

TOOL 5

PASTOR'S SALARY, HOUSING, BENEFITS, AND EXPENSES

Work with the appropriate church committees, such as personal, budget, or finance, to provide a budget line item for each of the following expense areas. These figures can show the total budget commitment to the pastor and can distinguish between personal benefits provided for the pastor and the expenses he incurs in providing effective ministry.

Salary

To assist you, many Baptist state conventions (see tool 2) have information from church-related compensation surveys. The pastor's salary should reflect several factors:

1. Investment in educational preparation
2. Years of experience
3. Range of responsibilities, including supervision of staff and volunteers
4. Cost of living
5. Salaries for management positions in the corporate community in which your church is located
6. Salaries of pastors in other churches with comparable responsibilities

Housing

The time between pastors may provide a good opportunity to consider all of the options for providing housing for your pastor.

Some churches provide a church-owned house for the pastor and his family, including the cost of utilities. This arrangement has several benefits. The pastor doesn't have to be concerned about finding a home when he arrives or about selling a home when he leaves. Church members feel pride in owning and maintaining the parsonage. In the short term this approach may be more economical for the church. However, it also has drawbacks. The pastor builds no equity toward future housing, especially for retirement. The family has no guarantee of housing if the pastor dies or becomes dis-

abled. Conflict can arise over lawn maintenance, pets, and responsibility for damage.

Other churches provide a housing allowance to enable the pastor to purchase or rent a house. The housing allowance, combined with the salary, is the equivalent to gross income on a paycheck. The pastor should recommend and the church should approve an amount to be reported as salary and an amount to be reported as housing allowance. The housing allowance, as long as it is within the housing-rental-allowance criteria of the Internal Revenue Service, is not taxable.

When the church already has a house for the pastor, it can consider selling the house to the pastor at its current appraised value and providing a housing allowance to cover the cost of housing payments. Or the church can finance the sale itself so that the principal plus interest is paid back to the church. The pastor benefits by not having to make a high downpayment. When the pastor leaves, the church may agree to buy the house at the appraised value at that time, keeping the property for the church's continuing ministry.

An ordained minister is an employee of the church for income-tax purposes but is self-employed for Social Security purposes. Therefore, the housing allowance is not taxable as income. But the pastor pays both the church's part and his personal part of Social Security taxes. For this reason some churches add a Social Security offset to the salary and housing allowance. The amount, equal to the employer's share of his Social Security, must be reported by the church and the pastor as income.

Protection Benefits

These benefits should be considered over and above the basic salary and housing allowance. They provide for the pastor and his family in the event of medical needs, death, disability, or retirement. Some suggestions follow.

1. Provide health and medical insurance to cover some or all of the costs of doctor visits, hospitalization, medications, and dental and vision coverage. If the medical plan does not cover the cost of an annual physical, include that cost.
2. Determine the number of days for sick leave. Provide expenses and honoraria for those who substitute for the pastor.
3. Provide life insurance valued at least four times the pastor's salary and housing, plus coverage for his wife and children. Coverage could be half that of the pastor for the wife and \$5,000 for each dependent. These insurance premiums are taxable income. The church may also consider \$50,000 term life-insurance coverage as a tax-sheltered benefit.
4. Offer disability insurance to provide income during the pastor's waiting period for Social Security coverage if he becomes disabled and is unable to serve the church.
5. Provide a retirement annuity through the Annuity Board of the Southern Baptist Convention to ensure that the pastor will have income to meet the needs of his family during normal retirement years. Without an adequate retirement annuity, a pastor will be tempted to continue in the pastoral role late in life when failing energy and health may limit his effectiveness in ministry. Contact the Annuity Board representative in your Baptist state convention (see tool 2).
6. Some churches also provide a 401(k) savings plan for the pastor.

Ministry Expenses

These expenses result from the pastor's ministry. Examples include the following.

1. If the pastor uses his personal car for church business, provide a mileage-allowance reimbursement. The best guide is the allowance approved by the Internal Revenue Service.
2. Provide an allowance for the pastor to buy books and media resources for use in study for preaching and ministry responsibilities.

3. Provide an allowance for the pastor's use when he entertains guests of the church.
4. Provide for costs when he represents the church in meetings of the association and state convention.

Continuing-Education Expenses

In a fast-changing world, much of what is learned in educational institutions becomes out-of-date very quickly. Although the truth of the gospel never changes, the world in which the gospel is preached and practiced changes constantly. If a pastor hasn't participated in continuing-education experiences in three years, he is not keeping up with the understandings and resources that are vital to church ministry. Many churches provide money for the pastor to participate in continuing-education activities. These can include conferences, seminars, and Internet-delivered seminary and graduate-school courses. Costs include registration fees, materials, and textbooks. Sometimes travel, housing, and meals are also provided.

Vacation

Determine how many weeks of vacation the church will provide the pastor each year. This determination can be based on years of experience and the amount of vacation the prospective pastor currently receives. Include in the agreement that the church will pay for a substitute preacher's expenses and honorarium.

Leave

Provide a specified number of days or weeks that the pastor can be away from the church to lead revivals, conferences, or other events. Include in the agreement that the church will pay for a substitute preacher's expenses and honorarium.

Sabbatical

Some churches provide a sabbatical of a few months after a certain number of years of service. Included in this benefit are any costs for substitute preachers' expenses and honoraria.