

5 REASONS TO MAKE EMPLOYEE CONTRIBUTIONS TO THE OPC 403(b) PLAN

1. Ministers can receive additional tax savings.

Did you know that ministers' 403(b) plan contributions may help reduce Social Security taxes? Along with federal and state income tax deductions, ministers have the unique ability to lower their Social Security taxes by making contributions to the OPC 403(b) plan (provided the minister has not opted out of the Social Security program). Employee contributions must be withheld directly from the employee's paycheck.

2. Ministers may be eligible for the housing allowance on distributions during retirement.

Distributions at retirement from a church-sponsored 403(b)(9) retirement plan may be eligible for the housing allowance for qualifying ministers. These distributions would then be excluded from federal and state taxable income, whereas distributions from a traditional individual retirement account (IRA) are not. Distributions from a Roth IRA may avoid federal and state taxation; however, contributing to a Roth IRA means you then miss the benefit explained above in #1.

3. The OPC 403(b) plan has well-diversified investment portfolios with low, competitive fees.

The OPC 403(b) plan has four, well-diversified and easy-to-use investment portfolios, with underlying investment managers that have strong track records. In addition, due to the OPC 403(b) plan's size, ministers can benefit from lower investment and trading fees versus working through an advisor in an IRA.

4. OPC employer contributions will likely not be enough to meet your living needs in retirement.

Experience has shown us that employer contributions alone often do not put an employee in the best-possible position to retire and maintain their current lifestyle. Accumulating personal savings now is an important and vital piece of reaching financial security during retirement. In addition, personal savings become even more important for those ministers who have chosen to opt out of the Social Security retirement system.

5. By contributing personal savings to the OPC 403(b) plan, you may become eligible for the Retirement Saver's Credit ("Saver's Credit").

Saving for retirement can also help you save on taxes. If you make voluntary contributions to the OPC 403(b) plan, you may be able to take a tax credit – commonly known as the Saver's Credit – which is a direct reduction to the tax you owe.

As a minister, you may have an even greater opportunity to take advantage of this credit, as the housing allowance you receive while working helps lower your adjusted gross income (AGI) – a figure used to determine eligibility for the Saver's Credit.*

*All information provided in this handout can be found in Publication 517 from the IRS, "Social Security and Other Information for Members of the Clergy and Religious Workers." Source: <https://www.irs.gov/pub/irs-pdf/p517.pdf>.

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