

Clergy and Finances, Part 1

The three classic temptations to a Christian worker are reputed to be pride, sexual temptation, and the love of money. These three temptations are certainly prominent among false Christian workers (2 Tim. 3:2-6; Jude 1:8-13), and we are all potentially liable to fall into these traps, ignoring the way of escape (1 Cor. 10:13).

Briefly, an antidote to pride is to humble ourselves before God (James 4:10), to sexual temptation is to rejoice in our wife (Prov. 5; 6:20-35; 1 Cor. 7:2; Song of Solomon 2--if married), and avoidance of temptation and self-control, particularly for the single (1 Thess. 4:3-8).

Antidotes to financial temptation

1. One of the best is to be generous, which is actually commanded of the rich (Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment.¹⁸ Command them to do good, to be rich in good deeds, and to be generous and willing to share.¹⁹ In this way they will lay up treasure for themselves as a firm foundation for the coming age, so that they may take hold of the life that is truly life. 1 Tim. 6:17, quotes are from the NIV). We in America, are the rich in this world. When we wisely spend down our blessings in giving, the remainder is far less likely to become a snare to us.

2. Determine as a personal goal, not to seek to become rich, which is counter-cultural (1 Tim 6:9 People who want to **get rich** fall into temptation and a trap and into many foolish and harmful desires that plunge men into ruin and destruction.¹⁰ For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs. NIV) If a shiny Lexus, a three-car garage, fifteen suits and thirty pair of shoes, membership in the club, expensive jewelry, and an obese IRA account are our goals, they are probably the wrong goals, and we are piloting for the rocks, taking the ship of the church down with us. If God chooses to bless us with these, fine.

Many teachers of wealth and prosperity encourage us to build a heaven on earth, and attempt to persuade that Jesus Himself was wealthy. He had to borrow a donkey (Matt. 21:2-3), fish for the Temple tax (Matt. 17:27), and his tangible estate consisted simply of the clothes he wore (John 19:23). He had nowhere to lay His head (Luke 9:58), apparently not being able to afford inns, during much of His ministry. Peter, the lead apostle, declared that he did not have silver or gold (Acts 3:6). The servant is not greater than his master (John 13:16). Crosses usually don't come in six and seven figures.

3. Be accountable, in fact, to your church or parachurch leadership, with open books open to them and to donors, limits to what one signature can spend, adequate reporting, and delegation of finances to trustworthy men and women. Be accountable to pride and sexual temptation in the company of trusted friends in an accountability group.

4. Don't allow your congregation to idolize you, with all the financial perks that come with it. The excellent pastor is worth double wages (1 Tim. 5:17), and every good thing comes from above (James 1:17). But churches can make their pastor a point of community pride in what they live in, drive, and wear, which may be ungodly. Particularly don't burden your church financially to meet your salary. Equality is the standard, in general (2 Cor. 8:13-14). Years spent in training and service are valid considerations, but the church members should not be in financial bondage to a fat pay package.

Clergy/Fulltime Christian Worker Financial Suggestions

Disclaimer: this information is not intended to supplant or supercede professional legal or financial planning counsel. A qualified professional should be consulted in such matters.

Budget

1. Live on a budget, so that you are less likely to get into debt and to live outside of the circle of God's provision. If income is variable, live on the average of your income. Any excess, put into savings, then when income is less than the average, you can draw from savings. This requires much discipline, but do you know a better way?
2. Live on a cash basis, so that you won't get into debt. You can start by destroying credit cards and getting a debit card. Then get out of all consumer debt (non-house), move toward getting out of mortgage debt (by pre-paying your mortgage), save for your next car and buy that in cash, and then stay out of all debt, with adequate insurance and an emergency fund.
3. What is an adequate emergency fund varies. If income fluctuates greatly, a larger fund would be needed for the down times. Probably \$2,000-3,000 would be minimum for a homeowner, due to the possibility of major equipment breakdown or repair. Many people keep a credit card for such an emergency. Such an emergency will probably happen in time.

Debt

1. Borrowing is strongly discouraged in the Bible (Romans 13:8; Proverbs 22:7=slavery), and is described as a curse in Deuteronomy 28:44 (compare 28:12). Borrowing is not a sin, however, since we are commanded to lend (Matthew 5:42).
2. It only takes one credit card to incur a lot of debt. Cardweb.com calculates that paying the minimum balance (2%) due on \$2,000. at 18% would take 30 years, and cost \$8,000 in interest (http://www.cardweb.com/cardtrak/pastissues/ct_nov95.html, accessed 11/17/00).
3. Pastors can set an example in this materially insatiable society by having a debt-free church. Inspiring examples of God's blessing such churches is found in *The Debt-free Church*, by Jeff Berg and Jim Burgess (ISBN: 0802422861). No borrowing was needed for either the Tabernacle or the Temple of Israel.

Saving

1. Saving is betting that you'll need funds later, more than you do now, or need a greater sum of money later. It delays gratification. Actually, a foolish person *breaks even* (Proverbs 21:20), spending all. Self-control is often the issue—a spiritual one (Galatians 5:23). The Spirit can put to death the desires of the “flesh” (Romans 8:13). The wise will plan against future “evils,” including financial needs (Proverbs 22:3). Americans saved –0.2 percent of after-tax income in July, 2000 (Detroit News, 8/29/2000, Jeannine Aversa, AP) the lowest rate ever.

