



## Financial Compensation for Pastors

(Updated 2/1/17)

1. The relationship of a congregation and its pastor is much more than that of an employer and employee. Pastors are called to be servants of the Lord and the congregation is to prayerfully seek God's grace and wisdom in providing for the temporal needs of its pastor. Instead of a burden or an obligation, the congregation is to prayerfully and joyfully give to the Lord's work including the support of their pastor. The AFLC does not have a mandatory salary package that congregations must follow. The AFLC President can help answer questions and give suggestions in this area.
2. In the installation service for our AFLC pastors, the question is asked of the congregation: "And do you promise, as a Christian congregation, to pay your pastor promptly and faithfully the salary designated, and show him concern as he ministers among you, providing for his needs that he may labor among you without temporal anxiety?" A loving and caring attitude towards the temporal needs of the pastor helps to establish a bond with the pastor that contributes to an effective ministry within the congregation.
3. The leadership of the congregation is to develop a financial compensation package that would be fair and reasonable when calling a pastor. The following suggestions may inform the leadership team in developing a salary and benefits package;
  - a. Consider what the previous pastor was paid. Was there a pattern of salary increases during that pastor's tenure or was the salary not raised over a long period of time? Was the previous pastor satisfied with his salary or was this an issue as to why he left?
  - b. Contact the local public school administration and ask for the public information on the wages paid for a teacher with the same educational background and years of experience as the pastor you are considering. Keep in mind that most pastors have a four year college degree and three years of graduate school (seminary).
  - c. Larger churches may want to consider the salary of the Principal of the local school rather than the salary of a teacher.
  - d. Average income figures from the State or from other government resources may be considered, but these may not be specific enough considering the education and training required of a pastor.
  - e. Neighboring congregations may be willing to share what they are paying their pastors. This may also be a good starting point, but keep in mind that this information, if learned, should be held in confidence.
  - f. Some churches have tried a rather innovative approach by asking all members or all board members to anonymously submit their annual salary on a piece of paper. The average salary is then determined and used as a starting point for the pastor's salary.
4. The base salary is the amount paid to the pastor for his work. It does not include benefits. Information from the AFLC is available on our **401K plan**, disability insurance, and group term life insurance. The two insurance plans add to the value of the benefits package at a relatively low cost to the congregation. The **401K plan** is a positive way for the pastor to plan for retirement and many improvements have been made to this plan making it an excellent choice for the pastor.
5. The AFLC no longer has a group health insurance plan as it was discovered that individual/family plans were less expensive from other companies. Health insurance is an important and necessary part of the overall package. The premium costs, deductibles, and coverage should be compared between companies. Some pastors may be in high risk categories because of pre-existing conditions and might need the policies issued with state insurance plans.



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6. Salary packages may also include a provision for professional books, continuing education, and a plan for a sabbatical.
7. Vacation days, sick leave, family emergency leave, or other time off should also be designated in the letter of call. It is vital for the pastor to be encouraged to take care of himself and his family. A pastor in good health is able to serve the congregation much more effectively than one who works himself to exhaustion and burns out.
8. Congregations that provide a parsonage are to be aware that the parsonage is not a rent free benefit. Pastors who serve only congregations with parsonages must face the reality that they have no equity in a house when they retire. Unless they have received higher salaries and have carefully invested, they will have great difficulty in their retirement years. Some congregations have recognized this and have made provision for an equity housing allowance. This allowance is placed in a special fund for the anticipated purchase of a home in the future.
9. There are tax preparation and planning books for pastors as well as Certified Public Accountants who are able to advise churches on what is called a “cafeteria plan” of compensation. The federal government has within the tax code certain provisions to assist pastors. Part of the reasoning of this is that pastors are no longer considered self employed business people and yet are required to pay the self employed rate for social security. The church and pastor are advised to work together in following federal and state laws, taking advantage of the housing, professional, and other allowances, thus reducing the tax burden on the pastor.
10. There are certain church business expenses that are not part of the salary or benefits package. The mileage or car allowance is one of the most significant expenses. The congregation has an obligation to pay for all church business miles according to the maximum IRS allowable rates. The pastor must report the actual mileage, odometer readings, destination, and purpose of the trip to the church treasurer in a timely manner.
11. The pastor is expected to attend certain meetings on behalf of the congregation; these should then be paid for by the church. Included in this category would be the AFLC annual conference, AFLC pastor’s conference, Free Lutheran Youth (FLY Conventions), Bible camps, district pastors meetings, and other meetings agreed upon by the pastor and board. These trips and meetings are not part of the pastor’s salary, but are business expenses of the congregation.
12. The cost of moving the pastor to your community is also the responsibility of the congregation and should be included as part of the letter of call.
13. Congregations are encouraged to consider the direct deposit of the pastor’s salary to his personal bank account. This action helps the pastor in knowing that his check is always deposited on certain days of the month and in the event that he is out of town, or if the treasurer is unavailable, the pastor is still paid. Some churches use the services of a payroll service which is also able to send payments for insurance, pension plan, and voluntary tax payments. Pastors normally must pay the IRS and State revenue departments quarterly tax payments. These quarterly payments can be avoided if direct tax payments are made by the payroll service.