

Payment Options

| Retirement Benefit



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Choosing your benefit payment option

General considerations

Information in this brochure will help you understand the payment options requested from GuideStone.

This brochure accompanies the *Retirement Estimate of Benefits* for your **Contribution Account Accumulations**.

This brochure does not discuss benefits from other retirement plans you may have with GuideStone, nor does it discuss disability retirement benefits. If you have requested estimates from other plans or disability retirement benefit estimates, other brochures are provided to explain those illustrations.

Frequently, application forms are included with this brochure. However, if you did not ask for forms and requested estimates based on a benefit effective date more than a year in the future, applications are not enclosed. Call **1-888-98-GUIDE** (1-888-984-8433) to request application forms.

Variety of benefit payment options from which to choose

The plans provide several payment options to meet participants' varying retirement income needs. Your benefit estimate may illustrate only a few options. Call GuideStone to determine if other options and variations described in this brochure are available to you.

Employer Contribution Accounts

In some instances, payment options available from your Employer Contribution Account may be limited. **Check with your human resources or business office to find out the provisions of your employer's plan.**

Questions?

Call our toll-free number: **1-888-98-GUIDE** (1-888-984-8433). In most cases, you may contact GuideStone directly to discuss benefit payment options. If applicable, you may also contact your employer's human resources or business office.

When choosing your benefit payment option, consider:

- » Your age and, if married, your spouse's age.
- » Your spouse's retirement income, if any.
- » Other assets (savings and investments).
- » Your health and your spouse's health.
- » Living expenses (food, clothing, housing, auto, insurance, etc.).
- » Amount of debt remaining at retirement and the time period it will take to pay off each of these items.
- » Your Social Security benefits.
- » Prospects of earning additional income (Remember additional earnings could lower your Social Security benefits. Check with your local Social Security Administration office for additional information.)
- » Your retirement goals (travel, hobbies, etc.).
- » Family obligations (dependent child, parent).
- » Inflation.
- » Estate plans.

Common benefit payment option variations

You may choose a benefit payment option from those listed in this brochure if the option is permitted under the terms of your retirement plan. The benefit payment options you select must also meet Internal Revenue Service requirements.

Please review all options carefully. Once a lifetime annuity or fixed period benefit has been established, you **cannot** change your benefit to another payment option. Most benefit payment options fall into three broad categories:

- » Lifetime Annuity Benefits.
- » Fixed Period Benefits.
- » Installment Benefits.

Lifetime Annuity Benefits: How are they calculated?

Lifetime Annuity Benefits are payable for either one or two lives, however long or short those lives may be. A lifetime annuity benefit with a guarantee period is payable for either one or two lives and payments are guaranteed for a set period even if death occurs earlier. A lifetime annuity with a cash refund is payable for your life and when you die, your beneficiary will receive the amount used to purchase the annuity less payments already received. The amount is determined by the following variables: the amount of the account balance used to establish the benefit, the funding rate at the time your benefit is established, your age, whether the payment option selected is a single life or a joint life annuity, and any guarantee period or refund chosen. If you select a joint life annuity, the amount will also be based on the age of your contingent annuitant and the percentage of your benefit which is payable to the contingent annuitant.

Fixed Period Benefits: How are they calculated?

The Fixed Period Benefit is payable for a specified period. The amount is determined by the following variables: the length of payments, the frequency of payments, the amount of the account balance used to establish the benefit, and the funding rate at the time the benefit is established.

Installment Benefits: How are they calculated?

The Installment Benefit is payable for a specified period of time, until the funds are exhausted or until written notification to cancel this payment option is received. The monthly benefit is determined by the amount, percentage or period designated on the *Retirement Benefit Application*. This benefit may be changed or discontinued at your request.

Life Annuities

Joint Life Annuity Benefit

What does this payment option provide?

The Joint Life Annuity Benefit will provide you a monthly benefit payable for life. At your death, the survivor feature takes effect. If your contingent annuitant (normally your spouse) survives you, the contingent annuitant will receive a monthly benefit payable for life. The amount of this survivor benefit is determined by the percentage of your benefit you choose when completing the *Retirement Benefit Application*. You may choose any percentage up to 100% of your benefit as a continued benefit to your contingent annuitant at your death. Under this option, all benefits cease once you and your contingent annuitant die.

