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Evangelicals

Magazine | Spring/Summer 2019 | Vol. 5 No. 1



When Compensation Comes Up Short

The State of Pastoral Finances

L. ROY TAYLOR



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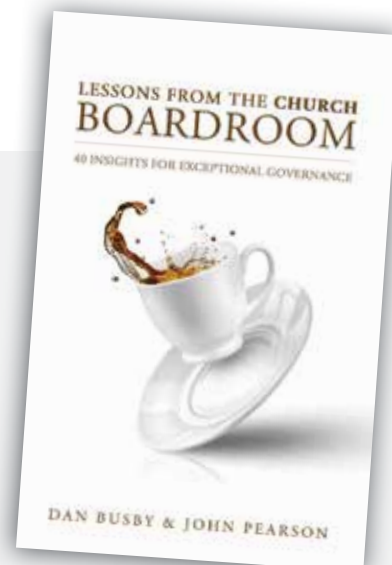


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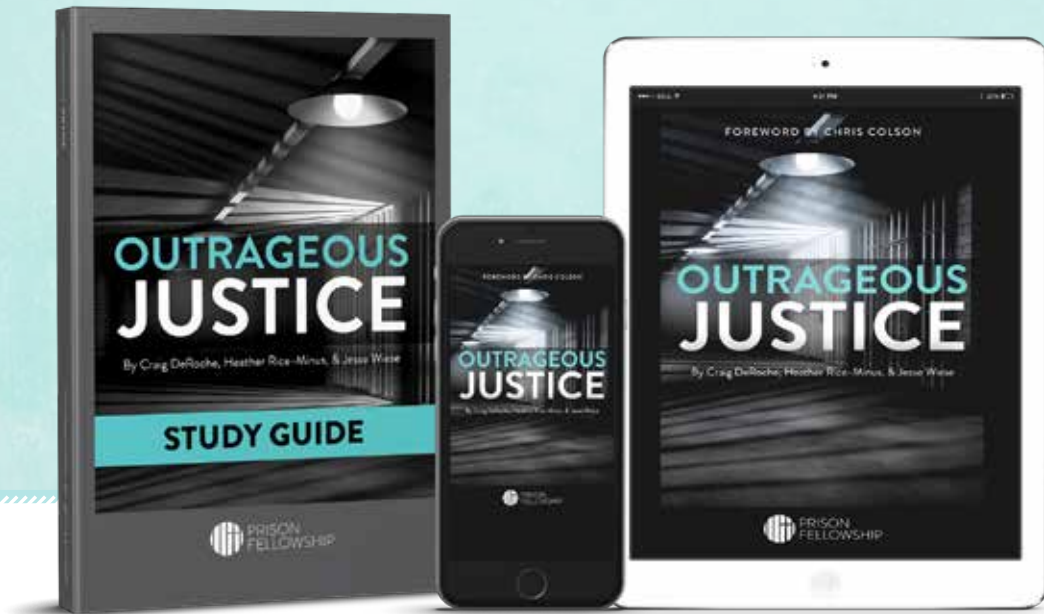
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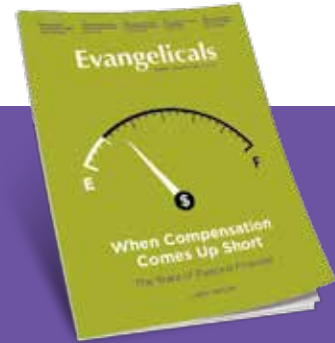
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Evangelicals

The Magazine of the National Association of Evangelicals



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Today's Conversation provides opportunities for you to hear from leading thinkers, theologians, activists, culture-makers and more.

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When sharing statistics that the National Association of Evangelicals has learned about pastors and their struggling finances, it's common to hear responses like, "Wow, I had no idea so many pastors were underpaid and struggling. I hear about how wealthy some church pastors are and kind of assume all pastors are doing all right."

In reality, the vast majority of pastors serve with small salaries in small churches that have small budgets. Certainly some pastors are being compensated well for their ministry, and a few have extravagant salaries. But the research shows that those pastors are in the minority. Anecdotal evidence suggests that values and trends in pastor compensation may vary among ethnic groups, but little research has been done in this area.

In this Evangelicals magazine, we pass on the information we do have and hear from experts who are helping pastors, churches, seminaries and denominations address the financial difficulties that many pastors face. We hope it serves as a reality check that pastors need help and that all of us can play a part in ensuring adequate support for the pastors who serve us and our communities.

While some churches, seminaries and denominations can and should do more to financially support their pastors, we also know that many want to do more but don't know how to make the numbers work. In these pages, we offer some innovative solutions and practical help for pastors, churches, seminaries and denominations.

Despite the statistics about pastor finances, we aren't discouraged. In fact, there is a wealth of resources to alleviate the pressures pastors and churches face, and more and more attention is being given to the financial situations of pastors. We are optimistic that the conversation is changing, and the tide is turning for pastors and their finances.

First Step Toward Prison Reform

“Respecting the dignity of men and women made in the image of God means holding people accountable with sentences that are proportional to their crimes. Men and women should not be languishing in prison years longer than necessary... Without hope, opportunities or tools, many prisoners fail to make needed changes, and when they are thrown back into the same life circumstances, they soon return to crime. When they feel connected to God and to their communities, when they have overcome addiction, gained new skills and made a plan for success, they have a much greater chance of living up to their potential.”

Heather Rice-Minus, vice president of government affairs at Prison Fellowship, praising the First Step Act, which passed Congress at the end of 2018



The Best Representatives of Jesus

“My prayer is for evangelicals to be known for the good news of Jesus Christ. While we should engage in our culture and in the public square, it should be with biblical values of love, justice for the poor and vulnerable, evangelism and discipleship. I pray for evangelicals to be the best representatives of Jesus, glorifying God and caring for others.”

Leith Anderson, NAE president, in Christianity Today

Restless Faith

“As a brainy kid, [Richard] Mouw found in evangelicalism a nourishing tradition of Christian scholarship that rescued him from fundamentalist anti-intellectualism. In the book’s most touching moment, he relates how an intimate, personal sense of the love of Jesus carried him through alcohol addiction. But he also voices frustration with parts of evangelicalism, chastising the evangelical tendency to be anti-institutional and anti-ecclesial.”

