SOCIAL SECURITY CONSIDERATIONS:

Why Opting Out Is Not the Answer
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.

Opting out of Social Security is an irrevocable election with financial consequences. According to the IRS, this decision should be made solely based on theological beliefs.

For an in-depth theological perspective, please read *Is it Okay for Me to Opt Out of Social Security? My Response* written by the president of the Ethics and Religious Liberty Commission, Russell Moore, who points out the significant issues that must be considered and resolved before opting out.

Also, GuideStone knows it is a decision you financially can’t afford to make. “Opting out of Social Security can be highly detrimental to your future,” says GuideStone President O.S. Hawkins. “Not only does Social Security provide a benefit upon attainment of retirement age, it also provides survivor benefits to your children should something happen to you while they’re young. All young ministers should think long and hard before forgoing valuable Social Security benefits for you and your family.”

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

Did you know?

Approximately $82 billion in survivor benefits was distributed to more than 64 million beneficiaries in 2015.

— Social Security Administration (SSA.gov)

Remember, opting out of Social Security is irreversible — so be sure you are comfortable with the consequences accompanying this decision.
4 REASONS YOU CAN’T AFFORD TO OPT OUT OF SOCIAL SECURITY

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.¹

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 $10,000 annually — becoming a large expense during retirement.²

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 $1,165 monthly disability benefit, expect to pay between 1% and 3% of your salary, or $500–$1,500 annually,² 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 8–10 times one’s salary is needed, particularly if there are school-aged children in the household.³ Since your survivor won’t be eligible to receive the average $1,112 monthly survivor benefit, you will need to purchase significantly more term life insurance.⁴

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:

- You will have to save more for retirement.
- You will have to pay for all medical costs.
- You will be ineligible for disability benefits.
- You will be ineligible for family survivor benefits.
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.

1 Congress has 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.


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


John Ambra, director of development of GuideStone’s Mission:Dignity ministry, shares his in-depth experience helping financially underprepared ministers plan for retirement:

“In 20 years of assisting retired ministers on low incomes, I have met quite a few who opted out of Social Security at a young age. In spite of good intentions, savings were never set aside and these ministers reached retirement without sufficient resources. Not one of our Mission:Dignity recipients has ever told me, in retrospect, that opting out of Social Security was a good idea.”