

Healthy Church Budgets



A QuickGuide from the North Central District and Christian Investors Financial

Local church leaders often wonder if their church budget is healthy. They find themselves asking questions like *how does the way our church handles money compare to other churches?* or *are there guidelines for how much we should spend in areas like staff and missions?* or *does our budget reflect our values and mission?* This QuickGuide is intended to provide guidance on healthy church budgets, assisting church leaders to steward the resources God has entrusted to them as they seek to make a gospel-shaped difference in the church, community and world. It has been written in partnership with **Christian Investors Financial (christianinvestors.org)**, a financial services ministry of the Evangelical Free Church of America.

NCD and CIF's Top Five Suggestions for Healthy Church Budgets

- When planning your budget, you should prioritize biblical insight, joyful generosity and faith in the power of God (keeping things like self-preservation, anxiety and tradition in check).
- Healthy churches seek to steward both inward and outward priorities in their budget, reflecting the twin biblical principles of reaching the lost and shepherding the found. For most churches, it has become common to direct more money to inward priorities at the expense of outward ministry.
- It is wise for your church to plan on spending less money than you receive each year. Many church budgets simply plan to break-even every year. Budgeting for a positive bottom line (perhaps starting with 5% of your budget) will provide a significant lift for your ministry, allowing for growth, unexpected expenses and new opportunities. Put another way, *no margin=no mission*.
- When it comes to designated funds, we recommend a cautious approach. You should limit the number of designated funds you have at any one time. While they can be helpful for special projects, we often hear of church leaders who feel handcuffed by monies that are restricted to previous initiatives. The existence of these funds can also hinder new ministry opportunities.
- From time to time, it is helpful to start fresh on your church budget. Most churches base next year's budget on past spending and ministry patterns. This is understandable, but we recommend you consider doing a zero-based budget every 3-5 years to help get out of old ruts and reconsider how your spending reflects your current church values and ministry priorities.

Best Practices and Recommended Percentages

- Before preparing the budget, prayerfully collaborate to get a clear picture of where you have been as a church, who you are now, and where you are going in the future.
- Look outside your church for counsel and guidance. Many churches only look internally, failing to glean wisdom, learn from experts or hear the perspectives of others in similar

circumstances. There are excellent resources available that can provide guidance and timely help. We list some of our favorites at the end of this QuickGuide.

- We recommend salaries and benefits be about 50-60% of your overall annual budget.
- In general, mortgage payments should not be more than 25-30% of the total budget. In our experience, churches that exceed this guideline tend to get into financial trouble much more frequently.
- Healthy churches have cash reserves of 2-3 months of their expenses. This “rainy day fund” allows a cushion in case something unanticipated happens (either positive or negative).
- Keep careful track of funds that have been raised for designated purposes. Churches that co-mingle funds without keeping track of their purpose often get into financial trouble, spending funds that are for a specific purpose without even realizing it. Keep track of general, missions, building, benevolence, deferred maintenance and other funds separately.
- Most healthy churches target at least 10% of their budget to missions and outreach.
- Make sure facility and equipment maintenance are being funded properly. Your annual budget should designate funds for anticipated (and unanticipated) repairs and maintenance for things like roofs, furnaces, flooring, furniture, parking lots, etc.

Recommended Resources

- *HR for the Church* by Richard Dahl
- *Zondervan 2022 Church and Nonprofit Tax and Financial Guide* and *Zondervan 2022 Minister's Tax and Financial Guide*
- Church Law and Tax (churchlawandtax.com) and Church Salary (churchlawandtax.com/salary)
- The Evangelical Council for Financial Accountability (ECFA) offers ChurchExcel, a library of excellent guides and resources (ecfa.church/churchexcel.aspx).

Christian Investors Financial and the North Central District are always available to provide guidance, perspective and support as you seek to steward the resources God has entrusted to your congregation.

- CIF provides opportunities for investment of savings and rainy-day funds; ministry loans; and capital campaign consulting. If you have needs in these areas or are planning in any of these areas, contact us at www.christianinvestors.org or 800-995-8574.
- NCD and CIF leaders are available to answer questions or point you to “best practices” resources in these areas. If you have a question, reach out to us and ask for help!



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