



**Antiochian Orthodox Christian  
Archdiocese of North America**

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**Clergy Compensation Guideline**

**For Clergy and Parish Councils**

**Effective January 2023 - December 2023**

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# Introduction

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In 1980, Metropolitan PHILIP, of thrice-blessed memory, appointed a commission to make a thorough study of the stipends and benefits available to the clergy of the Antiochian Orthodox Christian Archdiocese of North America. This directive demonstrates that the welfare and dignity of the clergy have long been of great concern to the Metropolitan and to the Antiochian Archdiocese. His Eminence Metropolitan JOSEPH continues to share that priority.

The Department of Clergy Insurance and Retirement has responsibility for coordinating the policies for stipend guidelines, health insurance, long-term disability and term life insurance, retirement planning, and the confidential assistance plan.

## THE DEPARTMENT OF CLERGY INSURANCE AND RETIREMENT

### **The Most Reverend Metropolitan of North America**

#### **Archimandrite Jeremy Davis**

Protosyngellos

#### **Archpriest Michael Ellias**

Chairman

#### **Archpriest Thomas Zain**

Vicar General

#### **Archpriest Michael Tassos**

Comptroller

#### **Fr. Paul Matar**

Hierarchical Assistant

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#### **Ms. Mary Winstanley-O'Connor**

Archdiocese Board of Trustees / Order of St. Ignatius of Antioch

#### **Ms. Marlene Ayoub**

Registrar

This revised Clergy Compensation Manual attempts to bring together all the pertinent policies necessary for our clergy and parish councils to make informed decisions about salaries and personnel matters. Please read this manual carefully. The Department welcomes any input or suggestions you may have.

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# Salary Guidelines

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This section provides information about recommended **minimum** stipends and mandatory allowances and benefits. This section also provides some recommendations for handling Social Security and income tax payments.

## **Recommended **minimum** Stipends**

The 2015 Archdiocese Convention that met in Boston, MA, endorsed the report of the Department of Clergy Insurance and Retirement in which the Department recommended that stipend guidelines for full-time pastors should increase annually according to the rate of inflation. These Guidelines exist for the benefit of the clergy and parish councils. As in past versions of this manual, each priest and parish council must adjust the recommended Basic Minimum Monthly Stipend according to local factors.

To apply these guidelines equitably, it is necessary to recognize that each parish is unique in terms of its size, geographical location, financial stability, and sociological background. Each priest, in turn, has unique characteristics, such as length of service in the parish and the archdiocese, personal record of achievement, and ecclesiastical rank. These factors should be taken into consideration in determining the pastor's stipend.

Each version of the Guidelines has stressed the need to consider local conditions and has emphasized the words “guidelines” and “minimums.” If differences or conflicts arise, the Metropolitan will render any final decisions. Churches must submit all stipends to the Archdiocese by February of every year for approval by the Metropolitan. *Please note that the guidelines do not divide the compensation and allowances according to IRS/GRA rules. The Archdiocese divided these allowances in order to reflect various stipend calculations fairly to pastors and as part of a whole package stipend.*

## **Stipend Guidelines for F/T pastor and F/T Second Pastors**

The following guidelines apply to full-time pastors and full-time second pastors. The Basic Minimum Monthly stipend reflects an increase of **8.7 % for 2023**. These numbers echo the COLA increase. Please note that the stipend varies for each state according to the cost of living (please go to [www.cityrating.com](http://www.cityrating.com), or [www.bestplaces.net](http://www.bestplaces.net) for your city's Consumer Price Index).

Size of Mission/Parish by contributing membership and by people served <sup>1</sup>	Basic Minimum Monthly Stipend in US Dollars	Basic Minimum Monthly Stipend-Canada <sup>2</sup> (amounts below are for example purpose only)
under 25	Negotiable (not less than \$1726)	Negotiable (not less than \$2388)
25 to 50	\$2,676.00	\$3,702.00
51 to 100	\$2,891.00	\$4,000.00
101 to 150	\$3,113.00	\$4,307.00
151 to 250	\$3,982.00	\$5,509.00
251 to 350	\$4,852.00	\$6,713.00
351 to 450	\$5,725.00	\$7,921.00
451 or more	\$6,697.00	\$9,266.00

The Archdiocese, the parish council, and the pastor, according to the formula, agree upon the stipend collectively on page 4. By the beginning of each year, parish councils are to grant immediate cost-of-living adjustments based on the COLA published by the social security administration. The link is [www.ssa.gov/news/cola](http://www.ssa.gov/news/cola). Additionally, the years of experience of active ministry are adjusted accordingly yearly. Such adjustments are not substitutes for merit raises. Churches ought to send a yearly update of the compensation package to the Archdiocese at [frpaul@antiochian.org](mailto:frpaul@antiochian.org) no later than February 25.

