

Social Security Considerations:

WHY OPTING OUT IS NOT THE ANSWER

MINISTERIAL TAX ISSUES ARE UNIQUE.

As you begin your career in ministry, there are several complex, yet important, questions you need to answer regarding your tax-filing status. For example, are you an employee or are you self-employed? Are you classified as a Minister for Tax Purposes? Do you qualify for opting out of Social Security? Or, more importantly, should you opt out of Social Security?

Opting out of Social Security is not a decision you should take lightly, which is why GuideStone® is here to provide the detailed and accurate information you need to make a well-informed choice.

THE DECISION OF A LIFETIME.

During the first two years of your ministry, you will make one of the most important financial decisions for you and your family. Opting out of Social Security is an irrevocable election¹ with financial consequences. According to the IRS, this decision should be made solely based on theological beliefs.

GuideStone knows it is a decision you financially can't afford to make.

“At GuideStone, we want you to be well in every aspect of your life. A well-thought-out financial plan, including choosing not to opt out of Social Security, is part of being financially well. You already know that Social Security provides a benefit once you reach retirement age. It can also provide for your young children should something happen to you before they're 18. Young ministers should give careful consideration before sacrificing Social Security benefits for you and your family.”

— Dr. Hance Dilbeck
GuideStone President



Under penalty of perjury, you must certify opposition to Social Security on the basis of religious principles to the acceptance of public insurance.

WHAT ARE YOU REALLY AGREEING TO?

It is also important to fully understand the long-term financial impact of opting out of Social Security.

IRS Form 4361 states:

“I am conscientiously opposed to, or because of my religious principles I am opposed to, the acceptance (for services I perform as a minister...) of any public insurance that makes payments in the event of death, disability, old age or retirement; or that makes payments toward the cost of, or provides services for, medical care. Under penalties of perjury, I declare that I have examined this application and to the best of my knowledge and belief, it is true and correct.”

WHAT DOES OPTING OUT MEAN FOR YOU AND YOUR FAMILY?

Think of it this way: Opting out of Social Security will likely leave you and your family less financially prepared — particularly later in life. By opting out of Social Security you voluntarily forfeit:

- Federal retirement benefits
- Subsidized Medicare when you reach age 65
- Potential disability benefits
- Survivor benefits for loved ones

“**The standard for conscientious objection to Social Security requires a specifically theological criterion.**

Any minister who opts out of Social Security must state that participation, though required by law for almost all Americans, violates a specific religious teaching of a religious body. Objections to taxation in general and objection to specific government programs may be quite legitimate, but there is no specific theological or doctrinal teaching of Southern Baptists that comes close to meeting this standard. Ministers who opt out are also in the awkward position of explaining why a doctrinal objection should apply to themselves but not to their own church members or even to their own spouses.”

— R. Albert Mohler, Jr., President
The Southern Baptist Theological Seminary

4 REASONS YOU CAN'T AFFORD to opt out of Social Security

If you choose to voluntarily forfeit Social Security benefits, you will need to take the necessary steps to financially prepare for your future needs, including:

1

You will have to save more for retirement. Instead of saving the recommended 15% of your income toward retirement, you will need to save more than 25% to cover the retirement income gap created by the loss of Social Security income.

A new minister who is 25 years old with a \$50,000 starting salary will need to initially contribute at least \$13,500 annually (\$1,125 monthly) to his retirement account and increase this amount consistently as his salary increases to make up for his lack of Social Security benefits.²

2

You will have to pay for all medical costs. You will not be eligible for reduced-cost Medicare benefits. This means you may purchase health care coverage, but it will be at a much higher rate as prices continue to increase.

Coverage for two to purchase a Medicare replacement plan would roughly cost \$12,000 annually — becoming a large expense during retirement.³

3

You will be ineligible for disability benefits. Because there won't be another safety net, you will need to purchase disability insurance to help safeguard your family's financial well-being should an unexpected accident or injury occur that prevents you from returning to work.

1 in 4 of today's 20-year-olds will become disabled before reaching age 67. Since you won't be eligible to receive the average \$1,234 monthly disability benefit, expect to pay between 1% and 3% of your salary, or \$500–\$1,500 annually,⁴ for disability insurance payments.

4

You will be ineligible for family survivor benefits. Forfeiting access to survivor benefits for your spouse and/or children in the event of your death means you will need to purchase more term life insurance than the average person.

On average, a minimum of 10 times one's salary is needed, particularly if there are school-aged children in the household.⁵ Since your survivor won't be eligible to receive the average \$1,325 monthly survivor benefit through Social Security, you will need to purchase significantly more term life insurance.⁶

“**When I became a full-time pastor at the age of 23,** I remember

being warned about opting out of Social Security. I didn't opt-out and it was one of the best retirement decisions I have ever made.”



— **Dr. Aaron Meraz, Ph.D., D.Min.**
Director of Mission:Dignity

Choosing to opt out of Social Security will greatly impact your life, and GuideStone is by your side to help you make an informed decision. Our team is here to guide you along your financial planning journey.



For additional information about ministers and Social Security, contact GuideStone at **1-888-98-GUIDE** (1-888-984-8433) or visit the Social Security Administration's website at [SSA.gov](https://www.ssa.gov).

¹ Congress provided a short opt-back-into-Social Security window only three times during the past 40 years (a one-year window in 1977 and 1986 and a two-year window from 2000 to 2002). There is currently no formal method available for ministers to opt back into Social Security.

Social Security Handbook §1130, Ministers, Members of Religious Orders and Christian Science Practitioners, accessed April 12, 2022, [SocialSecurity.gov/OP_Home/handbook/handbook.11/handbook-1130.html](https://www.socialsecurity.gov/OP_Home/handbook/handbook.11/handbook-1130.html)

² Calculations assume 6% retirement growth and a 3.25% annuity funding rate on a GuideStone Joint Life Income Annuity

Social Security Quick Calculator, accessed April 12, 2022, [SSA.gov/OACT/quickcalc/index.html](https://www.ssa.gov/OACT/quickcalc/index.html)

³ Medicare.gov: The Official U.S. Government Site for Medicare, "Part A costs," accessed April 13, 2022, [Medicare.gov/your-medicare-costs/part-a-costs](https://www.medicare.gov/your-medicare-costs/part-a-costs)

⁴ "Facts," April 12, 2022, [SSA.gov/disabilityfacts/facts.html](https://www.ssa.gov/disabilityfacts/facts.html)

⁵ "Personal Finance: How much life insurance do you need?" accessed April 12, 2022, [CNN.com/2022/01/24/cnn-underscoring/money/how-much-life-insurance-do-i-need/index.html](https://www.cnn.com/2022/01/24/cnn-underscoring/money/how-much-life-insurance-do-i-need/index.html)

⁶ "Social Security: Research Statistics and Policy Analysis," accessed April 12, 2022, [SSA.gov/policy/docs/quickfacts/stat_snapshot/#table2](https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/#table2)