Wespath

BENEFITS | INVESTMENTS

PERSONAL INVESTMENT PLAN (PIP)

Saving for Your Future

a general agency of The United Methodist Church

SAVING FOR YOUR
FUTURE IS POSSIBLE...
AND EVEN EASIER THAN
YOU'D THINK!
PIP MAKES IT
VERY DOABLE.

You have the power to save...

AT ANY AGE AND WITH ANY INCOME.

LET'S BUST THE MYTHS TOGETHER.

Sure, spending is easier than saving. And absolutely, the necessities of life are necessary. Yet, you can begin a responsible program for saving NOW without disrupting your life or your current finances—when you get the myths out of the way.

» MYTH #1: "I never seem to have enough extra money to make it worth trying to save."

This myth is surprisingly simple to disprove when you look at the examples below. The advantage of contributing BEFORE-TAX income to PIP makes a huge difference.

Saving costs less than you think, because the tax advantages add up.

Contributing to PIP on a before-tax basis can help reduce your current taxable income, so fewer federal taxes are withheld from your paycheck, resulting in lower out-of-pocket costs to contribute.

EXAMPLE A

How does $3,520 become $4,000? In this example, it costs a couple earning $75,000 a year only a $3,520 reduction in take-home pay[1] to contribute $4,000 to PIP:

Lay Married Couple Filing Jointly	Before-Tax Contributions To PIP	No Contributions To PIP
Income	$75,000	$75,000
Before-tax PIP contributions	**-4,000**	**0**
Income after contributions	71,000	75,000
Less taxes	-5,262	-5,742
Take-home pay[1]	65,738	69,258
Annual tax savings	480	0
Out-of-pocket cost to contribute $4,000	**$3,520**	**—**

These hypothetical examples are for illustrative purposes only. Before-tax contributions and earnings are tax-deferred. When you withdraw your money, your distribution will be taxed at the tax rates in effect at the time of withdrawal.

[1] Take-home pay amounts are hypothetical. Actual take-home pay might also be reduced by any state or local taxes, benefit payments and other deductions.

[2] The Retirement Savings Contributions Credit (Saver's Credit) is a tax credit you claim on your tax return at the end of the year. To qualify, your adjusted gross income for 2024 cannot be more than $76,500 if you're married filing jointly, $57,375 if you're filing as head of household, or $38,250 if you're single, married filing separately or a qualifying widow or widower. The Saver's Credit varies from 10% to 50%, depending on filing status, income level and other restrictions that apply. For more information, go to **www.irs.gov**.

Tax laws may change from year to year. For more information, consult with a professional tax advisor.

EXAMPLE B

Is it possible to save 150% more than your out-of-pocket cost (and with half the income of the above example)? If your income level and filing status qualify you for the Saver's Credit,[2] you can reduce your current federal income tax liability for the year even further. At $31,000 a year, this couple's income makes them eligible, giving them an even larger tax break. After the credit, it costs them only a $1,297 reduction in annual income to contribute $2,000 to PIP:

Lay Married Couple Filing Jointly	**Before-Tax Contributions To PIP**	**No Contributions To PIP**
Income	$31,000	$31,000
Before-tax PIP contributions	**-2,000**	**0**
Income after contributions	29,000	31,000
Less taxes	-503	-703
Take-home pay[1]	28,497	30,297
Annual tax savings	200	0
50% Saver's Credit[2]	+503	0
Out-of-pocket cost to contribute $2,000	**$1,297**	**—**

EXAMPLE C

Can tax benefits really help put over $1,000 more in savings than it costs you? It costs the following clergyperson and spouse only $2,585 to contribute $4,000 to PIP after federal and self-employment (SE) taxes. Plus, clergy may also qualify for the Saver's Credit:

Clergy Married Couple Filing Jointly	**Before-Tax Contributions To PIP**	**No Contributions To PIP**
Income	$60,000*	$60,000*
Before-tax PIP contributions	**-4,000**	**0**
Income after contributions	56,000	60,000
Less taxes	-10,695	-11,910
Net income	45,305	48,090
Annual tax savings	1,215	0
10% Saver's Credit[2]	+200	0
Out-of-pocket cost to contribute $4,000	**$2,585**	**—**

** Includes 25% of compensation parsonage value.*

» MYTH #2: "I don't know enough about finances to do a good job saving."

Often, people feel that the financial world is over their head. Though it can be intimidating, taking care of your personal finances, saving and investing become a lot easier when you have help.