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<sup>1</sup> At the time of negotiating the stipend, the Archdiocese and the parish council will take into consideration the number of people or households actively served by the pastor in the parish reflected on the Census Form. The average of paying units and people served is the determining number. Please note that the parish should differentiate between active parishioners, non-active parishioners, friends of the parish, etc. and not count all as one category!

<sup>2</sup> Canadian amounts are to be calculated according to the US amounts base multiplied by the exchange rate average for the previous year.

## Stipend Guidelines for Part-time Clergy<sup>3</sup>

Part-time pastors, interim pastors, second part-time pastors, deacons, and lay assistants assigned for part-time ministry in a parish should receive stipends and benefits agreed upon by the Archdiocese, the appointed pastor and the parish council. By the beginning of each year, parish councils are to grant immediate cost-of-living adjustments based on the COLA published by the social security administration. The link is [www.ssa.gov/news/cola](http://www.ssa.gov/news/cola). Additionally, the years of experience of active ministry will also adjusted accordingly. Such adjustments are not substitutes for merit raises. Churches ought to send a yearly update of the compensation package to the Archdiocese at [frpaul@antiochian.org](mailto:frpaul@antiochian.org) no later than February 25. Part-time pastors and second pastors are strongly encouraged to find employment that does not contradict Christian and Orthodox ethics in case the stipend is not sufficient to support them.

## Mandatory Allowances and Benefits<sup>4</sup>

Parishes must provide the following allowances and benefits to full-time clergy:

- Housing, car, tax, and insurance benefits
- Paid vacation time
- Travel expenses for Archdiocese/church related events
- Moving expenses
- A yearly 0.5 %<sup>5</sup> increase of the minimum stipend for each year of active ministry within the Antiochian Archdiocese of North America.

### **Formula:**

Minimum stipend + (minimum stipend \* 0.5/100 \* years of active ministry) + (minimum stipend\* CPI)

### **Example:**

A priest active for 21 years in a 51 to 100 pledge parish community:

**\$2891** (51 to 100 pledges) + **2891 \* 0.5/100 \* 21** (minimum stipend \* 0.5/100\* 21 years of active ministry within the Antiochian Archdiocese of North America) + {**\$2891\* 2.58/100** (CPI of your city)} =**\$3,268**

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<sup>3</sup> Please note that the guidelines do not divide the compensation and allowances according to IRS/GRA rules. The Archdiocese divided these allowances in order to reflect various stipend calculations fairly to pastors and as part of a whole package stipend.

<sup>4</sup> All the mentioned allowances are added to the basic stipend as part of a package stipend.

<sup>5</sup> 0.5 % per year of active ministry experience under the Antiochian Archdiocese of North America capped at 40 years of experience.

## Housing, Car, Tax, and Insurance Benefits

In addition to the Basic Minimum Monthly Stipend, parishes must provide the following allowances and benefits to full-time clergy:

- A parish home or a fair housing allowance<sup>6</sup>, which depends on local real estate markets.
- Payment of utilities (Electric, water, sewage, heating, Internet, cellphone - pastor's cell phone only; not his spouse's nor his children's) or a fair allowance for said utilities.
- Payment of not less than 50% of the U.S. Social Security tax or its Canadian equivalent.
- An allowance of not less than \$400 per month for auto maintenance and operation to cover gas, oil, tires, repairs, tolls, etc.
- An allowance for the full cost of auto insurance (pastor's car insurance only, not his spouse's nor his children's).
- The full cost of the Archdiocese Group Insurance Plan for life and long-term disability.
- An allowance for the **entire cost** of medical insurance for the priest and his family. The Joint Orthodox Health Plan, as described in this manual, is the minimum requirement for benefits levels. The parish is encouraged to provide the same benefit level at a lower cost, if locally available. **It is essential for Churches in Canada to cover dental, vision and prescription plans.**
- All reasonable expenses for travel, meals, and lodging incurred while attending the Archdiocese Convention, Diocesan Parish Life Conferences, Archdiocesan Clergy Symposium, deanery clergy meetings, and mandatory retreats and seminars.

## Annual Paid Vacation

Parishes must also assume the following obligations:

Annual paid vacation period according to seniority<sup>7</sup>

1 to 10 years ordained	17 days (2 Sundays)
11 to 15 years ordained	24 days (3 Sundays)
<b>16 to 21 year ordained<sup>8</sup></b>	31 days (4 Sundays)
<b>22 to 30 years ordained</b>	<b>38 days (5 Sundays)</b>
<b>31+ years ordained</b>	<b>45 days (6 Sundays)</b>

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<sup>6</sup> Average Rental in the area for the appropriate number of individuals

<sup>7</sup> All church related tasks assigned by the Metropolitan and Bishops are to be considered as working days and not as vacation days.

<sup>8</sup> **Priests are encouraged to seek continuous education as part of their paid vacation days or separately. We honor our calling by growing as unique individuals for unique congregations. Taking a pause to reflect, regroup and reconnect is useful to the pastor and the parish as well.**

**Note:** If the parish retains another priest to serve while the pastor is on vacation or incapacitated by illness, the parish is to cover the expenses and an honorarium for the priest who is substituting.

