



# ***Why* and *How* to Start a Church Retirement Plan**

by *Gene Roncone* and *Darren Mullenix, CFP®*



# Why and How to Start a Church Retirement Plan

By Gene Roncone and Darren Mullenix, CFP®

[Download the most recent version of this paper here.](#)

The same God who was attentive to all the details of creating the universe (Genesis 1-2) and the meticulous planning of human redemption (John 3:16) was also deeply concerned about how His ministers planned for retirement. Knowing that retirement strategy does not happen by itself, the Lord instructed Moses to include a retirement plan in the Levitical law.

*<sup>23</sup>The Lord said to Moses, <sup>24</sup>“This applies to the Levites: Men twenty-five years old or more shall come to take part in the work at the tent of meeting, <sup>25</sup>but at the age of fifty, they must retire from their regular service and work no longer. <sup>26</sup>They may assist their brothers in performing their duties at the tent of meeting, but they themselves must not do the work. This, then, is how you are to assign the responsibilities of the Levites” (Numbers 8:23-26 NIV).*

Through thousands of years, the Holy Spirit has preserved this passage that speaks explicitly to the realities of aging, limitations in stamina, honor, mentoring, and ministerial retirement. However, the most profound truth from this narrative is how God codified this retirement plan in the Levitical law and created a requirement for the entire nation. We believe the church must still have a community-wide plan to facilitate God’s heart for retirement planning.

Starting a church retirement plan for ministers has roots in biblical history, opens doors of opportunity for pastors, and has many advantages for a church. It is not as complex as you may think and can be accomplished relatively quickly by following a few easy steps.

## Reasons to Start a Retirement Plan

Whether you are a lead pastor or a church board member, let us give you a few reasons why adopting a retirement plan is in the church’s best interest and a few practical steps to help you get there.

- 1. Providing a structured retirement plan is biblical.** In addition to the many scriptures advocating savings, there is a detailed account regarding how the nation was to provide a retirement plan for the priests who facilitated worship in the temple (Numbers 8:23). By instructing Moses to make this arrangement part of the nation’s Levitical law, God expected the whole community of faith to own this obligation. If providing a retirement plan for ministers was important enough to God to require and record in scripture, it should be important enough to be included on the agenda of church boards. A more detailed treatment of this passage can be accessed at [this link](#).
- 2. A structured retirement plan provides tax advantages for your pastor and staff.** Although ministers and church employees usually earn less than their counterparts in the secular world,

there are unique tax advantages that a 403(b) retirement plan can offset. These advantages to church employees include:

- The ability to make retirement plan contributions through nontaxable salary deductions in the tax year they are contributed.
- The ability to participate in a matching program the church may initiate in the future.
- The ability to benefit from interest earned from retirement savings that are tax-deferred until the time they are withdrawn from the account.
- The ability for pastors to have a portion of their retirement distributions shielded from taxes as a housing allowance, even after retirement.

However, to benefit from these advantages, the church must adopt a retirement plan even if they do not contribute to that plan as an employer. A church 403(b) plan is designed for the unique needs of a nonprofit church with a 501(c)(3) status. To maximize these advantages, your church board should ensure that the financial organization providing the plan understands the significant benefits of a church 403(b) retirement plan.

- 3. Providing a structured retirement plan allows your church to be more attractive to quality staff.** Offering a retirement plan and benefits is a powerful way to retain and keep quality staff. Spiritually effective and talented staff are more likely to make long-term commitments to the church when they see the church investing in their future. This facilitates the responsible stewardship of human capital, avoids costly and unexpected staff turnover, contributes to the church's health, and increases your growth potential and outreach into the community.
- 4. Providing a structured retirement plan invests in future senior leadership transitions.** A lead pastor may not always be able to work, save, or enjoy the financial blessings of a consistent income. There will come a time when age, health, or limited opportunities may prevent them from working in ministry or even on a secular job. Recognizing this reality was one of the reasons God instructed Moses to implement a retirement plan for the priests in the Old Testament (Numbers 8:23). Unfortunately, many pastors without retirement savings must continue in ministry long after their drive, health, and abilities can lead and grow a church. Providing for your pastor's retirement now will help you steward the future and give your pastor the opportunity to retire with dignity. Adopting a retirement plan now and making employer contributions are two ways to help facilitate smooth leadership transitions in the future.
- 5. Establishing a structured retirement plan is easier than you think.** While many church boards recognize the importance of adopting a retirement plan, they can be hesitant due to several misconceptions. Some churches believe their lack of financial resources prevents them from adopting a retirement plan. However, adopting a plan that allows your employees to contribute does not cost anything. Other churches mistakenly believe that offering retirement benefits would distract them from their spiritual mission. Nonetheless, taking care of ministers and helping them retire with freedom, peace, and dignity is a biblical mandate that can be embraced without compromising your mission. In fact, it can help you better achieve it. Smaller churches may even feel that adopting a retirement plan would require them to manage complexities they are unprepared to sustain. However, adopting a plan from a qualified

