



INFLATION

HOW IT AFFECTS RETIREMENT PLANNING

As you prepare for retirement, it's important to consider the impact of inflation (*a currency's decline in purchasing power*) as it can cut into your savings now and into the future. Servant Solutions is here to help you plan for that impact, so you can retire with confidence.

Retirees can be especially hit hard by inflation, because they often live on fixed income sources (*Social Security, pensions, annuities, etc.*) but necessities such as healthcare, food, medicine, and utilities keep increasing in cost. In addition, as each year passes, the compounding effect of inflation leaves less margin for 'quality of life' spending such as replacing automobiles, traveling to see family, and structural maintenance for your home. This could be why some call inflation the 'stealthy thief' of your quality of life during retirement. More of your income must be allocated to the basics versus your enjoyment.

The Centers for Medicare and Medicaid Services estimate that in 2018, the cost of healthcare rose at almost twice the rate as regular inflation. (*Investopedia*) This is alarming on its own, but since Social Security benefits are calculated based on overall inflation, and retirees tend to have higher healthcare costs, it may disproportionately impact you.

LIMRA Secure Retirement Institute has created an estimate of the possible impact of inflation on Social Security benefits, which you may count on to supplement your savings. LIMRA demonstrated that, over 20 years, "a 1% inflation rate could swallow up \$34,406 of retirees' benefits. If the inflation rate were to increase to 3%, the shortfall would total more than \$117,000." (*LIMRA*). With current inflation rates hovering

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A WORD FROM OUR PRESIDENT

IS BUYING BITCOIN A GOOD RETIREMENT STRATEGY?



Jim O'Bold

The short answer is 'not yet'.

In my conversations with Servant Solutions members, some have mentioned the possibility of allocating some of their savings/investing to Bitcoin as a retirement strategy. It's a reasonable question to ask, as most use their retirement account as their primary savings vehicle for wealth accumulation, and

therefore retirement accounts have more money to be used for exploring investment opportunities. Although many feel that cryptocurrencies have much potential for growth, are they really a good option for retirement investing? I thought it would be good to explore where the cryptocurrency market is currently, its viability as a true investment class, along with its risk/reward proposition.

What is Bitcoin?

Bitcoin is a type of cryptocurrency (*crypto*), among many others one can buy, that is digital in nature and is designed to be free of governmental control. This digital, decentralized form of currency can be used for the purchase of goods and services wherever it is accepted, and those items can be purchased anonymously.

Why 'not yet'?

While there is not much history (*Bitcoin didn't exist until 2009*), what you do see compares mostly to high stakes gambling versus long-term investing (*the hallmark of saving for retirement*). While designed to be a currency, and therefore a medium of exchange, cryptos currently behave like speculative



assets which undermines its ability to be just that – an effective currency! This speculative nature is more appropriate for shorter holding periods than those typically found in retirement plans. Better said, cryptocurrencies are better suited for trading rather than investing.

Risks of Cryptocurrency Trading

You should do your due diligence and proceed with caution. Cryptocurrencies are uncertain and highly volatile. The price of crypto can fluctuate by 5% plus or minus on a given day, which is more volatile than a mutual fund or most equities.

Some other risks include:

- If you lose your 256-bit private ownership key (*or it is stolen*), you no longer own your crypto and you permanently lose those digital assets.
- Cryptocurrencies are not part of a bank, so they are not FDIC insured.
- Some countries don't allow the legal use of cryptocurrency.
- There are no comprehensive investor protection laws applying to cryptocurrencies.
- Their anonymous nature leads to heavy use by organized crime and ransomware attacks. Ethically sensitive investors may have issues with that.

"Potential" Benefits of Cryptocurrency

Don't get me wrong. There are some benefits of cryptos – mostly the potential of extremely high returns. However, most of what crypto brings is just that – potential. Potential gains, but also potential losses. It is a developing and emerging asset class that still needs a lot of work.