Single Life Annuity Benefit

What does this payment option provide?

The Single Life Annuity Benefit will provide a monthly benefit payable for life. At your death, benefit payments stop.

Optional Guarantee Features — you may choose one
(available for Joint Life or Single Life annuities).

Add a Guarantee Period

A benefit will be paid for the remainder of the guarantee period if you and your contingent both die before the end of the guarantee period. If you die first, the benefit will be paid to the beneficiary named by the contingent annuitant. If your contingent annuitant dies first, the benefit will be paid to the beneficiary you designate. The amount of the monthly benefit for the remainder of the guarantee period will be the same as the contingent annuitant's survivor benefit. You may choose a guarantee period such as 10 or 20 years, etc. However, the

maximum guarantee period depends on life expectancy and is determined under IRS regulations. The beneficiary has the option to receive the equivalent of the remaining payments in a single sum payment.

For example:

100% Joint Life Annuity Benefit with a 10-Year Guarantee — Based on his accumulations and actuarial factors, this option will pay Bill a monthly benefit of \$350 for his life. Bill dies after receiving two years of payments. Mary continues to receive a lifetime benefit of \$350 (100% of Bill's monthly benefit). If Mary dies three years later, Mary's beneficiary would receive \$350 monthly for the five years remaining in the guarantee period or the equivalent in a single sum payment.

Add a Cash Refund

A cash refund benefit may be paid to your beneficiary in a lump sum upon your death and/or death of your contingent annuitant. The amount received would be the purchase price of the annuity, less previous payments. If you live beyond your life expectancy, your benefit will continue, but your beneficiary would not receive a cash refund.

Example:

| | |
|--------------------------------------|----------------------|
| <i>Purchase price of the annuity</i> | <i>\$140,000.00</i> |
| <i>Less previous payments</i> | <i>-\$120,000.00</i> |
| <hr/> | |
| <i>Cash refund</i> | <i>\$20,000.00</i> |

Optional Annual Increase Feature

(available for Joint Life or Single Life annuities)

Add an annual increase of 1%, 2%, 3%

100% of your benefit is set as a fixed annuity benefit that increases by a chosen percentage annually. Your initial benefit will be less with this selection than if you chose an annuity benefit without the annual increase. The increase is not based on the underlying investments.

Fixed Benefit Period

What does this payment option provide?

The Fixed Period Benefit will provide you all or part of your benefit for a fixed period of time. The total amount required to fund the Fixed Period Benefit for the time period you choose is transferred from your individual retirement account to establish your Fixed Period Benefit. At the end of each month, a distribution will be made from the benefit reserves to provide you a monthly Fixed Period Benefit check. At the end of the fixed period, no other benefits are payable from the portion of your account used to establish this benefit.

The Fixed Period Benefit payments are paid in the amount and/or for the payment period you choose. These benefits stop at the end of the payment period. The payment period must meet Internal Revenue Service requirements. If you die before the fixed period ends, your beneficiary will receive payments in the same amount for the remainder of the payment period. The beneficiary has the option to receive the equivalent of the remaining payments in a single sum payment. If you and your beneficiary both die before the fixed period ends, the beneficiary of whoever dies last will receive a single sum payment of the equivalent of any remaining payments. Your employer's plan may limit a Fixed Period Benefit to only a portion of your vested Employer Contributions Account.

For example:

Bill, age 65 is single and is retiring. Bill decides not to receive a life annuity benefit at this time. Instead, he wants to use only part of his account to provide initial retirement income.

Bill selects a Fixed Period Benefit with equal monthly payments of \$1,000 for 13 months. Bill designates John as the beneficiary for this benefit. At the end of the 13-month period, Bill must complete new forms to receive any additional retirement benefit payments.

If Bill dies after receiving only five months of this benefit, John, his beneficiary for this benefit, will receive \$1,000 monthly for the remaining eight months in the fixed period. Also, Sally, Bill's designated beneficiary for his remaining contributions accounts, will receive the balance remaining in Bill's accounts.

