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# Clergy Finances Pointers for Pastors and Church Leaders October 10, 2012 Webinar



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# Clergy Finances

## Pointers for Pastors and Church Leaders

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# Clergy Finances

## Pointers for Pastors and Church Leaders

Focus of this presentation:

- Ministers' housing
- Retirement savings

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## Pointers for Pastors and Church Leaders

1. Parsonage exclusion: annual fair-rental value including utilities.
2. Parsonage allowance: designated in *advance* by the church council to be used for parsonage-related expenses not paid by the church. Such expenses can include:
  - Utilities
  - Repairs
  - Insurance
  - Furnishings



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## Pointers for Pastors and Church Leaders

### Housing allowance:

1. The actual cost of owning, maintaining, and furnishing the residence.
2. The Fair Rental Value of the residence.
3. The amount of housing allowance declared in *advance* by the church council.

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### Example:

1. A minister receives a base salary of \$45,000 and \$15,000 is provided for housing.
2. The minister projects the cost of owning and operating the home for a year to be \$22,000.
3. Total income is \$60,000.
4. The cost of owning and operating the home is 36.7% of income.
5. The church council should declare 40% of income as a housing allowance.



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### Pointers for Pastors and Church Leaders

Ask your financial advisor to consider the tax savings from a housing allowance before paying off the mortgage.

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Clergy housing in Canada is handled differently. The calculation is based on the lesser of:

- Fair rental value of the residence plus utilities, or
- One-third of income from qualified employment.



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Key things to remember if you are provided a parsonage:

- You still need to provide your own housing in retirement.
- If you are planning to own your home in retirement, you need to begin to save for the down payment now.

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## Pointers for Pastors and Church Leaders

A word of caution!

Real estate is not a risk free investment:

- Prices both rise and fall.
- Personal circumstances can change impacting the affordability of the house.



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Three legs of retirement income:

- Employer-provided income.
- Government-provided income.
- Self-provided income.



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When should an individual start a personal retirement savings program?

- As early as possible!



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### Emergency funds:

- Three month's income.
- Risk-free investment.
  - We define risk as the level of annual *volatility* of return of the portfolio.
  - Volatility is the actual return versus the historic expected return.

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## Pointers for Pastors and Church Leaders

How do I manage risk?

- Allocation of monies to various types of investments.
- Diversification of holdings within investment categories.
- Pay attention.
- Ask questions.



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Questions?



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## Pointers for Pastors and Church Leaders

Thank you.

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