

*Burial:* Each Archdiocesan priest has a right to a grave space in the Priests' Section at the south entrance of Calvary Cemetery. There is no charge for the grave space or the opening of a grave in this special section at the time of burial. A headstone and bronze flower vase will also be provided. A priest may be buried in one of the other Catholic cemeteries. There is no charge for opening a grave at the time of burial, but there is a charge, at the prevailing rate, for the grave space in one of the other Catholic cemeteries, in addition to the charge for the head stone and bronze flower vase. Contact the Director of Archdiocesan Catholic Cemeteries at 402.391.3711 for additional information. Please note that you are responsible for your own funeral expenses (mortician fees, etc.), so provision for this should be made either by pre-planning arrangements or in your estate planning documents.

*Consultation:* The Delegate for Retired Priests assists in meeting special needs arising within retirement. Contact Fr. Michael Fitzpatrick at 402.731.4152.



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*Finance Office*

# From Ordination to Retirement

*A priests' guide to financial planning  
today for retirement tomorrow*

[www.archomaha.org](http://www.archomaha.org)

*rev. 7-1-16*

*Revised Edition, 2016-17*

## **Preface**

*As a priest in the Archdiocese of Omaha, it is very important to plan for your future retirement. Please take the time to read this booklet regarding important decisions you will need to make. The staff of the Archdiocese of Omaha Finance Office is ready and willing to help in any way. Please do not hesitate to contact us with any questions you may have:*

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## **I. Newly-ordained, plus (ages 25-49)**

### **Salary Schedule**

- Effective 7-1-2016, the base salary for clergy (with stole fees retained by priest) is \$1,835.00.
- Effective 7-1-2016, the base salary for clergy (with stole fees retained by parish) is \$2,245.00 (\$15.00 salary increment for years of service).

### **Tax Considerations**

Effective with the tax year beginning January 1, 1997, parishes and institutions in the Archdiocese will issue W-2 Forms to priests who are assigned there or who receive compensation for services rendered on behalf of the parish or institution. The required W-2 Form will be issued annually in January.

By law, priests are considered self-employed for Social Security and Medicare tax purposes and are personally accountable for all taxes in these categories. By law, priests are considered employees of the Church for federal and state income tax purposes and are personally accountable for quarterly estimated taxes.

your full retirement age.

### **Health / Dental Insurance (effective 3-1-10)**

The same coverage as provided to active priest is provided at a reduced cost. (Medicare is primary and the archdiocesan group plan is secondary). The rate is \$269.39/mo, or \$3,232.68/yr.

### **Housing**

The St. John Vianney Residence provides independent living apartments and garages. It is located at 7323 Shirley St., Omaha, NE 68124, 402.392.1542, and consists of 43 units. Any priest of the Archdiocese is eligible to apply for an available apartment upon retirement. The Archdiocese provides a considerable subsidy so that retired priests can enjoy the retirement residence at a reasonable monthly rate. The Vicar for Clergy or the Delegate for Retired Priests should be contacted for an application for an apartment, monthly rent, utilities and management services.

### **Continuing Education and Retreats**

Tuition for approved courses taken at Creighton University is subsidized by the Archdiocese and Creighton University. Additionally, the Archdiocese provides full funding for its sponsored summer retreats.

### **Personal Planning**

*Estate Planning:* The Archdiocesan Planned Giving Consultant is available to assist you. Contact the Stewardship & Development Office at 402.557.5650.

*Last Will and Testament:* The Chancery will safeguard wills and funeral/burial documentation. Each priest is urged to update his Last Will and Testament periodically. Review your financial documents to make sure they are true to your wishes and that beneficiaries are consistent.

*Executor:* The Vicar for Clergy or the Chancellor may be named

## Continue Retirement Planning

Consider increasing your retirement account contributions. In general, penalty-free withdrawals from a 403(b) cannot occur until the participant reaches age 59 ½, at which point withdrawals are taxed as ordinary income. Prior to age 59 ½, a 10% penalty tax is applied to most withdrawals in addition to ordinary income tax. There are certain exceptions (early retirement or disability) in which case the penalty does not apply. If you're just signing up to participate, contribute as much as possible. Consider increasing your contribution each time you receive a raise in the future.