financial organization minimizes or eliminates those complexities. The church board only needs to approve the plan, and a retirement plan provider does the rest of the work. Another misconception is that retirement plans would require employees to accept a one-size-fits-all package that does not serve the unique needs of their employees. However, your plan provider can create customized solutions for your staff. Whether your church has thirty members with a bi-vocational pastor or three thousand with a large staff, adopting a retirement plan is easier than you think.

A 403(b) plan also meets the requirements for states (such as Colorado) that require an employer to provide a retirement plan for its employees.<sup>1</sup> This simplifies the paperwork process and ensures that churches can work with a provider who understands their mission and needs.

## Simple Steps to Take

Following are a few steps you can take to adopt a retirement plan.

- 1. Invite a plan provider to help assess your needs.** Inviting a retirement plan provider to one of your church board meetings will help you consider factors such as the age of your employees, the financial status of the church, and the various options for structuring employee and church contributions. This can even be done by phone or through a Zoom meeting. We recommend you deal with plan providers who are informed experts in clergy tax laws and the church 403(b) retirement plan. Here are a few helpful resources to assist you in navigating this step.
  - **Church Extension Plan** is a great place to start and has several qualified people who can help you. They can be reached at <https://www.cepnet.com>.
  - **Minister Retirement: Bringing Clarity to Retirement Planning** is a short paperback written for ministers and is available at [this link](#).
  - **Stewarding the Future: Church Boards and Pastoral Retirement** is a short paperback written for church boards and is available at [this link](#).
- 2. Evaluate your potential and beginning steps.** Discuss the church's current capacity and develop an entry-level plan for your staff's retirement needs. The 403(b) plan provides an excellent vehicle for pastors and their staff to take control of their retirement and set aside resources for future retirement needs. Contributions to their accounts are withdrawn pretax each payroll period and invested regularly. Annual contribution limits are higher than IRA accounts, allowing a larger amount to be set aside for the future.

There are flexible options for employer contributions including no contributions, fixed contribution amounts, and/or matching amounts. This means that the church can provide a vehicle for its staff to take charge of their own financial retirement; and when the circumstances change, the church can consider adding a fixed contribution, a matching percentage, or both. Consider the following steps as a plan to grow into capacity:

- **Level 1: Plan Availability.** If your church does not have the margin to make monthly contributions to your pastor's retirement fund, start a plan allowing your employees to contribute through payroll deductions.
- **Level 2: Senior Leadership Matching Plan.** If finances are limited, the church should start by providing a modest contribution to the lead pastor's 403(b) retirement fund before including other staff. Starting with a modest \$25-\$50 a month matching plan is recommended. This means the church would match a specific monthly amount the lead pastor requests to be deducted from their paycheck. For example, a \$50 matching fund would require the pastor to take a \$50-a-month deduction from their paycheck that the church would then match for a total monthly retirement contribution of \$100.
- **Level 3: All-Employee Matching Plan.** This level would consist of the same concept outlined in level 2 above but made available to other staff pastors and church employees.
- **Level 4: Growth Plan.** The church board sets a maximum goal and slowly increases the church's contribution by 2 percent of the pastor's salary each year as finances permit. One church board did this for five years until they could accommodate a 10 percent matching funds initiative.

3. **Approve a plan.** After consulting with a plan provider, have your church board officially adopt a plan. This can be done by customizing and adopting the resolution below.