### **Moving Expenses**

When the Metropolitan assigns or transfers clergy, the receiving community pays all reasonable moving expenses.

### **Social Security and Income Taxes**

The parish is responsible for reimbursing at least 50% of a priest's U.S. Social Security tax or the Canadian equivalent (for the 1099 section). The total Medicare and Social Security tax is currently 15.3% of gross salary. Housing allowance is also taxed according to the IRS. The priest is responsible for setting aside enough funds to pay the balance of this tax as well as funds for federal and state income tax. <sup>9</sup>(Please read the annex regarding this topic).

### **Estimated Tax Payments for "Self Employed" status**

The federal government and most states require quarterly estimated tax payments from individuals whose employers do not withhold all taxes from their salaries; therefore, clergy must make quarterly payments of the estimated total Social Security (15.3%) and income tax due for the current year. The parish is to compensate the pastor for  $(15.3/2=7.65)$  7.65% of the self-employment tax (for 1099 employees).

Consult with an accountant, tax or financial advisor to obtain the correct forms to file with payments and to calculate the amount of the quarterly payments. The Internal Revenue Service and state departments of revenue impose stiff penalties for insufficient or irregular payment of estimated taxes.

### **Disallowance of Clergy Severance Compensation**

Because our clergy serve our parishes with the blessing of the Diocesan Bishop and the Metropolitan Archbishop, and may be transferred at any time at the sole discretion of the Diocesan Bishop and the Metropolitan Archbishop, severance packages and/or severance compensation is not allowed, unless contrary to local laws, at which point, local laws will dictate.

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<sup>9</sup> Please note that according to IRS rules, churches cannot withhold social security and Medicare taxes from pastor's compensation. The parish can withhold federal/state taxes if the pastor and the parish volunteer to do so by filling a W4 form.



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# Life and Disability Insurance

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The Antiochian Archdiocese provides both life insurance and long-term disability insurance for its clergy through **Cigna**. The plan costs the Archdiocese approximately \$150 per participant. The Archdiocese subsidizes the difference and charges the parishes \$135<sup>10</sup> per participant. Premiums on our group life insurance plan have become prohibitively expensive, we have been forced to make some adjustments reflected in the below section. These changes prevent a burdensome increase in costs to the parishes and the Archdiocese.

This section briefly summarizes the life and disability benefits available to eligible clergy. The description of these benefits is in the booklets that Cigna provides to enrolled clergy. Refer to these booklets for more detailed information about coverage. Keep the most recent copies of these booklets with this manual so that up-to-date information about coverage is readily available when needed.

## **Life Insurance**

Participation in the Archdiocese Life Insurance and Long Term Disability plan is mandatory for all full-time pastors (attached pastors are not eligible). The yearly cost of \$1620<sup>11</sup> per year is the sole responsibility of the parish. Participants under the Plan are required to complete an enrollment package, which includes the Application Form, two Beneficiary Designation Forms (one benefitting the Clergy Housing Allowance Fund), and the Electronic Funds Transfer (EFT) Authorization Form.

## **Death Benefit**

As of May 1, 2021, life insurance coverage for active clergy will remain at \$150,000 until age 70 or retirement, whichever comes first. At that time, the benefit will reduce to \$75,000. At age 75, the benefit reduces to \$50,000, and at age 80, the benefit reduces to \$25,000.

## **Supplemental Insurance**

In 2014, the Archdiocese purchased a supplemental insurance policy benefitting the Retired Clergy Housing Allowance Fund, which required additional resources. The policy is at no additional cost to the clergy or the parishes and the death benefit of \$40,000 is invested into the Fund. Current participants in the Life Insurance Plan are required to sign the designated beneficiary form. This does not affect your beneficiary designation for the plan already in place and funded by your parish.

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<sup>10</sup> Canadian Churches: The value of 135 US Dollars in Canadian Dollars at the time of payment

<sup>11</sup> Canadian Churches: The values of 1620 US Dollars in Canadian Dollars at the time of payment.

## Long-Term Disability Insurance

This section describes the process for receiving disability payments when a priest becomes disabled. It also identifies other sources of disability income in addition to those provided by insurance coverage.

### Applying for and Receiving Disability Benefits

When an active priest covered by the Archdiocesan Group Life and Long-Term Disability program becomes disabled, he must notify the archdiocese immediately to request the proper disability claim forms and applications for benefits.

After ninety (90) days of continuous disability, known as the “elimination period,” the priest should send the disability claim forms with the appropriate signatures to the Archdiocese. The priest should also complete and forward the Claim Form for Premium Waiver on his life insurance. The Archdiocese forwards the completed forms with additional paperwork to the insurance company.

If the insurance company approves the claim, the insured receives \$2,000 per month from the insurance company for the duration of the disability or until age 65, whichever comes first; these payments begin after the first ninety (90) days of disability.