Tish Harrison Warren in a Christianity Today review of Richard Mouw’s new book, “Restless Faith”

Enjoyed today’s Q&A with student leaders at the @NAEvangelicals’ Christian Student Leadership Conference. #CSLC19
Senator Ted Cruz @SenTedCruz

I’d venture to say uniting American evangelicals and being a voice for the movement has not been an easy job over the past decade-plus. But outgoing @NAEvangelicals president Leith Anderson has been commended for doing it well.
Kate Shellnutt @kateshellnutt

As Pentecostals look back on the first 75 years of the @NAEvangelicals, we do so with gratitude, because forward-thinking leaders followed the way of love and drew us in.
George O. Wood @georgeowood



Hollywood Stars Who Follow Jesus

“It was a Maui street preacher who convinced Chris Pratt, future star of Guardians of the Galaxy and Parks and Recreation, that he needed God. At 19, Pratt had dropped out of community college in his home state of Washington and accepted a friend’s offer to live with him on the Hawaiian island, waiting tables at America’s most picturesque restaurant, Bubba Gump.... Midway upon his journey of weed-smoking and drinking, Pratt and his friends were approached by an evangelist in a grocery store parking lot.”

Laura Turner, a freelance author, in Vox



Misunderstanding Islam

“American Christians are not any different from many Christians in different parts of the world, and the misunderstanding of Islam is not exclusively a Christian problem. Many Muslims don’t understand their own faith. If they did, we wouldn’t be having the problem that we’re having. There’s a deep misunderstanding of Islam across the board — it’s both Muslims and Christians.”

John Azumah, professor of World Christianity at Columbia Theological Seminary on Today’s Conversation podcast at [NAE.net/azumahpodcast](https://www.nae.net/azumahpodcast)

Catholics and Evangelicals Together

“The list of public policy issues on which the NAE and the United States Conference of Catholic Bishops (USCCB) share similar positions is long. We both favor immigration reform that prioritizes human dignity and family unity; responsible care of God’s creation; religious freedom for people of all faiths and none; protecting marriage and strengthening families; criminal justice reform that focuses on rehabilitation; reduction and eventual elimination of the threat posed by nuclear weapons; a safety net for the poor at home and international assistance aimed at helping the world’s most vulnerable people; reforming the practice of predatory payday lending; protecting the unborn; and rejecting the use of torture, among many other common positions.”

Galen Carey, NAE vice president of government relations, in his chapter for the book, “Catholics and Evangelicals for the Common Good”



UMC Affirms Traditional Marriage

“This session of the [general conference of the United Methodist Church] has made it clear that there has been a dramatic shift in the center of gravity in the UMC. It appears that we are now a much more thoroughly global, evangelical church, rather than simply a mainline, American denomination with missionaries outposts outside the U.S.”

Kimberly Reisman, executive director for World Methodist Evangelism, which connects 80 Wesleyan denominations in 138 countries



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EVANGELICAL CALENDAR

Please join the evangelical community at these events hosted by the NAE and its members. **Your prayers are welcome too.**

Many of these events include downloadable resources for promotion and participation.

JUNE 3-9, 2019

Exodus

Palm Springs, CA

Citygate Network
CitygateNetwork.org

The annual conference of the Citygate Network (previously Association of Gospel Rescue Missions) is known as the premier event for connecting and learning among those in rescue missions and life-transformation ministries.



JULY 22-26, 2019

Chaplains Training Workshop

Colorado Springs, CO

Evangelical Chaplains Commission
NAE.net/chaplainsworkshop

Each year the Evangelical Chaplains Commission hosts a training workshop for the benefit of its chaplains and candidates, as well as chaplains from NAE denominations. This is a time for them to be equipped and empowered in their ministry.

JUNE 25-26, 2019

Amplify Conference

Chicago, IL

Billy Graham Center at Wheaton College
AmplifyConference.tv

At this annual evangelism conference, church and lay leaders will focus on being "Preoccupied by Love" — sacrificing from a deep sense of urgency for the sake of others.

SEPTEMBER 19-21, 2019

Future Mission

Orlando, FL

Missio Nexus
MissioNexus.org/future-mission

Church and missions leaders will be encouraged and equipped as they consider the future of missions and the Great Commission. This is the place for learning and networking within the missions community.



SEPTEMBER 25, 2019

See You At The Pole

National Network of Youth Ministries
SYATP.com

Since 1990, students have gathered around their school's flagpole to pray for their school, friends, families, churches and communities.



JULY 7, 2019

Pray Together Sunday

National Association of Evangelicals
NAE.net/praytogether

"Love God. Love Others." is the theme of the 2019 Pray Together Sunday. We hope your church will join with others across America to ask God for the same thing: that we would be people who love God and love others well.



SEPTEMBER 30-OCTOBER 3, 2019

OneAccord

Ridgecrest, NC

Accord Network
AccordNetwork.org

Each year, evangelical leaders in relief and development come together to learn best practices and work to develop principles of excellence for those serving the vulnerable.

WORTH NOTING

✓ NAE President Transition Ahead

Leith Anderson to Retire in December 2019

In February, the National Association of Evangelicals announced the launch of a search for the next NAE president. Leith Anderson, who has served as the organization's president since 2006 after twice serving as interim president, plans to retire at the end of 2019.

Anderson recently told Christianity Today, "Recognizing the divisive polarization in current culture, NAE has focused on the design of our founders 75 years ago. We were started to be a biblical voice between those on extremes. It's important to speak biblically and thoughtfully when so many are shouting for attention."

"Bringing together evangelicals based on our shared faith in the Bible and Jesus Christ is my greatest joy at NAE," he said. "Some try to define evangelicals by politics. That is a big mistake. We are defined by our faith."

The NAE president is a key leadership position for the NAE and the larger evangelical community. The NAE Presidential Search Team, which is composed of NAE board members, will lead the initial selection of top candidates. The NAE Board of Directors plans to finalize the election of the new president later this year.



More information on the search for NAE's next president is available at [NAE.net/presidentsearch](https://www.nae.net/presidentsearch).

