

Simplifying your Christmas gift-giving

On average, it takes U.S. credit card users six months to pay off their holiday shopping bills.

An *additional* five million tons of trash is generated each year in the United States between Thanksgiving and New Year's Day.

Those are among the sobering statistics cited in "Simplify the Holidays," a brochure produced by The Center for a New American Dream (www.newdream.org), a non-profit organization whose aim is to help Americans change how they consume to improve the quality of their lives, help protect the environment, and promote social justice concerns.

Among the simple yet creative gift ideas included in the brochure are these —

- Compile a booklet of favorite family recipes.
- Create a family calendar indicating birthdays, anniversaries, and special family gatherings. Decorate the calendar with family photos.
- Give non-tangible gifts such as music or language lessons, lessons for



a recreational sport, or tickets to a concert series.

- Give gifts of your time that pass along life skills such as learning how to can garden produce, knit, build or refinish furniture, or cut hair.

"Simplify the Holidays" also provides a self-assessment tool for thinking through the kind of holiday you want to have and suggests these additional resources — *Unplug the Christmas Machine* by Jo Robinson and Jean Coppock Staeheli, *Hundred Dollar Holiday* by Bill McKibben, and *How the Grinch Stole Christmas* by Dr. Seuss.

You can download a PDF of the brochure free from the center's Web site: www.newdream.org. Click on "Publications" from the menu bar at the top. Or order hard copies for \$2 each. Call toll-free 877-683-7326 or e-mail your request to newdream@newdream.org.

Do you have a budgeting tip or bit of wisdom that might help other Pension Plan members practice faithful stewardship of their financial resources? Send ideas and suggestions to *Pension Planner*, Brethren Benefit Trust, 1505 Dundee Ave., Elgin, IL 60120. Call 800-746-1505, ext. 374. Or send e-mail to newsletters_bbt@brethren.org.

More fun, less stuff! *That's the motto of The Center for a New American Dream, which provides free downloads of a variety of resources, including "Tips for Parenting in a Commercial Culture," a brochure that addresses head-on the influence of advertising on the spending habits of children. Other resources available at www.newdream.org include Enough!, a quarterly report on consumption and the environment, and a starter kit for simplifying your life and freeing up time, money, and personal energy.*



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Sound Stewardship

Pension Planner

NEWS ABOUT YOUR PENSION PLAN AND EMPLOYEE FINANCIAL SERVICES

NOVEMBER 2001

BBT Perspective

The importance of staying calm in a time of turmoil An investment response to a world in crisis

Recent world events have left most of us jittery. Before September 11, flying — while sometimes accompanied by annoying delays and cancellations — was always assumed to be a safe mode of travel. Our collective comfort zone has since been disrupted. Routine activities we previously took for granted have now become cause for concern. And every news event (and there are plenty) has an ominous feel to it. We are on edge, waiting for the other shoe to drop.

This is equally true within the world of investment. The U.S. economy and stock market had already been experiencing a downturn throughout 2001. The events and subsequent economic fallout of September 11 have only heightened our anxiety about the health of the economy. What should we do?

Nothing out of the ordinary.

Those of us who have been around for a few years remember not only the short recession following the Gulf War, but also the stock market crash of 1987, the ridiculously high inflation rates of the 1970s, the recession of the late 1960s, the Cuban Missile Crisis, and for some of us, the stock market crash of 1929 followed by the Depression. Our economy and the stock market have endured these and other tumultuous events and have survived each one.

Throughout history our economy has in most cases fully rebounded within 6 to 18 months after the onset of major national security events. Such appears to be the case even now. On October 11 — one month following the New York and Washington, D.C. terrorist attacks — it was reported that the Standard & Poor's 500 index for stock funds and the Nasdaq stock exchange had regained all losses resulting in the aftermath of September 11.

This present turmoil has focused many of us more keenly on the importance of family and church and of what each of us might do to strengthen the common bonds of humanity. It also poses a challenge for us to remain calm. Among many other things, staying calm in a time of turmoil includes maintaining a steady approach in our investment decisions, bearing in mind not only current events but also future needs and goals. While violent acts may invoke knee-jerk reactions such as panic and anger, eventually the cool waters of reason prevail and things, although changed, begin to return to normal.



Don Fecher,
Pension Plan director

Employee Financial Services

Choosing a financial adviser you can trust

As important as finding a financial adviser who is knowledgeable is finding one you can trust, says Don Fecher, director of BBT's Pension Plan and Employee Financial Services.

Here are three key criteria for selecting

a financial adviser you can trust.

