

# A Benefits Guide to MHA

Understanding Ministers Housing Allowance and Your Retirement Account

*Disclaimer: The Navigators, The Navigators Human Resources, and The Navigators Benefits Team does not give financial, legal, or tax advice. If you need guidance on making changes or decisions, please seek appropriate counsel. If you do not currently have access to an advisor, you can reach out to Fidelity or The Navigators Employee Assistance Program for free services.*

# What Does it Mean to Have MHA in Your Retirement Account

## MHA and The Navigators

### What is Minister's Housing Allowance (MHA)

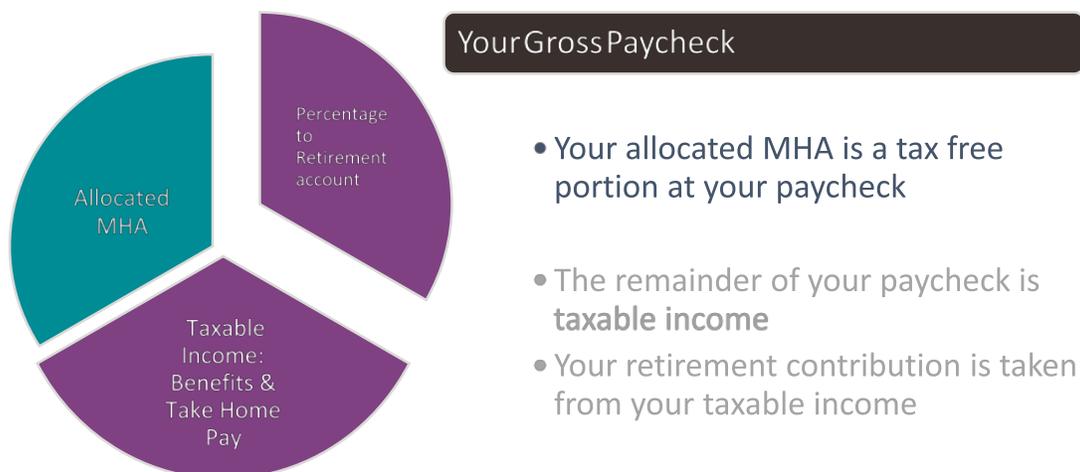
MHA is not an “allowance” exactly. MHA is a tax designation on a portion of your income. It allows you to take the portion of your income you use on housing expenses tax-free. The IRS puts limits in place on how much of your income can be tax-free. This limit is different for everyone as it is based on two main things, (1) how much money you spend on housing and (2) the rental value of your specific home. To help determine what the IRS will allow you to allocate as tax-free income, you are welcome to utilize [this worksheet](#).

### Where Does my MHA Come From

Each year, commissioned Navigators submit a form to Human Resources to have a portion of their paycheck allocated as Ministers Housing Allowance and be tax free. Each Navigator determines their own appropriate amount. This designation will continue until a new form is submitted. If your financial situation changes, you can submit a form to update your allocation.

### How are Contributions into Retirement Determined

Retirement contributions are elected by a percentage. This amount is determined by calculating the percentage from your taxable wages only. This is called “regular wages” on your paystub. Please be aware other benefits deductions (ie Dental insurance and HSA contributions) must be deducted prior to your retirement deductions.



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## MHA and Retirement Accounts

### What is a Source in Retirement Accounts

A “source” in a retirement account is a label used to identify the type of contribution made into your retirement accounts (401a and 403b).

If a source is labeled as Ministerial Earnings, this means it was a pre-tax contribution that is eligible for a tax-free distribution when used for housing expenses. All other sources are not eligible for MHA purposes.

*Please note: “Sources” are specific to retirement accounts with an employer. Individual Retirement Accounts (IRAs) do not have sources*

### How Does Money Get into the Ministerial Earnings Source

If you are a commissioned Navigator, your pre-tax contributions (both voluntary and employer contributions) will automatically be designated as Ministerial Earnings. Pre-tax contributions made prior to your commissioning date and/or October 2009 are not labeled as Ministerial Earnings and not eligible for tax-free distributions.