✓ NAE Calls for Sexual Misconduct Prevention

The board of the National Association of Evangelicals approved a resolution at its semiannual meeting on March 7 lamenting the tragic violation of trust by ministers of the gospel who have sexually abused church members, and particularly children. The resolution also calls pastors and church leaders to adhere to high ethical standards and establish practices to prevent misconduct and address accusations appropriately.

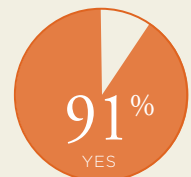
The resolution states, "In the face of such evil, complacency is not an option. No leader should assume that sexual misconduct and child abuse occurs only in other churches or denominations. Every church needs clear policies that are consistently implemented to prevent abuses and to deal decisively with any violations of trust in full cooperation with the legal authorities."



The NAE encourages pastors to sign the Code of Ethics for Pastors at [NAE.net/code-of-ethics-for-pastors](https://www.nae.net/code-of-ethics-for-pastors), and church leadership teams to sign the Code of Ethics for Congregations and Their Leadership Teams at [NAE.net/code-of-ethics-for-congregations](https://www.nae.net/code-of-ethics-for-congregations). The new resolution is available at [NAE.net/sexual-purity-child-protection](https://www.nae.net/sexual-purity-child-protection).

January 2019 Evangelical Leaders Survey

Does your organization offer a confidential way to report sexual misconduct by staff or volunteers?





✔ Encouraging Paid Family Leave

Unlike most other rich countries, the United States does not offer guaranteed paid family leave to help workers care for their families after childbirth or serious illness. Only 6 percent of low-income workers, 5 percent of part-time workers, and 10 percent of small business employees receive any paid parental leave. As a result, one in four mothers returns to work within two weeks of giving birth. Nine in 10 fathers who don't have paid leave go back to work within one week.

During its March meeting, the board of the National Association of Evangelicals reiterated the central role of the family in God's plan for human flourishing and offered principles to guide paid family leave efforts. The NAE noted that several models for paid family leave have been proposed and that the expense can be shared by workers, employers and taxpayers.

✔ Unborn Face New Perils in New York

New York's Reproductive Health Act, which became law on January 22, 2019, allows doctors, physician's assistants and nurse practitioners to abort pregnancies at any stage of development — up to and including the ninth month — if the fetus is deemed to be unviable or the health of the mother is thought to be at risk. Previously, only doctors could perform late-term abortions, and only when the mother's life was threatened. A similar proposal was recently defeated in the Virginia state legislature.

Nationwide, more than 8,000 late-term abortions are performed each year — ending pregnancies that have already passed the halfway point in which the baby could likely survive outside the womb. The health exception for mother that appears in many laws is notoriously vague and has been used to justify almost any abortion. Very few late-term abortions are performed to save the life of the mother. The National Association of Evangelicals asks for your prayers as we work to safeguard the nature and sanctity of human life.



✔ Pray Together Sunday

The National Association of Evangelicals encourages churches to take part in Pray Together Sunday, which will be held Sunday, July 7. Pray Together Sunday is a simple opportunity for churches across America to ask God for the same thing.

This year, the theme of Pray Together Sunday is "Love God. Love Others." Churches participating in Pray Together Sunday will center their regular prayer time during their worship services on verses like Matthew 22:37-39, in which Jesus says, "Love the Lord your God with all your heart and with all your soul and with all your mind. This is the first and greatest commandment. And the second is like it: Love your neighbor as yourself."



Register your church and receive free resources at [NAE.net/praytogether](https://nae.net/praytogether).



7 Ways to Bless Your Pastor

Best Practices for Churches That Want to Care for Their Shepherds

Most pastors have advanced degrees and work 50 to 70 hours each week caring for their congregation, but most Christians are not aware that their pastors and church staffs may not be paid well.

A pastor's week is filled with early morning meetings, office hours, visitations, counseling, sermon preparation and prayer, evening committee meetings and weekend worship services. Yet research shows the majority of pastors make less than \$50,000 per year and do not receive health insurance benefits or retirement contributions from their churches. So, here is a list of seven things church boards and congregations can do to make sure their pastors and church staffs are properly cared for, loved and blessed.

1. Compensate Your Pastor and Staff Using National Research

The best way for church boards or leadership teams to properly compensate church personnel is by using nationally recognized research, recommendations or regulations from their denominations or respected national research (ChurchSalary.com, CompStudy.Lifeway.com and MinistryPay.com). Using objective outside information will give church leaders guidance for what is appropriate and fair based on church size, location, denomination, church budget, experience and education.

2. Plan a Bless Your Pastor Campaign

While many churches have limited budgets for pastor and staff compensation, most people in churches have been blessed by God with skills, abilities, interests and resources that they can use to bless their pastors and church staff members. For many years churches in America have celebrated October as Pastor Appreciation Month. And this year, the NAE will lead a national Bless Your Pastor campaign for churches across America. The Bless Your Pastor website (BlessYourPastor.org) hosts free resources for churches to launch the "behind-the-scenes" Bless Your Pastor effort in their churches. Some churches may decide to extend the campaign and offering to church staff members in addition to their pastors. Free resources in the Bless Your Pastor toolkit include a short training video for church leadership teams, a brochure on 50 Creative Ways to Show

God's Love for Your Pastor, social media graphics, template letters and more.

3. Provide Employee Benefits in Your Compensation Package

Most pastors do not receive the typical employment benefits that many working Americans receive. Church boards, finance teams or personnel committees should work with their denominations or other financial groups that serve pastors and churches to make sure their pastors and staff members receive retirement contributions, healthcare coverage, and life and disability insurance.

4. Properly Set Up a Plan to Reimburse for Ministry Expenses

Pastors regularly need to purchase books and software for sermon preparation, to attend conferences and events for connection and encouragement, to take people out for meals to discuss pastoral needs or church business, to drive to hospital and visitation meetings, to host ministry events at their homes and much more. Many pastors have to pay for these expenses from their already limited salaries. In the past, they could deduct these expenses for tax purposes, but the IRS no longer allows these tax deductions. So, it is important that churches make sure they properly set up accountable ministry expense reimbursement plans to cover these ministry related costs.

