Church Benefits Board

MINISTER'S
COMPENSATION GUIDE



Letter from the President



Compensation and benefits planning for ministers and non-ordained employees can be simultaneously straightforward and confusing. This is especially true in regard to the tax status of ministers versus that of church employees, but more about taxes later in the pages that follow.

Some churches have been using what is referred to as a "lump-sum" or "package" approach to compensation and benefits planning. While it may be perceived as an easy approach it can be detrimental to the congregation and the minister. This approach normally leads to a distorted view of the actual income on which the minister and family depend for living expenses. Providing a lump-sum amount and allowing the minister to break it down is not wise or healthy church stewardship.

While many churches still employ a lump-sum approach, Cooperative Baptist Fellowship (CBF) strongly advises that compensation be developed according to the guidelines of this publication because the lump-sum approach does not normally provide:

- Adequate insurance coverage - which may negatively impact the church financially,
- Appropriate retirement planning - which hurts the larger church community,
- Ministry-related expenses that are the churches responsibility, and
- Consideration of the minister's tax situation

The process outlined in the following pages provides a well-tested alternative to a lump-sum approach. It enables the church to develop a well thought out compensation and benefits plan that meets the needs of the congregation and minister. It also assists in ongoing constructive conversations between the minister and congregational leadership.

The compensation and benefits planning process is a spiritual and a practical exercise of being good stewards. Spiritual in that "The Lord commanded that those who proclaim the Gospel should get their living by the Gospel." (1 Corinthians 9:14). And Paul instructed the early church, "Those who are taught the word must share in all good things with their teacher." (Galatians 6:6).

And practical in that needs of the minister or church employee and resources of the congregation must be balanced, competitive, and appropriate. A well thought out compensation and benefits plan communicates a congregation's care, concern, and appreciation for their minister.

As president of Church Benefits Board, it is my prayer that the information and resources on the following pages helps the minister, church employee, and congregational leadership team cut through the apprehensive fog and at times uncertain tax landscape of compensation and benefits planning. And, that it will assist the minister and congregational leadership with open and constructive conversations that result in a win-win compensation and benefits plan.

Rob Fox
President of Church Benefits Board

Church Benefits Board

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Importance and Scope of Compensation

While answering a call to ministry is not first and foremost a financial decision, compensation is necessary for a minister to be able to devote his or her time to vocational ministry. If a church wants the benefit of having a minister on staff to attend to their needs, they must offer fair remuneration.

Even the Bible addresses this in 1 Timothy 5:17-18 when it says, “The elders who direct the affairs of the church well are worthy of double honor, especially those whose work is preaching and teaching. 18 For Scripture says, “Do not muzzle an ox while it is treading out the grain,” and “The worker deserves his wages.” (NRSV)

Fair compensation is important. As much for the congregation as for the minister. How a congregation treats their ministers and acts as stewards of the leaders that God has provided to them reveals much. A minister’s level of financial stress or freedom greatly affects how much emotional and mental energy he or she has to devote to caring for the congregation. How the compensation discussion is approached from both sides also greatly impacts the relationship between the minister and congregation, which can, in turn, affect many other areas of church life.

As you can see, fair compensation is very important for the well-being of the church and its minister. What is fair compensation, though? The answer to that question may be more complicated than you think.

For Cooperative Baptists, compensation is a local church decision. Those making the decisions are often lay leaders with no training or expertise in Human Resources, compensation structure, or the financial ramifications of different kinds of benefits. And most ministers don’t know any more about such matters than the committees hiring them.

Many churches take the unwise “lump sum” approach to compensation because it is easy. To simply set aside an amount of money that the church is willing to spend is not in the best interest of the church or minister. It neither helps the minister nor guarantees that the church has provided the best protection for the minister and the minister’s family.

There is much more to a compensation package than simply a salary and there is much more to consider than simply what the church finances can support. Because of the grave importance of this topic and the lack of training on the subject, we have created this guide. This is for both churches and ministers. Our hope is that it will empower the church and the minister to create a mutually beneficial compensation package that empowers both to answer the call of God.

Components of a Compensation Plan

More than just a salary, the various components of a compensation package can be confusing, and ministers have a number of unique aspects that make it even more complex. This makes it hard for a minister to understand their compensation and also difficult for church members who are not familiar with the quirks of minister compensation. As such, we will look at each element individually and then provide an example of how they all fit together to create a complete compensation package. The different elements of a compensation package can be broken down into income and benefits.

Income

Salary

The first type of income is the traditional salary that most people are familiar with. A salary is cash compensation that is subject to income, Social Security, and Medicare taxes. Salaries can be paid out weekly, biweekly, or monthly. There are no restrictions on how a minister can use his or her salary, it is their money to do with as they please.

The minister's salary should be adjusted annually to keep pace with inflation so as to not lose its value. In addition to cost of living increases, salaries should be increased as a minister takes on additional responsibilities or enhances his or her relevant skillset.

