



# ( FINANCIAL CHECKLIST )

*for new ministers or those moving to a new church*

*Daily life can be complicated, especially when you are a new minister. There are a lot of loose ends to tie up before you get to the true calling of your ministry. Below is a checklist you can use to help you take care of your financial needs and questions. This checklist is also helpful to an experienced minister moving to a new church.*

## Make sure you and your new church understand **ministers' tax issues.**

You and your new church need to know if you are a Minister for Tax Purposes. Then you will know how other important tax issues affect you. When we use “minister” in this brochure, we’re referring to someone who is a Minister for Tax Purposes. You’ll find more information about who is a minister for federal tax purposes and other tax issues affecting ministers in GuideStone’s *Ministerial Tax Issues*\* brochure.

Ministers for Tax Purposes usually have a dual tax status. They are considered employees for federal income tax purposes. However, they are always considered self-employed for Social Security purposes and must pay self-employment taxes (SECA) on their ministerial income. Other non-ministerial employees pay part of their Social Security (FICA) and the church

pays part of FICA. Churches cannot pay FICA for someone who is a minister for federal tax purposes. Churches must pay their share and withhold the employee’s share of FICA for non-ministerial employees except in rare cases where a church has exempted itself from making these payments. Churches cannot classify non-ministerial employees as self-employed to avoid paying FICA. Ministers may be eligible for a housing allowance. Refer to the *Ministerial Tax Issues*\* brochure.

Churches often have volunteer treasurers who are not familiar with special tax rules for churches and clergy. They will find helpful information about church reporting requirements in GuideStone’s annual *Ministers’ Tax Guide*\*.

## Evaluate how your church structures your **financial support.**

Does your new church want to pay you a certain amount each year and let you pay for your own medical coverage and other expenses? This package approach causes many ministers to pay more taxes and distorts the idea of your actual salary. The church should consider your salary separate from the cost of benefits and ministry-related expenses.

If you pay for your own medical coverage, you’re probably paying it with after-tax dollars. But if your

church pays it directly, it’s not counted as taxable income. The same is true for life insurance up to certain amounts. Don’t hesitate to discuss these issues with your church. The church may not know it can structure your compensation package to help you save on taxes.

You and your church will find more information in the *Compensation Planning Guide*\*.

## Take full advantage of the **housing allowance.**

To save on taxes, make sure your church properly designates a housing allowance. Your old church may have designated a housing allowance for you, but your new church should make a designation before they start paying you. Your housing expenses could change significantly with a move. Your new

church should designate your housing allowance in writing for the remainder of the year based on estimates you give the church. Then the church should designate your housing allowance in writing at the end of each calendar year for the new year.

Ministers who own their own homes may exclude from income the lowest of these three amounts for federal income tax purposes:

- The amount designated by the church
- Actual housing expenses (including mortgage payments, utilities, property taxes, insurance, furnishings, repairs and improvements)
- The annual fair rental value of the home (furnished, including utilities)

Ministers must include the value of their housing allowance (even if living in a parsonage) for SECA purposes, although they do not count it for federal income tax purposes.

For more information about the housing allowance, including limits for ministers who live in a parsonage or rent, see GuideStone's *Ministerial Tax Issues\** brochure.

## Make sure your church has an **accountable reimbursement plan**.

Many churches still give pastors allowances to pay for their ministry-related expenses. But pastors often have to pay taxes on the entire allowance. Your church needs an accountable reimbursement plan

for ministry-related expenses you incur for items such as books, conference fees and for using your car for ministry work.

## Evaluate your **life, medical and disability coverage**.

If you don't have life, medical or disability coverage, think about how you would pay for a hospital stay and how your family would cope financially if you died or became disabled. If you already have medical coverage through GuideStone®, find out how your coverage and rates may change if you move to another

area. Notify GuideStone of your new address so you or your employer get your bills in time to pay them for coverage to continue. Also notify GuideStone of any salary changes related to your move. Salary changes may affect the cost and benefits of life and disability coverage.