Installment Benefit

What does this payment option provide?

An Installment Benefit will provide you with monthly income without committing all or a portion of your accumulations to establish an annuity payment option. This benefit allows you to continue to make investment elections with respect to all remaining accumulations. At the end of each month, a distribution of accumulations will provide a monthly benefit check.

Installment Benefits are payable for a specified period of time, until the funds are exhausted or until written notification to cancel this payment option is received. You can change your Installment Benefit at any time by completing an *Installment Benefit Change Form*.

To be eligible for an Installment Benefit, your monthly benefit payment must be a minimum of \$50 (see information below). Your employer's plan may limit an Installment Benefit to only a portion of your vested Employer Contributions Account.

There are three different ways to receive an Installment Benefit:

- 1. Equal payments of a specified amount** — This installment method will provide equal monthly benefits of the amount requested. The benefit amount requested for this installment method must be equal to or greater than \$50 per month. This installment method will be considered an "eligible rollover distribution" only if the amount requested appears to be payable in less than ten years. Eligible rollover distributions are subject to mandatory 20% withholding.

2. **Percentage of total vested Contribution Accounts** — This installment method will provide a monthly benefit that varies each month. The benefit amount is calculated by multiplying the monthly percentage by the total account value. The monthly percentage is the annual rate indicated on the application divided by twelve. This installment method will be considered an “eligible rollover distribution” only if the annual percentage requested is greater than 14%. Once the total account value drops below \$1,000, the entire account value may be distributed as a single sum payment.
3. **Paid out over specified period of time** — Under this installment method, the benefit amount will vary each month. This benefit amount is calculated by dividing the total account value by the remaining number of payments. This installment method will be considered an “eligible rollover distribution” only if the payment period is less than ten years.

For example:

Bill, age 65, is single and is retiring. His total vested account value is \$100,000 on October 30. Bill decides not to receive an annuity benefit at this time. Instead, he chooses an Installment Benefit.

Below is a chart showing Bill's benefits under each of the installment methods:

| Method | Initial Benefit Amount | Account Value Remaining After Initial Benefit Payment |
|---|------------------------|---|
| <i>Equal payments of \$1,000</i> | \$1,000.00 | \$99,000.00 |
| <i>6% (annualized) of total account</i> | \$500.00 | \$99,500.00 |
| <i>Paid out over 120 months</i> | \$833.33 | \$99,166.67 |

If Bill dies after receiving only five months of this benefit, Sally, his designated beneficiary for his remaining contributions accounts, will receive the balance remaining in Bill's accounts.

Combination of Benefits

Note: Unless otherwise specified, you will receive 100% of your benefit as a fixed annuity benefit meaning the monthly income is a set monthly payment as of your benefit effective date.

What does this payment option provide?

You can combine benefit payment options to take advantage of multiple benefits such as a Fixed or Variable Lifetime Annuity Benefit, a Fixed Period Benefit, an Installment Benefit and/or a Single Sum Benefit. This approach could be used to customize a plan that takes advantage of several of the payment options mentioned earlier.

For example:

Bill, age 65, is married, retiring and has \$100,000 in his retirement account. He wants to receive a fixed monthly income for life for himself and his wife, Mary, to cover their monthly fixed expenses. He also wants to supplement his income with a flexible payment option by drawing a portion of his account each month. Bill selects a combination of benefits and chooses to set up half his account as a Fixed 100% Joint Life Annuity and elects to receive the remainder of his account as a \$150 a month installment benefit. He will receive \$316 a month as a fixed benefit. In addition, he will also receive the \$150 a month for the installment payment until his balance is exhausted, unless he changes the amount or stops the installment. Upon his death, Mary will continue to receive the fixed benefit of \$316 a month for her lifetime and any remaining account balance will be available for her as his beneficiary.

Single Sum Benefit

What does this payment option provide?

A Single Sum Benefit provides all or part of your benefits to you in one payment. Your employer's plan may limit a Single Sum Benefit to only a portion of your vested Employer Contributions Account.

For example:

Helen, 65, is single and is retiring. She wants to receive a one-time payment of a portion of her contributions accounts. She wants to defer payment of the remaining benefits until a later time.