Social Security/Medicare Offset

Another type of income that can be paid to a minister is a Social Security and Medicare offset. This is additional salary paid to cover half of the minister's SECA taxes (see box below). Churches offer this to compensate for the fact that employers usually pay half of an employee's Social Security and Medicare taxes. For tax purposes, this is considered additional salary and subject to both income and SECA taxes.

SECA (Social Security & Medicare) Taxes

Most employees pay under the FICA system where they pay 7.65% of their income and their employer pays an additional 7.65% on their behalf, for a total of 15.3%. Ministers are considered dual-status taxpayers according to the IRS. They receive a W-2 on which they pay income taxes as an employee but pay Social Security and Medicare taxes as if they were self-employed under the SECA system. That means that even when employed by a church, ministers must pay both the employee and employer portion for a total of 15.3% of income. This is not optional. It is an IRS requirement and churches are not allowed to pay Social Security and Medicare taxes on behalf of a minister.

Income Cont.

Housing Allowance

Churches are also allowed to pay their ministers an income tax-free housing allowance as a part of compensation. This is unique to ministers and can only be given to ordained, licensed, or commissioned ministers as compensation for their ministerial services. Both the minister's position and the work done must meet IRS guidelines for eligibility.

The housing allowance must be used to provide a home and thus covers almost all housing-related expenses. Rent, mortgage payments, insurance, utilities, maintenance, repairs, furnishings, decorations, and cleaning supplies are all eligible expenses. Maid service, food, and personal items such as toiletries and clothing are not eligible expenses. The minister's housing allowance is also limited to the lesser of:

- The fair market rental value of a furnished home including utilities
- The amount officially designated in advance by the church
- Actual eligible expenses incurred
- 100% of compensation for ministerial services

Even ministers who live in a parsonage can be paid a housing allowance to cover any housing expenses that they pay for themselves, such as furnishings or utilities.

Sample Housing Allowance

Let's see how a housing allowance works in real life. Pastor Pat estimates his housing expenses for the coming year to be $23,000. He calculates the fair market rental value of his home to be $26,000. Because he knows that unexpected expenses always come up, he adds $1,000 to his estimates and asks his church to designate a housing allowance of $24,000 for the coming year.

That year, the church pays Pastor Pat $2,000 a month as a housing allowance without reporting it as taxable income to the IRS. Throughout the year, Pastor Pat tracks his eligible expenses. When he adds it all up at the end of the year, he finds that he actually spent $25,000 on eligible housing expenses. While the fair market rental value of his home was $26,000 and his eligible expenses were $25,000, the church only designated $24,000 as a housing allowance so that is all that he can exclude from his income taxes.

If Pastor Pat's actual expenses had only been $23,000, then he would have had to add the unused $1,000 that was paid as a housing allowance back to his taxable income when he filed his return for the year. It is often recommended to err on the side of requesting too high of a housing allowance rather than too low because there is no penalty for doing so. However, if a minister has a designated allowance significantly higher than his or her actual expenses, then they will likely underpay their taxes throughout the year and could be subject to tax underpayment penalties.

Income Cont.

Home Equity Allowance When A Parsonage Is Provided

Ministers that live in church owned parsonages miss out on the opportunity to build home equity. To make up for this, a church will provide a home equity allowance. Its growth over time will assist the minister with purchasing a home in retirement or when the minister no longer lives in the parsonage. To defer taxation, churches usually provide the home equity allowance as an additional contribution to the minister's church-sponsored retirement plan account. This enables the funds to grow tax differed in the minister's account until it is withdrawn for the purchase of a house. In that the withdrawal can be taken in the form of a housing allowance it avoids taxation. If the home equity allowance was provided as additional cash to the minister it would taxed as ordinary income in the year received.

Minister's Tax Withholding

Unlike most employers, churches are not required to withhold taxes from a minister's paycheck. In fact, they are not allowed to withhold Social Security and Medicare taxes. Withholding income taxes is optional.

How do ministers pay taxes? Ministers have two options for paying their taxes (and some use a combination of the two):

1. Pay quarterly estimated tax payments four times a year according to the IRS schedule.
2. Have the church withhold enough income taxes to cover both their income and SECA taxes.







Benefits

Health

One of the most important benefits a church can provide its ministers is health care coverage. It is very expensive to pay for health care as an individual, whether purchasing insurance or paying for services. Unless a church provides the coverage, the minister will need to purchase the coverage with salary which is subject to income and SECA taxes. There are several ways that churches can assist their ministers with health care:

Medical Insurance

Medical insurance is at the top of most employees' lists of benefits they desire. In fact, many people make career decisions based on employer-provided healthcare, especially those with medical conditions or dependents with chronic conditions. Medical insurance coverage varies based on location, so it is best for a church to work with a local broker to help them set up a medical insurance plan. Ministers may also want to consider health insurance options via the Affordable Care Act (ACA). The ACA may offer more affordable options for ministers, especially those who claim a housing allowance. Calculations for participation in ACA coverage are based on household W-2 income, thus the housing allowance is excluded.