If you would like to make contributions into your retirement account, please login to Fidelity’s website.

### Where Can I See my Funds that are Designated Ministerial Earnings?

You can view your Ministerial Earnings on your monthly Fidelity statement or online at [www.netbenefits.com](http://www.netbenefits.com).

- Sign into your Fidelity account using your personal ID and password.
- Click on the green bar in the middle of the page and select either plan
- Scroll down to Your Investments and find “Sources” on the right-hand side
- Select Show Details under Sources to find the balance in your Ministerial Earnings



#### Sources Data as of 07/11/18

This view shows your current value by the source of each type of contribution.

[What is a source?](#)

Sources	Allocation	Current Balance (\$)	Vested Balance (\$)	Vested (%)
MINISTERIAL EARNINGS <a href="#">Show Details</a>	55.37%	\$84,159.81	\$84,159.81	100.00%
BASIC CONTRIBUTION <a href="#">Show Details</a>	44.63%	\$67,825.61	\$67,825.61	100.00%
	100%	\$151,985.42	\$151,985.42	

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## Are the Ministerial Earnings Available to Family Members

After your passing, the full amount of your retirement funds will roll to a beneficiary account in your beneficiary's name. The ministerial earnings designation will not apply to the beneficiary's account. While the funds are available, taxes will apply.

## What is the Relationship Between the MHA in a Paycheck and the Ministerial Earnings in Retirement Accounts

There are two main perspectives of this question. One is based on contributions into your retirement account and the other is based on your need to take a withdrawal for housing expenses while still receiving a paycheck. Here are a few different ways to break this down:

	Contributions	Withdrawals
Relationship	<p>Ministerial Earnings (or Pre-tax) contributions can be used for MHA purposes at a later date.</p> <p>Contributions to a Ministerial Earnings source is not contingent on the allocation of your paycheck</p>	<p>The guidelines on how much the IRS would allow you to take tax-free is the same regardless of where the money is coming from. Whether you withdraw while you are employed or retired, the rules are the same.</p>
Conflict	<p>Contributions into your retirement account must come from a taxable income.</p>	<p>MHA allocated in your paycheck is tax free income. When you take an MHA withdrawal from your retirement account while receiving a paycheck from The Navigators, you may run the risk of going over your IRS limit.</p> <p>Because the allocation of your paycheck is set by you, it will not change just because you take a withdrawal from your retirement account.</p>

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## Retirement Withdrawals for MHA

### When Should I be Taking MHA from my Retirement Account?

Although we can't give recommendations or advice regarding withdrawals; we can give you some things to consider before taking money out of a retirement account

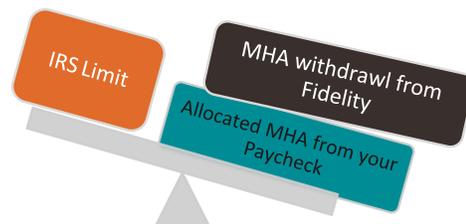
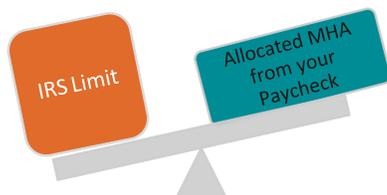
1. Retirement accounts are long-term investments intended for income
2. Once you stop receiving a paycheck from The Navigators, contributions can no longer go into your Navigators Retirement Accounts
3. Your balance available for MHA may change over time due to investments, prior withdrawals, as well as your housing situation/costs
4. There are eligibility rules to meet for withdrawals
  - 401a: 62 years of age or older plus 10 or more years of service as paid staff
  - 403b: 59.5 years of age or older
  - If you have separated from paid employment with The Navigators, you are able to withdraw from your accounts regardless of age or service*
5. If you have MHA allocated from your paycheck and are wanting more income, you will need to address whether or not you are receiving too much tax-free income and adjust accordingly either by reducing/eliminating your MHA withdrawals from Fidelity, choosing taxable withdrawals from Fidelity, or reducing the MHA allocated in your paycheck

### Understanding MHA Limits While on Staff

Many Navigators look to take MHA from retirement for many different reasons- additional income, unexpected expenses, home improvements, or home/family changes. The IRS limit you previously determined is for all income allocated to housing expenses regardless of where it comes from. Your MHA allocation and any withdrawals from Fidelity are separate; therefore, you will need to determine if you are reaching the IRS limit collectively. Taking too much may result in paying additional taxes later.