5. Offer Time Off and Time Away

Pastors work long hours every week. The demands of leading the church, preparing for worship services, and caring for the flock can be non-stop.

Church leaders and congregations need to honor their pastors' weekly time off and vacation time. Some pastors say they can't afford to take time off with their families. Church members who have access to a vacation property, timeshare, RV equipment, unused frequent flyer points, etc., can offer these to their pastors or church staff members who need time away but can't afford it. Also, after pastors have served for six years, consider providing them

Pastors and church staff members are God's servants, and church boards, leaders and congregations are responsible to God to care for them well.


with some God-honoring sabbatical time during their seventh year to help them rest, restore and refocus their lives.

6. Legally Approve Housing Allowances for Pastoral Staff

In America, current laws allow pastors to receive parsonage or housing allowances free of federal income taxes. This is a major financial benefit for pastors that can be easily implemented by churches. But it is important for churches to properly follow IRS guidelines to make this legal for their pastoral staff members. If housing allowances are not properly approved, pastors and churches can face back taxes, fines and penalties.

7. Conduct Annual Reviews and Planning Sessions

Being a pastor can sometimes be a lonely and difficult job. Oftentimes pastors hear negative comments about all sorts of topics — the sanctuary is too cold or warm, the music is too loud, the sermon is too long and on and on. A good practice for a pastor is for a small group of two or three lay leaders to conduct an annual review with the pastor and review together the good things that have happened, possible areas of improvement, a compensation discussion and review, and positive plans for the coming year.

Pastors and church staff members are God's servants, and church boards, leaders and congregations are responsible to God to care for them well. Galatians 6:6 (NLT) says, "Those who are taught the Word of God should provide for their teachers, sharing all good things with them." By taking steps to follow many of these Best Practices, church leaders and congregations can bless their pastors, allowing them to do their service with joy and financial freedom. 



More Resources for Pastors and Churches

Visit [NAEfinancialhealth.org](https://www.nae.org/financialhealth) for resources on Personal Finances, Church Generosity, Pastor Compensation and other topics.

Go to [BlessYourPastor.org](https://www.blessyourpastor.org) to access materials to help your church Bless Your Pastor.

When Compensation Comes Up Short

The State of Pastoral Finances





L. Roy Taylor is the stated clerk of the Presbyterian Church in America and chair of the board of the National Association of Evangelicals.

I served as a PCA pastor for 16 years and a seminary professor for 10 years, before coming to my present position as stated clerk of the General Assembly of the Presbyterian Church in America. So I experienced the challenges and frustrations a lot of pastors face financially.

Appropriate Compensation

A lot of ministers consider it unspiritual to negotiate with the search committee concerning their total compensation. I served two churches; in both instances I simply listened to the total package the churches offered and only made suggestions as to the breakdown of the total. According to research from the National Association of Evangelicals with over 4,000 senior pastors, 50 percent make \$50,000 or less per year.

Like many pastors I had no training in business and finances. I went to a Christian college for a pre-seminary degree. I attended three theological seminaries. But in well over a decade of higher education, I did not have a single course in financial management. I had to pick it up for myself from family, friends, and my own reading.

In my denomination, a college and seminary degree are usually required for ordination, equivalent to the number of years of education a lawyer would receive. I served churches whose members' average income was higher than mine. Until our oldest went to college, my wife, Donna, was a stay-at-home mom. Like most parents, my wife and I wanted our children to have similar, though not the same, advantages as their church friends. That was difficult, even with lower expectations.

Retirement Woes

When I began ministry, I had the opportunity to opt out of Social Security. In order to do so I had to sign Form 4361 that "I am conscientiously opposed to, or because of my religious principles ... the acceptance ... of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care."

My father died when I was three months old, leaving my mother a widow with three small children. My mother received Social Security payments until each child became 18 years old. I could not opt out of Social Security because I simply thought it was a poor investment. I could only opt out on the basis of religious conviction. Therefore, I did not opt out. Now as I approach retirement, I am glad that I did not opt out of Social Security.

In 2010 our denomination's Retirement Benefits, Incorporated (PCA-RBI) commissioned a survey of PCA ministers and discovered that about one-third had opted out of Social Security and therefore would receive no Social Security benefits, including Medicare. That poses a significant mercy-ministry challenge for our denomination.

RBI is seeking to raise millions of dollars to assist ministers and their families as the ministers retire or die. Though no follow-up survey has been commissioned since 2010, it is hoped that the situation has improved somewhat. PCA-RBI has published "Call Package Guidelines" to assist search committees, sessions (boards of elders) and presbyteries in providing for pastors adequately.

Many Baby Boomers are not financially prepared to retire. Baby Boomer ministers may be less prepared. Though longevity has increased and people are healthier than in previous generations, some pastors are delaying retirement primarily for financial reasons. They cannot afford to retire. Fifty-eight percent of pastors have less than \$50,000 set aside for retirement. With more ministers delaying retirement, some ministry opportunities that retiring ministers would have vacated are not available for ministers graduating from seminary.

Some churches have been faced with awkward circumstances in which the pastor needs to retire due to his diminishing abilities and energy for the good of the church, but is unable to do so for financial reasons. The PCA began in 1973 with a shortage of ministers; in 2019 we have more ministers than we have paid ministry positions. Some, though certainly not all, of that surplus is due to ministers' delaying retirement for financial reasons.

Total Call Package

Defined Benefits Retirement programs are the rare exception rather than the rule in denominations today. Ministers and church staff members are responsible to contribute to their

own retirement accounts, though churches and ministries are encouraged to contribute additionally to their ministers' and church workers' retirement accounts.

Some churches just provide a "total call package" and expect the pastor to come up with a formula to how to allocate the various items such as salary, housing allowance, state income tax, federal income tax, self-employment tax, medical insurance, and retirement contributions. Many churches do not realize that the portion of the "total call package" the pastor has left on which to support the family is considerably less than the "total call package."

Medical insurance costs have increased for everyone. Denominational health insurance plans are going out of business due to adverse selection, which makes medical insurance for pastors more difficult to obtain and more expensive. Nearly 60 percent of pastors do not receive any retirement or healthcare benefits from their church.