### Other Disability Benefits

Unless a priest has opted to exempt himself from the U.S. Social Security system, the priest may also be eligible to receive disability payments (SSI) from the Social Security Administration. These payments begin after six months of continuous disability and are **in addition** to the \$2,000 per month from the insurance company.

**Note:** The priest’s disability income of \$2,000 per month from the insurance company ceases at age 65.

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# Retirement Planning

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This section describes the vested 401(k) Defined Contribution Plan that began in January 2013.

- Mandatory Defined Contribution Plan
- Retired Clergy Housing Allowance

## **Mandatory Defined Contribution Plan**

Effective January 1, 2013, the Antiochian Archdiocese inaugurated its first mandatory and contributory employer-sponsored pension program for the clergy. The Budget Committee of the Archdiocese approved the program in April 2012, and the Archdiocese Board of Trustees approved it in June 2012.

The program qualifies under IRS Code 401(k) as a Defined Contribution Plan, which will combine participation, and contributions from the priest, the parish and the Archdiocese.

Participants under the Plan are required to complete an enrollment package, which includes the Clergy Retirement Plan Participant Form, Designation of Beneficiary, and the Electronic Funds Transfer (EFT) Authorization Form.

The parish will deduct the standard of \$100 or the absolute minimum of 3.0% from the priest's monthly stipend and will match that sum.<sup>12</sup> Nevertheless, both the priest and the parish are encouraged to make larger contributions; however, this is dependent on the financial condition of the parish.

**Note:** The Archdiocese match remains constant at \$100 per month, regardless of the amounts contributed by the priest and parish.

**For US participants,** the Archdiocese will withdraw the monthly parish and priest contributions from the church bank account by EFT every first of the month. The total of that amount plus the \$100/month Archdiocese match are then forwarded to the fund managers, as long as both the priest<sup>13</sup> and the parish adhere to the rules of the program.

Please note that the Archdiocese will allow contribution changes twice a year only. For changes effective in January 2023, a new EFT form must be completed and emailed to registrar@antiochian.org no later than December 15, 2023. For changes effective in July 2023, a new EFT form must be completed and emailed to registrar@antiochian.org no later than June 15, 2023. Kindly adhere to the deadlines, as requests for changes received outside of these dates will not be processed.

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<sup>12</sup> If the 3.0% is less than \$100 per month than the parish should endeavor to contribute \$100 per month.

<sup>13</sup>This program is for pastors serving under the Antiochian Archdiocese of North America and in an Antiochian Church. Priests who are on loan cannot be in this program since they are technically "employed" by the Jurisdiction that they are serving. We encourage them to participate in any plan that that Jurisdiction offers.

**Clergy serving in Canada** will need to submit a “T4” tax form to Manulife, the Canadian provider, in order to determine eligibility and to comply with Canadian tax law. The provider will provide counsel on investment selection and compliance. Canadian churches must send contribution checks, made payable as **Diocese of Canada and Upstate New York**, to the Archdiocese Headquarters at 358 Mountain Road, Englewood, NJ 07631-5238. The Archdiocese will record the checks and forward for deposit in the dedicated Canadian bank. The contribution amounts plus the \$100/month Archdiocese match are subsequently released to Manulife.

The Archdiocese’s matching portion will come from the operating budget and a grant from the Order of St. Ignatius of Antioch.

Each priest will have an individual retirement account, which is accessible online. Because this program qualifies as a “salary deferral” plan, the participant has the option to choose either a “pre-tax” designation or a “Roth” (“after-tax”) designation. (Please confer with your financial or tax advisor to make an appropriate choice.)

All contributions by the priest are automatically **vested**, but the contribution of the parish and the Archdiocese are vested after **three years** of continuous service. One-time checks/debits are not permitted and will not be processed; neither will one-off donations.

The priest may begin making withdrawals from the plan when he reaches normal retirement age and stops working. By IRS regulations he **must** begin to make withdrawals no later than age 72 in a non-Roth account. He may, however, rollover the proceeds to an IRA or other annuity within sixty (60) days of the distribution.

### **Retired Clergy Housing Allowance**<sup>14</sup>

The funding for the Retired Clergy Housing Allowance has historically derived from the Archdiocese’s operating budget and the generosity of the Order of St. Ignatius of Antioch. Several years ago, the Antiochian Women stabilized the fund through a five-year campaign. It is, therefore, in priests’ interest to encourage new memberships and upgrades in the Order and to offer their full support for the Antiochian Women.

The Metropolitan may grant the Retired Clergy Housing Allowance at his discretion as a housing stipend, which means that the allowance is not taxable under the U.S. federal tax code. The Retired Clergy Housing Allowance is not a qualified pension payment. There is no vesting. This Housing Allowance is a grant. The Metropolitan can stop it at any time.

The formulas for calculating the allowance depends on the status of the priest at the time of retirement. Please note that retired clergy who decide to permanently transfer to other jurisdictions will not be eligible to receive the grant and will lose eligibility for the Retired Clergy Housing Allowance.

