



M I C H I G A N  
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## CHURCH RETIREMENT PLANNING GUIDE

Churches often care deeply for their pastors and want to meet their financial needs —covering salary, housing, and ministry support—but many overlook an important long-term need: retirement planning. A thoughtful retirement plan recognizes years of service, prevents financial struggles later, and reflects biblical stewardship and concern for those who lead the congregation.

Before handling the financial mechanics, churches should understand the principle behind retirement care.

Scripture emphasizes supporting those who lead spiritually:

Luke 10:7

*"The worker deserves his wages."*

1 Timothy 5:17

*"The elders who direct the affairs of the church well are worthy of double honor."*

Pastors often accept lower salaries than comparable professions and tend to be underpaid. They move more frequently than professionals in other fields. Unlike most careers, changing churches usually involves relocating to a new city, whereas other jobs typically only require changing workplaces without a move. Additionally, pastors have limited retirement benefits, which often leads them to work more years than they want or more years than the church can afford because they cannot retire comfortably. This situation can even hold a church hostage when it's time for a pastor to move on.

Additionally, without intentional planning, many pastors retire without enough savings to support themselves. Churches can help prevent this.

Most church boards aim to encourage growth in pastoral retirement. Often, it simply comes down to the need for establishing a clear framework. Retirement contributions can become a win/win opportunity to celebrate growth while planning for the future.

Following is a practical guide churches can use to develop a retirement plan for pastoral staff, covering contribution models, matching structures, and the long-term benefits of starting early.

# A PRACTICAL GUIDE FOR CHURCHES TO BUILD A RETIREMENT PLAN FOR PASTORAL STAFF

Retirement for pastors often fails due to a simple lack of planning, poor implementation, or insufficient funds, not because of the board's lack of desire.

Even if the church cannot contribute financially, setting up a retirement plan allows the pastor to make payroll deductions and benefit from the tax advantages of a 403(b). This simple step ensures that retirement savings can start and lays the foundation for future church contributions or incentives.

## Step 1: Choose a Retirement Vehicle

Most churches use tax-advantaged retirement accounts.

### Common Options

- a. **403(b) Church Retirement Plan**
  - Designed for nonprofits and churches
  - Similar to a 401(k)
  - Contributions are tax-deferred
- b. **IRA (Individual Retirement Account)**
  - Simple option for small churches
  - Can be set up through many financial institutions

## Step 2: Establish a Contribution Structure

A strong retirement plan has two sources of contributions:

- a. Church contributions
- b. Pastor's personal contributions

Financial planners often recommend 12–15% of income toward retirement.

Example structure:

Contributor	Percent
Church contribution	4%
Pastor contribution	6%
Church Match	4%
Total	14%

## Step 3: Implement Matching Contributions

Matching contributions motivate pastors to save and demonstrate the church's partnership.

### Model 1: Flat Amount + Partial Match

The Church contributes a set amount (e.g., \$1,500) plus a \$ 0.50-per-dollar match, up to 3% of salary.

Example (based on a \$60,000 salary):

Contribution	Amount
Church base	\$1,500
Pastor contribution (additional 3%)	\$1,800
Church match (\$ 0.50-per-dollar)	\$ 900
Total yearly	\$4,200

This motivates pastors to increase contributions.

### Model 2: Simple Match

Church matches pastor contributions up to 4% of salary.

Example:

Salary	Pastor Contributes	Church Matches	Total Saved
\$60,000	\$2,400 (4%)	\$2,400	\$4,800

### Model 3: Flat Amount + Match

The Church contributes a set amount (e.g., \$1,500) plus up to a 5% match.

Example (based on a \$60,000 salary):

Contribution	Amount
Church base	\$1,500
Pastor contribution (additional 4%)	\$2,400
Church match (additional 4%)	\$2,400
Total yearly	\$6,300

This motivates pastors to increase contributions.

## Model 4: Base + Match

The Church automatically contributes 8%, plus a 4% match.

Example (based on a \$60,000 salary):

Contribution	Amount
Church base (automatic 8%)	\$4,800
Pastor contribution (4%)	\$2,400
Church match (4%)	\$2,400
Total yearly	\$9,600

This motivates pastors to increase contributions.

## Step 4: Include Retirement in the Church Budget

Churches should treat retirement as part of pastoral compensation, not an optional bonus.

Example pastoral compensation package:

Category	Amount
Salary	\$60,000
Housing allowance	\$20,000
Health insurance	\$12,000
Retirement contribution (8%)	\$4,800

Total compensation: \$96,800

This approach creates transparency and sustainability.