Seminary Debt

I finished my higher education through to a doctoral degree with no student loan debt whatsoever by working my way through school, my wife working to help, and through benefactors' support that kept tuition low at the institutions I attended. Up until the late 1960s many denominations did not charge any tuition for their members to attend their seminaries. There were often reduced rates for pre-seminary students in denominational colleges. A few well-endowed seminaries still underwrite a majority of students' theological educations.

The PCA has assessment centers for potential missionaries, church planters and campus ministers. The assessment process is to determine candidates' spiritual growth, gifts for specialized ministry, marriage stability, psychological stability, and includes a component on financial debt. Sadly, some otherwise well qualified candidates are turned down due to high indebtedness, particularly student-loan debts. Still, some of those ministers become pastors, as churches do not consider the debt load of a potential pastor when they issue a call.

A law school, dental school or medical school graduate has a reasonable expectation to have sufficient income to pay off his or her student loans within 10 years of graduation. A pastor does not necessarily have that expectation.

Hard Decisions

Recent seminary graduates who are called to small churches face immediate financial challenges paying for the needs of growing families and servicing their student loan debts. The first thing to be omitted is retirement preparation, which may not be regretted for decades. The next is often health insurance, which may be quickly regretted.

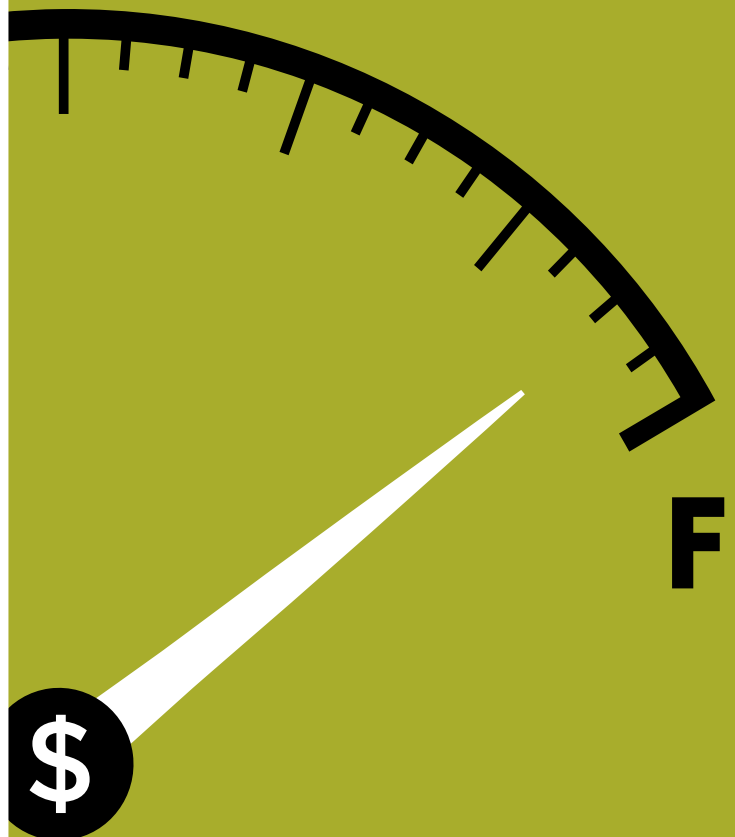
Looking back, I wish I as a young man had listened to some wise financial counsel given me. I wish I had made some wiser financial decisions. But I am grateful that I will have the resources to retire from full-time work someday.

With due apologies to John Wesley, who is quoted as saying, “Earn all you can, save all you can, give all you can,” my wife and I have developed our own strategy over five decades of married life: First, don’t live beyond your means. Second, live within your means. Third, learn to live below your means, all while saving and investing wisely and giving to the Lord’s work.

A New Day & New Resources

The long-term solution to pastors’ financial challenges has a number of components for pastors themselves, congregational leaders, denominations, networks, educational institutions, and foundations. An important and essential component of that solution is pastoral training in wise financial management. I am glad that the NAE is taking the initiative to provide online video courses that help pastors with personal and church finances, and through a major grant is able to offer matching funds to several denominations to help their pastors with retirement readiness, student loan repayment and medical assistance grants. ¹

First, don’t live beyond your means. Second, live within your means. Third, learn to live below your means, all while saving and investing wisely and giving to the Lord’s work.





Getting Pastor Compensation Right

If you struggle with how to set fair pay for your pastors and church staff, you're in good company. Setting compensation involves people, emotions and money — making it a challenge for any church leader.

When determining budgets each year, there are usually competing factors to consider. For instance, how does your church handle a downturn in annual giving while seeking to hire new staff? What about an unseen repair to the leaky church basement versus giving well deserved raises? All of these needs are vital to the ministry of your church, but there is only so much in the budget to go around.

As a church leader, you want to empower your pastors and staff. You want them to live into the call God has placed on their lives. But since 45 to 55 percent of a typical church's total budget goes toward paying personnel, you also need to steward the resources entrusted to you well.

How can you effectively maximize the money invested in compensation? It starts by changing the mindset of your church leadership. Rather than asking, "How much is enough?" begin to ask, "What is fair, or even generous to our staff?"

Such a shift requires a change in a church's culture — and that requires time. But two immediate steps can be taken to help this transition.

Step #1: Find and Use Good Data

One reason church leaders struggle to set fair pay is because they lack basic information. David Fletcher, who possesses nearly four decades of ministry experience and runs XPastor, a site serving executive pastors, encourages church leaders to use a mix of data sources to set compensation. For example, compare church-specific salary data from a tool like ChurchSalary alongside salary data from the local school district. Telling your congregation a pastor makes an amount similar to a local high school principal gives a range that is more easily understood and can be referenced online without giving an exact dollar amount.

Beginning with this type of information can help church leaders find the balance between the salary budget available and the types of reasonable compensation ranges the church should consider for its pastors and staff.

Step #2: Determine Reasonable Compensation Packages

After you identify your church's data sources, it's time for the hard work of deciding on fair compensation for each position.

A tool such as ChurchSalary allows you to dig deeper into the nuances affecting pay and benefits.



On the individual side, how many years of experience does this person possess? How much education did he or she attain? Is this person ordained? What unique gifts and talents does this person offer? What types of benefits, like a clergy housing allowance, might this person receive?

