



Life After Opting Out of *Social Security*

Four Steps You Need to Take Today

Ministers who have opted out of Social Security have unique planning needs. They need to replicate the benefits provided to workers who have Social Security through private insurance and investment plans. Ministers may still be eligible for Social Security retirement benefits and Medicare if they have paid into Social Security through non-ministerial employment and fulfilled the minimum 40 quarters of service (equivalent to 10 years) or if their spouse is eligible for coverage.

Due to a minister's unique tax situation, they are subject to the **15.3% SECA tax** instead of just the non-ministerial employee's share of **7.65% FICA tax**. Of this amount, 12.4% pays the Social Security tax while 2.9% pays the Medicare tax. These taxes provide benefits for retired workers, disabled workers, survivors of workers, dependent beneficiaries and medical expenses at age 65 through Medicare. Unfortunately, many ministers who opt out of Social Security do not fully comprehend the long-term impact of this decision and often spend these funds to pay for current living expenses.

Below are four critical steps you should take to replace the benefits Social Security would've provided.

1 Fill in your "retirement income gap."

Are you saving enough to compensate for what Social Security would have provided for you and your family? The average investor should save 10%–15% of their monthly income for retirement savings. Ministers who have opted out of Social Security should have 20%–25% of their salary and housing allowance set aside each month for retirement. This would include both employee and employer contributions. Project ahead and alter your current savings plan to make up for the loss of Social Security income. Adjusting your target goal to cover this "retirement income gap" will likely require an increased annual contribution to your retirement savings account.

2 Plan ahead for health care costs.

Ministers who are not eligible for Medicare benefits when they reach age 65 can purchase Medicare, but it is much more expensive. In today's dollars, the average cost for Medicare is roughly \$450 monthly per individual¹. Purchasing Medicare coverage for two would cost roughly \$10,000 per year. This can become a significant expense during retirement.

3 Obtain disability insurance.

Obtaining disability insurance will help safeguard your family's financial well-being should an unexpected accident or debilitating injury occur that prevents you from returning to work. Avoid the "it-won't-happen-to-me" fallacy by being proactive and obtaining disability insurance.

A 2013 study conducted by the Council for Disability Awareness reports the following statistics:

- Just over 1 in 4 of today's 20-year-olds will become disabled before they retire.
- More than 50% of Americans who are classified as disabled are in their working years, between 18–64 years of age.

4 Have adequate term life insurance.

Ministers who opt out of Social Security lose access to survivor benefits for their spouse or dependents in the event of their death. You will need to have more term life insurance than the average person. Term life insurance should be a minimum of 8–10 times your salary, particularly if there are school-aged children in your household.

Looking for more information regarding retirement planning strategies? Simply call **1-888-98-GUIDE** (1-888-984-8433) to speak with a GuideStone representative or visit GuideStoneRetirement.org today.

¹ Medicare.gov: The Official U.S. Government Site for Medicare. <http://www.medicare.gov/your-medicare-costs/part-a-costs/part-a-costs.html>