The Bottom Line

We must remember the most important goal of retirement planning - not running out of money. Having an asset that can gain or lose 50% of its value in a matter of a few days does not belong in a retirement plan. Overall, the downside of cryptocurrencies negates the upside when it comes to long-arc retirement planning.

What will it take to move cryptocurrencies out of the current danger zone they inhabit? Regulation. And if they are more regulated, will they be reduced to the status of other regulated currencies and have the feel of a purely cash investment? I have heard it said that a good litmus test is if you would feel comfortable receiving your paycheck in Bitcoin. Most would say "No." When you can say "Yes", it will have most likely cleared the many hurdles listed above. If you have questions about cryptocurrencies and their relationship to your overall retirement goals, please let us know. At Servant Solutions, we are here to serve you – those who serve!

James M. O'Bold



LIFEFUND UPDATES FOR 2022

LifeFund adjustments are made each year on April 1st. The LifeFund “glidepath” is the careful way in which Servant Solutions adjusts the mix of growth and fixed income assets smoothly as you move through your ministry career toward retirement. You’ll see the adjustments for 2022 in the chart below. We have also made a change to one of the mutual funds we offer. The GuideStone International Equity Instl Fund (GIEYX) is being replaced with a different share class of the same fund that has a lower investment cost. Servant Solutions is always striving to keep costs low so that your retirement savings go further. If you have any questions regarding these changes, please contact Servant Solutions and we will be more than happy to assist you. It is our privilege to serve you!

Investment Composition of the LifeFund Age-Based Portfolios (as of April 1, 2022)

LifeFund Name (Birth Year)	Heritage (before 1945)	1945 1949	1950 1954	1955 1959	1960 1964	1965 1969	1970 1974	1975 1979	1980+ (after 1979)	
Time-Based Portfolio Allocations:										
Long-term	30%	40%	45%	50%	60%	70%	80%	87%	90%	
Intermediate-term	45%	40%	40%	40%	40%	30%	20%	13%	10%	
Short-term	25%	20%	15%	10%	0%	0%	0%	0%	0%	
	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Fund Allocations:										
Long-term	Vanguard Institutional Index Institutional	9.9%	13.2%	14.9%	16.5%	19.8%	23.1%	26.4%	28.7%	29.7%
	Vanguard Value Index Institutional	4.8%	6.4%	7.2%	8.0%	9.6%	11.2%	12.8%	13.9%	14.4%
	Vanguard Growth Index Institutional	3.0%	4.0%	4.5%	5.0%	6.0%	7.0%	8.0%	8.7%	9.0%
	Vanguard Total Intl Stock Index Institutional	6.9%	9.2%	10.3%	11.5%	13.8%	16.1%	18.4%	20.0%	20.7%
	Vanguard Emerging Mkts Stock Idx Instl	2.4%	3.2%	3.6%	4.0%	4.8%	5.6%	6.4%	7.0%	7.2%
	Vanguard Extended Market Index Instl	3.0%	4.0%	4.5%	5.0%	6.0%	7.0%	8.0%	8.7%	9.0%
Intermediate-term	Vanguard Total Bond Market Index Instl	11.2%	10.0%	10.0%	10.0%	10.0%	7.5%	5.0%	3.2%	2.5%
	Vanguard High-Yield Corporate Adm	2.3%	2.0%	2.0%	2.0%	2.0%	1.5%	1.0%	0.7%	0.5%
	Vanguard Intmdt-Term Trs Idx Admiral	7.6%	6.8%	6.8%	6.8%	6.8%	5.1%	3.4%	2.2%	1.7%
	Vanguard Interm-Term Investment-Grde Adm	9.5%	8.4%	8.4%	8.4%	8.4%	6.3%	4.2%	2.7%	2.1%
	Vanguard Mortgage-Backed Secs Idx Adm	9.0%	8.0%	8.0%	8.0%	8.0%	6.0%	4.0%	2.6%	2.0%
	Vanguard Short-Term Trs Idx Admiral	2.2%	2.0%	2.0%	2.0%	2.0%	1.5%	1.0%	0.7%	0.5%
	Vanguard Shrt-Term Infl-Prot Sec Idx Adm	3.2%	2.8%	2.8%	2.8%	2.8%	2.1%	1.4%	0.9%	0.7%
		100%	100%	100%	100%	100%	100%	100%	100%	100%
Short-term	Vanguard Short-Term Bond Idx Instl	25.0%	20.0%	15.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		100%	100%	100%	100%	100%	100%	100%	100%	100%



