

Structuring a Minister's Financial Support Plan in 4 Easy Steps



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Decide How **MINISTRY RELATED EXPENSES** will be covered. Budget adequate amounts.

- Expenses should be paid by the church as employer and NOT treated as part of the minister's "pay package". Expenses should be covered separate from compensation and benefits.
- Expenses should be paid using a valid **Accountable Reimbursement Plan**. If paid in any other way, the amounts become taxable income.
- Funding expenses by salary reduction does NOT qualify as accountable reimbursement plan.
- In printed budgets, list expenses in a category other than compensation & benefits.
- Expense items generally include: Automobile, conventions, conferences/continuing education, book/tapes/periodicals, and hospitality. Ministry related automobile expense should be paid on a per mile basis, using the current IRS rate.



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Determine the Amount of **COMPENSATION**.

Compensation includes Salary and Housing for ministers. Consider the Biblical basis for providing adequate financial support. Consider cost of living factors for the area. Compare the compensation to jobs requiring similar skills and training and to churches of similar size. Make sure the amounts will adequately provide for needs of the minister's family.

If the minister is buying/renting a house, the minister should estimate their annual expenses. The church then designates that portion of the compensation as Housing Allowance. (Although an "allowance" should not be used for expenses, it is an acceptable approach for housing.)

If a house (parsonage) is provided, a housing allowance should still be designated to cover other items such as utilities/insurance not paid by the church, furnishings, incidentals, etc.



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Determine Policy & Amounts for **PROTECTION COVERAGES**.

Decide as a matter of **church policy** what coverages will be provided. Will the church/employer pay for these or will the minister/employee be forced to reduce actual compensation to provide necessary protection. Providing adequate protection coverages is protection for the minister, the minister's family and for the church. Protection coverages generally include:

- **RETIREMENT** A contribution equal to 10% of compensation is recommended to provide adequate income in retirement.
- **SOCIAL SECURITY** A social security equivalent equal to 7.65% of compensation is recommended. This equals the social security percentage a church pays for non-ministerial employees.
- **INSURANCE** The church should provide adequate life, medical & disability coverage to protect the minister, their family and the church.



TOTAL and Re-Examine the entire Financial Support Plan

Review the entire support plan. Use the checklist on page 17 as a guide. Check for areas needing additional discussion or adjustment. Is the plan appropriate for the church and for the minister?