



# UNDERSTANDING MINISTRY COMPENSATION

Ministerial compensation is inherently complex. Unlike traditional roles, ministers often serve beyond the bounds of a standard 40-hour work week—responding to late-night phone calls, leading evening Bible studies, attending hospital visits, officiating weddings and funerals, and participating in countless other moments of care and connection. At Pension Fund of the Christian Church, we are committed to living out our mission, *For the Support of Ministry*, by equipping churches with resources to care well for their ministerial staff. Financial stress weighs heavily on many pastors, yet those who experience greater financial stability are better positioned to serve their congregations with focus, energy, and compassion. Below are components to consider when structuring a compensation package for your pastor.

## Components of Minister's Compensation

- **Salary**

- Fair and Living Wage
  - <https://livingwage.mit.edu/> (Hint: *Search for average salaries of careers with similar educational requirements, such as "Legal," "Health Practitioner," "School Principal," or "Social Work Supervisor."*)



- Cost of Living
  - <https://www.bankrate.com/real-estate/cost-of-living-calculator/>
  - Moving Expenses

- Cost of Living Adjustments
- Merit Increases

- **Housing Allowance**

- A minister can exclude housing-related expenses and claim them when filing taxes from the lesser of the following three amounts:
  - The official amount designated by the church;
  - The actual amount spent on eligible housing expenses; or
  - The fair rental value of the furnished home, plus utilities.
- The claim can be any amount up to 100% minister's cash compensation.
- It must be approved by official church leaders and documented in the meeting's minutes (annually).
- It is the minister's responsibility to maintain records and report a housing allowance claim to the IRS.

- **Social Security Off-Set**

- 7.65% of salary plus housing allowance (taxable income)
  - Ministers are both employees of the church and self-employed per the IRS. The Federal government taxes all wages at 15.3% to pay for Social Security and Medicare. Typically, an employer splits this cost with its employees (each paying 7.65%). Ministers, however, must pay the full amount (15.3%) as SECA.

- **Job-Related Reimbursable Expenses**

- Mileage (hospital calls, visitations)
  - <https://www.irs.gov/tax-professionals/standard-mileage-rates>
- Mobile Phone
- Study (Books, Subscriptions, Digital Content)
- Retreats, Conventions, Clergy Meetings
- Business-related Meals (“Hospitality”)
- Continuing Education Fees and Travel
- Ministry Supplies

- **Benefits (Separate Budget Line Items/**

**Non-taxable)**

- Retirement Contributions\*
  - **Pension Plan:** Dues are equal to 14% cash compensation (salary, housing allowance, Social Security off-set).
  - **TDRA 403(b):** Employers may make contributions to the pre-tax TDRA 403(b), and participants can make contributions through salary reduction to support additional retirement savings.
- Healthcare
  - Insurance or Stipend
- Paid Time Off
  - Vacation (*Note: PTO is not used for church camps and/or mission trips.*)
  - Sickness
  - Family Care
  - Parental Leave\*\*
  - Sabbatical

\*Learn more about [submitting contributions and deposits](#) to Pension Fund.

\*\*Pension Fund can help your congregation with Parental Leave Assistance. Visit [pensionfund.org/MRA](http://pensionfund.org/MRA) to learn more.



## Did you know?

**53%**

of pastors are concerned about their future family financial security.

<https://www.pastoralcareinc.com/statistics/>

## SAMPLE BUDGET

Budget Item	Amount
<b>Salary</b>	
Minister's Salary & Housing	\$55,735
Minister's Social Security Off-set	\$4,265
<b>Total Cash Compensation</b>	<b>\$60,000</b>
<b>Benefits</b>	
Retirement Contributions	\$8,400
Healthcare	\$12,000
Savings for Sabbatical	\$1,000
<b>Total Benefits</b>	<b>\$21,400</b>
<b>Business Expense</b>	
Auto Allowance (reimbursed at IRS mileage rates)	\$1,700
Books, Subscriptions, Digital Content	\$300
Continuing Education	\$1,000
Hospitality	\$500
Conventions & Meetings	\$1,500
<b>Total Business Expenses</b>	<b>\$5,000</b>
<b>Total Compensation</b>	<b>\$86,400</b>