PIP offers tools to make saving for the future almost effortless:

- Automatic deductions: The amount you specify is set aside from your paycheck before you have a chance to spend it (after all, you're less likely to miss money you never see).
- Personalized portfolio management: All you have to do is sign up for LifeStage Investment Management at no additional cost,[1] available only from Wespath Benefits and Investments (Wespath). It automatically chooses, diversifies and manages your portfolio based on factors, such as your age, risk tolerance and account balances.
- EY Financial Planning Services' objective financial guidance: This added-value benefit available at no additional cost[1] from Wespath allows you unlimited phone consultations with a financial counselor who will help you develop a personalized savings and retirement plan, based on your financial assets, timeline and goals. You take a more hands-on approach to your investments, but do so with professional assistance that anyone can actually understand.

» MYTH #3: "It's too early for me to concentrate on saving."

This is the myth that likely costs people the most money over time. The earlier in your career that you start saving and the longer your money remains invested in PIP, the more you can benefit from compounding.

Compounding may not sound too exciting, but the results are!

That's because any earnings[2] on your investments are also automatically invested, accumulating earnings in their own right and growing tax-deferred. In fact, a small contribution invested over a longer time period will grow more than a much larger contribution invested for a shorter period, given equal growth rates.

A longer time horizon has other benefits too. Long-term savings portfolios for younger investors can be more heavily weighted in investments with higher potential risks and rewards (e.g., stock funds) and lighter on less risky investments (e.g., bond funds) because younger investors have the time to ride out volatility in the market.

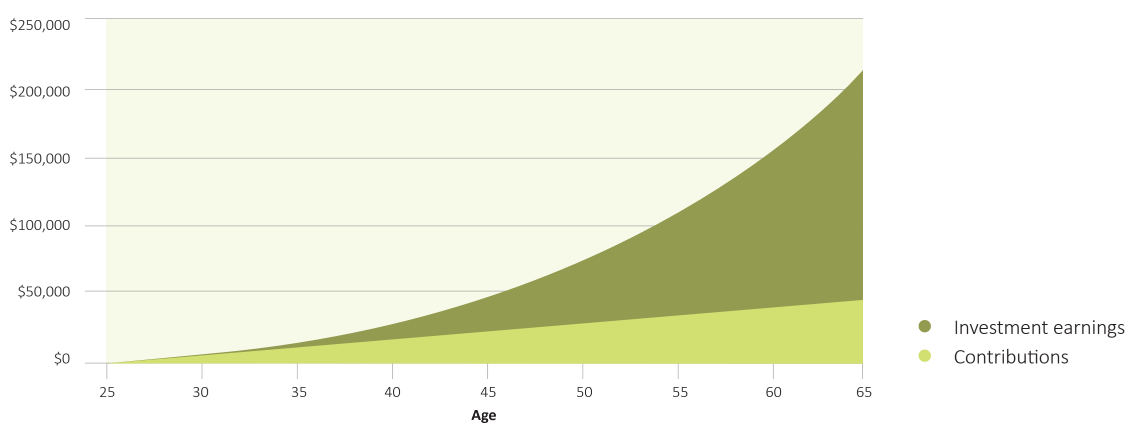
[1] Costs for these services are included in Wespath's operating expenses that are paid for by the funds.
[2] Investment may result in a loss of principal. The investment funds are neither insured nor guaranteed by the government.

The Power of Compounding: A TALE OF TWO INVESTORS

In the comparisons below, you can see how much of a difference starting earlier can make. Waiting only 20 years (age 45 vs. age 25) means your yearly contribution would have to be more than four times greater to end up with about the same savings total:

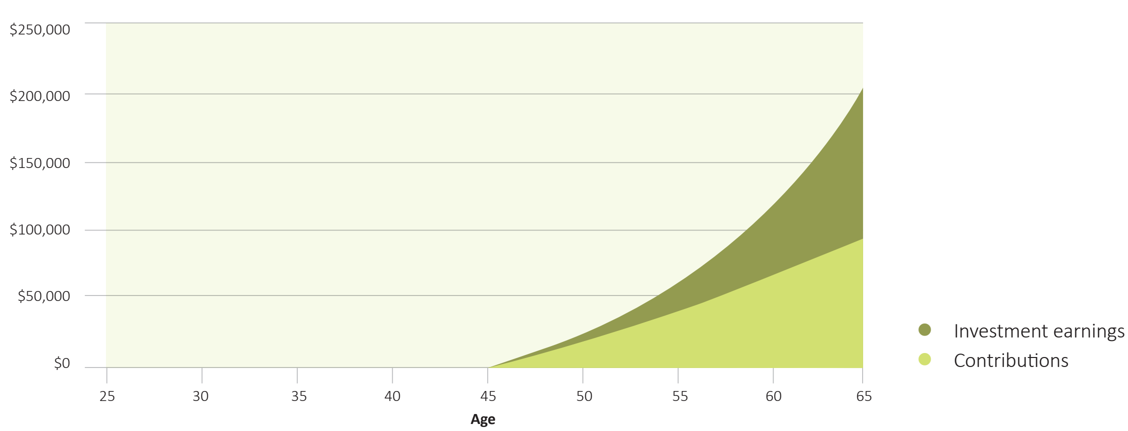
The first chart shows how only $1,000 a year can grow to become $200,000. Compounding can turn an annual $1,000 contribution (about $83 a month, or $40,000 total), starting at age 25 and left to grow until retirement at age 65, into more than $200,000, assuming a 7% rate of return.

Investor A: Accumulates $213,610 after contributing $1,000 a year starting at age 25—a cumulative $40,000 in contributions*



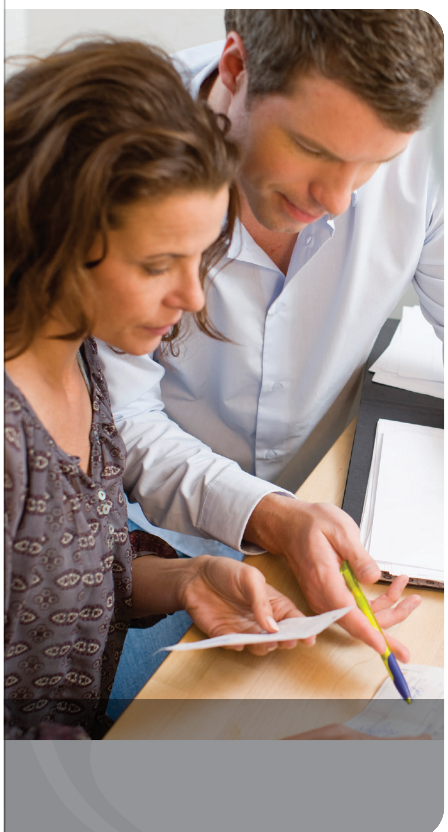
By contrast, the second chart shows how waiting until age 45 can necessitate a $4,600 contribution (instead of that much easier $1,000 in the example above) to yield about the same total. A contribution of $4,600 annually ($383 a month, or $92,000 total) to realize $200,000 by age 65, assuming the same 7% rate of return.

Investor B: Accumulates $201,780 after contributing $4,600 a year starting at age 45—a cumulative $92,000 in contributions*



**Assumes contributions are made at the beginning of the year.*

How does PIP work?



The Personal Investment Plan (PIP) is a retirement plan administered by Wespath—the largest reporting faith-based pension fund in the world and among the top 100 pension funds in the United States. PIP is designed to provide one piece of your overall retirement portfolio.

You are immediately eligible to participate if your employer or salary-paying unit sponsors the plan. Participation for plan sponsor contributions begins once you meet the eligibility requirements established by your plan sponsor.

Plan Features

- Convenient before-tax, Roth and/or after-tax contributions in a flat dollar amount or percentage of your eligible compensation, up to Internal Revenue Code limits
- Plan sponsor may elect to contribute matching contributions or a percentage of your eligible compensation to your account[1]
- Taxes are deferred on before-tax contributions and investment earnings until distribution
- Roth contributions are made after taxes are withheld, but Roth contributions and earnings are not taxable at distribution if qualified[2]
- After-tax contributions are made after taxes are withheld, but earnings on after-tax contributions are taxable at distribution
- Accepts eligible rollovers from most retirement plans (including Roth accounts) and traditional IRAs[3]
- Diversified investment fund options
- LifeStage Investment Management and LifeStage Retirement Income account management suite[4]
- Hardship loans and withdrawals
- Age 59½ and rollover account withdrawals
- Distributions available upon termination of employment, retirement, disability or death
- Lump sum, partial lump sum or cash installment distribution options
- On-demand and quarterly account statements
- Access account information 24/7 through Benefits Access (**benefitsaccess.org**)
- Participant forms and other information available at **wespath.org**
- Representatives available to answer calls at **1-800-851-2201** business days from 8:00 a.m. to 6:00 p.m., Central time

[1] Contribution rates may vary for each plan sponsor
[2] See Roth Contribution Guide
[3] Roth IRAs are not accepted
[4] Costs for these services are included in Wespath's operating expenses that are paid for by the funds.