Dental Insurance

Dental insurance is another common benefit offered to employees because it is usually very affordable. However, most dental insurance only pays a limited amount of benefits each year, unlike medical insurance that pays everything beyond an out-of-pocket limit.

Vision Insurance

Vision insurance is another benefit that is helpful but not nearly as important as medical insurance. Like dental insurance, it usually costs much less than medical insurance. While helpful to some, not everyone needs it.

Health Reimbursement Arrangement

A health reimbursement arrangement can help ministers and staff to get a tax break on the medical costs they pay out of pocket. As long as they follow IRS rules, the church can reimburse staff for healthcare costs tax-free. The church sets an amount that they are willing to reimburse, then staff members have to provide proof of expenses in order to receive the reimbursement.

If a church wants to provide a health reimbursement arrangement, it must provide it equally to all staff members. The only difference allowed is different benefit amounts for individuals versus families. Otherwise, everyone must receive an equal benefit.

It is important to note that if a church provides a health reimbursement arrangement but not medical insurance and their staff must buy insurance on the government exchange, then the church's reimbursements will offset the premium tax credits available to the minister or employee.

Benefits Cont.

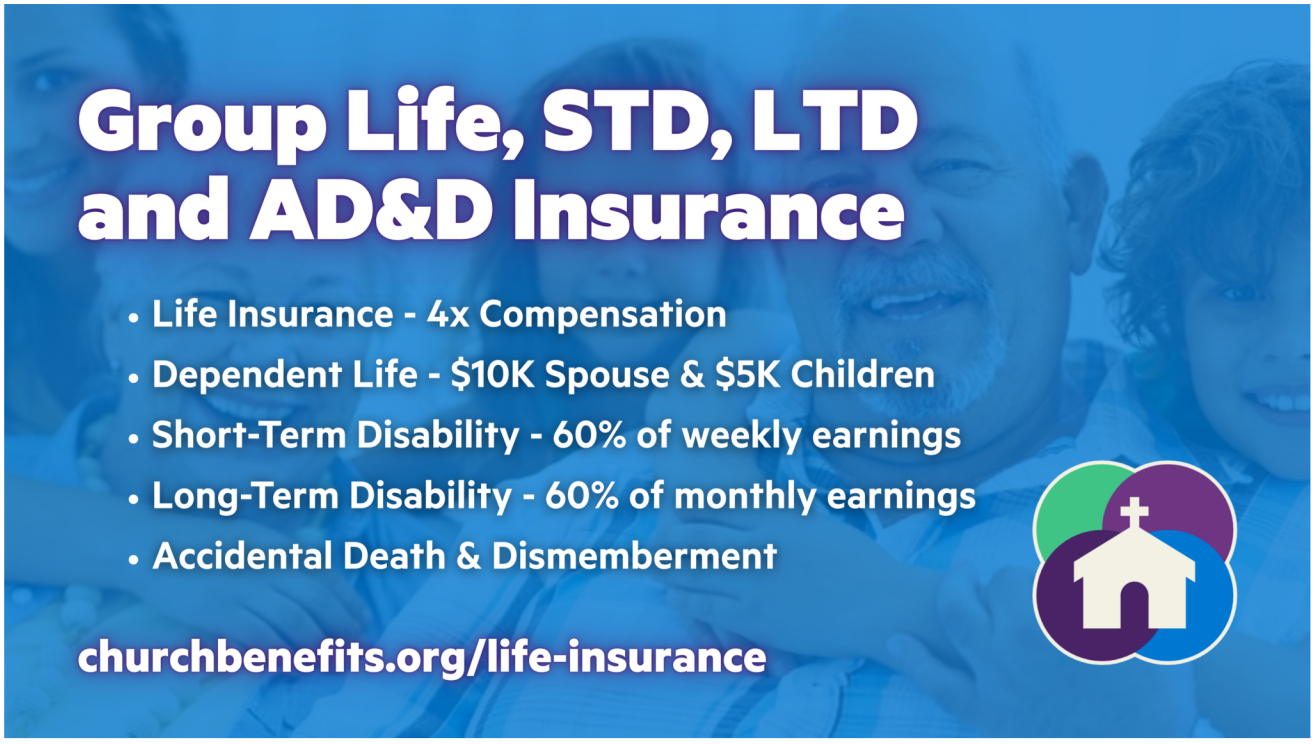
Health Savings Account

When a church offers its minister a high-deductible health plan as medical insurance, then the minister is also eligible for a health savings account (HSA). An HSA is a double tax-advantaged savings vehicle. Contributions are made to the account pre-tax and withdrawals can be taken tax-free when used for eligible medical expenses. Both churches and ministers can make contributions to the account on behalf of the minister, subject to IRS limitations.

