

Hello Friends,

Not all retirement plans are created equal. If you are like many people, you may be planning retirement contributions for 2007 and 2008. Look before you leap; there are important differences that you must know to decide which plan is best for your goals! **Most ministers should not contribute to a traditional IRA, Roth IRA, or Normal 403(b) Retirement Plan.**

All of the plans below provide tax-deferred growth of your contributions. Beyond that, the differences are enormous. Here is a Clergy Financial summary of how the options compare.

### **Traditional IRA**

Advantage:

The key benefit of an IRA is that it might provide an income tax deduction for the year of the contribution.

Disadvantages:

1. If you have no income tax, or if your income is too high, you don't get a deduction after all.
2. The contributions are not deductible for Social Security tax purposes.
3. When you withdraw the money, it is usually fully taxable.
4. Modest contribution limit: \$5,000 - \$6,000 per year, in 2008.

### **“Normal” 403(b) Retirement Plan**

This is much like an IRA, but with three additional advantages, and fewer disadvantages.

Advantages:

1. You get an income tax deduction no matter how high your income.
2. For clergy in ministry positions, there is a valuable Social Security tax deduction on all contributions.
3. The limit on elective contributions is \$15,500 - \$20,500 per year, in addition to employer contributions.

Disadvantage:

1. When you withdraw the money, it is fully taxable.

### **Roth IRA**

Advantages:

1. Distributions are generally not taxable after age 59½.
2. The contributions ó but none of the earnings ó can be withdrawn before age 59½ without tax or IRS penalty.

## **Roth IRA**

Disadvantages:

1. Contributions do not provide an income tax deduction.
2. Contributions do not provide a Social Security tax deduction.
3. Modest contribution limit: \$5,000 - \$6,000 per year in 2008

## **Clergy Advantage 403(b) Retirement Plan**

**This option combines the key advantages of the Traditional IRA, Roth IRA, and Normal 403(b) Retirement Plan, and eliminates their disadvantages!**

**Advantages:**

1. You get an income tax deduction no matter how high your income.
2. For clergy in ministry positions, there is a valuable Social Security tax deduction on all contributions.
3. The limit on elective contributions is \$15,500 - \$20,500 per year, in addition to employer contributions.
4. Withdrawals can be completely tax-free as clergy housing allowance to the extent of your housing expenses throughout all of your retirement years.
5. Tax-free withdrawals are allowable even prior to retirement.

## **Denominational Retirement Plan.**

Advantages: Much like the Clergy Advantage 403(b) Retirement Plan, these plans offer much better tax benefits than the traditional IRA, Roth IRA, or Normal 403(b) Retirement Plan.

Disadvantages:

1. These plans are generally available only to members of the denomination.
2. Many denominational plans do not allow tax-free pre-retirement distributions.

Tip to Remember: Most ministers should not contribute to a traditional IRA, Roth IRA, or Normal 403(b) Retirement Plan.

Instead most are best served by making contributions to their Denominational Retirement Plan or our Clergy Advantage 403(b) Retirement Plan.

For further information and help deciding what is best for you or for a customized plan for your situation, call or email us at 970-667-5819 or [clergy@clergysupport.com](mailto:clergy@clergysupport.com).

Sincerely,  
Steve Merriman