Helen selects a Single Sum Benefit of \$12,500, which represents 25% of her contributions accounts. When Helen wants to receive more of her account value, she must complete new forms to receive new benefits.

Questions commonly asked about retirement benefits

1. How early can I begin receiving my benefit?

Normally, you may begin receiving your accumulation benefit upon termination of service. Some employers may provide other early retirement dates.

2. When should I apply for benefits?

After you have received your *Benefit Estimate Illustration* and the forms necessary to apply for your benefits, you should return your completed forms to GuideStone at least 30 days before your benefit effective date.

3. If I retire on May 5, when can I expect to get my first benefit check?

If your benefit effective date is June 1, you can expect to receive your first benefit check at the end of June provided your completed applications are received at GuideStone before May 15.

4. Is my retirement benefit taxable?

Benefits provided by the employer, earnings on tax-paid contributions and contributions made through a salary reduction agreement, plus all earnings, are taxable. Benefits provided by tax-paid contributions, Roth elective deferral contributions, and Roth elective deferral earnings (if a qualified distribution) are not taxable. In addition, none of these benefits are subject to Social Security tax.

5. Can I designate my retirement benefit as a housing allowance?

If you are an eligible retired minister for tax purposes, you may ask GuideStone to designate all or a portion of your retirement benefit as a housing allowance. A housing allowance can be designated for a benefit payment only when that payment relates to contributions made as a result of earnings from service as a minister. If you designate a percentage, the amount designated as housing will automatically increase if your benefit amount increases.

You must decide if you are a minister for tax purposes and how much you can exclude from income as a housing allowance. If you are eligible for a housing allowance, you can exclude from your gross income the least of these three amounts, subject to IRS rules: (1) the designated amount; (2) your actual eligible housing expenses; or (3) the annual fair rental value of your home, furnished, including utilities. You are responsible for documenting these expenses. If you ask GuideStone to designate more than you can exclude from income as a housing allowance, you must report the excess to the IRS. Ministers who receive retirement benefits but continue their service in the ministry will have to pay SECA taxes on the part of their retirement benefits designated as housing. Ministers must comply with other IRS rules about the housing allowance. If you have any questions about these rules, please consult your own tax advisor.

You can make or change a housing allowance designation at any time by completing a form. Contact GuideStone to get one. All requests for changes will apply to future benefit payments only and cannot be retroactive.

For more information about who is a minister for tax purposes, see our annual *Ministers Tax Guide* available on our web site, www.GuideStone.org, or by calling **1-888-98-GUIDE** (1-888-984-8433). You will find more information in our brochure, *Ministerial Tax Issues*. Call the same number for a free copy.

6. I do not plan to retire at age 65. Must I begin receiving my retirement benefits then?

No. The law generally requires you to begin receiving retirement benefits by April 1 of the calendar year following the later of the year you reach age 70½ or the year you retire. You should contact GuideStone before attaining age 70½ for more information.

7. What happens to the money in my contributions accounts if I die before I retire?

The accumulated balance (all contributions and earnings) is payable to your designated beneficiary.

8. What happens to my retirement benefit if I return to work?

Your benefit will continue to be paid to you. Re-employment does not cause retirement benefits to stop.

9. What happens to the money in my contributions accounts if my designated beneficiary and I both die before I retire?

If none of the beneficiaries (primary or secondary) you have named are living, the balance in your account is paid to the beneficiaries designated under the plan.

10. Can I change the Contingent Annuitant of my Joint Life Annuity Benefit once I begin receiving my annuity?

No. All annuity benefits are irrevocable once established.

11. Can I change the Beneficiary of my Fixed Period Benefit or my Joint Life or Single Life Annuity Benefit with a Guarantee Period?

Yes. If you are married, your spouse's notarized consent may be required.

12. What other rules apply to a beneficiary designation?

Plan Provisions: When you die, if you have not designated a beneficiary or if no named beneficiary survives you, the plans provide who your beneficiary will be.