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<sup>14</sup> All Clergy Ordained after January 1, 2013 are encouraged to enroll in the 401K retirement plan and do not fall under the Retired Clergy Housing Allowance grant. The Retired Clergy Housing Allowance is not an option for them at the time of their retirement.

Calculations are determined as follows:

A full-time pastor (under the Antiochian Archdiocese, not on loan to/from other jurisdictions) who has served in the Archdiocese for 15 years as of January 1, 2013, will receive \$400.00 (\$26.67 per year of service) a month. Clergy who have been serving the Antiochian Archdiocese exclusively on a full-time basis for 30 years or more as of January 1, 2013, will receive the maximum \$800.00 a month.

### **Allowance for Disabled Priests, and Widows**

For a disabled priest, years of service continue to accrue until age 65. For example, if a priest becomes disabled at age 50 after completing 10 years of active service, his total years of service at age 65 equal 25 years.

At the repose of a priest receiving the retired clergy housing allowance, at the discretion of the Metropolitan, the widowed spouse might be eligible to receive 75 percent of that allowance once she herself reaches age 65. However, if a widowed spouse remarries, she automatically forfeits the allowance.

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# Health Insurance

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In both industry and the nonprofit sector, the issue of health insurance benefits has become increasingly problematic due to the rapid rise in the cost of healthcare. The Department of Clergy Insurance and Retirement continues to monitor developments in the political and judicial areas surrounding the “Affordable Care Act.”

In this context, the Antiochian Orthodox Archdiocese, the Greek Orthodox Archdiocese, the Orthodox Church in America, the Serbian Orthodox Church, the Ukrainian Orthodox Church, ROCOR, and the Diocese of the Armenian Church of America offer The Orthodox Health Plan.

The current carrier is Aetna U.S. Healthcare, which offers the Joint Orthodox Health Plan using a Preferred Provider Option (PPO), and now includes a **Health Reimbursement Account (HRA)** component. Premium rates currently are \$1,702.00 per month for a single participant, and \$2,899 per month for a family. Premium adjustments occur during the month of May each year.

This section provides the following information about the Joint Orthodox Health Plan:

- Brief description of the plan
- Eligibility and enrollment information
- Health insurance alternatives for those who choose not to participate in the plan

Enrollment forms are available from GDC Financial, the broker that administers the Joint Orthodox Health Plan. Contact GDC Financial at (800)785-4432 or (203)367-4070.

## **Plan Description**

A health insurance plan with an Open Access Managed Choice (POS) allows participants to receive medical services either from “preferred” healthcare providers, such as physicians, hospitals, and pharmacies, who belong to the plan’s provider network, or from providers outside this network. For more details, please go to [www.orthodoxhealthplans.com](http://www.orthodoxhealthplans.com).

The system has three components:

**The HealthFund** – at the start of each calendar year, the participant receives a deposit into his HealthFund to help pay for eligible out-of-pocket health care costs automatically.

**The deductible** – is the amount the insured pays before the health plan begins to pay for any eligible expenses. HealthFund payments go towards the deductible and help to meet the deductible.

**The health plan** – pays for most eligible expenses after the deductible is met. The insured then pays a smaller share of these costs out-of-pocket until reaching the maximum limit.

The Orthodox HealthPlan puts a certain amount of money (\$750/\$1500) into the HRA HealthFund. This money helps to pay for eligible medical expenses and to meet the health plan deductible.

In summary, the HRA HealthFund pays for eligible medical expenses automatically. After using all of the money in the HRA HealthFund, the insured pays any additional expenses incurred towards his deductible. After the deductible is met, the plan covers most of the remaining expenses. The HealthFund payments count towards meeting the deductible. Once the HealthFund is depleted, the insured is responsible for any additional costs incurred until the deductible is satisfied.

The Joint Orthodox Health Plan has two levels of coverage:

- **In-network providers:** services usually covered at 90% after a \$35.00 co-payment
- **Out-of-network providers:** services usually covered at 70% after applying an annual deductible; no copayments

The Joint Orthodox Health Plan also includes prescription, dental, and vision coverage:

- The prescription plan covers generic and brand name drugs. See the benefits summary for a detailed description of prescription coverage.
- The dental plan provides coverage for preventive services (for example, cleanings), basic services (fillings, etc.), and major services (crowns, etc.). The plan has an annual deductible. See the benefits summary for a detailed description of dental coverage.
- The Vision One discount program is an integrated feature of the health plan. See the brochure that comes with the introductory information from Aetna for descriptions of discounts, participating locations, and a toll-free telephone number for further information.

### **Alternatives to the Archdiocese Plan**

Clergy are not required to participate in the Archdiocese health plan. If the plan does not provide network coverage in a given locale, or if there are preferable alternatives that offer equal benefits, clergy may choose other plans.

