

WORKSHEET

The pastor's retirement withdrawal worksheet

Three steps to think through a tax-aware withdrawal order.

Standard retirement advice often says to spend taxable money first and leave retirement accounts for last. For pastors, that order can miss a clergy-specific issue. A qualifying church or denominational plan may preserve retired minister housing allowance treatment, while an IRA, a non-church 403(b), or a 401(k) generally does not. Work through these three steps with your own numbers.

1 PROTECT THE RIGHT ACCOUNT

Housing allowance treatment generally has to come from a qualifying church or denominational plan, so the money needs to stay in one before any withdrawal order matters. Some plans designate automatically and others need an advance request each year. Confirm your plan's process in writing, then check each box you can answer yes to.

- ☐ My ministerial retirement savings are in a church or denominational plan, such as a 403(b)(9) or denominational pension, not an IRA, a non-church 403(b), or a 401(k).
- ☐ I know whether my plan designates distributions as housing allowance automatically or only by request.
- ☐ I haven't rolled this money to an IRA or another non-qualifying account, and I will confirm the housing allowance impact before moving it.

2 FIND YOUR HOUSING CEILING

The amount you may exclude from federal income tax as a retired minister's housing allowance is capped by the same lesser-of-three limit you have known your whole ministry. Fill in all three.

A. Amount your plan designates as housing allowance this year	\$
B. Your actual annual housing expenses Total from the tracker below	\$
C. Fair rental value of your home, furnished, plus utilities	\$
Your housing ceiling: the lowest of A, B, and C	\$

HYPOTHETICAL EXAMPLE, FOR ILLUSTRATION ONLY

Suppose a plan designates the full distribution as housing (A), actual housing costs are \$24,000 (B), and fair rental value is \$26,000 (C). The ceiling is the lowest: \$24,000. If properly designated and documented, that amount may be excluded from federal income tax. Anything above it is generally taxable as ordinary income. These figures are made up and are not a typical result.

B TRACKER FOR LINE B: ACTUAL HOUSING EXPENSES

Mortgage or rent (principal and interest)	\$
Property taxes	\$

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Homeowners or renters insurance	\$
Utilities (gas, electric, water, sewer, trash)	\$
Repairs, maintenance, and improvements	\$
Furnishings and appliances	\$
HOA dues, if any	\$
Total actual housing expenses. Carry to line B.	\$

3 THINK THROUGH YOUR DRAW ORDER FOR THE YEAR

This is a general framework to work through with your own tax professional, not a recommendation for your situation. Many pastors consider filling the housing ceiling from the church plan first, because those dollars, when properly designated and within IRS limits, may be among the most tax-efficient a minister has.

1. Church plan distributions designated as housing, up to your ceiling May be excludable from federal income tax and, for retired ministers, generally from SECA

\$

2. Income you still need this year after line 1

\$

3. Where the rest comes from: Social Security or pension, taxable accounts, Roth, or church-plan distributions above the ceiling (generally taxable)

IF YOU ARE SUBJECT TO REQUIRED MINIMUM DISTRIBUTIONS

If your plan permits it and the designation is handled properly, an RMD from a qualifying church plan may be designated as housing allowance, and the portion within your ceiling may be excludable. Keep in mind the IRS has declined to issue rulings on retirement housing allowance treatment, so confirm your plan's practice.

BEFORE YOU FINALIZE

- ☐ The housing allowance is designated in advance with the plan. It is never applied retroactively.
- ☐ I keep records that support my actual housing expenses for the year.
- ☐ Any amount I draw above the ceiling is reported as taxable income.

Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost?

LUKE 14:28 (NIV)

IF YOU WANT A SECOND SET OF EYES

The **Pastor Retirement Checkup** is a one-time review of your retirement picture by a fee-only fiduciary who works with pastors. A written summary and about ninety minutes by video. One engagement, one flat fee, no ongoing commitment.

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