

Retirement Planning Tips for Pastors and Church Staff

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As church executives, it's our privilege and duty to recognize the value of staff members. Providing additional benefits — such as retirement savings plans and insurance (disability, life insurance and health) — can enhance your staff's loyalty and drive.

I also understand that tight budgets often make us unable to offer all these benefits.

You know that creating an attractive benefits package shows your staff that you care about them, in the here-and-now and in the future. You also know that a benefits package can reduce costly turnover and help retain employees — and recruit new ones. So, it begs the question: What's the best package your church can offer?



Making the case for retirement plans

In our current economy, retirement benefits are critical. Today, the average adult is living longer, and therefore needs to save more than ever for retirement. While not offering a retirement plan might seem like a quick fix to save money, it's really not.

For federal tax purposes, retirement plan contributions aren't considered income. This means that, unlike a cash salary, your staff receives all the money you contribute to their retirement account as compensation.

Your staff doesn't pay taxes on the invested amount — along with any investment growth — until the money is withdrawn during retirement.

And, if your plan is operated by a qualified church-based organization, your ordained staff continues to enjoy the benefits of the housing allowance.

You're onboard. Now what?

Once you've decided to offer a retirement savings plan — a 403(b) plan, for most churches — you'll have decisions to make about how to structure it. Will the church make a contribution based on a percentage of each employee's salary? Will it use a matching plan to encourage employees to save? There are many ways to structure a plan; a financial administrator can help you meet your specific objectives.

When researching your options, keep an open mind. Churches that are part of a denomination might have a denominational benefits plan that can provide for most of or all the benefits you choose to offer. Sometimes, these benefits are offered as a package; the savings can be substantial when you purchase the package compared to shopping for each benefit, separately, from multiple providers.

When shopping for benefits, also consider the complexity that managing them adds to your church staff or lay committees. Some key questions need to be answered:

- How many vendors do you want to work with?
- Will you have a single point of contact, or will a retirement plan require you to engage a third-party administrator to manage the plan and a separate company to provide and manage the investments?
- How complex is the process of enrolling and terminating employees in the plan?

At face value, a plan might offer excellent benefits at an affordable price. But, if it requires you to add the equivalent of a half-time position to manage them, you might be better off paying a little more to a provider that offers more management and depth of customer service.

Retirement plans are directly linked to the quality of people the church can attract, as well as to how long the staff stays with the church. And, while church salaries are often lower than comparable secular employment, offering a generous and comprehensive benefits package is a cost-effective way to bridge the gap and hire the best staff.

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