In addition to the tax advantages, funds within an HSA can be rolled over from year to year and can also be invested for growth within the account. Withdrawals used for anything other than qualified medical expenses are generally subject to ordinary income tax and an additional 20% tax penalty. Once the account owner reaches age 65, the 20% penalty no longer applies, although non-qualified withdrawals remain subject to ordinary income tax. The account itself is owned by the minister and is portable, not tied to a specific job or church.

Flexible Spending Account

A flexible spending account is similar to an HSA but with some limitations. Money can be put into an FSA pre-tax to be used tax-free for eligible medical expenses. However, the money must be used up each year, or else it is forfeited. For that reason, most people prefer the HSA. However, if the medical insurance plan your church offers is not eligible for an HSA, an FSA is a nice benefit to offer. There are also FSAs available for childcare costs.



Benefits Cont.

Life Insurance

It is wise for a church to provide life insurance for their minister, both for the sake of the minister's family and the church itself. If the minister were to pass away, the church would want to make sure the family was taken care of and their needs met, and this is best done through life insurance. The loss of income can be financially devastating in an already traumatic time.

The IRS allows employers to provide up to $50,000 of group term life insurance tax-free to employees. Most churches provide up to four or five times the minister's annual salary. The imputed cost of coverage in excess of $50,000 must be included in income, using the IRS Premium Table, and is subject to SECA.

Disability Insurance

It is more likely that a minister will become disabled rather than die during his or her working years. You may think that being a minister is not a very dangerous job where accidents rarely happen and you may be right. However, ministers are still prone to health-related disabilities such as autoimmune disorders, cancer, or even mental/emotional health issues. One way to protect against lost wages due to disability is through disability insurance. Group disability policies are more affordable than individual policies, so it is a very helpful benefit to offer.

Group disability insurance policies commonly pay 60% or ⅔ of salary if the insured becomes disabled. Premiums that the church pays are not taxable income to the minister, but any benefits paid due to disability are taxable.

There are two kinds of disability insurance: short-term and long-term. Short-term disability (STD) insurance usually covers three to six months and can be replaced by a well-funded church emergency fund. Long-term disability (LTD) normally begins after six months of disabiltiy and can extend all the way to age 65 if the disability is severe. LTD coverage is much harder for the church to self-insure. Most churches understand that LTD protects them as well as the minister.

Benefits Cont.

Retirement Savings

Along with medical insurance, a retirement savings plan is one of the most important benefits a church can offer. Even for ministers that have no desire to stop working in a traditional retirement, it is important to prepare for a time of life when they are unable to work. In fact, research has found that 43% of people retire earlier than planned, with the main reason being a hardship such as a health problem or disability. As such, it is important for ministers to save for retirement and churches can provide them with a tax-advantaged way to do so.

There are a variety of different retirement plans that a church can offer but the most common is the 403(b)(9) plan. Many churches will make a 10% of salary and housing allowance contribution to the plan, as well as encourage the minister to make a pre-tax personal contribution. Ministers can make pre-tax contributions where they can invest for growth and no taxes are due until the funds are withdrawn in retirement. Even when the funds are withdrawn in retirement, no SECA taxes are due, only income taxes. Another option within the same plan is a Roth contribution where taxes are paid before the money is contributed and invested but all gains can be taken tax-free.

Ministers are also eligible for a housing allowance in retirement, so they can invest pre-tax money and then use it tax-free for housing expenses after they have stopped working. A housing allowance can only be taken in retirement from a church-sponsored retirement plan and not an individual plan such as an IRA, making it all the more important for a church to offer this benefit.

Churches that want to help their ministers save for retirement can offer matching contributions where they match the minister's savings up to a certain percentage of income. This incentivizes the minister to save his or her own money as well. Another option for churches to help is offering a flat percentage of income contribution that is not contingent on the minister making their own contributions. Even if your church cannot afford to make contributions on behalf of your minister, it is still important to offer a retirement plan so your minister can do his or her own tax-advantaged saving and be eligible to claim a housing allowance in retirement.

When determining how much to save for retirement, a common rule of thumb is 15% of income. However, those who start saving younger may be fine with a lower percentage and those who start later may need to save more. Another general guideline is to aim to replace 70-80% of your pre-retirement income (this percentage of replacement income assumes a minister will own a home at retirement). An online retirement calculator can give you a rough idea of what you should be saving and working with a financial planner can provide you with a more specific, personalized plan.

Benefits Cont.

The Power of Compounding Interest

Because of the way compounding interest works, where you earn interest on the interest you've already earned, it is best to start saving as early as possible. Here is an example:

A 30-year-old that starts saving $500 a month with a 7% rate of return will have just over $900,000 at age 65.