## Step 5: Educate the Pastor on Personal Saving

Church leadership should encourage pastors to:

- Contribute consistently
- Increase savings with raises
- Avoid withdrawing retirement funds early
- Invest for long-term growth

Church boards can provide annual financial planning meetings.

## Step 6: Start Early (The Power of Compounding)

The earlier contributions begin, the more powerful they become.

**Example Scenario:** The pastor (with church help) starts investing \$6,000 per year. Assuming 7% annual growth:

Years	Total Contributions	Estimated Value
10 years	\$60,000	~\$83,000
20 years	\$120,000	~\$246,000
30 years	\$180,000	~\$566,000
40 years	\$240,000	~\$1.2 million

Small, consistent contributions can lead to financial security in retirement.

## Step 7: Provide Special Retirement Boosts

Churches can occasionally make extra contributions.

Anniversary Gift

- 10th year: \$3,000 retirement gift
- 20th year: \$6,000 retirement gift

Allocate a percentage of additional compensation benefits to pastoral retirement.

## Step 8: Protect Against Common Retirement Risks

Churches should also consider:

- **Disability Insurance** - Protects income if the pastor becomes unable to work.
- **Survivor Benefits** - Provides support for a pastor's spouse.
- **Housing in Retirement** - Many pastors rely heavily on housing allowances during ministry but lack housing equity.

## Step 9: Form a Finance or Personnel Committee Policy

Create a written policy covering:

- Minimum retirement contribution (samples included in Appendix)
- Matching structure
- Eligibility for staff
- Vesting schedule
- Annual review

This ensures future church leadership maintains the commitment.

# WHY RETIREMENT PLANNING FOR PASTORS IS SO IMPORTANT

1. **Many Pastors Retire with Very Little:** Studies show many pastors reach retirement without sufficient savings.
2. **Ministry Careers Often Start Later:** Some pastors begin ministry after other careers, giving fewer saving years.
3. **Frequent Moves Limit Home Ownership:** Pastors often relocate, preventing long-term housing equity.
4. **It Honors Faithful Service:** A church caring for its pastor's future reflects gratitude and biblical stewardship.
5. **It Attracts Healthy Leadership:** Strong benefits help churches attract and retain strong pastoral leaders.

Just as pastors invest spiritually in a congregation for decades, churches should invest in the future well-being of those who shepherd them.

# APPENDIX

# APPENDIX #1

## SAMPLE FULL-TIME PASTORAL STAFF RETIREMENT PLAN

### Model 1: Flat Amount + Partial Match

(NOTE: this is a sample for a fixed flat amount + partial match retirement policy)

The retirement plan for full-time Pastoral Staff members is reviewed annually and determined by the Official Board's action.

A full-time Pastoral Staff Member can contribute immediately through PRE-TAX elective deferral to their retirement, or a full-time Staff Member can contribute immediately via AFTER TAX elective deferral to their retirement; however, in either case, the employee will not receive any contributions from [church name] until they have met the minimum employment requirement.

#### Eligibility for [church name] Contribution

A full-time Pastoral Staff member designated as a full-time employee and offered retirement benefits will become eligible after one year of employment. When the one-year requirement is met, the staff member will be eligible to receive the fixed (flat) contribution and the matching contribution, as outlined below.

The contribution depends on available funds and the staff member's active employment as of December 31<sup>st</sup>.

Lead Pastor	\$1,500 per year fixed (flat) church contribution
Pastoral Staff	\$1,000 per year fixed (flat) church contribution

The ability to give and the amount of contribution are determined by the actions of the Official Board. An annual review will be conducted at the January Official Board meeting. As funds become available, they will be disbursed into each Pastor's account within 60 days of December 31<sup>st</sup> of the previous year's end.

The matching contribution is based on the following criteria:

All full-time Staff Pastors that contribute up to 2.5% of their gross salary/housing pay become eligible for matching funds from [church name].

As funds become available and as determined by the official board, this amount will be matched by [church name] at a rate of \$.50 per \$1.00 contributed. A full-time staff pastor may contribute more than 2.5% of their gross salary/housing pay package; however, [church name] will not match beyond the 2.5% specified above.

Retirement Plan (adopted [date] by the official board)

# APPENDIX #2

## SAMPLE FULL-TIME PASTORAL STAFF RETIREMENT PLAN

### Model 2: Simple Match

(NOTE: this is a sample for a church that matches pastor contributions up to 4% of salary retirement policy)

The retirement plan for full-time Pastoral Staff members is reviewed annually and determined by the Official Board's action.

A full-time Pastoral Staff Member can contribute immediately through PRE-TAX elective deferral to their retirement, or a full-time Staff Member can contribute immediately via AFTER TAX elective deferral to their retirement; however, in either case, the employee will not receive any contributions from [church name] until they have met the minimum employment requirement.