<p style="text-align: center;"><b>[Church Name]</b></p> <p style="text-align: center;"><b>Resolution for the Adoption of a Church Retirement Plan</b></p> <p><b>Whereas</b>, the well-being of our clergy and staff is of paramount importance, and we recognize the need to assist in providing for their financial security in their retirement years; and,</p> <p><b>Whereas</b>, we acknowledge that a retirement plan is a tangible expression of our commitment to the well-being of those who dedicate their lives to serving our congregation and community; and,</p> <p><b>Whereas</b>, the board of directors considered a proposal to <u>adopt</u> a retirement program for the pastoral staff and employees of <u>[church name]</u>; and</p> <p><b>Whereas</b>, after review of various presentations on plan design and service provider options, the Board agreed to adopt the following resolution: be it,</p> <p><b>Resolved</b>, that the <u>[retirement plan name]</u> is hereby adopted, effective <u>[date]</u>; and, be it further,</p> <p><b>Resolved</b> that the board treasurer execute any legal documents necessary to adopt the plan as directed by official board motions.</p> <p>Adopted this [Date] day of [Month, Year].</p>
--

The resolution should be voted on and recorded in the board's official minutes. After the minutes are approved, they should be signed by the board officers and kept for future reference.

4. **Onboard your team.** Work with your plan provider to ensure they process the appropriate forms and walk your pastor (and staff) through the process. Two simple forms will need to be completed:
  - **Adoption Agreement.** This document outlines how the plan will function for your church. You will specify when staff members are eligible to enroll; whether there will be a contribution from the church; and, if so, indicate the contribution format—fixed amount, matching, etc. It should be completed after the board has approved a plan, documented the decision in meeting minutes, and the minutes signed by the board's recording secretary. A representative of your plan provider can help you if needed. The form for Church Extension Plan can be [downloaded here](#).
  - **Enrollment Agreement.** This agreement allows the staff member to designate how they would like their contributions invested. It should be signed by participating employees of the church. A representative of your plan provider can help you if needed. The form for Church Extension Plan can be [downloaded here](#).

Return the Plan Adoption Agreement and the Employee Enrollment Agreement(s) to your plan provider. You will want to confirm the process for submitting contributions with the plan provider.

5. **Develop a budget.** If you decide that the church will make employer contributions to the plan, create a budget that outlines the costs associated with implementing and maintaining the retirement plan. This should include any administrative costs from your payroll or accounting firm if that is managed externally, church fixed contributions, and potential employer matching funds. Ensure that the budget aligns with the financial capabilities of the church.
6. **Monitor and evaluate.** Monitor the performance and effectiveness of the retirement plan on an annual basis. Solicit feedback from participants, address any issues that may arise, and adjust as needed. Review the plan periodically to ensure it remains aligned with the evolving needs of your church community.

In conclusion, adopting a retirement plan can be done with minimal effort and will benefit the church whether they can contribute to it or not. Adopting a retirement plan is an important step towards embracing biblical stewardship principles, providing tax advantages for your employees, attracting future team members, and investing in senior leadership transitions. By following these steps, your church can adopt a retirement plan that not only supports the financial well-being of your pastor but also empowers them to one day retire with peace, freedom, and dignity.<sup>2</sup>

## End Notes

---

<sup>1</sup>According to <https://coloradosecuresavings.com/>, nearly 940,000 Colorado workers or more than 40percent of the Colorado private-sector workforce do not have a retirement savings plan offered at work. By law, all Colorado employers who have been in business for at least two years and have five or more employees but **do not offer a qualified retirement plan** are required by law to facilitate the **Colorado Secure Savings Program**. The CSSP mandates all employers (including churches and nonprofit organizations) with **five** or more employees to participate in the program unless they **already offer** a qualified **work-based** retirement savings plan such as a 401(k) or 403(b) plan. Churches with five or more employees that fail to participate will be assessed noncompliance penalties. Employers with five or more employees who fail to participate will be fined up to \$100 per eligible employee per year.

<sup>2</sup>The information and opinions in this article are a resource of the Rocky Mountain Ministry Network and not an official publication of a retirement plan provider or intended to be situational legal, accounting, or investing advice.