A 45-year-old that starts saving $500 a month with a 7% rate of return will have just over $260,000 at age 65.

The 45-year-old would have to save $1,730 each month to match what the person who started at age 30 was able to accumulate.

Paid Leave

Everyone needs a day off now and then, so it is important for a church to offer paid leave. Unpaid leave is also an option, but without pay, a minister will be less likely to take leave, which could be detrimental to his or her physical, emotional, mental, and family health. There are a number of different kinds of leave that can be offered:

Sick Leave

Offering paid sick leave will keep your entire church healthier. Your minister will have the opportunity to fully recover from any sickness he or she may have and will be less likely to work while contagious and spread it to others. According to the Department of Labor, private employers usually give their employees 7-9 sick days a year. Employees with more years of service usually receive more sick days.

Holidays

While your minister may not have Christmas and Easter off, that doesn't mean that they shouldn't get a day off like everyone else. Secular holidays can be granted on the day of the holiday but ministers should get an additional day off for holidays when they are required to work, even if it is on a different date. You may want to provide a timeframe in which the holiday must be taken, such as within a month of the actual holiday.

Benefits Cont.

Paid Leave Continued...

Vacations

It is important for ministers to have a time to recharge and have the opportunity to relax. Offering paid vacation can serve this purpose. The Bureau of Labor Statistics says that private sector employees with at least one year of service receive an average of ten days of paid time off each year, in addition to sick days and holidays. Paid time off usually increases the longer the service tenure, increasing on average 3-4 days for every five years of service.

Family Leave

Whether for a death, birth, or to care for a sick family member, it is important to allow for family leave. How much paid leave you offer will depend on the church's budget and the nature of the leave but should be established ahead of time.

Professional Development/Ministry

If you want your minister to grow, learn, and improve, it is helpful to allow time to do so. Offering paid time off to attend conferences and perform speaking engagements elsewhere will allow your minister to expand his or her skills and abilities and also learn from others outside of your church.

Sabbatical

It is a common practice to pay for a sabbatical once a minister has provided a certain number of years of service. This is a larger undertaking than simply a day or two off for a vacation, so it is acceptable to have stipulations. You can require that the minister stay at the church for a specified number of years after the sabbatical or provide some other kind of value to the church based on the sabbatical.

Certain types of leave may be mandated by law, but often ministers are exempt from those laws under the ministerial exception. It is important to know what the laws are in your specific state and whether or not the church is subject to them. Also, whether or not paid leave can be carried over from one year to the next is up to the church's discretion. If you choose to allow it, you may want to limit the number of days that can be accumulated from year to year. After all, paid leave is to help the minister recharge and relax.

Benefits Cont.

Parsonage

The use of a parsonage, while not the norm for churches in the 21st Century, is also considered a benefit that a church can provides its minister. While a form of compensation, the value of the parsonage is not subject to federal income taxes. It is subject to SECA, though, and either any housing allowance excluded from form W-2, Box 1 or the fair market rental value of the parsonage must be added to the minister's compensation when calculating SECA taxes. A local real estate agent can help in determining the fair market value.

Reimbursable Expenses

In addition to offering income and benefits, churches need to reimburse ministers for certain expenses that are actually the responsibility of the church. An accountable reimbursement plan is one that follows specific IRS rules so that the reimbursements can be provided without a tax consequence to the minister. In order for the expenses to be eligible they must be ministry-related and incurred while performing services as an employee of the church. Here are some examples of eligible expenses:

- Ministry use of an automobile
- Convention, conference, seminar, and workshop expenses
- Ministry travel: lodging, transportation, and meals on overnight trips
- Continuing education expenses
- Sermon resources and educational material, if church-related
- Subscriptions, books, internet, and software, if ministry or work-related
- Office supplies and church gifts
- Ministry-related legal and professional services
- Equipment such as computers. Cell phones are only reimbursable for the portion of their use that is ministry-related and require a detailed accounting of ministry versus personal use.
- Hospitality and entertainment when church-related. Reimbursements can cover the entire cost of meals.

If the church reimburses an employee for expenses that are not ministry-related, then they must be reported in the employee's wages and are taxed as income.

Benefits Cont.

Taxability of Compensation

Type of Compensation	Subject to Federal Income Tax?	Subject to SECA?
Salary	Yes	Yes
Social Security/Medicare Offset	Yes	Yes
Housing Allowance	No	Yes
Equity Allowance	No, if paid into a retirement plan; Yes, if paid as cash	No, if paid into a retirement plan; Yes, if paid as cash
Health Benefits	No	No
Life Insurance	No, up to $50,000 of coverage; Yes for premiums paid for coverage exceeding $50,000 - See IRS Guidelines	No, up to $50,000 of coverage; Yes for premiums paid for coverage exceeding $50,000 - See IRS Guidelines
Disability Insurance	No; Any benefits paid out because of disability will be taxable	No; Any benefits paid out because of disability will be taxable
Retirement Savings	Yes, but deferred until retirement (No if claimed as housing allowance in retirement)	No
Paid Leave	Yes on income	Yes on income
Parsonage Use	No	Yes

Creating a Compensation Package

Now that you know what a compensation package consists of, how do you develop one that is fair? There is no one-size-fits-all compensation package. The ideal plan will vary based on both the church and the minister involved.

