

PAYING A PASTOR

How can a church establish a fair compensation package for their pastor? In most independent Baptist churches the pastor provides decisive leadership in everything except his compensation package. If he is silent the church will not know how to go about establishing and reviewing this area of the budget. Consider the following advice from 1) Mike Aylestock, 2) Larry Burkett, 3) Jay Adams, 4) The Survey, and 5) internet links. For Community Baptist Church's method of establishing compensation packages, see *Budget Adoption Procedures*.

Mike Aylestock — from *Getting Started Right Financially*

Part of planning for a new church will involve plans for providing for the needs of the pastor. More often than not the pastor is provided for through temporary support from church missions programs. These churches are investing in a man and his ministry in this new church. Did you catch the word *temporary*? Just how temporary is that support? Isn't that decided by each church investor? Yes, and that means the support will gradually end as the new church informs the churches that it is no longer needed or as those churches feel it is time to end the support. This creates a transition period during which the new church must constantly monitor and make adjustments to the compensation package they are paying their pastor. As the support level drops the compensation level increases. Is there a better way to make it through this transition? I believe there is. Let the church establish the compensation package of the pastor from the beginning. This package will need to take into consideration the needs of the pastor and his family as well as the amount of support raised. All support would be deposited to the church account along with offerings. The church would pay the pastor his full needs. As the offerings increase the new church can inform the supporting churches that the support is no longer needed. During this transition from subsidized operation to full autonomy the pastor is cared for at a constant level and the new church is not in a position of making monthly decisions of increasing the pastor's salary to compensate for ended support. An added benefit involves tax records — all income is derived from one source rather than several making it easier to receive advance documentation on housing allowance separate from salary (such advance documentation is required to claim income as tax-free housing).

- a. **Salary** is the taxable income provided by the church to care for their pastor.
- b. **Benefits** are the non-taxable or tax-deferred payments made to the benefit of the pastor. Rather than paying the pastor a taxable salary and letting him provide for these needs the church can provide them with pre-tax dollars. These benefits should be paid by the church but the pastor should have input into the actual plans (insurance, retirement, etc.).
 - **Housing** expenditures are a tax-free benefit to an ordained minister. The church must document *in advance of giving the money* the amount they are providing the pastor as housing. The pastor must maintain documentation that he used the funds for qualified housing costs. Any housing money received and not used on housing costs becomes taxable income and should be claimed as "other income" when filing tax forms. Get the details to understand this tax break for ministers. This benefit is paid to the pastor along with his salary.
 - **Retirement** should be provided, particularly if the pastor opted out of social security. If the pastor opted out of social security the church should invest what they would have been required by law to invest (employer's share of social security) plus what they can afford into a retirement plan. This benefit can be paid directly to the investment company in the name of the pastor.
 - **Medical Insurance** should be provided through a Christian-based cost sharing program (i.e. Good Samaritan Program 317-894-2000 or Medi-Share 800-795-6274) or a more traditional insurance plan. This benefit can be paid directly to the insurance carrier. If a Christian-based cost sharing program is used (usually costing \$200/month for family coverage) the church could provide an additional **medical wellness** benefit of approximately \$100/month or \$1,200/year to cover medicals, prescriptions, dental and eye care.
 - **Automobile Expenses** due to church business (visitation, errands, etc.) should be reimbursed by the church. This is best covered by a mileage reimbursement from the church at the IRS

mileage rate (approximately 35¢ per mile). If the IRS rate is used no records need to be kept on how this money is spent; the only record needed is a mileage log showing date, purpose and place of visit, trip meter readings or beginning and ending odometer readings. This record should be submitted to the church and reimbursement made accordingly. A better way to provide for auto expenses is for the church to purchase a car for the pastor's sole use. The church purchases, licenses, insures, maintains and provides gas for the entire use of the car (church-use **and** all pastor's personal use). The pastor calculates the percentage of the entire use of the car which is actually church-related (keep a log for several months) and that which is personal use. The personal use percentage is used to calculate the taxable benefit the church provided him. The IRS publishes a table for determining the annual value of a vehicle. The table determines that value based upon the purchase price of the vehicle. That value is to be used for each of the first three years of ownership. On the fourth year the annual value is to be redetermined using the table and the NADA book value of the car. The pastor's personal use percentage multiplied by the annual value of the vehicle is the pastor's taxable benefit from the church. The pastor's personal use taxable benefit is added to his salary and reported on his W-2 form.