WESPATH OFFERS VALUABLE INVESTING AND FINANCIAL PLANNING GUIDANCE THROUGH EY.

This program is available at no additional cost* to:

- active participants with an account balance,
- surviving spouses with an account balance, and
- retired and terminated participants with an account balance of at least $10,000.

If you are eligible for this program, just call EY Financial Planning Services directly at **1-800-360-2539** business days from 8:00 a.m. to 7:00 p.m., Central time. Or visit **wespath.eynavigate.com**.

** Costs for these services are included in Wespath's operating expenses that are paid for by the funds.*

Why should I make PIP my savings vehicle?

PIP PROVIDES YOU WITH SAVINGS CHOICES.

Here are the top advantages of starting a PIP account:

- **Before-tax contributions and tax-deferred earnings**
  - » Contributions are deducted from your income before taxes are withheld, so you don't pay taxes on the portion of income you contribute—unlike savings held in a regular mutual fund or savings account. Your contribution actually reduces taxable earnings on every paycheck.[1]
  - » If you are a clergyperson, contributing to PIP reduces not only your income taxes, but also your self-employment taxes. This means your quarterly tax payments will be lower.
- **Roth contributions and tax-free earnings**
  - » Contributions are deducted from your income after taxes are withheld, so you will not be taxed on them again when you take a distribution. Earnings on Roth contributions are tax-free at distribution if your first Roth contribution was made at least five years prior to distribution and you are:
    - 59½ or older,
    - Permanently disabled, or
    - Deceased.
- **Autopilot solutions**—LifeStage Investment Management and LifeStage Retirement Income are offered at no additional cost.[2]
- **Comprehensive financial guidance**—EY Financial Planning Services are available at no additional cost.[2, 3]
- **Clergy housing allowance preservation**—Rollovers out of a Wespath-administered plan may not be eligible for the housing allowance exclusion.
- **Sustainable investment**—We promote environmental stewardship, human rights and sound corporate governance to create long-term value.
- **Expenses**—Compare our investing costs with other plans and IRAs.

*[1] The investment funds are neither insured nor guaranteed by the U.S. government. For more information about the funds, please see the Investment Funds Description at **wespath.org/assets/1/7/3052.pdf**. Historical returns are not indicative of future performance.*

[2] Costs for LifeStage and EY Financial Planning Services are included in Wespath's operating expenses that are paid for by the funds.

[3] EY Financial Planning Services are available to active participants and surviving spouses with account balances, and to retired and terminated participants with account balances of at least $10,000.

- **Access to your money**[4]—Because hardship withdrawals are permitted,[5] your PIP account can be your safety net in times of financial need. And you can borrow[6] against your savings to pay for certain qualified hardship expenses, including the purchase of your home or tuition payments.
- **Customer-focused approach**—We provide services tailored to your needs.

[4] *When you withdraw your money, your distribution will be taxed at the tax rates in effect at the time of withdrawal.*
[5] *Certain restrictions and consequences apply. Hardship withdrawals are taxed as ordinary income, and if taken before age 59½, a 10% IRS penalty also may be assessed.*
[6] *Restrictions and regulations apply.*

By contributing regularly to your PIP account, saving throughout your lifetime will become a natural, financially healthy habit.

Social Security benefits probably will not be enough to live on when you retire. If you haven't started saving or haven't saved enough, it's time to take action. Here's some good news:

- In 2024, the IRS permits total before-tax plus Roth contributions of up to $23,000 to PIP, plus another $7,500 for those age 50 and older.
- People of any age who will have 15 or more years of service with their denomination as of year end may contribute an additional $3,000 a year, subject to a lifetime maximum of $15,000 and other rules. Contact Wespath to determine eligibility.

YOU HAVE THE POWER TO SAVE!

Now that we've busted some common myths, you're ready to contribute regularly to your PIP account—making saving a natural, financially healthy habit. And it's good to know that your investment plan can help you enjoy not only a more comfortable, secure retirement, but also the peace of mind that comes from knowing you're financially prepared for life's many transitions along the way.

For more information about PIP and Wespath investment funds, visit **wespath.org** or call us at **1-800-851-2201** business days from 8:00 a.m. to 6:00 p.m., Central time.

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Caring For Those Who Serve

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