One thing that further complicates the issue is that it is hard for the minister and the church to talk about money and finances. Ministers shy away from compensation discussions because they don't want to appear greedy or materialistic. Churches often don't understand the multiple related human resource issues related to compenation and benefits. Some may erroneously think that if it is a true calling from God, money shouldn't matter. The truth is that a fair, living wage is what a church needs to provide if they want a full-time minister. Even if the minister is bi-voctional the church will want to approach compensation and benefits in an appropriate way.

Recommendations for Discussing Compensation

No matter the feelings involved, compensation is a necessary discussion that should be a collaborative process. The following recommendations will assist both ministers and churches in the process of developing a fair compensation package.

Normalize the Conversation

As stated previously, compensation can be a hard topic of discussion. No one wants to broach the subject. One way to overcome that is to make compensation discussions a normal, regular part of church's organizational life. Set a recurring annual meeting to discuss compensation so no one has the uncomfortable task of bringing it up.

Have a checklist of topics to cover that could justify increased compensation. In your annual review, make sure to discuss any increases in responsibilities, increases in skills and education, increases in workload, performance, and achievement of set goals. Also, don't forget to look at inflation and make any adjustments necessary so that the minister's compensation at least maintains its purchasing power. Make compensation discussions routine to remove some of the negative emotions around them.

Set Clear Expectations

When setting or reviewing a minister's compensation, you need to know what it is you are paying him or her for. It is essential to have well-written job descriptions and agreed-upon expectations. These need to be in writing so that everyone involved is on the same page. Keep the discussion relevant to the job that the minister has been hired to do and the goals that have been jointly set. It will be much easier to determine what fair compensation is with that in mind.

Creating a Compensation Package Cont.

Choose Participants Wisely

While it is the church congregation that is hiring a minister, every single church member will not be involved in compensation discussions. There should only be a group of three to six people assigned to the task. It is important to choose this group wisely and ensure that both the minister and congregation are satisfied with the members. Some things to look for in potential members are that they are:

- Good listeners
- Collaborative
- Able to maintain confidentiality
- Experienced with, or at least understand, finances and compensation
- Diverse enough to have different points of view

Know What is Needed

Both the church and the minister need to have a solid grasp of their financial situations. The minister needs to know how much money is realisticly needed to support their household and lifestyle in the city where the church is located. Not being realistic will only create stress and dissatisfaction in the future. Tracking expenses regularly and/or following a budget will provide a minister with the appropriate knowledge.

The church representatives should use budget projections and financial reports to determine how much money they can devote to staffing. Reports showing past spending and how it aligned with past projections can help gauge the accuracy of current projections. Also, the working group will want to understand the church's ability to meet any commitment it makes to the minister.

Use Data

Money can be very emotional, so it is important to keep compensation discussions as objective as possible. This can be done by utilizing impartial data. There are four important data sets regarding the minister and comparable compensation to consider:

The first is that of the minister's education, experience, and accomplishments. This may make the minister a little uncomfortable, but it is an important part of the conversation and should be seen as facts and not pride. Education and experience levels, performance, accomplishments, and responsibilities are all data points that will affect the compensation discussion.

A second data set that is sometimes overlooked is the lifestyle and economic make-up of the congregation and the cost of living of the zip code where the church is located, as well as that of where many of the memebers live. Most churches want their minister to reflect the congregation's lifestyle and economic make-up.

Creating a Compensation Package Cont.

Both the minister and church also need to consider compensation of similar-sized churches for comparable positions. There are a couple of solid sources for comparative compensation:

- Christianity Today found at www.churchsalary.com
- The Church Network found at www.ministrypay.com
- Women In Ministry Compensation – Minding the Gap: Gender and Compensation in Churches and Ministries found at www.churchlawandtax.com/web/2017/march/gap-gender-and-compensation-in-churches-ministry.html

A final data set to consider are local non-ministeral positions that require similar education and experience, such as a school principal, school district superintendent, or CEO of a nonprofit organization. Remember that increases in education, responsibilities, and experience usually call for increased pay. Looking at what a minister would be paid elsewhere will help you to determine fair compensation for their position at your church.

