

# Help Pastors Get the Most Out of Every Dollar.

Pastors have an important job. The balancing act is demanding and never stops. This is why GuideStone® wants to work with you to support your pastor(s) and equip your church in the area of financial wellness. As you begin next year's planning process, you will want to make the most of every dollar your church invests into every facet of your ministry. Your pastor's salary is no different.

As a church, you have the difficult challenge of taking care of those who serve on your staff, while also seeking to be good stewards of limited financial resources. GuideStone wants to help provide guidance in your pastor's compensation planning. Unfortunately, many pastors are losing out on cash earnings because of the way their benefits are bundled. Most churches choose to compensate their pastors in one of two ways:



## Lump Sum Package Approach

**Not Recommended**

The church sets aside money to pay their pastor but then tasks him with the responsibility of allocating salary dollars toward insurance payments or retirement contributions on his own. This can lead to financial hardship for the church if a minister does not set aside a portion for his insurance coverage. Plus, it can distort the amount of actual income available for his family, leading to potentially higher taxes but less cash salary.



## Salary & Benefits Approach

**Recommended**

The church assumes the responsibility of paying for the entire benefits package – still providing the same amount of compensation – but the pastor takes home more at the end of the day since some line items – including his benefits – are excluded from taxes or are designated for other purposes such as his housing allowance.





## Lump Sum Package Approach<sup>1</sup>

Cash salary, net of housing allowance	\$45,000
Housing allowance	\$20,000
Medical insurance premiums paid by minister	\$21,500
Pastor contributions to Church Retirement Plan	\$6,500
Car expenses (nonaccountable plan)	\$2,000
Business & travel expenses (nonaccountable plan)	\$2,500
Ministry expenses (nonaccountable plan)	\$1,000
Continuing education expenses (nonaccountable plan)	\$1,500

Church Spends **\$100,000**

### Tax Impact of Lump Sum Package Approach

- **\$73,500 subject to tax**   
(all items except housing allowance and church retirement plan contributions)
- Assuming 13% tax rate<sup>2</sup>, **\$7,340 tax liability**   
(without taking into account SECA or deductions)

Take-Home Cash: **\$37,660**





## Salary & Benefits Approach<sup>1</sup>

Cash salary, net of housing allowance	\$45,000
Housing allowance	\$20,000
Medical insurance premiums paid by church	\$21,500
Church contributions to Church Retirement Plan	\$6,500
Car expenses (accountable plan)	\$2,000
Business & travel expenses (accountable plan)	\$2,500
Ministry expenses (accountable plan)	\$1,000
Continuing education expenses (accountable plan)	\$1,500

Church Spends **\$100,000**

### Salary & Benefits Approach

- **\$45,000 subject to tax**   
(only cash salary)
- Assuming 11% tax rate<sup>2</sup>, **\$3,220 tax liability**   
(without taking into account SECA or deductions)

Take-Home Cash: **\$41,780**

**Knowing what tax strategies to use is pivotal** to develop a comprehensive financial plan for the benefit of your ministry. Visit [GuideStone.org/CompensationPlanning](https://www.guidestone.org/CompensationPlanning), call GuideStone Customer Solutions at **1-888-98-GUIDE** (1-888-984-8433) or email [Info@GuideStone.org](mailto:Info@GuideStone.org) to request a copy of the *Compensation Planning Guide*.

<sup>1</sup>These hypothetical examples are provided for illustrative purposes only and are intended to demonstrate potential tax implications of different compensation approaches for ministers. Tax treatment and results may vary based on individual facts, assumptions, and applicable law.

<sup>2</sup>Federal income tax rates are based on 2026 tables for a single taxpayer.

<sup>3</sup>This educational information is not intended as legal or tax advice. Ministers or churches with specific legal or tax questions should consult a legal or tax advisor who understands ministerial tax issues.