On the church side, what is your weekly attendance? Your annual budget size? Are you located in a high cost-of-living area? Does your church carry significant debt you need to pay down?

Fletcher suggests creating a four-quadrant salary grid for each position in your church. This grid should reflect the very lowest and very highest salary amounts you can and should pay for each position based on your research.

Such a tool can help your church plan salaries both now and in the future. This is especially helpful in situations involving budgeting hardships because it can map out a long-term plan to bring a pastor or staff member into a fairer compensation level. As Fletcher pointed out, honesty and integrity are vital in any conversation about money, but especially when communicating through a financially difficult time.

A four-quadrant salary grid can also be used during healthy financial times to make sure each position is fairly compensated. And creating a four-quadrant salary grid allows you to know how a new hire's salary might affect the church budget in years to come.

Looking Ahead

As you plan your church's compensation policies, it's important to consider outside trends that will affect costs.

The 2019 State of Church Compensation Report indicates employers, in general, expect to pay 3.3 percent more for employer-paid benefits this year. Among churches, the most common benefits provided to employees are paid vacations, health insurance, retirement contributions, housing allowances, and auto allowances.

Health insurance costs, in particular, continue to rise fastest among all benefits. Employers expect to pay, on average, 6 percent more for health benefits in 2019, while employee premiums are forecast to climb 5 percent. Currently, most churches pay an average of \$5,547 (or 29 percent of premiums for employees). It's critical to plan for rising healthcare costs and communicate the value your church provides to each employee.

The average expected raise in 2019 is 3.3 percent, which should slightly outpace the projected 2.5-percent increase in core inflation — good news for pastors and staff, but another cost increase churches must grapple with.

As your church leaders contemplate compensation packages and raises in the year ahead, carefully watch these indicators to see how your plans may need to be adjusted. If adjustments are not possible in the near term, then you should account for how these increases can be addressed over time.

Honoring the Work

The challenges of setting church compensation continue to grow with rising cost-of-living and decreases in annual giving in many churches. But a mindset of faithfulness, paired with

good data about church compensation, can help your church set salaries that honor your staff.

While it's true that "no one goes into ministry for the money," it's also a vital and holy ministry of churches to honor the work and call of their pastors and staff. An objective process that uses good data and open communication is a powerful step toward that end. **E**



Tips on Asking for a Raise or Negotiating a Job Offer

Start With a Plan

- Know who you should approach for a conversation about your salary (usually the executive pastor, a business administrator, another church leader or the church board)
- Think about the best time to approach your supervisor and ask for the conversation
- Come prepared to explain the value you add — share new responsibilities you've taken on, how your ministry has increased, or what goals you've exceeded
- Know the salaries of employees in similar-sized churches

How to Ask

- Be confident, not arrogant
- Respect your supervisor during the conversation
- Don't hold your church hostage — don't give an ultimatum or threaten to leave if you don't get the increase you are hoping to receive
- Graciously accept the response, then prayerfully consider if it meets your needs



Gary Hoag, known as the Generosity Monk, is a visiting professor for several seminaries and was previously a vice president of Denver Seminary.

The Role Seminaries Play in Pastoral Debt

What Research Says; What Solutions Exist

This article offers fresh solutions to two “elephant in the room” issues: rising seminary costs and pastoral debt. My knowledge of these topics comes from engagement with multiple seminaries since 2013 as part of an initiative funded by the Lilly Endowment Inc. called Economic Concerns Facing Future Ministers. Below I summarize these challenges, highlight deeper issues that surface, and share how innovative steps taken by a few schools are making seminary affordable and leading current and future pastors to financial freedom.

Rising Seminary Costs

Many blame the problem of pastoral debt on the rising cost of tuition at seminaries. Others pin the problem on the government for making loans too easy for students to access. The loans can be (and in many cases are) used not just for school but for living expenses, such as transportation, rent and a range of consumer purchases. Early research showed that student debt did not correlate with the cost of education. For example, whether students received scholarships or not, many were borrowing large sums of money just because they could. So, the solution was not simply to increase financial aid!

Two deeper issues also emerged from this research. First, seminaries must find a way to deliver affordable theological

education in a manner that does not require students to incur debt. Second, many schools provide little or no biblical instruction on the handling of money.

Greg Henson, president of Sioux Falls Seminary, admits, “We as seminaries were partly culpable. We had not changed our programs in decades, but we kept raising tuition rates annually. It almost put us out of business. Students could no longer afford to attend. Only when we did the hard work of changing from a tuition-based system to a subscription program and made biblical teachings on money central to the curriculum did the tide turn.”

Four years ago, Sioux Falls Seminary had 15 students in its Kairos Project, a contextually integrated and cohort-based

seminary model. Today, they have 360, and student debt has dropped by 90 percent. Only 3 percent of students have student loans, while the national average is 49 percent. This model has lowered the cost of theological education to \$300 per month. Students can afford to go to seminary and learn about stewardship in the process.

Pastoral Debt

When researchers looked at pastoral debt, many wondered why today's students were not pulling themselves up by their proverbial bootstraps and getting through school debt-free like the generations of pastors before them. (Notice the toxic underlying bias toward shame and blame.)

The data revealed that today's students face different social and financial dynamics. About half come from broken homes. Many have little or no support from family to attend seminary. Most say that their parents never taught them about handling money.

In scrutinizing this complex situation, two concerns loom large.

First, seminaries need to create safe, grace-filled settings in which they provide biblical instruction and financial counseling to help current and future pastors get out of debt. Second, they must also make structural changes to lower student debt.

Some schools are taking strides in both areas, such as Northern Seminary. They piloted a Faith and Finances course with biblical teaching and financial counseling in 2016. Students said the content and financial counseling was so valuable that they thought every student needed to be exposed to it. So, they got creative. Since then, they have annually offered a free "no shame, no blame" Faith and Finances seminar for current and former students (and their spouses if married).

Bill Shiell, president of Northern Seminary reports, "Hosting the annual Faith and Finances seminar was part of a larger strategy to lower pastoral debt and reverse years of shame and blame. In the last three years we made systemic changes to help all students. We reduced the cost of the M.Div. and created a zero interest loan program to discourage

borrowing from the federal student loan program. We also increased direct financial aid to women and persons of color to balance long-standing inequities in the financial aid and scholarship system. Today, 59 percent of scholarship recipients are persons of color and 53 percent are women."