## Review your **retirement planning**.

Don't rely on Social Security alone to support you during retirement. At GuideStone, you can enroll in the 403(b)(9) Retirement Plan for Southern Baptist Churches. You can save taxes by making salary reduction contributions to your retirement account, and you may be eligible for additional valuable protection benefits if you participate in the plan. If you already contribute to a retirement account at GuideStone, think about contributing more, especially if you received a raise with your recent move. You can take advantage of GuideStone's free contribution limit calculation service by calling **1-888-98-GUIDE** (1-888-984-8433).

### ✓ **Save taxes while saving for retirement.**

Ministers do not pay SECA taxes on tax-sheltered contributions they make through a salary reduction agreement to the plan, although non-ministers must pay FICA on the same contributions. Contributions and any earnings are not subject to federal income tax until they are distributed. You may be eligible for a tax credit if you are a low- or middle-income taxpayer saving for retirement through an IRA, 403(b) or 401(k) plan. For more information on this potentially valuable tax credit, visit [GuideStone.org/TaxGuide](http://GuideStone.org/TaxGuide).

### ✓ **Consider protection benefits and matching contributions.**

GuideStone works with many state Baptist conventions to provide eligible participants two protection benefits. So while you invest to protect your future, these benefits protect you and your family today. You may receive both benefits if you make a \$50 monthly contribution to your account and meet the eligibility requirements of your state convention.

Visit [Guidestone.org/SBCCchurchBenefits](http://Guidestone.org/SBCCchurchBenefits) to find out if your state Baptist convention provides these protection benefits.

## **Protection Benefits**

### ✓ **Disability Income Benefit**

This benefit provides an income of up to \$500 per month if you become disabled — with the maximum payout lasting 60 months (five years). Additionally, \$35 is contributed to your retirement account each month of your disability. To be considered eligible, the disability must have occurred prior to age 65. You may contact GuideStone directly to request application forms or to discuss disability income payment options.

✓ **Survivor Protection Benefit**

This benefit is paid to your beneficiary if you die prior to retirement. The benefit amount depends upon a participant's age at death but can be as much as \$100,000. It is paid in addition to the accumulations in your retirement account.

✓ **Retirement matching contributions from your convention**

Your state Baptist convention may make a monthly contribution to your account if you meet eligibility requirements. If eligible, every \$3 you and/or your

employer contribute over \$52.50 each month could be matched by \$1 from your convention. The maximum convention contribution available is \$17.50 per month. To receive the maximum contribution from the state convention, eligible participants must contribute at least \$105 per month.

**Review your budget.**

Your move may have changed your financial picture significantly. You may have received a raise or moved to an area with a higher or lower cost of living than where you were before. If you don't have a budget, this is a good time to start one. If you have one, it's time to review it and make adjust-

ments. Don't forget your financial support to your church. Remember tithes and offerings when you plan your budget. Free budget courses or counseling or both may be offered in your area or even through your church.

**Do not opt out of Social Security.**

If you are just starting your ministry, do not opt out of Social Security. In very limited cases, ministers can opt out of Social Security by meeting strict IRS guidelines and filing *Form 4361, Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*.

Ministers are not allowed to opt out of Social Security because they think it's a bad investment. Under penalty of perjury, a minister must make certain representations to the IRS on *Form 4361*. When filing *Form 4361*, a minister must certify that he is opposed, on the basis of religious principles, to the

acceptance of public insurance, which includes payments for death, disability, retirement or medical care. Additionally, the minister must certify that he has informed his ordaining body of his opposition to accepting public insurance benefits on the basis of religious principles. Few, if any, Southern Baptist ministers can meet these requirements.

There is also a filing deadline. Three copies of this form must be filed by the due date of the tax return for the second year in which a minister had net earnings from self-employment of at least \$400, any part of which came from ministerial income. The IRS also has to approve the application.

This checklist summarizes some tax and financial issues, but does not cover all the details. Be sure and get additional information and see an accountant or an attorney for specific legal or tax advice.

\* If you have additional questions or need to order GuideStone materials, call 1-888-98-GUIDE (1-888-984-8433). Customer solutions specialists are available Monday through Friday, 7 a.m. to 6 p.m. CST. Information can also be found on the website at [GuideStone.org](http://GuideStone.org).