## III. Retirement (age 70+)

### Benefit Schedule and Related Services (eff. 1-1-16)

#### **Pension Plan for Priests (eff. 1-1-16)**

- Retirement Benefit\*: \$1,455.00 monthly, \$17,460.00 annually
- Medicare Part B: \$104.90 monthly, \$1,258.80 annually  
\*Of this total benefit, the housing allowance not subject to taxation is \$800.00 monthly, or \$9,600.00 annually.

#### **Medicare and Other Retirement Accounts**

Remember that Medicare does not pay for ongoing long-term care or assisted living and qualifying for Medicaid requires spending down your assets. In order to avoid penalties, begin taking required minimum distributions from your retirement accounts after age 70, if so required. By April 1 of the year after you reach age 70, you will generally be required to begin making annual withdrawals from traditional IRAs and employer-sponsored retirement plans (except for assets in a current employer's retirement plan if you are still working). You can continue to work and still receive retirement benefits. Your earnings in (or after) the month you reach your full retirement age will not reduce your Social Security benefits. However, your benefits will be reduced if your earnings exceed certain limits for the months before you reach

## Retirement Planning

Planning for retirement is a lifelong process. Determining your retirement needs by identifying your potential retirement expenses and sources of retirement income is an important step. Starting to invest early for retirement and contributing as much as possible to tax-advantaged employer-sponsored retirement plans is a way to leverage your retirement dollars. For example:

IF YOU START AT AGE	AMOUNT INVESTED PER MONTH	NUMBER OF YEARS	SAMPLE GROWTH RATE *	AT AGE 70 YOU WILL HAVE
30	\$100.00	40 years	5%	\$153,238
40	\$100.00	30 years	5%	\$83,573
50	\$100.00	20 years	5%	\$41,275

*\*For Presentation Purposes Only*

#### **403(b) Plan**

A 403(b) plan can be a key element in your retirement-saving strategy. Employer-sponsored 403(b) plans allow participants to contribute pretax dollars into a retirement savings account, then withdraw funds when they retire, permitting account earnings to grow on a tax-deferred basis. 403(b) plans have a variety of rules that govern contributions, withdrawals and other factors. For priests, contributions to a 403(b) plan can consist of pre-tax and after-tax employee contributions. In 2016, participants in a 403(b) plan can contribute up to \$18,000 a year. Plan participants who are 50 or older may also contribute an additional \$6,000 in 2016. According to rules that took effect in 2006, a traditional 403(b) plan allows for pretax contributions so that you can defer taxes on the portion of the salary contributed to the plan until the funds are withdrawn, at which point contributions and earnings are taxed as ordinary income. Because the amount of your pretax contribution is deducted directly from your paycheck, your taxable income is reduced which lowers your tax burden.

### **Individual Retirement Accounts (IRAs)**

Priests can open Individual Retirement Accounts (IRAs) to assist them in saving for retirement. IRAs are tax-sheltered accounts. There are two types, a Traditional IRA and a Roth IRA. Check with your tax preparer/advisor on which one (Traditional vs. Roth) would benefit your specific situation. You may elect to have both a Traditional IRA and a Roth IRA. Consult your banker or investment broker/advisor in order to open an IRA. Online brokerage services are also available to open an IRA.

*Traditional IRA:* Your upfront contributions are tax-deductible depending on income level (for income tax purposes, not social security tax purposes). You pay income tax on distributions (principal contributions and accumulated earnings) you take in retirement. All funds (principal contributions and accumulated earnings) withdrawn prior to 59 ½ are usually subject to a 10% penalty, with a few exceptions. You must start taking regular distributions from the account when you turn 70 ½.