“Ecclesiastes 12” Years

1. Plan for the years when you will no longer be able to be as productive. The first and best option is to max out your 401 (k) or 403 (b) accounts. Then you could contribute to Individual Retirement Accounts--both you and your wife (in 2002, @ \$3,000--if you and your wife's combined adjusted gross income is under \$150,000). You shelter current income with a traditional IRA or shelter future income (not present income) with a Roth IRA. The Roth allows you to withdraw after 5 years if you are over 59½, and even to leave funds untaxed to beneficiaries, and withdrawal will probably be at a lower tax rate than when contributed. A

godly man leaves an inheritance even to his grandchildren (Prov. 13:22). Roth retirement funds incur no income tax when benefits are tapped.

2. You may also have a 403 (b)-7 retirement plan for 501 (c)-3 tax-exempt organizations, both parachurch and church. Churches can also have 401 (k) retirement plans. These can be arranged with a no-load mutual fund such as the Vanguard Group fund family, which does not charge a fee for buying their mutual funds (they do have an annual fee to manage each mutual fund in their family, currently about \$30.00 annually). According to J. David Epstein, clergy-tax lawyer, the 403 (b) (7) plans are open to self-employed, as well as employed, clergy, and the funds may only be put into insurance annuities or mutual funds. Keough (401 (k) plans are only open to self-employed ministers (Epstein, *Clergy Tax*, p. 132).

Some advantages of such a plan is that you can shelter up to \$11,000 per year (2002) of income, and the church can add a contribution in excess of salary up to \$30,000/year, with some qualifications (Epstein, p. 133).

Housing Allowance

1. This is probably the best single tax advantage the ordained clergy (and certain other Christian workers) have, to shelter from income tax.

Here is a resolution that will officially allow the pastor to shelter the amount the minister pays for housing, broadly determined, from income tax (FIT), saving substantial funds (no representation is made that this form is complete):

“The chairman informed the meeting that, according to the provisions in Income Tax Law, a minister of the Gospel is not subject to Federal Income Tax on the ‘parsonage allowance paid to him as part of his compensation to the extent used by him to rent or provide a home.’

Based on Rev. _____’s estimate (detailed below) of his house expenses, it is agreed to officially designate \$10,000.00 of his total cash remuneration as parsonage allowance for **2000**. After considering the estimate of Rev. _____ of his estimated home expenses, a motion was made by _____ and seconded by _____ and passed, to adopt the following resolution:

Resolved that as long as Rev. _____ is our employee the above amount designated as parsonage allowance (\$10,000.00) shall apply to all future years, until modified.” (This resolution is based upon one devised by B.J. Worth.)

Expense Reimbursement

1. The better way to be reimbursed for actual expenses for ministry is to enact an official policy by your governing board. An alternate way is to itemize such expenses on Schedule A as unreimbursed business expenses, and completing form 2106, but this results in less reimbursement, and only if you benefit from itemizing deductions. Here is one such form (no representation is made that this form is complete):

“The chairman informed the meeting that, according to the provisions in Income Tax Law, Reconciliation Ministries Network, Inc. can reimburse ministry (business) expenses stipulated in the tax law, including per diem or a standard mileage rate not in excess of the current government rate.

This will be an Accountable Plan, whereby:

- 1) Expenses have already been paid while performing a service as an employee
- 2) An adequate accounting is made within a reasonable period of time
- 3) Any amount in excess of expenses is returned within a reasonable period of time

The payment will NOT be included in the regular salary check.

After consideration, a motion was made by _____ and seconded by _____ and passed, to adopt the following resolution:

Resolved that as long as Rev. _____ is our employee, under the stipulations of an Accountable Plan above, business (ministry) expenses will be reimbursed to him, in addition to the regular salary.”

2. When recording mileage, you need to note the date, business purpose of the trip, destination, with starting and ending mileage. The rate for 2002 is 36.5¢ per mile. This can be done via a daily planner or on a special form available at most office supply stores.

Resources

Clergy tax publications:

IRS, Publication 517, dealing with clergy finances, available for downloading from home page:

<http://www.irs.ustreas.gov/prod/index.html>

Epstein, J. David (tax attorney), *Clergy Tax*, Gospel Light (ISBN: 0830725709) (can be purchased in some Christian book stores or ordered via the ISBN number at almost any book store)

Worth, B.J., *Income Tax Guide for Clergy and Religious Workers*, (and other clergy tax helps) can be ordered at: <http://www.worthfinancial.com/>

Other:

Crown Financial Concepts: [merger of Christian Financial Concepts and Crown Ministries] providing a full array of stewardship resources in print, video, seminar and small group formats: 800-722-1976 www.cfcministry.org/

Evangelical Council for Financial Accountability—sets standards for stewardship excellence in Christian ministry: <http://www.ecfa.org/>

Reconciliation Ministries Network: Christian financial teaching, links and forms: www.RMNI.org/

Samaritan Ministries International: a Christian Health Cooperative (NOT an insurance company) with rates in 2000 of about \$150.00/month per family for major medical coverage up to \$100,000.00. A medical insurance policy from Mutual of Omaha with a \$100,000.00 deductible, that goes to \$1,000,000.00 in coverage is available. See <http://www.samaritanministries.org/> Phone: 888-268-4377

Sound Mind Investing: Austin Pryor’s book *Sound Mind Investing*, second edition, provides an excellent foundation for investing (ISBN: 0802479472), www.soundmindinvesting.com/

Tax and Bookkeeping Service, Dayton, Tenn. 423-775-5888, Virginia Miller

Vanguard Funds: one of a number of no-load mutual fund families with which a 403 (b) retirement plan can be arranged— www.vanguard.com/ 800-523-7708

www.RMNI.org Jim Sutherland 5/29/02