Assume the Best

In every aspect of church life, and especially in more difficult areas like negotiating compensation, you should always practice unconditional positive regard. Always assuming the best in people will make the collaborative process go much more smoothly. During your discussions, seek to understand. If something seems off to you, assume that you don't understand correctly rather than assuming the worst. When people go on the defensive, things break down and productive conversation can come to a halt. Unconditional positive regard will facilitate communication and make the inevitable compromise much more palatable.

Keep the Mutual Goal of the Minister and the Congregation in Mind

Always keep the minister's and church's goal in mind. The working group wants a minister to serve the church unhindered by financial stress and worry. The minister will want to ensure that the family's needs are met. Both recognize that a minister who enjoys their job and feels valued by the congregation will be more productive. Both want the church to practice biblical stewardship. Both want a church that is not overextended, but rather financially positioned to weather storms and agile enough to face decreased giving without having to let staff go. Both are on the same team and keeping that in mind will help develop a compensation package that is a win for both the church and the minister.



First Call Grants

The First Call Grant assists those in the first-call stage of ministry with a $500* grant to start a 403(b)(9) retirement account with Church Benefits Board.

*While funds last.

churchbenefits.org/1stcall

Structuring the Compensation Package

Once you have come up with a dollar amount that both the church and the minister agree to, it's time to decide how to allocate it among the different parts of the compensation package. The makeup of the compensation package can be customized to the individual needs of the minister as much as feasible considering the church's other staffing needs. Here are some things to take into consideration:

- Minister's family medical needs
- Minister's housing expenses
- Whether or not the church owns a parsonage
- Potential benefits available if the minister's spouse is employed

As you determine the makeup of the compensation package, consider including a severance agreement. The best time to discuss severance is before it is needed, when everyone can be objective and emotions aren't running high. Some examples of severance packages are:

- One to two weeks of pay for each year of service, with a maximum of 26 weeks
- Half a month of salary for each year of service

Example Compensation Package

As you can see, there are a lot of different pieces that make up a minister's compensation package. Here is an example of how it all comes together.

Sample $80,000 Compensation Package

Income	
Salary	$35,000
Housing Allowance	$22,500
Social Security Offset	$4,400
Benefits	
Health Insurance	$10,000
Retirement Contributions is 10% of Salary and Housing Allowance	$5,750
Life & Disability Insurance	$2,000
Reimbursable Expenses	
Auto Allowance	$700
Hospitality	$500
Conferences	$1,000
Subscriptions/Books	$400

Creating a Compensation Package Cont.

Bivocational Ministers

Though it can seem daunting, developing a minister's compensation package is an important task, requiring active participation by both the minister and the church's representatives. It is a matter of stewardship that should be taken seriously. Having the compensation plan in writing is prudent and provides clarity and a guide to follow for future compensation discussions.

More than just organizational diligence, having a fair, written compensation plan provides for the financial wellness of those who have answered God's call to serve vocationally. That task of developing a compensation plan is actually a holy task to ensure the best for the minister and the congregation. More resources to help are in the next section and online at churchbenefits.org/resources.

Conclusion

Though it can seem daunting, developing a minister's compensation package is an important task, requiring active participation by both the minister and the church's representatives. It is a matter of stewardship that should be taken seriously. Having the compensation plan in writing is prudent and provides clarity and a guide to follow for future compensation discussions.

More than just organizational diligence, having a fair, written compensation plan provides for the financial wellness of those who have answered God's call to serve vocationally. That task of developing a compensation plan is actually a holy task to ensure the best for the minister and the congregation. More resources to help are in the next section and online at churchbenefits.org/resources.









CHURCH BENEFITS BOARD

SERVE TODAY. SECURE TOMORROW.

Church Benefits Board's 403(b)(9) Retirement Plan is designed especially for ministry leaders, helping you secure your financial future while you live into your calling.

Our retirement plan offers tax savings unique to clergy, financial planning and advice at no additional cost, financial wellness incentives, and personalized support. Pair it with our life insurance for comprehensive protection.

churchbenefits.org

Church Benefits Board (CBB) is a nonprofit ministry serving the Cooperative Baptist Fellowship (CBF) since 1998 to provide retirement and benefit solutions for ministers, church staff, and nonprofit leaders. CBB is honored to serve a wide range of Protestant churches and nonprofit organizations who share common religious ideals with CBF.