Often clergy choose to enroll in plans that are available through their spouse's employment. If clergy adopt this option, their compensation from the parish is negotiable as there would be significant savings to the parish's operating budget.

Clergy can also evaluate these options:

- Health plans available through a local chamber of commerce or small business association (Such plans may require membership dues or other enrollment fees to participate.)
- Private-pay plans (These plans usually lack premium discounts that are available through group plans and may not have readily accessible appeals processes or other protections.)

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## Confidential Assistance Program

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The Confidential Assistance Program (CAP) is a service available to clergy and their family members free of charge through the Joint Orthodox Health Plan. Trained counselors are available 24 hours a day, 365 days a year to help you manage matters that include, but are not limited to, the following issues:

- Marital, family, and other relationship issues
- Emotional, stress, and work/career issues
- Grief counseling
- Mental illness
- Child and elder care questions
- Financial and legal problems
- Real estate transactions
- Substance abuse and violence

Call (866) 641-0791 for further information regarding this program and to gain access to CAP's dedicated website, [www.resourcesforliving.com](http://www.resourcesforliving.com).



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## Annex

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### What will be my social security check when I retire?

Social Security is one of the major incomes for a pastor's in retirement years. A great number of pastors will rely on the SS payments for their everyday expenses. It is important to know how Social Security will calculate the monthly payments. The calculation and process shown below emphasize the need for pastors to contribute to a 401k as much as possible and at the same time contribute to the social security system. The years worked and the income per year is a determining factor for the pastor well-being at retirement.

Social security uses many variables to determine the amount of your monthly income upon retirement.

The formula is based on 4 factors:

1. Amount of years worked
2. Inflation index
3. Yearly Income prior to retirement
4. Bend points

In order to put all the above in a formula, Social security will use the following:

#### 1-Calculate your AIME (Average Indexed Monthly Earnings)

There are couple of ins and outs to this process -

- a. Social Security only uses the highest 35 years of taxable income in the calculation. If you worked less than 35 years, let us say 30 years, than the taxable income for those years is zero. This will lower your monthly income tremendously.
- b. Social Security will adjust your income for inflation (by using the AWI –average wage index) then calculate the AIME.

How do we know the AWI?

AWI is determined annually by SSA with a two-year retardation. SSA will use the AWI for the year you turn 60 since 62 is the earliest age you can claim social security.

“When indexing an individual's earnings for benefit computation purposes, we must first determine the year of first eligibility for benefits. For retirement, eligibility is at age 62. If a person reaches age 62 in 2019, for example, then 2019 is the person's year of eligibility. We always index an individual's earnings to the average wage level two years prior to the year of first eligibility. Thus, for a person retiring at age 62 in 2019, we would index the person's earnings to the average wage index for 2017 (table in link below), or 50,321.89. We would multiply earnings in a year before 2017 by the ratio of 50,321.89 to the average wage index for that year; we would take earnings in 2017 or later at face value.”<sup>15</sup>

For example, if you turn 62 in 2019, then your earning would be indexed to 2017' AWI.

To index a year of your past income using the AWI for 2017, you divide 53,880 by the AWI for the year being adjusted to get an indexing factor.

For example, let us say you want to calculate your indexed earning for 2010, when you made 40,000.

First, you divide the 2017 AWI (50321.89) with your earning of 2010. That gives you an index factor of 1.258 for 2010.

Then you multiply your index factor with your earnings to that year  $50000 * 1.258 = 62900$  as Indexed Earning.

Then you will do the same process for the highest 35 years of your income.

The total will be divided by 420 (numbers of month in 45 years). This is your AIME number.

AIME number is not what you will collect monthly in your retirement years. Social security will add another layer of calculation called Bend Points.

## 2- Calculate your Bend Points

Bend points will reduce your AIME at three different income level in order to get you to the primary insurance amount (PIA) you will actually receive from the SSA. The “points” also like the AWI Index in a sense that they change every year.

You will only get a certain percentage of your AIME up to each bend point. The percentages are a constant by law; however, the income that trigger bend points is the one that changes according to the AWI.

Up to first Bend point →	90% of AIME
First to Second Bend Point →	32% of AIME
After second Bend Point →	15% of AIME

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<sup>15</sup> <https://www.ssa.gov/oact/cola/AWI.html>

In 2019, the list is as follows:

- a) 90 percent of the first \$926 of his/her average indexed monthly earnings, plus
- b) 32 percent of his/her average indexed monthly earnings over \$926 and through \$5,583, plus
- c) 15 percent of his/her average indexed monthly earnings over \$5,583.<sup>16</sup>

For instance, if your AIME is \$5500 the calculation will be:

$$90\% (\$926) + 32\% (\$5583-\$926) + 15\% (0) = \mathbf{\$2,323.64}$$

**You will collect a monthly amount of \$ 2,323.64 from the Social Security**

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<sup>16</sup> <https://www.ssa.gov/oact/cola/piaformula.html>

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# Earnings for Clergy

(Taken from IRS Website)<sup>17</sup>

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A licensed, commissioned, or ordained minister is generally the common law employee of the church, denomination, sect, or organization that employs him or her to provide ministerial services. However, there are some exceptions such as traveling evangelists who are independent contractors (self-employed) under the common law. Regardless of whether you're a minister performing ministerial services as an employee or a self-employed person, all of your earnings, including wages, offerings, and fees you receive for performing marriages, baptisms, funerals, etc., are subject to income tax. However, the way you treat expenses related to those earnings differs if you earn the income as an employee or as a self-employed person.