Larry Burkett

Paying Pastors, Money Matters, August 1998, page 3

QUESTION: Companies and the government have salary scales, but when it comes to determining our pastor's salary, we don't have such clear-cut guidelines. What should we do?

ANSWER: In his book *Business Management in the Local Church*, Dave Pollock says a recent study shows the average American pastor with a congregation of 300 people earns \$17,875. If you had responsibility for 300 people at work, would you take the job at this salary? Probably not. So, you need to make sure that your pastor's salary and needs are balanced.

In order to make ends meet, some pastors have had to take second jobs, which deplete the time they have available to minister to their congregations. Struggling to get by won't make your pastor any holier. That's why you need to find out his financial needs.

One way for churches to do this is to ask their pastors to submit a written budget. If they do so, members of the church governing board ought to be willing to submit budgets to each other as well.

You also might consider taking a blind survey of your church's members to determine the average salary of your congregation. For example, you could send a card to members and ask them to mail it back anonymously. A response of no more than 20 percent would give you a fairly accurate idea of the average salary in your church.

Of course, your pastor might have above-average notoriety and, as a result, above-average travel expenses. Or, your pastor's teaching skills may be so exceptional that he deserves better than average wages.

Another thing you'll want to consider is where your pastor lives. "In my opinion," says Larry Burkett, "it's better to pay pastors a housing allowance and let them buy their own homes. If God eventually leads them to other churches that don't have parsonages, they can sell their homes and use the profits to purchase housing."

In addition, pastors don't have to pay taxes on housing allowances, and they can still write off the taxes and interest they're paying on their own residences. This is called a "double dip," and it's an excellent tax break for people in this field of work.

One Scripture that should always serve as a guideline in paying pastors is I Timothy 5:17-18, which says, "Let the elders who rule well be considered worthy of double honor, especially those who work hard at preaching and teaching. For the Scripture says, 'You shall not muzzle the ox while he is threshing,' and 'The laborer is worthy of his wages.'"

"The phrase 'worthy of double honor' does not mean two pats on the back followed by a rousing rendition of 'For He's a Jolly Good Fellow,'" Pollock says. "If financial support of 'honor' is provided to the worthy widow (5:3), then a double dose is certainly due to the man who is her pastor."

Jay Adams

How to Obtain a Living Wage in the Pastorate, The Journal of Pastoral Practice, Vol. II, No. 2, 1978, pp. 1-4

Pastors, on the whole, are doing as well financially as they ever have. That-of course-isn't true of all. Nor does it mean that they are doing well-the average salary is still far below par. And in many cases it is the prime source of hindering their effectiveness in the ministry. Can anything be done about it? More specifically, what can the pastor himself do about it-or should he do anything? Yes! and Yes, again!

First, you must recognize that God expects you to earn a living wage. In part, pastors themselves (by their failure to teach this, failure to speak with their elders and deacons, and failure to take action) have perpetuated the popular laymen's myth that ministers are atypical creatures who propagate children in some other way than engaging in sexual relations and-in line with this-can feed them on transcendental pudding, fluff-duff and air! It is time to demythologize this widespread-but heretical article of faith!

Next, consider this: "The worker is worthy of his wages" (I Tim. 5:18). If you aren't working, then this article doesn't apply. In that verse, Paul alludes to Christ's words (Matt. 10:10; Luke 10:17). Some people in your congregation may subscribe to the unscriptural philosophy, "Keep a preacher hungry and you'll keep him humble." More likely, as you know, that's the way to keep him ineffective. This contra-scriptural viewpoint is usually offered as a rationalization for stinginess.

The ox passage is quoted by Paul in I Corinthians 9:9-14 also. But verse 14 in that chapter is especially apropos: "The Lord gave orders that those who announce the good news should live by announcing the good news."

If you-as their official expounder of the Word — (1) allow your people to rationalize their way out of a proper understanding and application of Scripture, (2) cater to selfishness in the congregation, and (3) thereby fail not only to explain and insist upon the Lord Christ's orders,¹ but fail to heed them yourself, you are unfaithful both to Christ and to His church.

"But Paul often made tents," you say. Yes, but (1) Paul was a missionary (not a pastor), (2) clearly claimed a salary as a "right" that he didn't use (vss. 6, 12, 15), and (3) was a single man.² Paul allowed churches to support him (cf. Phil. 4:15; but especially 11 Cor. 11:8, where he seems to have sought funds from other churches to carry on the work in Corinth).

