

# How Churches Structure Financial Support for Ministers



## LUMP-SUM PAY PACKAGE APPROACH

*The church designates a total lump sum amount usually equal to the church's total cost to fund a ministry position. The minister is then responsible for determining the amount to be allocated for each item in the financial support package.*

*Example: A church provides a \$ 50,000 total package. The minister must then determine amounts allocated for expenses, retirement, insurance, housing, etc. The church is more concerned with the "bottom-line" total cost and less concerned with the breakdown.*

### Reasons a Lump-Sum Pay Package Approach should NOT be used:

1. It creates a **FALSE PERCEPTION** of a minister's true compensation. People often equate the total package amount to real compensation. In reality these two numbers can be dramatically different.
2. It is an **UNREALISTIC EXPECTATION** to make of many ministers. Compensation issues, taxes, and other financial issues is not a main strength for many people. Ministers are no exception.
3. It generally results in **HIGHER TAXES** for a minister. Some parts of the financial support package can become taxable income unless they are set up correctly by the employer (church).
4. It can result in **INCREASED RISK EXPOSURE** for the minister, the minister's family and for the church. If the minister opts to exclude certain protection benefits, it can later mean added financial risks for the church.
5. ***When using a lump sum, the church is handling compensation in a way totally unlike other employers and ministers are being asked to accomplish something not expected of other employees in other lines of employment.***



## AN EMPLOYER STRUCTURED FINANCIAL SUPPORT PLAN

*This is by far the best method. It's important for churches to move away from the "Lump-sum package." As a responsible employer, a church should determine each element of the financial support plan. When needed, there can still be adequate provision for flexibility and negotiation regarding certain elements.*

### Advantages of This Approach

1. The church can know the real compensation. Otherwise the total cost to fund having a certain ministry position is incorrectly equated with the compensation.
2. It does not force the minister to make major, life impacting decisions in an area where they may lack needed expertise. It recognizes that many ministers have limited training and experience in financial matters.
3. It helps assure that the minister's compensation will be reported correctly to the IRS and will generally reduce the taxes owed by the minister.
4. It increases the likelihood a minister will have adequate financial protection for themselves and their family. In turn, this may reduce the potential financial liability a church may assume in certain situations. This helps insure that church funds are spent appropriately.
5. Clearly defined policies of financial support may extend the tenure and effectiveness of church employees. A correctly designed financial support plan shows your church really cares for the people it calls to serve.