

# Called to Serve

• Winter 2017 •



FROM THE GENERAL SUPERINTENDENT

## Starting a Conversation about Ministerial Compensation

Ministerial income. Never enough to make ends meet? Or just enough?

I grew up in an Assemblies of God preacher's home where every nickel counted. Literally! When Mom died first, we learned that Dad kept track of every nickel, dime, quarter, and dollar that he had earned or spent—for all forty-seven years of their marriage! It was all there in his financial journal.

Growing up in our home, I knew things were tight. One of my impactful memories of our poverty was that Dad would not spend any money to buy real butter—and what boy doesn't like real butter on bread (with some sugar sprinkled over it)? My job in the family, as the youngest child and last one left at home, was to take the white slabs of oleo that Dad brought home from the grocery store, and knead the yellowish/orange powder into the oleo so that it looked like butter. I said to myself as a kid, "When I grow up, I'll always know I'm rich if I can eat butter." My wife wishes I hadn't said that!

Mom and Dad were midlife when they came home from the mission field due to the Communist takeover of China. I was eight years old. For the rest of their lives until retirement, they either planted a church or pastored small and troubled congregations. Dad often painted houses, worked as a janitor, or delivered mail to supplement the small income from the church. They had no MBA account or any other retirement savings. But they raised three good kids who loved the Lord and who admired the faithfulness of their parents to their call from God.

At an early age I felt a call to the ministry, but I was shy and I'm confident my Dad felt that I probably wouldn't make it in the ministry. So when I announced in my senior year in high school that I wanted to go to Bible college, Dad said, "No, son, you are going to go to the new college that the Assemblies of God has opened and get a degree that will enable you to teach in school if you fail in the ministry." My Dad didn't want me to do the

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hard physical work that he had done. It would be beyond any of our imaginations that I would one day end up being general superintendent. I wish my parents could have lived long enough to see that.

In 1979 my mother died at the age of eighty-one. Five months before she had the fatal heart attack, I interviewed her in our Mother's Day services. I adored my mom. She was the kindest, godliest person I ever knew. Not

a mean bone in her body. She never had much by way of this world's goods. Most of her clothes were bought used from Goodwill. That Mother's Day Sunday I asked her to sing her favorite song as we closed the interview. Here are the words she sang that day—an old hymn by Frank C. Huston.

*The service of Jesus true pleasure affords,  
In Him there is joy without an alloy;  
'Tis Heaven to trust Him and rest on His words;  
It pays to serve Jesus each day*

Refrain

*It pays to serve Jesus, it pays every day,  
It pays every step of the way,  
Though the pathway to glory may sometimes be drear,  
You'll be happy each step of the way.*

*It pays to serve Jesus whate'er may betide,  
It pays to be true whate'er you may do;  
'Tis riches of mercy in Him to abide;  
It pays to serve Jesus each day.*

*Though sometimes the shadows may hang o'er the way,  
And sorrows may come to beckon us home,  
Our precious Redeemer each toil will repay;  
It pays to serve Jesus each day.*

Her words keep echoing in my heart — it does pay to serve Jesus. As Mom would often put it, “Not every day is pay day.” She looked for a Day in which she would hear the Master say, “Well done, thou good and faithful servant.”

There was a moment early in my ministry when I almost failed the test of trust that my mother taught me.

At the age of twenty-nine, I took a church in California that had just been through a split — my first pastorate. After a very rocky start in which we lost one-third of the small congregation, somehow the Lord showed favor and the church began to grow. In about a year, the congregation tripled. But my compensation remained the same. It’s expensive to live in Southern California! The board of deacons did an annual review after that year and I knew something was wrong when I was out of the room for forty-five minutes. When they asked me to return, the lead deacon said, “We really can’t give you much of a raise. We know the church has tripled this past year, but so have the bills.” I was inwardly distressed. They didn’t know it, but we had been selling furniture out of our house to buy food. I internalized my disappointment and said nothing. In the course of time, things did change. But the experience taught me that sometimes boards can be insensitive to the financial needs of those who serve them in pastoral and staff leadership. The experience stung of the board’s lack of generosity.

And that brings me to the reason for this article. You, as a credentialed minister, serve the Lord and the probability strongly exists that you are struggling to make ends meet.

In fact, our research tells us that.

### ***SURVEY ON MINISTERS AND FINANCES***

During 2015 and 2016, we connected with over 6,800 AG ministers to get a glimpse into their personal finances. Credentialed ministers throughout the Assemblies of God participated in this survey, and included senior pastors, staff pastors, missionaries, evangelists, chaplains, and lay ministers. The research covered church compensation and fringe benefits, personal savings and retirement savings, as well as debt obligations like

mortgage, credit card, and medical debt. The surveys also gauged the respondent’s stress and/or comfort level with managing finances on a corporate and personal level.