*Roth IRA:* Your contributions (which depend on income level) are taxable, however you can withdraw your money tax-free (principal contributions and earnings) without penalty when you retire, provided it has been invested for at least five years. You are under no requirement with a Roth IRA to withdraw funds at a certain age. Should you need to do so, there are fewer withdrawal restrictions than with a Traditional IRA.

### **Estate Planning and End of Life Issues**

Archdiocesan statute requires each priest to provide the Chancery with a Last Will and Testament, advance directives for health care and directions for funeral and burial arrangements. If a priest has his these documents filed in another place, the Chancery must have notice regarding that place (*e.g.*, attorney, next of kin, safety deposit box) and contact information. Priests are urged to update his Last Will and Testament periodically, especially at significant transition times. Priests' should consider naming a durable power of attorney for personal business/financial issues as well as for health care. Priests are encouraged to use the services of the Archdiocesan Planned Giving Consultant at the Stewardship & Development Office, 402.557.5650, for their planning needs.

*Medicare Part B (Medical Insurance):* Almost anyone who is 65 or older or who is under 65 but eligible for hospital insurance can enroll for Medicare medical insurance. It is paid for by the monthly premiums of people enrolled and by general funds from the U.S. Treasury. It helps pay for doctor fees, outpatient hospital visits and other medical services and supplies that are not covered by Part A. In 2016, the standard Medicare Part B monthly premium is \$104.90. Upon retirement at age 70 (or later), this premium will be paid by the Pension Plan for Priests. Initially, you have seven months to sign up for medical insurance (Medicare Part B). This seven-month period begins three months before your 65<sup>th</sup> birthday, and includes the month you turn 65 and ends three months after that birthday. If you do not enroll during this initial enrollment period, each year you are given another chance to sign up during a general enrollment period from January 1 through March 31. Your coverage begins the following July. Your monthly premium increases 10% for each 12-month period you were eligible but did not enroll. The exception to this is if you are covered by your employer through your current employment, you qualify for a special enrollment period (SEP).

*Medicare Part D:* This is prescription drug coverage. It is voluntary and the costs are paid for by the monthly premiums of enrollees and Medicare. Unlike Part B in which you are automatically enrolled and must opt out if you do not want it, with Part D you have to opt in by filling out a form and enrolling in an approved plan. However, since the Archdiocese of Omaha Priest Health Plan offers "creditable coverage" compatible to that of Medicare Part D, a retiring Archdiocesan priest does not enroll in Part D coverage.

For information on Medicare benefits, you may call 1-800-MEDICARE (800.633.4227). If you change your address, the IRS will update its record when you file your next tax return. Social Security does not maintain your address in their records. If they need your address, they will obtain it from the Internal Revenue Service, who updates their records when you file your tax return. If you want to change the address before then, you can do so by calling the IRS at 800.829.3676 or requesting Form #8822.

## II. Middle Age (ages 50-65)

**A principle to follow: Be flexible in your planning**

- Begin thinking about updating your finances as you head closer to retirement years.
- Consider updating your Last Will and Testament and other end-of-life and estate planning documents.
- Think about when you can afford to retire and how much you will be able to withdraw annually.
- Take an objective look at your living situation now and what it will cost to maintain a similar lifestyle once retired.
- The following page contains an estimate of income and the potential expenses a priest retiring in the near future (at age 70 or higher) might face.

Age to receive full Social Security benefits	
<i>Year of birth</i>	<i>Full retirement age</i>
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67
NOTE: People who were born on January 1 of any year should refer to the previous year.	

### Medicare Planning

There are four parts to Medicare: Part A (Hospital Insurance); Part B (Medical Insurance); Part C (Medicare Advantage) and Part D (prescription drug coverage).

*Medicare Part A (Hospital Insurance):* You are eligible at age 65 if you receive Social Security benefits or if you have worked long enough to be eligible for them. If you are under 65 you are eligible if you get Social Security disability (24 months or longer) benefits or have Lou Gehrig’s disease. There are special rules for people with permanent kidney failure. It is paid for by a portion of Social Security tax. It helps pay for inpatient hospital care, skilled nursing care, hospice care and other services. As long as you remain in active employment, your Archdiocesan health plan will remain as your primary coverage, with Medicare coordinating payment as the secondary payer.

