

Financial SOLUTIONS

for the National Association of Free Will Baptists



Richland Ave
FINANCIAL
A FREE WILL BAPTIST MINISTRY

BENEFIT ADMINISTRATOR GUIDE

Contribution Types

There are several types of contributions that may be made to the Richland Ave Financial 403(b)(9) approved plan.

Employer Contributions

Each Participating Employer is allowed to decide how much it wants to contribute to the Plan on behalf of eligible employees. There is no requirement that an employer must contribute to the Plan, so the employer must discuss with its employee(s) whether it will make Employer Contributions to the Plan, and if so, how much those Employer Contributions will be.



Employee Elective Contributions

Employee Elective Contributions are made by means of voluntary salary reduction. This type of contribution allows employees to contribute a certain portion or percent of their compensation to the Plan. They choose how much they would like to contribute within the limits. All eligible employees can make Elective Contributions to the Plan.

There are two types of Elective Contributions that can be made to the Plan: Salary Reduction Contributions (Pre-tax) and Roth Contributions (After-tax). For both types of contributions, the employee must complete a salary reduction agreement indicating the dollar amount or percentage of their compensation that they would like to have contributed to the Plan and identifying which portion of the contribution is intended to be a pre-tax Salary Reduction Contribution and which portion is intended to be an after-tax Roth Contribution. Copies of salary reduction agreements can be obtained by calling (615) 731-6812, or toll-free number at (877) 767-7738, or by visiting the website (richlandavefinancial.com).

Salary Reduction Contributions (Pre-tax)

This type of Elective Contribution is a contribution made to the Plan on a pre-tax basis. The employee decides how much to contribute to the Plan as a Salary Reduction Contribution by filling out a Salary Reduction Agreement. Salary Reduction Contributions will then be withheld from their paycheck and transmitted monthly to the Plan for investment. Salary Reduction Contributions reduce their currently taxable income by the amount of the contribution, saving current tax dollars. Since they are not actually receiving a portion of their salary now, they are also not taxed on it now. Non-ordained employees do pay employment taxes (FICA, FUTA and Medicare) on their Salary Reduction Contributions.

Roth Contributions (After-tax)

A second type of Elective Contribution is a Roth Contribution. Roth Contributions, like Salary Reduction Contributions, are deducted from the employee salary based on their individual salary reduction election. However, unlike Salary Reduction Contributions, which are made with pre-tax dollars, Roth Contributions are made with after-tax dollars. This means that Roth Contributions do not reduce your current taxable income. If certain requirements are met, then Roth Contributions are distributed in what is called a "qualified distribution," your Roth Contributions (and the earnings on those contributions) are not taxed. ("Qualified distributions" are discussed in the section of the Plan Summary entitled "Special Rule for Distributions of Roth Contributions" on page 22 of the Summary Plan Document.) In order for Elective Contributions to be treated as Roth Contributions, employees must irrevocably designate their Elective Contributions as Roth Contributions in your Salary Reduction Agreement.

After-Tax Contributions

In addition to Salary Reduction and Roth Contributions, employees can also make After-Tax Contributions to the Plan. These are additional contributions that they choose to contribute on an “after-tax” basis. They can make After-Tax Contributions by sending a check directly to the Board, or by setting up an automatic bank draft from their personal bank account. They should contact the Board if they wish to make After-Tax Contributions to the Plan by calling (615) 731-6812, toll-free (877) 767-7738, or visit the website (richlandavefinancial.com).

Like Roth Contributions, After-Tax Contributions do not reduce current taxable income by the amount contributed. However, unlike Roth Contributions, earnings on any After-Tax Contributions will be taxed upon withdrawal of these amounts from the Plan.

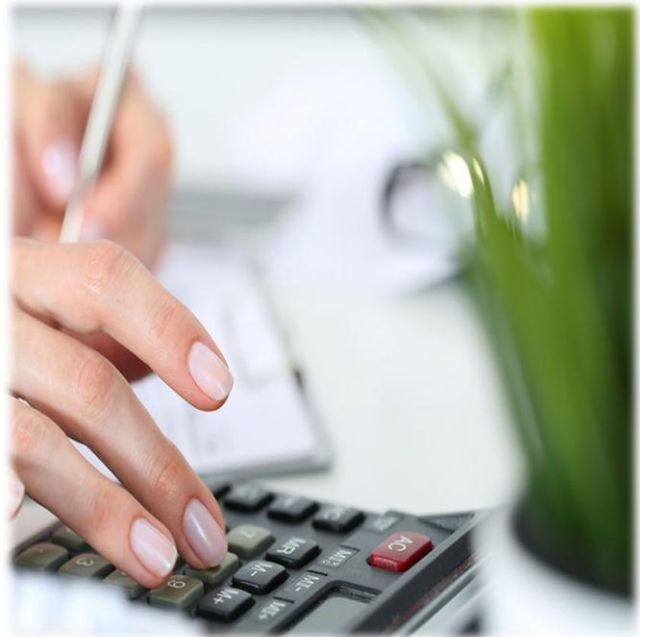
Processing Contributions

Employer Contributions

- Are not included in the employees’ taxable income
- Include any employer contributions in appropriate column on attached worksheet (Retirement Contributions Remittance) for each employee receiving employer contributions (whether matching or discretionary)

