



American Baptist Churches of the  
**GREAT RIVERS REGION**

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Dear Church Leader,

I am writing to you because you have been entrusted by your Church with a position of special responsibility. My concern is the compensation of your Pastor (and other ministerial leaders).

Most churches will soon begin the budget process for 2012. While this process is different for every Baptist church, one common component is the compensation of your ministerial leader(s). Enclosed is some information that I hope the appropriate budget planners will find helpful as your Church considers how to fairly compensate your ministerial leader(s) in 2012. It is impossible to propose a "one size fits all" solution to ministerial compensation. Some of the variables are identified in the enclosed information. You should be aware that CPI ("cost of living") has increased 3.6% over the last 12 months. Leading the increase was fuel costs (and everything related to that) and medical care.

Like most service organizations, personnel costs represent a large portion of the Church budget (typically 35 to 65%). Increasing utility and medical insurance costs impact all of us. Personnel costs, along with building maintenance and mission support, easily become a target for cost-cutting. In the long run, this works against the Church. I trust that you will be faithful to your ministerial leaders in 2012. If you have not made financial stewardship education and promotion a regular part of your discipleship program I urge you to plan for that in 2012.

If you need help, please do not hesitate to contact the regional staff minister assigned to your Area; or call me.

Sincerely,

## Ministerial Compensation Issues

For various reasons, church staffs and church budget committees get very interested in ministerial compensation in the Fall. Given our lingering economic difficulties the discussion is sure to be hard this year. Please let me share with you some facts and figures, as well as some interpretations, and some suggestions.

The national average compensation (salary+housing allowance+utilities) for ABC ministers compiled by MMBB is \$48,304. In the Great Rivers Region, the average ministerial compensation for full-time pastorates is \$46,012. While such averages are helpful, there are also several cautions with using them. For one thing, the outcome is dependent on what figures are included. In this case, only ministers who participate in the MMBB retirement plan are included – we do not have statistics for others. Further, averages are skewed by extremes at either end, and may not represent the majority. Finally, “average” feeds a “get by” psychology. Are you satisfied that your church be “just average” or are you striving to be all you can be with all God has given you?

Ministerial compensation is complicated. Much of that complication is due to IRS regulations. Pastors are NOT exempt from paying taxes. In fact, they are considered “self-employed,” and therefore pay additional taxes that typical wage-earners do not. At the same time, some expenses are not considered as taxable income IF they are separated appropriately and there is an accountability structure in place. Gifts, interest free loans, etc., are considered income by the IRS and are taxable.

A 2012 package (adjusted for cost of living and including benefits and work-related expenses) for the pastor of a “typical” GRR church would be:

Item	Amount
<b>CASH COMPENSATION</b>	<b>\$47,000</b>
Salary	\$31,000
Housing	\$10,000
Utilities	\$6,000
<b>BENEFITS</b>	<b>\$20,100</b>
Health Insurance (NOTE 1)	\$13,770
Retirement	\$7,600
<b>WORK EXPENSES (NOTE 2)</b>	<b>\$5,700</b>
Professional Expenses (books, continuing education)	\$1,500
Auto Expenses (about 150 miles a week)	\$4,200

**NOTE 1:** Health insurance is highly unpredictable. This figure is the national average for family coverage in a group plan.

**NOTE 2:** Work expenses are NOT compensation or benefits, they are reimbursements for what the pastor spends in doing the work of the church and require a documented reimbursement plan.

Lots of variables figure into the exact amount which would be appropriate for your church: the location, actual housing costs, the education and experience of your pastor. While churches should consider all these things (and not just copy a thoughtless percentage increase they heard somewhere), there are some constants which should be considered.

First: An increase in something like health insurance premiums is NOT a “raise” for your pastor (just as it is not a raise for any other wage-earners in the church). Though it is an increase in operating costs for the church, the IRS will not consider this a “raise,” and neither should churches. It is misleading to speak of a “raise” in the pastor’s salary, when health insurance premiums increase at the same time that direct cash compensation

remains the same. Because most church members do not see the total cost of their own employment, they tend to think of the entire pastoral staff cost package as pastoral salary, comparable to their own salary. However, employers spend an average of \$29.71 for employee costs per hour. Only 70% of that is actual salary; 30% is benefits. Health insurance is the largest single employer benefit cost. It has increased nearly 50% since 1999.

Second: Consider the training of your pastor in comparison to other professionals in your community. For the Midwest, we find some interesting figures on salaries from last year (source: **National Compensation Survey January 2011**, U.S. Department of Labor, using figures from the Midwest, Table 11):

Third: Consider your recent history of compensation increases. If your church has been generous for the last several years, a comparable level of generosity is appropriate. However, if your church has given sub-standard increases for several years running, it is time for a significant increase in your compensation package, because your pastor's income has been slowly but surely eroding.

Fourth: A crass but highly practical reason. Do you want to keep your pastor? While those of us called to ministry do not expect to become wealthy, we must feed and clothe our families at the same costs as everyone else.

Fifth, and most important. It is a matter of economic justice and fair play. *Do unto others as you would have them do unto you.*

How to help both the church and the pastor as you think about compensation:

1. Establish a fair base salary.
2. Use a designated housing allowance (be careful of IRS rules here!).
3. Establish adequate reimbursement accounts and accountable procedures for business expenses (automobile, convention, continuing education, books, etc.).
4. Establish a flexible spending account to assist with medical expenses.
5. Don't forget vacation time. Think about a sabbatical policy.
6. If a parsonage is provided, don't forget about the upkeep and care of this church owned property.

Job Category	Median Earnings
School psychologist	\$76,200
Middle school teacher	\$56,926
Carpenter	\$41,739
Social worker	\$39,078
Auto mechanic	\$38,688
<b>ALL CLERGY</b>	<b>\$37,190</b>
MIDWEST ALL OCCUPATIONS	\$37,066
Secretary	\$35,152
Janitor	\$25,085
School bus driver	\$21,692
Fast food worker	\$18,720

**But what about other staff?** That is even more complicated than giving advice about pastoral compensation. I think the most consistent way to do this is to think in terms of percentage of senior pastor cash compensation (not the entire package). Based on national averages, associate pastors and full-time music directors or worship leaders receive an amount equal to about 80% of the senior pastor's compensation; for a youth pastor this is about 65%; for a secretary it is about 40%.