It is true that when funds were not forthcoming, he would work hard with his hands (cf. 11 Thess. 3:8, "night and day") to raise funds so he could carry on his work. If your congregation can't (won't?) support you-you too have the same right (Paul didn't starve! You can't neglect your family-I Tim. 5:8). But if you do, it will mean curtailing your ministry some what as Paul's tentmaking must have done. Your congregation must recognize and accept this.

Thirdly, note that the Scriptures teach that you may earn a living wage-i.e., a good wage; one that enables you to live without great care or concern over finances. "Where?" you ask. Paul says that he often prospered greatly; his word for this is that he "abounded" in money (Phil. 4: 11-13). So it is clearly not wrong for a pastor to "abound." Paul was able to rent a house for two years in Rome while not working (Acts 28:30). This gives additional evidence of the possession of substantial funds.

The only biblical warning about money is against trying to become rich in the ministry as a lover of money (I Tim. 3:3; 6:5-10). These verses probably refer to unscrupulous practices associated with such desire. Most ministers, with the writer of Proverbs 30:8, 9, will settle for a living wage.

"Well, what should my salary be? Suppose I muster the courage to sit down with my elders and deacons to talk over the salary problem-what should I ask for? There isn't a scriptural guideline, is there?" Yes, there is-and you'd better be aware of it. "Well, tell me quickly; what is it?"

Your salary should be on a par with those to whom you minister. Galatians 6:6 commands your congregation, "Let him who is instructed in the Word share everything good that he has with the one who instructs him." Pastor, you should live on the level of the community (at least the Christian community to which you minister-not far below it, as so often is the case). An average of congregational salaries should set the base (minimum) level for your salary.³

You should not be ashamed, therefore, to ask for this figure since (1) God requires it; (2) it is so easy for the congregation to give (10 families, giving a tenth, can support an eleventh family on the average level of their salaries); (3) your people need to learn the biblical teaching about this and receive

God's blessing for following it.

This base salary is a minimum, I said. The Scriptures speak of giving a substantial bonus to those pastors who do an especially good job. (Cf. I Tim. 5: V& "The elders who manage well should be considered worthy of double pay; especially those who labor at preaching and teaching.)

Finally, you ask, "How do I go about obtaining a salary like this? Where do I begin?" Let me simply list some suggestions; you may flesh them out:

1. Pray about it: ask and you will receive.
2. Lend this article to your elders and deacons to read.
3. Talk to your elders and deacons about it and present a plan for moving them from where your church now is to the adoption of a scriptural salary scale.
4. Don't grow bitter.
5. When candidating, discuss salary scripturally.
6. Make it clear that salary must not be based on (a) tradition, (b) needs, etc., but (3) on the standard set in Galatians 6:6: The pastor should share and share alike.
7. Teach your elders, your congregation, and your wealthy members. (I Tim. 6:17-19 encourages you to teach them how to give.)

This article is not written simply to make pastors and their wives happy. It is designed to help pastors become more effective servants of Christ, not continually hampered by financial needs. There is plenty of money in the church for this sort of salary; pastor, it is your job to earn it and get it! — Jay Adams

¹ Christ's orders are not only (in fact not even primarily) to the congregation; rather, they are orders to a pastor about how he is to earn his living. The verse reads (lit.), ". . . ordered those who announce the good news to live by announcing the good news."

² The other apostles, who took a salary, were married (cf. I Cor. 9:5).

³ We shall see later that these are times for far more salary, when we discuss I Timothy 5:17.

The Survey (anonymous article)

"But this is already more than we've ever paid a preacher before." George Allen's voice was strained. "I don't see why we ought to increase it before we've even called a new pastor."

Most of the deacons were nodding their approval, but Ken determined to try once more anyway. "Listen, men. I wasn't going to tell you this, but maybe I ought to." Ken paused and he took a deep breath before continuing. "Just before Pastor Gray left, I took him aside and...."

Even as he related the incident, Ken could visualize it in his mind. The movers were just swinging shut the massive doors of the van parked on the parsonage lawn. Kathy, the pastor's wife, dabbed her eyes with a Kleenex as she looked over her shoulder one last time, then turned quickly toward the driveway where their car sat waiting for its final occupants. Their four children had piled into the back seat and were showering their affection on Joker, the red cocker who had become part of the family.