These efforts are making a measurable difference. Average graduating student debt has fallen to \$4,400.

New Garments and New Wineskins

Problems like rising seminary costs and excessive pastoral debt are complicated. Solving them requires research and hard work. As Jesus put it in Luke 6:36-39, we cannot sew new patches on old garments or put new wine in old wineskins. We need new garments and new wineskins. Schools that are innovating and instituting systemic changes are making seminary affordable and setting current and future pastors free from debt. ❶



Join the Movement to Show and Share God's Love for Pastors

Being a pastor is difficult work. Many pastors work long hours and are not paid well. The Bless Your Pastor national campaign is an opportunity for church congregations to find creative ways to care for their shepherds.

Churches

It's easy to launch and spark excitement for the Bless Your Pastor campaign in your church. NAE's free resources include a short training video for church boards and leaders and a toolkit with a brochure, template letters, videos and graphics to organize this effort in your church.

Partners

We welcome any denomination, broadcaster, publication or ministry that serves churches to become a campaign partner. You will receive a customized **BlessYourPastor.org** URL popup or landing page, as well as ready-to-use articles, ads, graphics and more to promote the campaign in your network.

Visit **BlessYourPastor.org** to sign up
for free resources.





How Water Damage Turned Into Blessing

There are many ways that the NAE Financial Health online courses blessed me and our church. To start, I received practical ideas to implement. I switched health insurance providers to save \$2,400 annually, bought airline tickets with points, met with a financial planner, learned how to set appropriate staff salaries, and started annual compensation reviews for church staff, among other things. But most important, through the courses, God grew my faith and reminded our church that he is our provider.

While our church leaders were going through the Church Generosity course, the church custodian found water damage in the church's crawlspace. Contractors then found that our church building had structural damage that would need to be fixed as soon as possible. What we hoped would be an easy fix turned into a \$100,000 project.

For a church of 135 people (including kids!), this price tag seemed insurmountable. Our church board started looking into loans, and in July, we told the church that we would begin a capital campaign in September to determine how large of a loan we would need.

In August, we received \$50,000 for the project from the estate of a member who recently passed away. A couple other gifts for the building project came in before we specifically asked people to give toward it. We were thrilled to send a letter to our church saying that \$56,000 had already been committed to the building project. The next day we received an anonymous gift of \$35,000 for the building project. (I initially thought it was a scam!)

On the first Sunday in September, I planned to update the church on the building project and launch the capital campaign at the end of the service. However, after our normal offering, our board treasurer who counted the offering that day slipped me a note with tears in his eyes. We received (or had committed) another \$31,000. Before we launched our capital campaign, we had \$22,000 over our goal!

God had provided in ways that we could not have foreseen. A theme that runs throughout the Personal Finances and Church Generosity online courses is that God is our provider. Our water damage/major building project reminded us that he certainly is. **E**





On Taxes for Pastors & Churches: Vonna Laue

Vonna Laue serves as an executive vice president at the Evangelical Council on Financial Accountability. Before coming to ECFA, Vonna spent 20 years, most recently as a managing partner, with a national public accounting firm specializing in service to Christian ministries in the areas of audit and consulting. There she served in organizational leadership as well as providing services to meet clients' various needs. Vonna earned her B.S. degree from Black Hills State University and her M.B.A. degree in leadership and human resource management from the University of Colorado.

WHAT ARE THE MOST SIGNIFICANT TAX ISSUES PASTORS AND CHURCHES SHOULD KNOW ABOUT?

There are a couple of fundamental tax issues for pastors and churches to understand. First, if a pastor is licensed, commissioned or ordained and performing ministerial duties, he or she must be treated as a minister for Social Security tax purposes. This results in the pastor being treated as self-employed for Social Security and Medicare tax purposes. The church should not withhold and remit Social Security and Medicare taxes for the pastor. The pastor can choose to voluntarily have amounts withheld as federal income tax through the church payroll processing rather than paying quarterly estimated tax payments.

Second, ministers may also have a portion of their salary designated as housing allowance. This amount must be designated by the church governing board and can only be done prospectively. The amount the pastor is able to exclude from income tax is limited to the lower of the amount designated, actual expenses incurred, or the fair rental value of the home plus utilities.

WHAT ABOUT ISSUES RELATED TO THE 2017 TAX REFORM?

With no personal exemptions, the increased child tax credit, and the difficulty of qualifying to claim deductions, many ministers were surprised at their amount due or the amount to be refunded on their 2018 federal tax returns, which could have been much lower or higher than expected. Two aspects of tax reform were especially painful for ministers for 2018 taxes: moving expenses and unreimbursed ministry expenses.

In 2017 and prior years, churches could reimburse moving expenses to a minister or directly pay the moving expense with no income tax impact to the minister. Such payments are now fully taxable for both income tax and Social Security purposes.

Previously ministers could deduct unreimbursed church-related expenses on Schedule A. For example, if a church did not reimburse a minister for business miles driven using a personally-owned vehicle and other business expenses totaling \$5,000, the amount could have been deducted. In 2018, nothing is deductible for federal income tax purposes. This represents a planning opportunity for churches to reimburse all of a minister's church-related expenses under an accountable expense reimbursement plan.

These and many more issues are explained in ECFA's "Zondervan Minister's Tax and Financial Guide" and the free eBook, "Minister's Taxes Made Easy."

SHOULD CHURCHES PAY THE NEW 21 PERCENT TAX ON PARKING AND OTHER TRANSPORTATION BENEFITS THAT NONPROFITS PROVIDE TO THEIR EMPLOYEES? WHAT ABOUT FILING THE IRS FORM 990-T?

In December 2018, the Treasury Department issued some guidance that eliminated the need for most churches to pay this tax. However, many churches will need to make calculations to determine if they are subject to the tax. This may be a painful process due to the complexity of the law and the Treasury's guidance. If it is determined that a Form 990-T is required, it should be filed and any related tax should be paid. The nonprofit parking tax is confusing and may result in diverting church resources, time and money away from their ministry programs.