## Employee or Self-Employed

For income tax purposes, facts and circumstances determine whether you're considered an employee or a self-employed person under common-law rules. Generally, you're an employee if the church or organization you perform services for has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see [Publication 15-A, Employer's Supplemental Tax Guide](#) [PDF](#). If a congregation employs you for a salary, you're generally a common-law employee of the congregation and your salary is considered wages for income tax withholding purposes. However, amounts you receive directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, are generally earnings from self-employment for income tax purposes. Both the salary you receive from the congregation and fees you receive from members of the congregation may be included for social security coverage purposes and subject to self-employment tax (see below).

If you're an independent contractor, the offerings or fees you receive for performing marriages, baptisms, funerals, etc. are self-employment income. Use [Schedule C \(Form 1040 or 1040-SR\), Profit or Loss From Business \(Sole Proprietorship\)](#) [PDF](#) to report these earnings and related expenses.

## Housing Allowance

A licensed, commissioned, or ordained minister who performs ministerial services as an employee may be able to exclude from gross income the fair rental value of a home provided as part of compensation (a parsonage) or a housing allowance provided as compensation if it is used to rent or otherwise provide a home. A minister who is furnished a parsonage may exclude from gross income the fair rental value of the parsonage, including utilities.

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<sup>17</sup> <https://www.irs.gov/taxtopics/tc417>

However, the amount excluded can't be more than reasonable compensation for the minister's services.

A minister who receives a housing allowance may exclude the allowance from gross income to the extent it's used to pay expenses in providing a home. Generally, those expenses include rent, mortgage interest, utilities, and other expenses directly relating to providing a home. The amount excluded can't be more than reasonable compensation for the minister's services.

If you own your home, you may still claim deductions for mortgage interest and real property taxes. If your housing allowance exceeds the lesser of your reasonable compensation, the fair rental value of the home, or your actual expenses directly relating to providing the home, you must include the amount of the excess in income.

In order to be able to exclude the housing allowance from income, the minister's employing organization must officially designate the housing allowance as such before paying it to the minister.

The fair rental value of a parsonage or the housing allowance is excludable only for income tax purposes. The minister must include the amount of the fair rental value of a parsonage or the housing allowance for social security coverage purposes.

### **Social Security Coverage**

Social security and Medicare generally cover the services you perform in the exercise of your ministry under the self-employment tax system, regardless of your status under the common law. This means that your salary on Form W-2, Wage and Tax Statement [PDF](#), the net profit on Schedule C, and your housing allowance less pertinent deductible expenses are subject to self-employment tax on Schedule SE (Form 1040 or 1040-SR), Self-Employment Tax [PDF](#).

See Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers for limited exceptions from self-employment tax.

### **Additional Information**

For more information, refer to Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers.

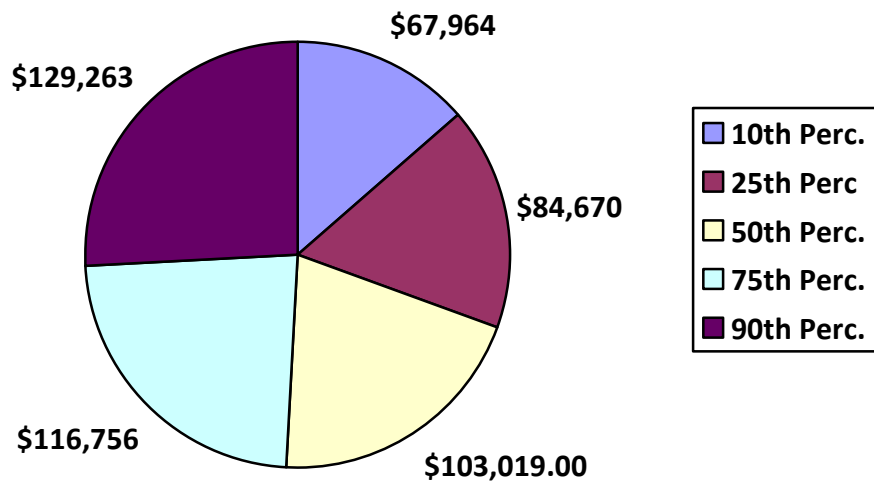
[www.irs.gov/publications/p517](http://www.irs.gov/publications/p517)

# Average Pastor Salary in the United States

(Taken from salary.com Website)<sup>18</sup>

**How much does a Pastor make in the United States?** The average Pastor salary in the United States is **\$103,019** as of September 26, 2022, but the range typically falls between **\$84,670** and **\$116,756**. Salary ranges can vary widely depending on many important factors, including education, certifications, additional skills, the number of years you have spent in your profession.