"Pastor," Ken remembered saying, "I sure hate to see you leave." Five years before, Pastor Gray had led him to Christ, and the intervening years had been packed with rapid spiritual growth. "Before you go, tell me, is there anything at all that we could do better for our next pastor?"

A peculiar look had flashed across the pastor's face. Ken could almost sense an inner struggle his minister was having over whether or not to say something. "There is one thing, Ken, but please don't misunderstand. We've been very happy here." There was a long silence while the older man seemed to be searching for just the right words. "Think about finances, Ken. Maybe you could do a little more for the new pastor."

Ken had thanked him, and they shook hands warmly, feeling too emotional to say much. Then they were off—windows open.

“So you see,” Ken said, his mind snapping back to the board meeting, “I think we ought to reconsider the adequacy of our proposed salary.”

“What do other churches pay?” one of the men asked. “Maybe we ought to take a little survey.”

“Great idea!” George blurted. “Each of us can contact a church and see what they're doing. I'll bet we'll find out we're not so bad after all.”

Suddenly an idea crystallized in Ken's mind. It was one of those flashes of brilliance when everything finally falls into place. “A survey sounds good to me, too,” he said thoughtfully, “but I think there's an easier way to do it.”

“Let's hear it,” the chairman said, while the other men turned to listen.

“Why don't we have a salary survey right here on the board? Each one of us can write on a piece of paper what we earn a year, and Ralph can average them together.”

“Not me!” George blustered. “What I make is my own affair. Who wants everybody else knowing their private matters?”

Ken spoke carefully, so as to avoid stirring up any more animosity. “Let's not forget that everybody knows what the pastor makes. It's probably embarrassing for him, too. But anyway, we don't have to put our names on the papers, just an amount.”

Soon it was agreed. The board would take a survey. Ralph, the treasurer, tore up some paper and passed it around.

“Do we put down our take-home pay or what we get before the government gets its slice?” Bob asked from the other end of the table.

“The top figure,” Ralph replied. “The pastor has to pay taxes too, you know.”

There was an air of excitement as the men waited for Ralph to finish his figuring. “Well, here it is, men.” Ralph started to hold up the page full of figures.

“Wait a minute, Ralph,” Ken interrupted. “Maybe we ought to make a decision before you give us the results.”

“Whaddaya mean?” George asked as all the men gave Ken a puzzled look.

“I make a motion that whatever the average salary is here on the board, that we raise or lower the pastor's salary to equal it.”

“But we don't know how much it is,” George objected.

“Exactly!” Ken responded. “This way we can be certain we're being fair about it. If the pastor isn't getting the average of what we are, he ought to get more. I don't think any of us would want to try to get along on less, do you?”

After several minutes of discussion, the motion passed unanimously, except for Ralph who thought he should not vote since he already knew the figure.

“Okay, let's have it,” George pressed impatiently.

“I think you'll be surprised,” Ralph said. “And I think it's a good thing you made that decision before you knew what I'm going to tell you. You see, according to my figures, you just voted to nearly double the preacher's pay.”

The meeting went on for several hours, as there were a lot of items on the agenda. But Ken had a great deal of difficulty concentrating. He could not erase from his mind the picture of Pastor Gray's car pulling out of the driveway behind the moving van and disappearing down the road. He pondered, “If only we had done this several months earlier—I wonder if we'd be looking for a new pastor now?”

Internet

Christianity Today Online (www.christianityonline.com)

Archived Articles:

- *Seven Findings About Pastor Pay* (1999), <http://www.christianityonline.com/yc/features/report.html>
- *The Pastor's Paycheck* (1997), <http://www.christianityonline.com/yc/7Y5/7Y5136.html>
- *How Churches Spend Money* (1999), <http://www.christianityonline.com/yc/2000/001/17.96.html>
- *Church Budgets: You Are What You Spend* (1999), <http://www.christianityonline.com/yc/2000/001/10.70.html>

Fellowship of Evangelical Baptists (www.fellowship.ca)

- *Board Chairman's Handbook* (click “Church Administration”). This includes a chart showing salary change pegged to years in the ministry.

ACCRA Cost of Living Index (www.accra.org)

- Click “Cost of Living Index” (COLI) and use the “Free Trial” box to find the index of a city near you. Example: the “All Items” cost of living in Washington D.C. is 131.6% of the national average. Therefore, to adjust a national survey of pastor's salaries to my area I multiply it by 132 (national average salary X 132% = salary adjusted to area).