Pension and Tax Sheltering with a 403B Plan from

S.D. Clifford Advisors, LLC

4150 Belden Village St NW Suite 601, Canton Ohio 44718

800-456-1803 330-493-1814 www.sharetheharvest.com

Payments by an employer to a qualified pension plan or tax-sheltered annuities (403-B plans) are exempt from income and Social Security taxes for ministers and rabbis employed as such. This saves as much as 30% over taxable investments and 15% over IRA's. The advantages of these accounts are unique to ordained clergy as detailed below.

Churches may use denominational pension plans and independent 403B plans for their ordained and lay employees. Independent plans offer the tax advantages of denominational plans while also offering greater choice, flexibility and estate options with the possibility of greater growth. Denominational plans offer an assured income stream for life to both employees and spouses. We advise funding denominational plans first.

Ten Key Features:

1. All funds are vested from the first dollar. The account belongs to the employee and their heirs from day one, dollar one. Accounts bypass probate.

2. All funds must be paid by the employer. This is generally called a "salary reduction plan." Churches are wise to adopt a fixed percent of salary or a dollar amount it will contribute for all qualified employees.

3. Funds are invested in consultation with each employee according to their needs and preferences.

4. Funds are free of social security and income taxes going in for clergy. For others, contributions reduce taxable income.

5. For clergy plans, withdrawals in retirement are deemed as housing allowance to the extent used as such by a minister.

6. Withdrawals before age 59 ½ are subject to a 10% penalty as well as ordinary income taxes, like an IRA.

7. Payments must begin by age 70 ½ unless still employed. Minimum payments are based on life expectancy tables provided by the IRS.

8. We recommend allowing all employees the opportunity to participate and choose the level of contributions.

9. Each employee names primary and secondary beneficiaries in case they die before all funds are distributed. These funds bypass probate court proceedings. Employees can leave their account to spouses, children and others.

10. S.D. Clifford Advisors, LLC, holds all invested funds with established custodians. Currently, we have access to over 3,800 low and no load mutual funds avoiding the 5-6% typical commission. Our independent research covers over 12,000 funds. We are fee only, commission free.

Five Frequently Asked Questions:

1. How much can be deferred?
Generally, the limit is $16,500 per year for 2009. Housing allowance is not included. There are daunting rules for those who wish to defer more. The employer may contribute up to $49,000. Church employees whose salaries are below $17,000 may contribute up to $3,000 regardless of other limits. Most limits increase annually. Catch up provisions for those over 50 may also apply.

2. How much should be saved for retirement? Rule of thumb: In order to have an adequate retirement income, a minister usually needs to set aside at least 14% of salary (including housing) as well as pay Social Security taxes! This pattern should start by age 30.

3. Is there a minimum deposit?
No, but small deposits usually grow more slowly than larger ones due to higher fees and account charges. Few ever retire and say, "I saved too much!"

4. What forms and paperwork are needed?
The church fills out a 1 page application form. Each employee will have forms to sign allowing us, the church and the fund custodian, to work on their behalf.

5. What kind of retirement income will I have?
Future income depends on how much is invested, the number of years and the growth of the account over time. Those who sow little, reap little. In general, we aim to match or exceed the stock market when measured over three, five and ten year periods. Detailed projections can be drawn up to illustrate possible returns for each participant based on long-term average expected returns until retirement.

"Reap a Better Harvest! Share God's harvest with those you love!" Steven D Clifford, Certified Financial Planner®

Briefly review the most common retirement and tax-deferred account choices:

This is a short, nutshell description of several common plans allowed by Congress. Early withdrawal penalties are severe before age 59½ . Treat all contributions as non-refundable until retirement. Seek professional counsel to determine the best mix of plans.

Standard IRA's

Best for those earning less than $50,000 with up to $3,000 to invest annually. The most common use today is in the rollover form from a company 401K plan.
Advantages: Current tax deduction and personal control.
Disadvantages: All withdrawals including growth are subject to tax.

ROTH IRA's

Best for anyone with savings to invest for at least five years. Great for tax sheltering future earnings.
Advantages: Earnings are never taxed. Contributions may be withdrawn, penalty free after five years.
Disadvantages: No current tax deduction.

401K's

Best for those with larger employers offering a match to employee contributions. Solo plans are available.
Advantages: Contributions are not taxable except for FICA/Medicare. Employers may match part of deferrals.
Disadvantages: All withdrawals including growth are subject to tax.

Keogh Plans

These are designed for self-employed persons with income consistently greater than their cost of living.
Advantages: Much higher limits than IRA's and other plans.
Disadvantages: All withdrawals are subject to tax.

SEP-IRA's

Best for consistently profitable small businesses.
Advantages: Allows smaller employers to make substantial retirement contributions.
Disadvantages: Contribution rates are fixed for all employees. All withdrawals including growth are subject to tax.

SIMPLE-IRA's

Best for smaller employers who want to give employees flexibility and limit their own contributions.
Advantages: Allows up to $10,000 employee deferral with the employer matching up to 3% of employee's wages for 2009. An employee deferring 6% of their wages gets a 50% match.
Disadvantages: All withdrawals are subject to tax.

403B Plans

Designed for tax-exempt/non-profit organizations such as schools, churches and clergy.
Advantages: All contributions are pre-tax for clergy. For others, same as 401K plans. Special rules for churches and clergy make these plans very attractive for qualifying employers. Clergy withdrawals are deemed housing allowance to the extent used. No other plan offers such generous tax advantages.
Disadvantages: All withdrawals including growth are subject to tax except for clergy as noted above. Early withdrawals are almost impossible. All funds must be invested in mutual funds. Stocks, bonds and exchange traded funds do not qualify.

Tax-Deferred Variable Annuities

Best for those who have investment income to shelter, have a long-term horizon, can afford to lock up their investment for at least 10 years and wish more security.
Advantages: Greater security than mutual fund or IRA investments depending on policy terms.
Disadvantages: Significant penalties for early cancellation of contracts. All capital gains are taxed at the taxpayer's highest tax rate when withdrawn.

Whole Life Insurance

Best for those who desire or need life insurance that will be in force the rest of their lives no matter what.
Advantages: The accumulated value may be borrowed or cashed out. In addition, Unless cancelled, there will be a death benefit. All benefits are tax-free.
Disadvantages: Loans must be repaid with interest. It is not to be confused with a savings or retirement plan except for expenses after death.

What other pension/retirement/deferred compensation plans can business owners adopt?

The following plans are subject to complex rules and regulations:
Cash Balance
Defined Benefit
Defined Contribution
ESOP (Employee Stock Ownership Plan)
Money Purchase
Non-qualified Deferred Compensation
Profit-sharing Rabbi Trust
Secular Trust
Split-dollar Life Insurance
Stock options

Bottom line:

1. What will happen if you don't save enough?
2. How much can you afford to save right now?
3. How soon do you want to start?