Compensation*

Money, material possessions and salary are terms some ministries avoid discussing. However, consideration must be given to the reality of compensation in the ministry. Traditionally non-profit organizations come under more scrutiny than other entities. Some churches view pastors that ask for adequate compensation as unspiritual, others strive to offer fair salaries and benefits. A good compensation package frees the pastor to minister with full energy and focus (I Timothy 5: 17-18, Galatians 6:6, I Corinthians 9:13-14).

FACTORS IN DETERMINING COMPENSATION

1. COST OF LIVING
- Contact local Chamber of Commerce to determine average housing costs, best areas to live, school information, and median income for your area
- Preview local newspaper, green sheet, real estate information and renter's guide
- Contact local real estate office to receive housing cost estimates and general listing of houses in your area

2. GEOGRAPHICAL SETTING
- Contact city government or library for information on the median income of families in your area
- Compensation is generally highest in suburban and urban settings, followed by medium-sized cities, small towns, and rural areas
- Contact local school district to determine type and quality of education
- Contact local Chamber of Commerce to determine demographics for the city, county, and state, and for growth trends in population

3. CHURCH INCOME
- This is generally the most significant factor affecting pastoral compensation
- Examine giving record and current budget
- Examine appropriateness of the proportion between local church and world missions
- Determine if stewardship education is needed to promote fair compensation of church staff

4. EDUCATION & EXPERIENCE
- Education and experience affect the quality of leadership and service given to the church
- Compare what other professionals of similar education and responsibility are paid (i.e., local school principal, accountant, engineer, and attorney)

COMPONENTS OF COMPENSATION PACKAGES

1. BASIC PERSONAL INCOME
- Basic Salary
- Housing allowance (for pastors who own or rent their homes)
- Equity allowance (for pastors occupying church-owned parsonages)

2. PROTECTION BENEFITS
- Insurance—Medical, Life, Disability, Dental/vision plan, Professional liability
- Paid—Vacation, Sabbaticals, Sick leave, Personal leave, Holidays
- Self-employment tax
- Retirement
- Tax-sheltered annuity contributions (IRA/TSA)
- Social Security Off-set

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* Adapted with Permission of Dallas Theological Seminary

3. CHURCH MINISTRY RELATED EXPENSES

- Travel/auto
- Conferences/seminars
- Continuing education
- Library
- Professional Expenses/Hospitality

EVALUATION OF COMPENSATION PLAN

1. Are the salaries comparable to the median family income of your region?
2. Does the salary of the pastor compare to other professionals with similar educational backgrounds and responsibilities?
3. Is the compensation and benefits package separate from the salary package to allow for salary and cost of living increases?
4. Does the church keep up with inflation rates each year by providing cost-of-living increases?
5. Does the church have a system for offering merit-based increases?
6. Does the church provide an adequate housing allowance for the area?
7. Does the church provide a Social Security tax offset for ordained pastors?
8. Does the church reimburse staff for auto/travel expenses incurred while performing job responsibilities?
9. Are conferences, seminars, and books reimbursed as part of a continuing education plan?
10. Does the church have policies for speaking engagements, holidays, sick leave, vacation, sabbaticals, and personal leave?
11. Does the church provide a complete insurance program for all paid personnel?
12. Does the church budget adequately include all paid personnel in a retirement plan?
13. Does the church include hospitality expenses of the pastor and other staff members who entertain people in their homes in the course of their ministry?
14. Is the church committed to being biblical and fair with financial support so the pastor and staff can serve without being hindered by economic worries?
15. What is the church's ability to pay a salary if the church is in a building program or there is a wage problem due to current business concerns?
16. Are the salaries of paid staff members evaluated annually?

RESOURCES

1. COST OF LIVING, RELOCATION EXPENSES, REAL ESTATE, SCHOOLS

www.relocationcentral.com
www.movingcenter.com
www.bankrate.com
www.homefair.com
www.moving.com
www.realtor.com
www.move.com

These websites can help determine a variety of factors when considering a compensation package. Many of them have salary calculators. Knowing what it will cost to live and work in an area of ministry is a vital part of preparing a compensation package.

2. TAX, LAW, FINANCES, SETTING COMPENSATION PACKAGES

The Zondervan Minister's Tax & Financial Guide by Dan Busby. Published annually by Zondervan Publishing House, Grand Rapids, MI; 616-698-6900

National Association of Church Business Administration, www.nacba.net, 800-898-8085
www.churchlawtoday.com
www.irs.gov