<b>ESTIMATED INCOME</b>	<b><u>PER MONTH</u></b>	<b><u>PER YEAR</u></b>
Social Security*	\$700 - \$1,000	\$8,400 - \$12,000
Medicare (Part B Benefit)	\$105	\$1,260
Priests’ Pension	\$1,455	\$17,460
Priest Supply Help	\$100	\$1,200
Other Sources/ Personal Savings	?	?
<b>TOTAL ESTIMATED INCOME:</b>	<b>\$2,360 - \$2,660</b>	<b>\$28,320 - \$31,920</b>

\* Based on minimum of 35 years of employment

	St. John Vianney Residence	Apartment/ House Rental
<b>ESTIMATED EXPENSES:</b>	Per month/Per year	Per month/Per year
Housing	\$530/\$6,360	\$800/\$9,600
Garage	\$25/\$300	\$55/\$660
Basic Cable	Included	\$35/\$420
Water	Included	n/a (see below)
Lunch Plan	\$75/\$900	n/a (see below)
Dinner Plan	\$100/\$1,200	n/a (see below)
Gas (plus water for apartment or house rental)	\$30/\$360	\$45/\$540
Electricity	\$30/\$360	\$40/\$480
Phone (land line)	\$40/\$480	\$40/\$480
Computer, Cell Phone, etc.	\$100/\$1,200	\$100/\$1,200
Transportation (based on 8,000 miles per year plus taxes, registration, minor repairs and misc.)	\$400/\$4,800	\$400/\$4,800
Food (miscellaneous)	\$75/\$900	\$300/\$3,600
Health/Dental Care: Insurance Premium (\$267) Medicare Part B (\$105) Misc. Deductibles (\$33) Prescription Co-Pays (\$50)	\$455/\$5,460	\$455/\$5,460
Clothing & Services	\$100/\$1,200	\$100/\$1,200
Entertainment (restaurants, movies, etc.)	\$75/\$900	\$100/\$1,200
Insurance (auto, homeowner/renter, etc.)	\$100/\$1,200	\$100/\$1,200
Miscellaneous/Discretionary Expenses	\$125/\$1,500	\$125/\$1,500
Taxes (federal and state based on above income sources)	\$15/\$180	\$15/\$180
<b>TOTAL ESTIMATED EXPENSES</b>	<b>\$2,275/\$27,300</b>	<b>\$2,710/\$32,520</b>

Note that a priest's estimated annual income just about covers, very narrowly, the cost of living at the St. John Vianney Residence. Opting to live in a private apartment or house will likely mean that you need to have your own savings to make up the additional cost. Additionally, keep in mind the initial retirement costs to furnish a residence, whether at the St. John Vianney residence or elsewhere:

**ESTIMATED INITIAL RETIREMENT COSTS: \$5,000**  
(Furniture, appliances, cleaning supplies, bedding, towels, electronics, etc.)

### Social Security Planning

The need to potentially stretch out income over a longer period than previous generations also means that some people may not want to tap Social Security when they are first eligible. Consider that for each year you delay taking Social Security beyond your full Social Security retirement age until age 70, you will receive a benefit increase of 8%, depending on your age. One caveat: If you decide to delay collecting Social Security, you will want to sign up for Medicare Part A (hospital care) at age 65 to avoid possibly paying more for medical insurance later. Each year, about three months before your birthday, you receive a Social Security Statement. It can be a valuable planning tool.

To begin receiving benefits you will need to contact Social Security three months prior to your 65<sup>th</sup> birthday.

When you apply for benefits, you will need the following information: Social Security number; birth certificate; W-2 forms for the past year; military discharge papers if you have military service; proof of U.S. citizenship or lawful alien status if you were not born in the United States; and the name of your bank and your account number so your benefits can be directly deposited into your account.

The chart on the next page shows the date of eligibility to begin receiving benefits. It varies depending on the year of your birth.