#### **Eligibility for [church name] Contribution**

A full-time Pastoral Staff member designated as a full-time employee and offered retirement benefits will become eligible after one year of employment. When the one-year requirement is met, the staff member will be eligible to receive the matching contribution as outlined below.

The contribution depends on available funds and the staff member's active employment as of December 31<sup>st</sup>.

The ability to give and the amount of contribution are determined by the actions of the Official Board. An annual review will be conducted at the January Official Board meeting. As funds become available, they will be disbursed into each Pastor's account within 60 days of December 31<sup>st</sup> of the previous year's end.

The matching contribution is based on the following criteria:

All full-time Staff Pastors that contribute up to 4% of their gross salary/housing pay become eligible for matching funds from [church name].

As funds become available and as determined by the official board, this amount will be matched by [church name] at a rate of \$1.00 per \$1.00 contributed. A full-time staff pastor may contribute more than 4% of their gross salary/housing pay package; however, [church name] will not match beyond the 4% specified above.

Retirement Plan (adopted [date] by the official board)

# APPENDIX #3

## SAMPLE FULL-TIME PASTORAL STAFF RETIREMENT PLAN

### Model 3: Flat Amount + Match

(NOTE: this is a sample for a fixed flat amount + partial match retirement policy)

The retirement plan for full-time Pastoral Staff members is reviewed annually and determined by the Official Board's action.

A full-time Pastoral Staff Member can contribute immediately through PRE-TAX elective deferral to their retirement, or a full-time Staff Member can contribute immediately via AFTER TAX elective deferral to their retirement; however, in either case, the employee will not receive any contributions from [church name] until they have met the minimum employment requirement.

#### Eligibility for [church name] Contribution

A full-time Pastoral Staff member designated as a full-time employee and offered retirement benefits will become eligible after one year of employment. When the one-year requirement is met, the staff member will be eligible to receive the fixed (flat) contribution and the matching contribution, as outlined below.

The contribution depends on available funds and the staff member's active employment as of December 31<sup>st</sup>.

Lead Pastor	\$1,500 per year fixed (flat) church contribution
Pastoral Staff	\$1,000 per year fixed (flat) church contribution

The ability to give and the amount of contribution are determined by the actions of the Official Board. An annual review will be conducted at the January Official Board meeting. As funds become available, they will be disbursed into each Pastor's account within 60 days of December 31<sup>st</sup> of the previous year's end.

The matching contribution is based on the following criteria:

All full-time Staff Pastors that contribute up to 5% of their gross salary/housing pay become eligible for matching funds from [church name].

As funds become available and as determined by the official board, this amount will be matched by [church name] at a rate of \$1.00 per \$1.00 contributed. A full-time staff pastor may contribute more than 5% of their gross salary/housing pay package; however, [church name] will not match beyond the 5% specified above.

Retirement Plan (adopted [date] by the official board)

# APPENDIX #4

## SAMPLE FULL-TIME PASTORAL STAFF RETIREMENT PLAN

### Model 4: Base + Match

(NOTE: this is a sample for a fixed flat percentage + additional partial match retirement policy)

The retirement plan for full-time Pastoral Staff members is reviewed annually and determined by the Official Board's action.

A full-time Pastoral Staff Member can contribute immediately through PRE-TAX elective deferral to their retirement, or a full-time Staff Member can contribute immediately via AFTER TAX elective deferral to their retirement; however, in either case, the employee will not receive any contributions from [church name] until they have met the minimum employment requirement.

#### **Eligibility for [church name] Contribution**

A full-time Pastoral Staff member designated as a full-time employee and offered retirement benefits will become eligible after one year of employment. When the one-year requirement is met, the staff member will be eligible to receive the fixed percentage contribution and the matching contribution, as outlined below.

The contribution depends on available funds and the staff member's active employment as of December 31<sup>st</sup>.

The ability to give and the amount of contribution are determined by the actions of the Official Board. An annual review will be conducted at the January Official Board meeting. As funds become available, they will be disbursed into each Pastor's account within 60 days of December 31<sup>st</sup> of the previous year's end.

The matching contribution is based on the following criteria:

[church name] will automatically contribute 8% of the salary/housing to the minister's retirement account.

All full-time Staff Pastors may contribute up to an additional 5% of their gross salary/housing pay to be eligible for matching funds from [church name]. As funds become available and as determined by the official board, this amount will be matched by [church name] at a rate of \$1.00 per \$1.00 contributed. A full-time staff pastor may contribute more than 5% of their gross salary/housing pay package; however, [church name] will not match beyond the 5% specified above.

Retirement Plan (adopted [date] by the official board)