Your allocated MHA from your paycheck is under your annual IRS limit

Withdrawals from Fidelity plus your paycheck MHA amount:  
If you don't consider your IRS limit, you may be taking too much



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## How to Get MHA After Retirement/No Longer on Paid Staff

When you have retired from The Navigators as an active employee (receiving a W-2) you may still utilize the MHA benefit through your Navigators retirement plan(s). There are several things to be aware of

1. It is your responsibility to continuously evaluate the appropriate amount eligible as tax-free using the IRS guidelines. Your employment status does not change the guidelines around these calculations.
2. The Navigators HQ will no longer be involved in your determination or request for MHA. This means you will not need to submit forms to HQ regarding the amounts you have calculated or will be requesting and you will not receive tax forms from The Navigators
3. All requests are done as distributions from your Navigators retirement accounts. You are responsible for requesting the appropriate withdrawals and tax withholdings. Tax forms will come from Fidelity
4. If you choose to rollover the balance in your Ministerial Earnings Source into an IRA, you will no longer be able to take that money tax-free for housing purposes.

## I work with a Financial Advisor. What Should I Tell Them?

Employer-sponsored Retirement Accounts are all different. Additionally, there are some differences between Employer-sponsored accounts and Individual Retirement Accounts (IRAs). Depending on your advisor's experience with MHA, 401(a)/403(b) accounts, or The Navigators; there might be a few things to discuss prior to making a decision regarding your accounts.

1. The Navigators Board of Directors signed off, in accordance with IRS Code regarding MHA, that a commissioned employee's pre-tax retirement contributions can be withdrawn from retirement for MHA purposes. The Perpetually Worded Letter not only gives details on this resolution but is also required when filing a 1099-R
2. This opportunity is available in both the 401(a) and 403(b)
3. Because this is an employer's benefit, if the money in the Ministerial Earnings Sources are rolled over, the benefit is lost and these monies will become a "traditional" pre-tax contribution
4. Paperwork is required for any type of withdrawal and must be requested by the employee; spousal consent is always required.

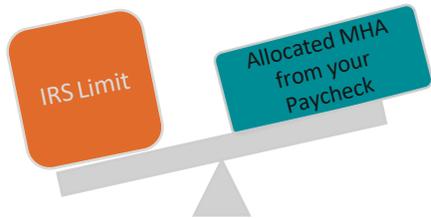
## What is the Withdrawal Process

- If you are eligible for a withdrawal, you will need to request paperwork from Fidelity
- When you call Fidelity ask them for a "Source Specific Withdrawal." Tell them you need to withdraw from your Ministerial Earnings source and to not withhold taxes because it is for MHA. *Fidelity will not assume it is for MHA*
- If you are married at the time of the withdrawal, spousal consent is required and must be notarized.
- You can send your signed, completed paperwork to The Navigators Benefits Teams by mail or fax: **719-594-2500 OR The Navigators Benefits Dept 3820 N 30<sup>th</sup> St Colorado Springs, CO 80904**

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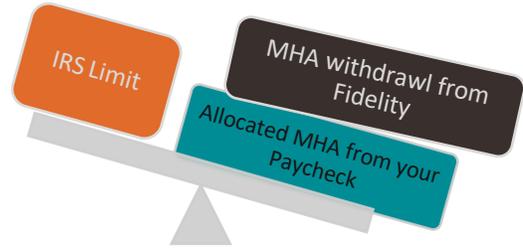
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Your allocated MHA from your paycheck is under your annual IRS limit



Withdrawals from Fidelity plus your paycheck MHA amount:

If you don't consider your IRS limit, you may be taking too much



### Your Gross Paycheck

- Your allocated MHA is a tax free portion at your paycheck
- The remainder of your paycheck is taxable income
- Your retirement contribution is taken from your taxable income

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