The data was packed with revealing information—some of which was exciting and some that was disheartening. For example,

• ***Many AG ministers are modestly compensated for the ministry work they perform.*** The average ministry compensation, including benefits, across all types of ministers was just \$38,511. Forty-five percent of AG ministers receive less than \$30,000 in total compensation, including benefits, and 14 percent of those ministers did not receive any compensation. Seven percent of all AG ministers were receiving government benefits, such as WIC, welfare, or food stamps. The percentage grew to 14 percent for those ministers who were under age 45. As a result, 38 percent of AG ministers are bivocational and work a second job for additional income.

• ***Many AG ministers do not receive other types of benefits besides wages.*** Thirty-seven percent of pastors do not receive benefits like health insurance, retirement contributions, or education assistance. For pastors under the age of fifty, this rate increased to 62 percent.

• ***Many AG ministers are not prepared for retirement.*** Twenty-seven percent of AG ministers had no retirement savings. While 73 percent of AG ministers have started to save for retirement, their progress probably isn’t sufficient to meet their retirement needs. For those ministers who have started saving for retirement, 50 percent have less than \$19,000 put away. For those ministers over the age of sixty and nearing retirement, 50 percent of them have less than \$65,000 saved for retirement. It is interesting to note that 13 percent of AG ministers have opted out of Social Security. Opting out is not a good idea, however, since those who do so lose monthly retirement or disability income, payments to their spouse and minor children in case of the minister’s death, and Medicare benefits.



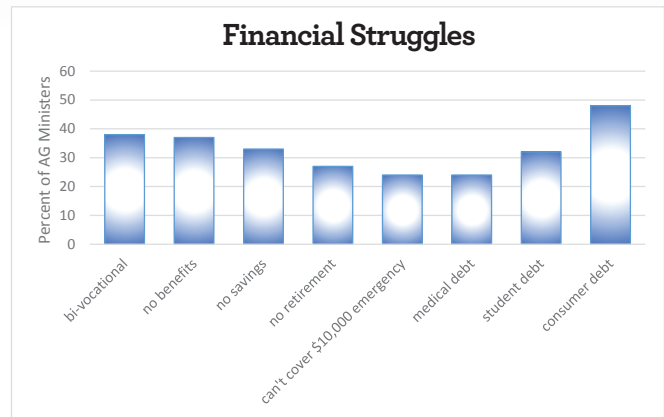
• **Many AG ministers are not prepared for unexpected expenses.** While 67 percent of AG ministers have personal savings besides retirement, their rainy-day fund isn't adequate to cover unexpected expenses. For those who had non-retirement savings, 50 percent had less than \$2,000. Thirty-three percent of AG ministers had no personal savings at all. If they suddenly faced an unexpected \$10,000 expense, 66 percent of AG ministers wouldn't have available savings to cover it. Twenty-four percent had no options at all for how to cover such an expense.

• **Most AG ministers have put off important purchases or expenses due to financial limitations.** Three out of four ministers said they had to put off activities like home repairs, health care, vacation, and education in the last year or so due to a lack of funds. These ministers stated the most common stressors in their finances were retirement, emergency savings, large purchases, and saving for their children's college education.

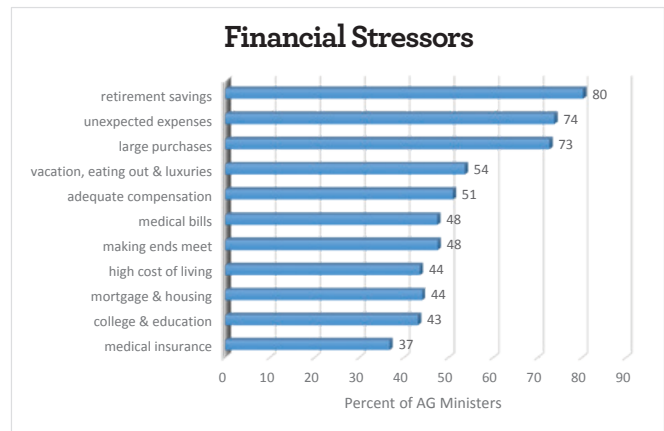
• **Most AG ministers are encumbered by debt.** In fact, 86 percent of AG ministers carry some type of debt, like mortgage, school loans, medical, and credit card debt. While 58 percent carried mortgage debt averaging \$125,000, 69 percent of all AG ministers had non-mortgage debt like school loans, medical, and credit card debt, which averaged almost \$40,000.