QUICK TIP:

As you receive an increase in your annual compensation, complete a new salary reduction agreement and increase your retirement contribution by a minimum of 1% each year. Hopefully you can increase it by more, but definitely increase it by 1% annually. You’ll like what it does for your retirement account’s balance as it grows for 15, 20, 25 or even 30 years!



DID YOU KNOW?

THE HOUSING ALLOWANCE FOR CLERGY

Housing allowance is one of the greatest benefits that clergy can utilize throughout their ministry careers. The allowance may be used to cover all expenses related to maintaining a home during your working career *and in retirement*. Want to learn more or need help getting set up? Contact us today!

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between 6-7%, one can see that inflation can severely impact your retirement years.

While this might initially seem overwhelming, we recommend your focus be on what you can do today. If you commit to plan accordingly, these complications won't be unexpected—you'll be prepared to deal with them and enjoy your retirement.

What can I do now to prepare?

Take steps to maximize your retirement savings. Because of our low fees, it might be wise to consolidate other retirement savings into your Servant Solutions account. From there, increase your retirement contributions as you receive raises, bonuses, or windfalls. If possible, utilize the "catch up" provision allowed in the IRS code beginning at the age of fifty. This provision can dramatically increase your savings for retirement. Other helpful steps include:

- Decide at what age you'll take Social Security benefits. The longer you wait, the larger the amount will be every month for the rest of your life.
- Do not let your investment strategy be too conservative in retirement. History has proven that including equities (*although*



more volatile and can cause consternation) in your investment mix serves as a potent inflation-fighter.

- It is also a good idea to create a realistic budget before you retire so you can be sure you're in a good position ahead of time. Learn to live on less! Try living one or two years on a budget that will be close to your retirement lifestyle.

- Planning to reduce housing costs can also be a great way to save. You may need less space as a retiree, and your financial goals are less aligned with owning a larger home.

- Finally, pursue being debt free before retirement. This allows maximum flexibility to navigate the surprises that life always brings.

How can Servant Solutions help you?

Servant Solutions wants to partner with you to create a custom-tailored plan to proactively strengthen and achieve your retirement objectives, regardless of inflation. Contact us today for more information on our FREE financial planning tools through our Financial Roadmap process. We also offer education, consultation, and in-depth planning. We don't want you to just survive retirement, we want you to thrive in your retirement years as you continue to serve the Lord!



Bob Haymond

HOW TO GET YOUR STUDENT LOANS FORGIVEN (NO, REALLY!)

BOB HAYMOND, CFP®

Did you know there's a way for student loans to be forgiven? If you are employed by a government or not-for-profit organization, you may be able to receive loan forgiveness under the **Public Service Loan**

Forgiveness (PSLF) Program. PSLF *forgives the remaining balance* on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer.

Even if you took advantage of the payment waiver from March 2020 through January 2022 due to the pandemic,

these months count toward the 120 qualifying payments! The Department of Education recommends that borrowers use the PSLF Help Tool to walk through the application process.

Visit studentaid.gov to learn more about the PSLF Program to see whether you might qualify. Regulations were amended July 2021 so that full-time employees of religious, not-for-profit organizations now qualify. There is a limited window to get credit for payments that previously did not qualify for PSLF under the new fix that will **expire on October 31, 2022**.

Our blog post for April 2022 includes links to like-minded outside organizations that have additional helpful information. You'll find it at www.servantsolutions.org/insights.