Spouse: If you are married, your spouse is automatically the sole primary beneficiary of your retirement benefits under most plans. If you change your marital status, notify GuideStone. If you marry after making a beneficiary designation, your marriage may **automatically invalidate** the prior beneficiary designation under the plan and your spouse may **automatically** be your primary beneficiary. This rule applies until you execute a new beneficiary designation. For most plans your spouse must consent if you name someone else as a primary beneficiary.

Minors: GuideStone cannot pay a death benefit directly to a minor. Generally, a probate court would have to appoint a guardian to receive and administer the death benefits for the minor.

Trusts: If you want to designate a trust as beneficiary, please contact your attorney for appropriate language. GuideStone will not be obligated to inquire into the terms of the trust agreement, will not be charged with knowledge of its terms, and is fully discharged of all liability regarding payment to the trustee. Designation of a trust as beneficiary may limit your payment options.

Organizations: If you designate your employer as beneficiary, you must designate a specific fund of the employer, such as a building fund. If you designate a non-profit organization as beneficiary, you must provide the full legal name and address of the non-profit organization. Designation of an organization as beneficiary may limit your payment options.

Estate: The wording to designate your estate as beneficiary is “my estate” or “the estate of (your name).” Designation of your estate as beneficiary may limit your payment options.

General terms

Annuity benefit: A series of periodic retirement benefit payments.

Annuity benefit type: The annuity benefit type refers to whether the benefit is paid as a fixed dollar annuity or as a variable annuity. These variations are explained on page 5 of this brochure. Your annuity benefit type cannot be changed once the benefit has been established.

Beneficiary: The beneficiary is the person (other than the contingent annuitant) who is or may become entitled to a benefit under the payment option you select on the Retirement Benefit Application.

Benefit amount: The benefit amount is the estimated dollar amount you will receive for each payment period for the payment option quoted. This amount has been estimated based on many variables.

Benefit effective date: Your benefit effective date refers to the first day of the month your benefit payments start. Normally, your first payment is due at the end of the period in which your benefit is effective. For benefits with a retroactive benefit effective date, your first benefit payment will begin within 30 days from the date your completed forms are received at GuideStone.

However, retroactive benefit dates may not exceed 90 days prior to the date of your application. Monthly benefit payments are mailed no later than the last working day of each month.

Contingent annuitant: The contingent annuitant, normally your spouse, is the person you name to receive an annuity benefit for life under the Joint Life Annuity Benefit or the Joint Life Annuity Benefit with a Guarantee Period.

When you die, the contingent annuitant will receive benefits under the terms of the payment option you elected on the *Retirement Benefit Application*.

However, the contingent annuitant must survive you to receive a benefit.

Contribution Accounts Accumulation Benefit: A Contribution Accounts Accumulation Benefit is a benefit provided by all or a portion of the vested, accumulated dollars in your Contribution Accounts, including both contributions and earnings.

Earnings rate: The rate at which your retirement account increases or decreases without additional contributions.

Employer Contributions: Contributions to your retirement account which were made by your employer (other than tax-paid contributions or contributions made by a salary reduction agreement). You will receive retirement benefits only from the vested portion of the Employer Contributions Account.

Frequency of payment: The frequency of the payments can be one-time, monthly, quarterly, or annually depending on the payment option you choose. Benefits are set up for monthly payment unless you choose another schedule.

Funding rate: The annuity funding rate is the assumed earnings figure that is used when a benefit is established. The funding rate partially determines the amount of your benefit over the term of payments.

Installment: Periodic payment distributed from your Contributions Accounts at the time the benefit is paid.

Length of payment: The time period for which the benefit will be paid. IRS regulations may determine the maximum length of payment.

Payment option: Refers to the method you select for receiving payment of benefits.

Tax-paid contributions: Contributions to your retirement account which were includible in your gross income during the year they were contributed. Also referred to as “after tax contributions” or your “investment in the contract.”

Tax-sheltered contributions: Contributions to your retirement account which have been tax-deferred through a salary reduction agreement.

Withdrawal: A term for “payout” or “receipt of benefits” from a retirement plan.



2401 Cedar Springs Road, Dallas, TX 75201-1498
1-888-98-GUIDE • www.GuideStone.org