

## Compensation and the Pastoral Package

Are your finances in good shape? What are your financial goals? Before you can begin thinking about how to achieve your financial goals, you need to have a sense of your individual compensation and how much total income is coming into your household.

### What is compensation?

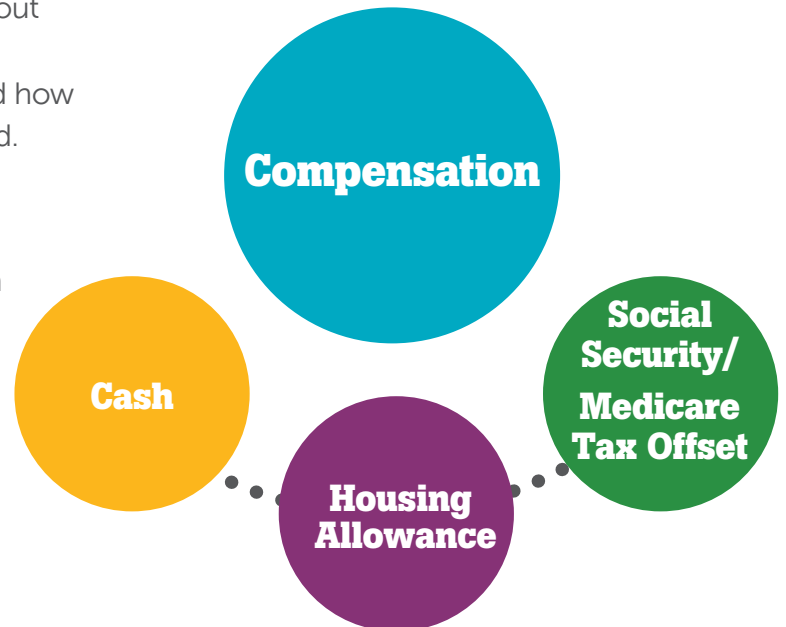
It is not uncommon to think about compensation as a lump sum or package that covers all costs related to a pastoral or lay staff position. MMBB believes it is important to think of compensation in separate buckets:

Those buckets are: Cash, Housing and Social Security/Medicare Tax Offset

If cash, housing and equity are defined as compensation, what is NOT compensation?

- Benefits—retirement, life insurance, disability insurance, health insurance, Flexible Spending Account (FSA), paid leave
- Ministry related expenses

To get a sense of an Employment Package, see the attached sample pastoral budget, then use the blank pastoral budget form to fill out your information.



## Sample Pastoral Budget

### COMPENSATION – \$32,300

Cash Salary	\$15,000
Housing Allowance	\$10,000
Social Security Offset	\$2,300
Equity Allowance	\$5,000

### BENEFITS – \$14,400

Retirement, plus Life and Disability Insurance	\$4,400
Health Insurance	\$10,000

### REIMBURSEMENT FOR MINISTRY OR JOB RELATED EXPENSES – \$3,300

Auto Reimbursement	\$650
Conventions	\$1,400
Hospitality	\$250
Subscriptions/Books	\$200
Continuing Education	\$800

**Total Employment Package: \$50,000**

## Housing Allowance

Housing allowance allows ordained staff to deduct the cost of housing expenses from income that is subject to federal taxes. For federal tax purposes, housing allowance is limited to the lesser of:

1. The amount designated by the church, or
2. The amount actually spent on housing by the minister for the year, or
3. The fair rental value of a furnished house plus utilities such as gas, electricity, oil, telephone, and water.

## Pastoral Budget Worksheet

Minister's Compensation	This Year	Next Year
Cash salary		
Housing (either a or b)		
a. Parsonage rental value	a)	
Parsonage allowance		
Utilities allowance		
b. Housing allowance	b)	
Social Security/Medicare Tax Offset*		
<b>Total compensation</b>	\$	\$
Benefits	This Year	Next Year
Retirement plan premiums		
Life insurance premiums (if applicable)		
Medical and dental premiums		
<b>Total benefits</b>	\$	\$
Ministry Related Expenses**	This Year	Next Year
Automobile expenses (at _____ a mile)		
Convention expenses		
Continuing education		
Books, periodicals, other resources		
Hospitality fund		
Other expenses		
<b>Total reimbursement for ministry-related expenses</b>	\$	\$

## Negotiating Compensation

Feeling good about your compensation allows you to focus on doing your best work in ministry. Negotiating a fair compensation package requires collaboration between the pastor and the church. Work together with your church to conduct those discussions in a spirit of good will that avoids rancor and ensures a positive outcome.

\* Employers choose whether or not to include the Social Security/Medicare tax offset to help with clergy self-employment taxes.

\*\*Most Ministry Related Expenses should be reimbursed under a tax advantaged accountable plan.