• **Many AG ministers are concerned about the state of their personal finances.** One-third of ministers report some level of stress due to their finances, and 12 percent lack confidence in shepherding their own household's finances. Twenty-six percent of ministers have significant concerns about their finances and would categorize their financial situation as shaky, which grew to 36 percent for those ministers under age forty-five. And 40 percent of AG ministers did not have confidence that their financial situation would improve in the next ten years.

• **Many AG ministers have concerns about their compensation.** Almost 50 percent of AG pastors are not satisfied with their compensation package. More than one-third (37 percent) of AG ministers have left ministry due to finances.



This research has revealed that AG ministers face significant financial pressure in their personal lives, to include the areas of adequate compensation, school debt, medical debt and retirement savings. The following chart identifies many of the specific causes of financial stress in AG ministers' lives.



These survey results highlight how the structure of a compensation package can directly impact the type of stress that AG ministers face, and reveal an apparent



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“A single God-ordained moment can change a generation. As we gather in the locality of Azusa, let's believe God for that moment — in our day, in our time!” — **George O. Wood**

For information and registration, visit [GeneralCouncil.ag.org](http://GeneralCouncil.ag.org)

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disconnect between what our ministers receive as compensation and what they wished they received. For example, while 80 percent of AG ministers said that retirement savings is a significant stressor in their life, only 30 percent of senior pastors and 23 percent of staff pastors receive a matching retirement benefit as part of their compensation. And while 48 percent of ministers said medical bills are a significant stressor in their life, only 34 percent of senior pastors and 27 percent of staff pastors receive a family health insurance benefit in their compensation package.

I believe our churches can do more to reduce the financial stress that most ministers struggle with.

### **HAVING A CONVERSATION ABOUT COMPENSATION**

It turns out that many AG ministers face significant financial challenges in their personal lives, but unfortunately, some feel they have no one to turn to for help. In fact, almost 1 out of every 5 AG ministers had no one they could confide in about financial concerns, but wished they did.

When senior pastors and associate pastors were asked to describe their church's culture with regard to compensation, at least 70 percent had one positive comment to make. More than half described their church's compensation culture as respectful. However, less than half described their compensation culture as transparent, generous, organized, constructive, or professional.

Similar to the experience I had with the board at my first pastorate, I suspect many pastors and boards have difficulty talking about compensation. Like many people, pastors, staff, and other employees of the church are reluctant to share their financial needs with the governing board and leadership, while the governing board is unsure how to express their love and generosity in a healthy and constructive way.

I think that a contributing factor to this problem is that many church boards may not have the necessary information and resources necessary to create a fair, reasonable, and well-balanced compensation package.

The apostle Paul reminds us to “acknowledge those who work hard among you, who care for you in the Lord and who admonish you. Hold them in the highest regard in love because of their work” (1 Thessalonians 5:12-13). One way to show respect for the spiritual leaders in the church, including pastors and staff, is through the wages that they receive. To put this into practice, I believe that the board should set a date every year to review ministerial compensation.

The goal of compensation planning is to provide ministry staff with a fair wage that adequately compensates them for the services they provide.

I would like to offer the following information to help initiate a

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dialogue with your church board as you consider pastoral compensation. In fact, I encourage you to share this issue of *Called to Serve* with members of your church board. If they ask why you're sharing it, just tell them I asked you to do so!

There are two components to a compensation package: wages and benefits. *Wages* are the cash component that includes the minister's salary, housing allowance, and any other cash components like a car or phone allowance, or an additional amount to cover Social Security taxes. *Benefits* include things like retirement contributions, health insurance, and life insurance.

While the cash component is the primary driver in the pay package, churches can provide tremendous value to their staff by not neglecting the benefits component. Further, how a compensation package is structured can have significant tax savings for employees.

Here are some best practices to keep in mind as you consider your compensation planning practices. Don't forget that

“ A healthy church will be generous and intentional about compensation planning. If we can reduce the financial burdens and stress that our pastors face, we will be in a better position to minister to others. ”

budget realities will be an important factor in this process.

**1. Start with wages and determine your total cash compensation.** When deciding on the compensation for the positions of pastor, associate pastor, or other staff positions, consider the job duties, required skills, and expectations of the job. This total can be adjusted based on years of experience, education, and geographical area. Compensation studies and consultants can provide balance and assurance to the process.

**2. Approve a housing or parsonage allowance for ministers.** While this allowance doesn't result in additional cash for the minister, it is a benefit that reduces the minister's tax liability. The housing allowance must be authorized by the church board and properly documented.

