a pastor as well. During his conversations with participants, he is passionate about not only their financial situation, but also their personal stories. He says of those interactions, "...we [go] in to all of these other things that have nothing to do with dollars and cents, but everything to do with the soul... and that's the part that I love."

Ed certainly felt the sovereignty of God's hand as the Lord moved him to RBI. As his wife, Stefanie, stated when they read the description for the position: "This is the convergence of all of who you are into one job."

— Katelyn Rogers, *Administrative Assistant*

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