Employee Elective Contributions (salary reduction agreement)

- Upon receiving the signed Salary Reduction Agreement from the employee, begin deducting the requested amount from the employee’s paycheck on either a pre-tax or post-tax (Roth) basis
 - Pre-tax amounts will reduce the employee’s taxable pay, but will not reduce wages subject to Social Security and Medicare withholdings for non-ordained employees
 - Post-tax amounts will not reduce the employee’s taxable pay
- Include any employee elective contributions in appropriate column on attached worksheet (Retirement Contributions Remittance) for each employee making such contributions
- Note: any salary deducted contributions should be submitted within **15** days of being withheld



Submitting Contributions

You may submit your contributions to Richland Ave Financial via check or bank draft. Either way you decide to submit the contributions, please include a breakdown on the enclosed Retirement Contributions Remittance spreadsheet. You may either email or mail that form in to:

- audrey@nafwb.org
- By mail – Richland Ave Financial, PO Box 5002, Antioch, TN 37011-5002
- By bank draft – we will provide form(s) for submitting your banking information to us to automatically draft the employer’s bank account on the 1st of the month.

IRS Compliance

Written plan document requirement

Churches that sponsor a 403(b)(9) plan must maintain written documents that describe all material plan provisions. Richland Ave Financial provides general plan documentation for the Church Retirement Plan. However, since each church in this plan has flexibility related to certain plan provisions, your church must develop and maintain additional written rules and procedures that address:

- What income sources will be considered as compensation?
- Which employees are eligible to participate in the retirement plan?
- What contributions will the employer/church make on behalf of employees?

Richland Ave Financial makes compliance easy!

- Step 1 — Annually review your copy of the [403\(b\)\(9\) Retirement Plan Document](#) for Free Will Baptist Churches and Organizations. You can print a copy for your records.
- Step 2 — Complete, save, print and retain a copy of the [Eligibility and Participation Schedule](#) to document the additional written rules and procedures that must be addressed.

Withholdings and Reporting

All employers required to withhold income tax, Social Security and Medicare taxes must file *Form 941* quarterly and prepare *Form W-2* for all employees, including ordained ministers if working as an employee.

- **941/W-2 reporting tips**
 - Laymen – Salary Reduction contributions (pre-tax) are not included in taxable wages. However, they are included in the wage basis for Social Security and Medicare taxes.
 - Ordained Ministers – Salary Reduction contributions (pre-tax) are not reported as part of taxable wages/Social Security/Medicare tax basis for withholding
- **Form W-2 highlights**
 - Box 1 (Taxable wages/income) – Include all wages paid to employee
 - This will include **Roth** designated salary reduction contribution
 - This will not include **pre-tax** salary reduction contributions
 - Box 3 (Wages subject to Social Security) – include all wages paid to employee
 - This will include **all** employee elective salary reduction contributions
 - Box 5 (Wages subject to Medicare taxes) - include all wages paid to employee
 - This will include **all** employee elective salary reduction contributions
 - Box 12 – use this box to include employee contributions made to the retirement plan, enter the dollar amount and appropriate code letter(s)
 - Code “E” – for **pre-tax** salary reduction agreement contributions
 - Code “BB” – for **Roth** salary reduction agreement contributions
 - Box 13 – check the “Retirement Plan” box if the employee participated in the Plan



For more information regarding tax compliance concerning 403(B) plans, please refer to IRS Publication 571.

Benefits to employees

Tax implications

- **Laymen** – pre-tax SRA contributions lower the employee’s taxable income
 - Example (financialanswers.com):

Pre-Tax Contributions		ROTH (After-Tax) Contributions	
Gross Pay	\$1,000	Gross Pay	\$1,000
Savings	50	Taxes (25%)	250
Taxes (25%)	237	Savings	50
Net take home pay	\$713	Net take home pay	\$700

- In the example above, your pre-tax contributions saved the employee \$13 in taxes.
- **Ordained ministers**
 - SRA contributions are not included when calculating taxable income or SECA withholdings
 - Upon retiring, up to 100% of your benefit distributions can be counted as housing allowance

High Contribution Limits

- Employee Elective Contributions - \$23,500 for 2025
- Total Contributions (Salary Reduction Contributions, Roth Contributions, After-Tax Contributions and Employer Contributions) – No more than 100% of taxable income or \$70,000 for 2025, whichever is less



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