1. **Make sure your adviser understands your specific investment goals**, whether saving for retirement, a home, your child's college tuition, or all of these and more.

2. **Make sure your adviser understands your core values**. If you want to work less so you can spend more time with your family, make sure your adviser helps you consider lifestyle and budgeting decisions to achieve this goal as part of an overall financial strategy.

3. **Make sure your adviser is working for you**. While you want someone who can inform you of all your options, make sure your adviser is focused on your needs and not on how your decisions may benefit the adviser's firm.



A good financial adviser can help you assess how your investment decisions will stack up so you can stay on track with long-term goals.

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stocks. It includes making sure your investments are spread across different asset classes, such as stock mutual funds, bonds, and short-term equities. A good asset mix increases the likelihood that your investments will grow through most any market condition without excessive monitoring on your part.

Return your worksheet

Attention retirees and Church Workers Assistance Plan grant recipients who are ordained — by now you should have received your housing allowance worksheet for calculating expenses. Estimating your expenses can reduce the taxable portion of your pension or grant. Completed worksheets are due to BBT by December 1. You can also access the form online at www.brethrenbenefittrust.org. Click on "Forms" and then "Employee Financial Services."



Friendly Reminders

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Tips for tracking and reporting housing expenses for pastors

No pastor or church treasurer faces tax season without an audible heavy sigh. Among tax-related issues pastors face is the use of a parsonage or a housing allowance paid to the pastor.



A housing allowance is that portion of compensation designated for pastors in connection with their daily home living expenses. In addition to mortgage or rent, these expenses include electric, gas, and water utilities, home maintenance costs, and the taxes and insurances

associated with owning a home.

Sorting out which expenses may be included in a pastor's housing allowance can be confusing. For example, while local phone charges are an allowable expense, long-distance charges are not, since these are classified as a business expense. Maid services and lawn services are not allowable expenses, but cleaning supplies and gas for your lawn mower are allowable expenses. (For additional insight regarding housing allowance issues, see the "Church and clergy tax and legal resources" sidebar.)

Several tips may prove useful for reporting a pastor's housing allowance expenses —

- 1. Keep receipts.** For record-keeping and potential auditing purposes, it's important to keep all housing allowance-related receipts throughout the year and to keep all receipts for seven years.
- 2. Put it in writing.** Formal designation of a pastor's housing allowance is important for tax purposes. Specification of a housing allowance and the amount allotted should be in writing and approved by the church in advance of the calendar year for which it applies. It's a good idea for the pastor to

Designation of a pastor's housing allowance should be in writing and approved by the church in advance of the calendar year for which it applies.

keep a copy of the church minutes of that meeting for his or her personal tax files in the event of an audit.

3. Keep it current. A housing allowance designation must be renewed each year. If nothing changes from one year to the next, a simple statement may be sufficient to formalize the designation. For example: "Parsonage/housing allowance shall apply to calendar year 20XX and all future years unless otherwise provided."

4. Keep it separate. For record-keeping and tax purposes, a pastor's housing allowance should be provided as a separate check rather than lumped in with other compensation or reimbursement payments.

Next issue: Self-employment tax tips. Once a pastor becomes ordained or licensed, he or she is both an employee of the church (with regard to income taxes) and a self-employed individual (with regard to social security taxes). Look for an article in the next issue of *Pension Planner* that will provide tips for estimating self-employment taxes.

Church and clergy tax and legal resources

If you have a specific question related to pastoral taxation, call BBT Pension Plan and Employee Financial Services director Don Fecher at **800-746-1505**. Or e-mail your question to dfecher_bbt@brethren.org.

For general reference, check out the following resources.

The Institute for Church Leadership of Christian Ministry Resources provides publications useful for both pastors and church treasurers. Among them —

• **2001 Church and Clergy Tax Guide** by Richard R.

Hammar. Provides information on all major tax issues affecting churches and clergy. Includes dozens of examples and forms. Cost: \$15.95.

• **Church Treasurer Alert**, a monthly review of accounting, financial, and tax developments affecting churches. One-year subscription: \$24.95.

• **Church Law & Tax Report**, a bimonthly

newsletter detailing key tax and legal issues affecting churches and church leaders. One-year subscription: \$78.