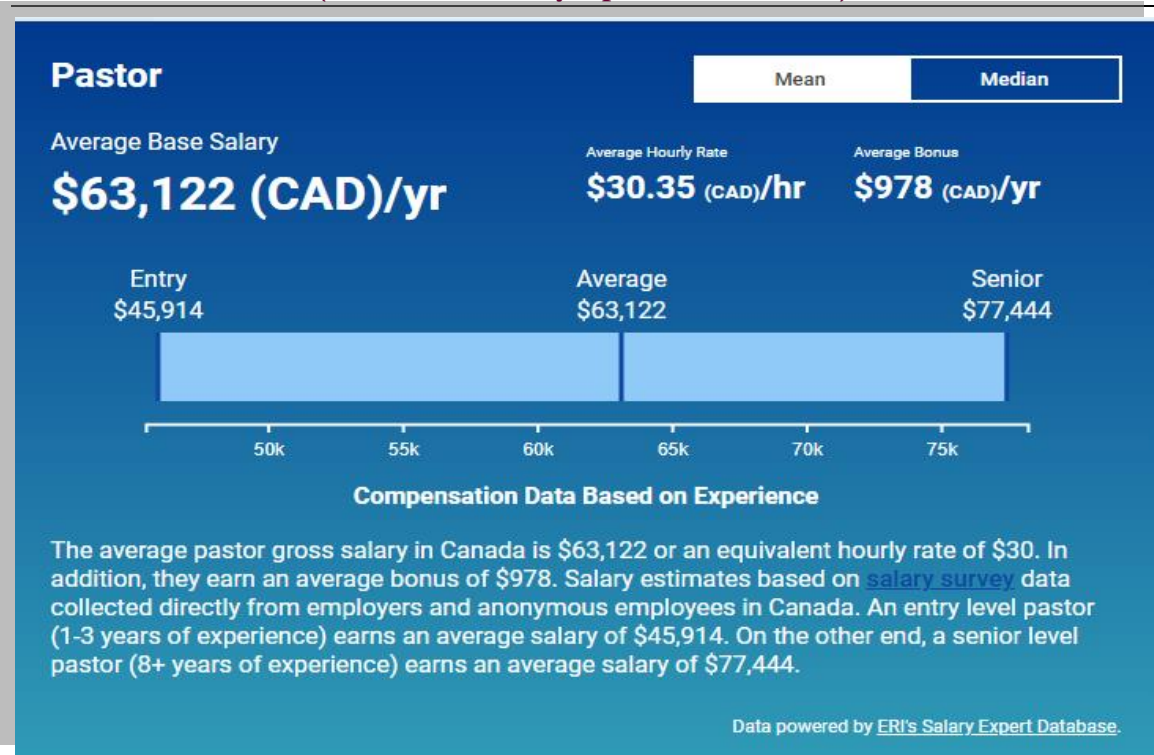
PERCENTILE	SALARY	LOCATION	LAST UPDATED
10th Percentile Pastor Salary	\$67,964	US	September 26, 2022
25th Percentile Pastor Salary	\$84,670	US	September 26, 2022
50th Percentile Pastor Salary	\$103,019	US	September 26, 2022
75th Percentile Pastor Salary	\$116,756	US	September 26, 2022
90th Percentile Pastor Salary	\$129,263	US	September 26, 2022



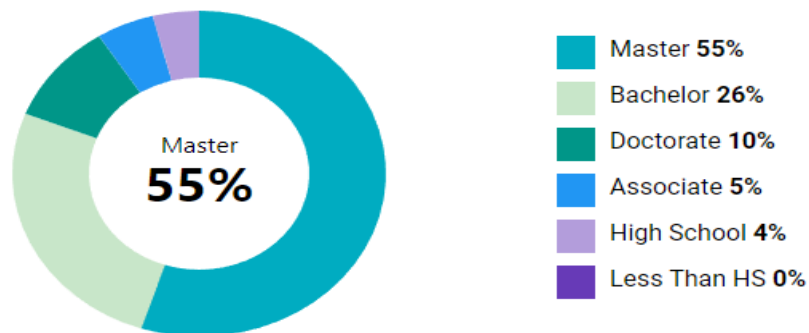
<sup>18</sup> <https://www.salary.com/research/salary/benchmark/pastor-salary>

# Average Pastor Salary in Canada

(Taken from salaryexpert.com Website)<sup>19</sup>



## Education



This chart displays the highest level of education for: **Pastor**, the majority at 55% with masters.

**Typical Field of Study:** Religion/Religious Studies

<sup>19</sup> <https://www.salaryexpert.com/salary/job/pastor/canada>

**Department of Clergy Insurance and Retirement**

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