**3. Determine additional benefits that you will provide.** Two core benefits that I would recommend include health insurance and retirement contributions. Regarding retirement, I encourage you to look at the Assemblies of God's Ministers Benefit Association, which, unlike most other

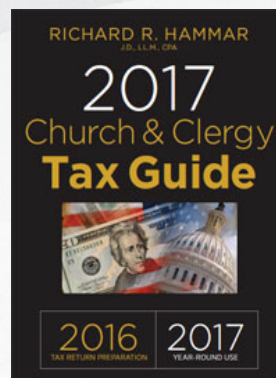
## The Definitive Tax Guides for Clergy and Churches



### 2016-2017 COMPENSATION HANDBOOK FOR CHURCH STAFF

Compare your compensation plan to similar churches to create compensation packages that are both impartial and reasonable.

[MyHealthyChurch.com/2017Compensation](http://MyHealthyChurch.com/2017Compensation)



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retirement plans, allows you to take housing allowance out of your retirement funds. Other insurance benefits can include dental, vision, life, and disability. Additional benefits can include moving expenses and health saving account contributions. Some types of benefits can be excluded from an employee's taxable income, if handled appropriately. You may want to consult with a CPA or tax advisor for more information and help. Also, check out Richard Hammar's brief 2017 *Ministers Tax Guide*, available for free at [agfinancial.org/taxguide](http://agfinancial.org/taxguide), as well as his more complete 2017 *Church and Clergy Tax Guide*, which can be purchased at [MyHealthyChurch.com/2017TaxGuide](http://MyHealthyChurch.com/2017TaxGuide).

**4. Consider a generous vacation and sabbatical leave policy.** Ministry is physically and emotionally challenging. It's important to provide paid vacation time each year for pastors and church staff to spend time with family and relax. In addition, consider offering a time of spiritual renewal every five to seven years to give your pastors an opportunity to rest, study, and get spiritually refreshed.

**5. Identify other ministry expenses that will be provided or reimbursed.**

Consider authorizing business expenses for attending district events and the biennial General Council and reimbursing related travel costs (mileage, lodging, and meals). Other authorized business expenses can include the purchase of books, magazines, and digital subscriptions for study and sermon preparation, church-provided cell phones, and education reimbursement. If these employer-paid business expenses are paid in accordance with an accountable reimbursement plan, these will not result in taxable income for the church employee.

**6. Benchmark your compensation package with other churches.** In order to evaluate whether you are providing a fair and reasonable compensation package, I suggest comparing your compensation with other similar churches or non-profits. There are several resources that can help you determine what a fair wage is for specific roles and positions in your church. One excellent resource is the *2016-2017 Compensation Handbook for Church Staff*, by Richard R. Hammar, which can be purchased at [MyHealthyChurch.com/2017Compensation](http://MyHealthyChurch.com/2017Compensation).

Gathering research from churches across the nation, the handbook provides compensation statistics by church size, total revenue, geographic location, years of service, and education for many church staff positions. Church boards can use this data to identify comparable wage data to assist in preparing or reviewing their own compensation packages.

**7. Put your compensation package in writing.** Lastly, in order to ensure that all employees are clear about their wages, benefits, and total compensation, I suggest providing

a written document that summarizes each employee's compensation package. This summary can be provided annually. This document can be reviewed and approved by the board at the beginning of the year or whenever changes to the employee's wages are made. A written compensation package will help reduce any confusion or conflict, and provide some accountability over payroll. If this is a new position or employee, you may even want to include job duties and other expectations.

In addition to these best practices, which have to do with formal compensation planning, let me suggest some ways churches can address pastoral compensation in informal ways. Here, I'm talking specifically to church board members. First and foremost, it's always a great idea for the board and the congregation to encourage pastoral staff with encouraging words and notes throughout the year. Make sure to recognize them before the church on special

days like birthdays, anniversaries, Minister Appreciation Day, and the like. For ministers with children, it would be wonderful if the church and/or the board could express their love to the kids in practical ways.

Many ministers are struggling to pay off their school debt. It would be a nice gesture of support for the church to help shoulder all or some of this financial burden. Finally, as a rule of thumb, always err on the side of generosity!

**CALL TO ACTION**

The reason I am addressing such a personal topic is threefold.

First, I want to raise awareness about the financial plight that many AG ministers are in. The financial stress that some of us face on a daily basis can be overwhelming, and for some ministers, it is the final straw that causes them to leave the ministry.

Second, I don't want ministers to suffer in silence. I want to cast a light on this struggle so that we can have an open and honest conversation with our church boards. Even though this is a deeply personal matter, I believe it is very important to the overall health of the church, and can help usher in a greater satisfaction and deeper unity within the church.

Lastly, I believe a healthy church will be generous and intentional about compensation planning. If we can reduce the financial burdens and stress that our pastors face, we will be in a better position to minister to others. When we take care of our church leaders, I believe the entire church benefits.



George O. Wood is general superintendent of the Assemblies of God (USA) and chairman of the World Assemblies of God Fellowship.

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