Minister's Compensation and Benefits Worksheet

	Current Year	Next Year
I. Ministry Expenses (Not Compensation)		
1. Travel, mileage, entertainment expenses	_____	_____
2. Convention/Conference/Professional Education	_____	_____
3. Books, publication, online services and other	_____	_____
4. Cell phone usage allowance	_____	_____
Total Ministry Expenses	_____	_____
II. Direct Income		
1. Salary (Base Support)	_____	_____
2. Housing/ Allowance, etc.	_____	_____
3. Utilities and maintenance	_____	_____
4. Self Employment Tax Offset (Social Security)	_____	_____
Total Direct Expenses	_____	_____
III. Benefits (Not Compensation)		
1. Retirement	_____	_____
2. Life Insurance	_____	_____
3. Medical insurance	_____	_____
4. Long Term Disability	_____	_____
5. Cafeteria Benefits	_____	_____
Total Benefits	_____	_____
Other considerations		
• Vacation & Holidays	_____	_____
• Sick Leave	_____	_____
• Sabbatical and Study Leave	_____	_____
• Bereavement Leave	_____	_____

Reimbursable Ministry Expense Form

Expense Period

Employee Name: _____

Employee ID: _____

Manager Name: _____

Department: _____

From: _____

To: _____

Business Purpose: _____

_____

Date:	Description:	Catagory:	Cost:

Please attach receipts.

Note: Mileage reimbursement for personal car is the IRS mileage reimbursement rate per mile.

SUBTOTAL _____

less cash advance _____

TOTAL _____

Employee Signature: _____ Date: _____

Approval Signature: _____ Date: _____

Minister's Housing Cost Estimate Worksheet

Down payment on a home $ _____

Mortgage payments on a loan to purchase or improve your home (include both principal and interest) $ _____

Real estate taxes $ _____

Property insurance $ _____

Utilities (electricity, gas, water, trash pickup, local telephone) $ _____

Furnishings and appliances (purchase and repair) $ _____

Structural (repairs and remodeling) $ _____

Outdoor and Yard maintenance and improvements $ _____

Maintenance (pest control, etc.) $ _____

Homeowners association dues $ _____

Miscellaneous $ _____

TOTAL $ _____

To: _____ From: _____

Housing Allowance: _____ Year: _____

_____ / _____

Signature Date

Sample Letter

Notification of Housing Allowance

Church
Address

Dear (Minister's name)

This is to advise you that at the meeting of the _____ on _____/_____/_____(date) your requested housing allowance was reviewed and a housing allowance for the year _____ was officially designated and approved in the amount of $_____. The (monthly, biweekly, weekly) amount will be classified as housing allowance. It is the intention of the _____ to have this amount constitute your housing allowance for this year and future years until changed by official action.

This action was recorded in the minutes of the _____.

You should keep an accurate record of your eligible housing expenses to provide documentation in support of amounts excluded from income for tax purposes. You may not exclude a housing allowance as income for SECA tax purposes. It is your responsibility as a taxpayer to understand and follow the limits about how much you can exclude from income as a housing allowance.

Sincerely,

(Signature and date)
Indication of authority (committee, church, etc.)

Sample Letter

Annual Compensation Letter to Staff

Church
Address

Minister
Address

RE: annual compensation

Dear _____,

It is in appreciation for your service to our church and anticipation of the service you will provide for the coming _____ year that we want to communicate clearly your compensation and our appreciation for your continued service.

Salary	$ _____
Housing/ Allowance, etc	$ _____
Self-Employment Tax Allowance, if applicable, or Employer FICA tax	$ _____
Employer Retirement Contribution (403B plan)	$ _____
Employer paid Life Insurance premium (Death benefits: $)	$ _____
Employer paid Medical insurance	$ _____
Employer provided disability (Estimated compensation: $)	$ _____
Cafeteria Benefits	$ _____
Workman's compensation insurance	$ _____
Awards	$ _____
Other	$ _____
TOTAL	$_____

Year of Service _____ Sabbatical and Study Leave earned _____
Vacation & Holidays: ____(days) Sick Leave: ____(days) Bereavement Leave: ____(days)

Thank you for your commitment to our church and ministry.
Sincerely,
(Signature and Authority)

Ready to enroll?

Are you ready to enroll with Church Benefits Board? Take these steps to get your church or organization enrolled into the Church Benefits Board 403(b)(9) Plan.

1

Complete the Enrollment Interest Form

Visit churchbenefits.org/enroll to complete the Enrollment Interest Form. This let's our team know what type of benefits you need and if your church or organization is already a participating employer.

2

Enroll the Employer

If your church or organization is not a participating employer, our team will work with the financial administrator to complete the enrollment process.

3

Create Individual Accounts

Our team will work with your financial administrator to create individual retirement accounts for all interested staff. You will be notified when this is complete.

4

Rollover Outside Funds

After the account is created, participants can rollover outside retirement accounts to their Church Benefits Board account. Simply submit a Rollover Support Ticket and an Empower representative will reach out to walk you through this process.

Ready to enroll?

churchbenefits.org/enroll

Have questions?

Contact the CBB team at 804.604.4301 or churchbenefits@churchbenefits.org

Church Benefits Board

The Church Benefits Board Team



Rob Fox
President



Jenny Clore
Vice President of Operations



Nicole Averette
Director of Benefits



Beth Jones
Director of Marketing & Communications

Your benefits are our ministry.

804.604.4301
churchbenefits@churchbenefits.org
churchbenefits.org

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