WHAT ARE THE PROSPECTS FOR REPEALING THIS "PARKING LOT TAX"?

ECFA initiated a letter in 2018 with 2,700 organizations signing on, requesting Congress to repeal the tax. Based on this effort and assistance from NAE and other organizations, many members of Congress now agree that the onerous tax should be repealed. With several bills calling for repeal of the tax already introduced in the 2019 session of Congress, there is an increasing likelihood that the tax will be repealed this year. A lingering question is whether repeal would be retroactive to January 1, 2018, when the law first became effective, or a later date.

THE 2017 TAX BILL DOUBLED THE STANDARD DEDUCTION FROM \$6,000 TO \$12,000 FOR INDIVIDUALS AND FROM \$12,000 TO \$24,000 FOR COUPLES, AND LOWERED TAX RATES. HOW DO YOU THINK THIS WILL IMPACT CHARITABLE GIVING AND CHURCH BUDGETS IN COMING YEARS?

The short answer is "No one knows." The long answer is "No one knows." We do know that the 2017 tax reform bill will reduce the share of itemizers for 2018 and subsequent years from 30 percent to about 10 percent. While the goal of tax simplification seemed like a good idea overall, many are concerned about the long-term ramifications of removing the tax incentive for charitable giving from one-fifth of all tax filers.

THERE HAVE BEEN SOME MOVEMENTS OF PASTORS OPTING OUT OF SOCIAL SECURITY. HOW IS THIS PLAYING OUT?

We are not aware of any specific data indicating any change in the pattern of ministers who are staying in or opting out of Social Security. The key issue is whether ministers should even consider opting out. At ECFA, we are continually in communication with ministers who opted out because they didn't want to pay self-employment Social Security tax and/or believed they could make better use of the money by investing it elsewhere. Opting out for these reasons simply does not comply with the law. The only legitimate basis to opt out of Social Security is if a minister is conscientiously opposed to, or because of religious convictions is opposed to the *acceptance* (emphasis added) of Social Security benefits. **E**



For years, ministers have trusted the **Zondervan Minister's Tax and Financial Guide**, created in partnership with the Evangelical Council on Financial Accountability, to save time and money. This easy-to-understand workbook simplifies the tax code and offers dozens of tips to reduce your tax bill. The guide can be ordered at ECFA.org or Amazon.com. The ECFA also offers a free eBook, **Minister's Taxes Made Easy**, at ECFA.org.



When Hope-Givers Run Low on Hope

Hope. People come to church looking for hope. Most have experienced challenges and discouragement over the past six days. Many feel beat up by the circumstances of their lives. They don't come to church to be beat up for the seventh day in a row. They come looking for hope. Hope gives them the strength to leave last week behind and launch into the new week ahead. Hope dreams of a better tomorrow. The central core of our Christian faith is good news. Jesus is all about salvation and good news. Jesus is all about hope.

Pastors are primary agents of Jesus and the gospel in America's 350,000 churches. But, what if the pastor runs low on hope? The pastor who is tired, stressed, broke and discouraged may be like the car running on empty that can't make it all the way home. Pastors need hope to give hope.

Shepherding people, leading churches and preaching is a difficult but wonderful calling. Pastors know more about people's problems than just about anyone. Pastors pray for children in the hospital, celebrate couples at their weddings, introduce sinners to salvation and teach the truths of Scripture week after week. Many wouldn't trade their job even on the most difficult days.

The problem is that this wonderful and difficult calling often comes with debt and financial stress. Too many pastors are not paid enough to raise a family, keep health insurance, make the rent or mortgage payment and repay student loans. They are reluctant to share their needs with their congregations as credit card balances grow and family stresses multiply. Solutions like finding a second job, skimping on food or not making payments can make everything worse.

Besides the pressures on pastors and their families, our church shepherds start to run low on hope. They can't see a way forward. They are weary from work. They worry about their marriages and children. They are discouraged. When they run low on hope they stumble trying to give hope to others. And, when the whole church starts to run low on hope a downward spin can accelerate.

What to do? It takes a team to share the challenges, develop a plan, support the pastor and fill the congregation with hope. It's seldom easy to do all this, but it can be empowering, exciting and transforming. Pastors and churches who fully bless and support one another become the best of all that it means to be the family of God.

What does the Bible say? 1 Timothy 5:17-18 is financially clear — even suggesting the doubling of the pastor's pay. **E**

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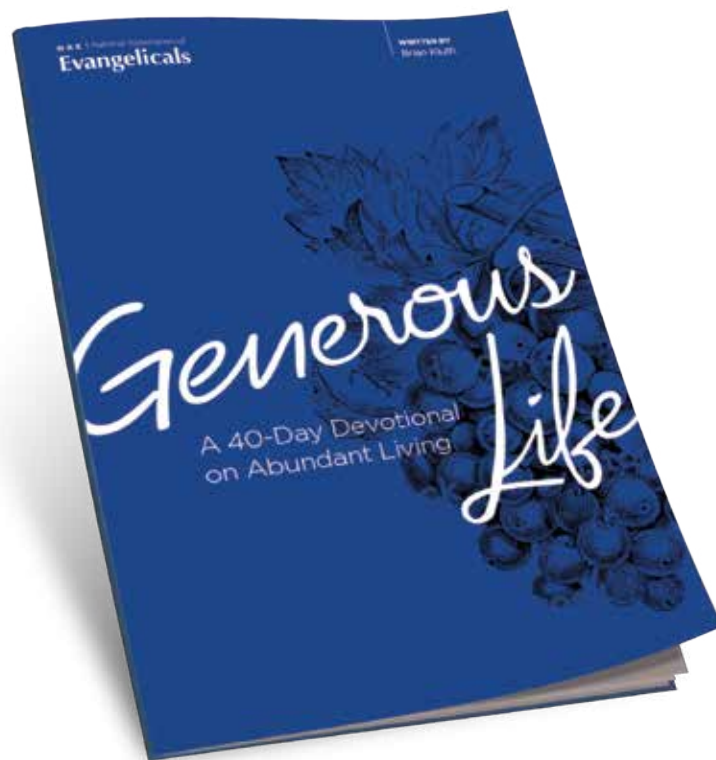
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