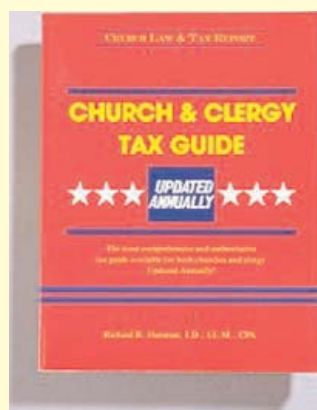
• **2001 Legal and Tax Reference Library CD-ROM set** includes *Church Law & Tax*

Report articles through 2000 and keyword search tools for researching specific questions relevant to pastors, church treasurers, and church bookkeepers. Cost: \$50.

To order call **800-222-1840**. Or order online at www.iclonline.com. Click on the "ICL Bookstore" link and then "Newsletters and Annual Tax Resources."

Brethren Press provides the **Abingdon Clergy Income Tax Guide 2001**, published by Abingdon Press. Offers pastors information for filing federal income tax forms. Cost: \$20. Order online at www.BrethrenPress.com.

From the category selections, click on "Topical Resources" and then "Pastoral Resources." Or call **800-441-3712** and reference catalog item #0409.



Understanding investment risk, allocating assets for retirement

Q: *What level of risk exists for each of the Pension Plan funds in which I can invest?*

A: As a Pension Plan member, you can invest in four different funds. (See the "Brethren Pension Plan funds" sidebar for a description of each fund.) These four investment choices generally allow risk-taking and risk-averse investors — and those who are somewhere in between — to develop an allocation in line with their investment goals and needs. Together, these funds are designed to provide options for growth, income, and safety. It's important to remember that you are always in control of the allocation of assets within your account.

Q: *If I am close to retirement, what allocation changes should I make?*

A: Generally speaking, and depending on your risk tolerance, the closer you are to retirement the greater the amount you should

place in a safer investment such as the Short-Term fund. If you leave your retirement money in the Common Stock, Balanced, and to some extent, even the Bond fund, you are exposed to more risk than you may realize because any sudden downturn in the economy could significantly reduce the value of your account.

Q: *If I've already had my annuity projected, is there any reason to worry?*

A: While an annuity projection is helpful for assessing what you might expect to receive when you retire, the amount projected is based on your asset allocation at that time and is not guaranteed for the future. If you leave your account in the Common Stock, Balanced, and even the Bond fund, your actual monthly retirement check may be less than the projection you received, or it could be more. If you want to "lock in" your account balance, you should transfer your account to a

safer investment where your earnings may be less but the potential for loss is greatly reduced.

Q: *When is the best time to transfer my account in preparation for retirement?*

A: As a general rule, once you are within 12 to 18 months of your actual retirement date, that's a good time to transfer your account to a safer investment if you wish to lock in your current earnings. Otherwise, your account remains exposed to substantial risk.

Send questions about your Brethren Pension Plan, money management, or saving for retirement to *Pension Planner*, Brethren Benefit Trust, 1505 Dundee Ave., Elgin, IL 60120. Or e-mail your question to newsletters_bbt@brethren.org.



Brethren Pension Plan funds

As a Pension Plan member, you can allocate the holdings within your account among four different funds. And, you can make changes to your allocations on a monthly basis.

1. Common Stock fund. This fund invests in the stock market and is designed for potential growth. During the past 10 years this fund has shown tremendous overall growth. However, during the past 18 months this fund has lost significant value because of a slowing U.S. economy and recent world events.

2. Balanced fund. This fund invests in stocks and bonds (60 percent stocks, 40 percent bonds) and is designed for potential growth with stocks balanced by potential income from bonds. Recent stock market swings have not affected the Balanced fund as greatly as the Common Stock fund because of the 40-percent bond exposure.

3. Bond fund. This fund invests solely in the bond market and is designed for potential income rather than growth.

4. Short-Term fund. This fund invests in cash and cash equivalents and is designed for safety. The Short-Term fund operates much like a money market fund.

Friendly Reminders

Consider refinancing

With the prime interest rate continuing to drop, many homeowners are refinancing their mortgages. A good rule of thumb when considering whether it's worthwhile to refinance is to make sure the outcome will result in at least one full percentage point reduction from the rate you currently pay. Home mortgages aren't the only loans to consider refinancing. Reduced interest on other large expenditures such as autos can make a difference in your payments as well. And, low interest rates also signal a potential benefit in consolidating credit card debt by taking out a low-interest personal loan to pay off your high-interest cards.



Assess your asset mix

Most people make the majority of their investment decisions during the fourth quarter of the calendar year. That's why the end of each year is also a good time to review how all your assets are allocated. *Asset allocation* entails more than diversifying your investments across different industry sectors, such as retail, pharmaceutical, and technology

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